

Metaldyne International (UK) Limited

Annual report and financial statements

for the year ended 31 December 2016

Registered number: 03384705



Metaldyne International (UK) Limited

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Metaldyne International (UK) Limited

Strategic report (continued)

Principal activities

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

Review of the business

The company continues to operate profitably with sales in 2016 at the same levels as 2015. The operating profit at 2016 was £3.6m v £0.5m for 2015. The improvement in the profit margin was largely due to the movement in transactional currency gains totalling £1.4m and further operating efficiencies.

Additionally as the business predominately exports in foreign currency the business experiences the gains from exchange from the weakening of the British pound.

The comparative results have been restated to reflect the correction of the presentation of Trade Debtors with a corresponding liability in Creditors. This has been corrected resulting in no impact on net assets and the result for the prior year. All figures quoted in these financial statements reflect the restated positions.

Key performance indicators

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

	31 December 2016	31 December 2015	Measure
Financial			
Return on capital	26.3%	2.4%	Profit before tax/ assets less current liabilities
Current ratio	2.4	2.4	Current assets: current liabilities
Stock turnover	9.4	10.2	Turnover/stock
Days debtors	67.0	66.3	Trade debtors/average turnover
Days creditors	61.3	48.8	Trade creditors/average turnover
Sales per employee (£000)	282.4	268.2	Turnover/average number of employees

Return on capital: Profit before tax has increased by £3,112k from £305k to £3,417k. This increase has been driven by favourable foreign currency exchange. Material cost savings and labour efficiencies reduced cost of sales by a further £839k.

Days creditors: Whilst turnover has remained flat year on year, trade creditors at 31 December 2016 have increased £984k. This in part due to the movement in exchange rates and the purchase of capital items in late 2016.

Sales per employee: Although sales have remained constant, labour efficiencies have reduced the total headcount by 5 people from 106 in 2015 to 101 in 2016.

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 2016 of £2,274,000 (£1,887,420 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.

Metaldyne International (UK) Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 17. The funding of the pension liabilities at 31 December 2016 was 76% by equities and 24% in bonds. The defined benefit scheme was closed to future accruals on 30 June 2010.

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.



29th September 2017

Keith Eagle
Director

131 Parkinson Lane
Halifax
West Yorkshire
HX1 3RD

Metaldyne International (UK) Limited

Directors' report

The directors present their annual report on the affairs of Metaldyne International (UK) Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 December 2016.

Research and development

The company is entitled to claim R&D tax relief as Metaldyne specialises in developing viscous damper components that are critical to the overall performance in new passenger vehicle programmes. In 2016 there were fourteen R&D projects that were eligible for the purposes of R&D tax relief claim.

Directors

The directors, who served throughout the year except as noted, were as follows:

Yves J R Gerard

Keith Eagle

Mark P Blaufuss (Resigned 06/04/2017)

GOING CONCERN

In determining whether the company's 2016 financial statements 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, American Axle & Manufacturing Holdings, Inc, 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.

PRINCIPAL RISKS AND UNCERTAINTIES, FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT

Principal Risks and Uncertainties, Financial Risk Management Policy and Future Developments are included within the Strategic Report.

Auditor

Each of the persons who are 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.

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder/s have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

Deloitte LLP have been deemed re-appointed under section 487 of the 2006 Act.

Approved by the board and signed on its behalf by:

Keith Eagle

Director

131 Parkinson Lane

Halifax, West Yorkshire, HX1 3RD

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METALDYNE INTERNATIONAL (UK) LIMITED

We have audited the financial statements of Metaldyne International (UK) Limited for the year ended 31 December 2016 which comprise Profit and Loss Account, the Balance Sheet, and 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 (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 and the Directors' Report.

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

Matters on which we are required to report by exception

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

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



David Johnson B.A., F.C.A. (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

1 City Square

Leeds

LS1 2AL

29th September 2017

Metaldyne International (UK) Ltd

Profit and loss account

For The Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	2	28,519,725	28,429,915
Cost of sales		(22,173,102)	(23,736,292)
Gross profit		6,346,623	4,693,623
Distribution costs		(190,811)	(268,762)
Administrative expenses		(2,547,167)	(3,925,230)
Operating profit		3,608,645	499,631
Finance costs (net)	3	(191,987)	(194,820)
Profit on ordinary activities before taxation	4	3,416,658	304,811
Tax on profit on ordinary activities	8	(707,830)	(93,437)
Profit for the financial year attributable to the equity shareholders of the Company		<u>2,708,828</u>	<u>211,377</u>

Statement of comprehensive income

For The Year Ended 31 December 2016

	2016 £	2015 £
Profit for the financial year	<u>2,708,828</u>	<u>211,377</u>
Remeasurement of net defined benefit liability	(2,307,000)	(4,000)
Tax relating to components of other comprehensive income	392,190	720
Other comprehensive income	<u>(1,914,810)</u>	<u>(3,280)</u>
Total comprehensive income attributable to equity shareholders of the Company	<u>794,018</u>	<u>208,097</u>

Items of comprehensive income/expenditure will not subsequently be recycled into the income statement.

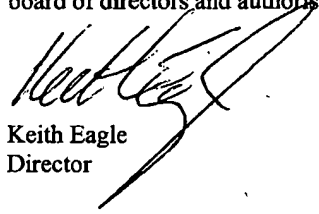
Metaldyne International (UK) Ltd

Balance sheet

For The Year Ended 31 December 2016

	Note	2016 £	Restated 2015 £
Fixed assets			
Intangible assets	9	161,619	322,959
Tangible assets	10	4,389,358	4,438,963
		<u>4,550,977</u>	<u>4,761,922</u>
Current assets			
Stocks	11	3,042,393	2,789,450
Debtors	12	16,313,081	12,724,700
Cash at bank and in hand		<u>2,423,211</u>	<u>1,506,108</u>
		26,329,662	21,782,180
Creditors: amounts falling due within one year	13	<u>(10,958,989)</u>	<u>(9,046,504)</u>
Net current assets		<u>10,819,696</u>	<u>7,973,754</u>
Total assets less current liabilities		<u>15,370,673</u>	<u>12,735,676</u>
Creditors: amounts falling due after more than one year (Pension Liability)	17	(2,274,000)	(395,000)
Provisions for liabilities	14	<u>(124,000)</u>	<u>(158,071)</u>
Net assets		<u>12,972,673</u>	<u>12,182,605</u>
Capital and reserves			
Called-up share capital	15	6,662,787	6,662,787
Share premium account		999,205	999,205
Profit and loss account		<u>5,310,681</u>	<u>4,520,613</u>
Shareholders' funds		<u>12,972,673</u>	<u>12,182,605</u>

The financial statements of Metaldyne International (UK) Ltd (registered number 03384705) were approved by the board of directors and authorised for issue on 29th September 2017. They were signed on its behalf by:


Keith Eagle
Director

Metaldyne International (UK) Ltd

Statement of changes in equity For The Year Ended 31 December 2016

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

	Called- up share capital £	Share premium account £	Profit & loss account £	Total shareholder's equity £
Balance at January 2016	6,662,787	999,205	4,520,613	12,182,605
Total Comprehensive income for period	-	-	2,708,828	2,708,828
Profit or Loss	-	-	2,708,828	2,708,828
Other comprehensive loss	-	-	(1,914,810)	(1,914,810)
Total Comprehensive income for the period	-	-	794,018	794,018
Deferred tax timing differences	-	-	(3,950)	(3,950)
Balance at 31 December 2016	<u>6,662,787</u>	<u>999,205</u>	<u>5,310,681</u>	<u>12,972,673</u>

Metaldyne International (UK) Ltd

Notes to the financial statements (continued)

For The Year Ended 31 December 2016

1. Accounting policies

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

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

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 which is also the functional currency of the Company.

As the consolidated financial statements of American Axle & Manufacturing Holdings, Inc 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 Company's Ultimate parent undertaking, includes the Company in its consolidated financial statements. The consolidated financial statements of American Axle & Manufacturing Holdings Inc. 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:

Cash Flow Statement and related notes; and

Key Management Personnel compensation.

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Prior year restatement

The comparative results have been restated to reflect the correction of the presentation of Trade Debtors with a corresponding liability in Creditors. This has been corrected resulting in no impact on net assets and the result for the prior year. All figures quoted in these financial statements reflect the restated positions.

Going concern

In determining whether the company's 2016 financial statements 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, American Axle & Manufacturing Holdings, Inc, 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.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

1. Accounting policies (continued)

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.

Debt factoring arrangements

Trade debts sold to a debt factor under a recourse financing arrangement are recorded within trade debtors with the balance due to the factor shown within creditors. Payments in transit to the debt factoring company are recognised as a reduction in the amounts owed to the debt factoring company equivalent to the proportion factored, with the remaining proportion recognised as amounts owed by the debt factoring company/business under the terms of the agreement.

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:

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

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

1. Accounting policies (continued)

Tangible fixed assets (continued)

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.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued)

For The Year Ended 31 December 2016.

1. Accounting policies (continued)

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.

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.

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.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued)

For The Year Ended 31 December 2016

1. Accounting policies (continued)

Employee benefits

Defined Contribution Scheme in Accounting Policies

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contribution 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.

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 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.

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.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) **For The Year Ended 31 December 2016**

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.

Revenue recognition

Typically revenues are considered to have been earned when Metaldyne has produced the goods and has delivered the goods to its customer. Revenue generally is not recognised until an exchange has taken place, which is usually evidenced through the physical delivery of a product from Metaldyne to the customer and the title and risk and rewards of ownership have transferred to the customer.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued)

For The Year Ended 31 December 2016

1. Accounting policies (continued)

Revenue recognition (continued)

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Critical Accounting Judgements and Key Source of estimation uncertainty

There are no critical accounting judgements or key sources of estimation uncertainty for the Company.

2. Turnover and revenue

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

	2016 £	2015 £
Turnover:		
Geographical market Europe	21,417,700	19,396,900
Geographical market USA	4,700,600	6,116,400
Geographical market Asia	2,340,200	2,883,600
Geographical market Other	61,225	33,015
	<u>28,519,725</u>	<u>28,429,915</u>

An analysis of the Company's revenue is as follows:

	2016 £	2015 £
Sale of goods	28,519,725	28,429,915
Royalties	3,400	5,856
Turnover	<u>28,523,125</u>	<u>28,435,771</u>
Total revenue	<u>28,523,125</u>	<u>28,435,771</u>

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

3. Finance costs (net)

	2016 £	2015 £
Factoring charges	(119,251)	(118,323)
Bank charges	(19,564)	(18,163)
Interest expense	(59,400)	(75,456)
Other finance income and expense	(937)	5,856
	<u>(199,152)</u>	<u>(206,086)</u>

Investment income

	2016 £	2015 £
Bank Interest	15,039	30,293
	<u>15,039</u>	<u>30,293</u>

Interest payable and similar charges

	2016 £	2015 £
Pension scheme income and expense	(7,000)	(22,000)
	<u>(7,000)</u>	<u>(22,000)</u>
Net exchange loss on foreign currency borrowings less deposits	(874)	2,973
	<u>(191,987)</u>	<u>(194,820)</u>

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets (note 10)	947,932	1,007,428
Amortisation of intangible assets (note 9)	161,340	161,340
Research and development	81,957	71,476
Operating lease rentals	41,645	41,499
Foreign exchange loss (gain)	(1,105,291)	432,813
Cost of stock recognised as an expense	-	11,373
(Gain)/loss on disposal of fixed assets	4,337	-
	<u>4,337</u>	<u>-</u>

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

5. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements were £25,315. (2015: £19,000).

6. Staff numbers and costs

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

	2016 Number	2015 Number
Production	68	73
Administration	33	33
	<u>101</u>	<u>106</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,318,022	3,426,721
Social security costs	309,577	305,871
Other pension costs	134,689	127,251
	<u>3,762,288</u>	<u>3,859,843</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

7. Directors' remuneration and transactions

	2016 £'000	2015 £'000
Directors' remuneration		
Emoluments	<u>165</u>	<u>-</u>
	<u>165</u>	<u>-</u>
	<u>2016 Number</u>	<u>2015 Number</u>
The number of directors who:		
Are members of a defined benefit pension scheme	<u>3</u>	<u>2</u>
	<u>2016 £</u>	<u>2015 £</u>
Remuneration of the highest paid director:		
Emoluments	<u>13</u>	<u>-</u>
Company contributions to defined benefit pension schemes	<u>-</u>	<u>-</u>

The director did not exercise any share options in the year. No UK Directors emoluments were paid in 2015.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

8. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £	2015 £
Current tax on profit on ordinary activities		
UK corporation tax	637,935	(24,131)
	<u>637,935</u>	<u>(24,131)</u>
Adjustments in respect of prior years		
UK corporation tax	31,206	27,266
	<u>31,206</u>	<u>27,266</u>
Total current tax	669,141	3,135
Deferred tax		
Origination and reversal of timing differences	58,725	86,971
Adjustments in respect of prior periods	(20,036)	3,331
	<u>38,689</u>	<u>90,302</u>
Total deferred tax	38,689	90,302
Total tax on profit on ordinary activities	707,830	93,437

The standard rate of tax applied to reported profit on ordinary activities is 20.25 per cent (2015: 21.0 per cent). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

There is no expiry date on timing differences, unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £	2015 £
Profit on ordinary activities before tax	3,416,658	304,814
	<u>683,332</u>	<u>61,725</u>
Tax on profit on ordinary activities at standard UK- corporation tax rate of 20.25 per cent (2015: 21 per cent)		
Effects of:		
- Expenses not deductible for tax purposes	33,076	44,431
- Other Timing Differences	-	(32)
- Rate Change	(19,748)	(39,057)
- Adjustments to tax charge in respect of previous periods	11,170	26,370
	<u>707,830</u>	<u>93,437</u>
Total tax charge for period	707,830	93,437

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

9. Intangible fixed assets (Goodwill)

	2016 £	2015 £
At 1 January	3,013,575	3,013,575
Amortisation		
At 1 January 2016	2,690,616	2,529,276
Charge for the year	161,340	161,340
As at 31 December	2,851,956	2,690,616
Net book value		
At 31 December	161,619	322,959

10. Tangible fixed assets

	Freehold Land and Buildings £	Plant and machinery £	assets in the course of construction £	Total £
Cost				
At 1 January 2016	946,458	12,395,310	362,751	13,704,519
Additions	35,623	(249,785)	1,116,826	902,664
Disposals	-	(1,189,314)	-	(1,189,314)
Transfers	95,785	266,966	(362,751)	-
At 31 December 2016	1,077,866	11,223,177	1,116,826	13,417,869
Depreciation				
At 1 January 2016	579,742	8,685,814	-	9,265,556
Charge for the year	63,330	884,602	-	947,932
Disposals	-	(1,184,977)	-	(1,184,977)
At 31 December 2016	643,072	8,385,439	-	9,028,511
Net book value				
At 31 December 2016	434,794	2,837,738	1,116,826	4,389,358
At 31 December 2015	366,716	3,709,496	362,751	4,438,963

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

11. Stocks

	2016 £	2015 £
Raw materials and consumables	1,677,234	1,627,043
Work in progress	651,414	438,860
Finished goods and goods for resale	713,745	723,547
	<u>3,042,393</u>	<u>2,789,450</u>

12. Debtors

	2016 £	Restated 2015 £
Amounts falling due within one year:		
Trade debtors	5,232,219	5,166,898
Amounts owed by fellow group companies – Trade	284,257	143,636
Amounts owed by fellow group companies	9,945,924	6,791,375
Other debtors	289,055	257,693
Prepayments and accrued income	175,046	187,022
Corporation Tax Refundable	-	106,976
Deferred tax asset (Note 14)	386,580	71,100
	<u>16,313,081</u>	<u>12,724,700</u>

Trade Debtors has been factored under a non-recourse debt factoring agreement with HSBC Invoice Finance (UK) Limited.

13. Creditors: amounts falling due within one year

	2016 £	Restated 2015 £
Amount owed to recourse debt factor	4,170,714	3,792,715
Trade creditors	4,786,625	3,802,922
Amounts owed to fellow group companies	1,177,783	743,391
Corporation tax	185,451	-
Other taxation and social security	83,639	82,065
Other creditors	197,650	367,469
Accruals and deferred income	357,127	257,942
	<u>10,958,989</u>	<u>9,046,504</u>

Intercompany Trade Debtors and Creditors are payable within 10 Days following month of Invoice all other balances owed to/by Group undertakings have no fixed repayment date.

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

14. Provisions for liabilities

	Deferred taxation £
At 1 January 2016	158,071
Movement in period	(34,071)
At 31 December 2016	<u>124,000</u>

Total deferred tax is recognised as follows:

	2016 £	2015 £
Accelerated capital allowances	125,893	160,115
Defined benefit pension scheme (Note 12)	(386,580)	(71,100)
Other timing differences	(1,893)	(2,044)
Net deferred tax	<u>(262,580)</u>	<u>86,971</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

15. Called-up share capital and reserves

	2016 £	2015 £
Allotted, called-up and fully-paid 6,662,787 ordinary shares of £1 each	<u>6,662,787</u>	<u>6,662,787</u>

16. Financial commitments

Capital commitments are as follows:

	2016 £	2015 £
Contracted for but not provided for	721,886	74,061
	<u>721,886</u>	<u>74,061</u>

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

16. Financial Commitments (continued)

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

	2016 £	2015 £
- within one year	40,698	42,503
- between one and five years	78,691	119,979
- after five years	-	-
	<u>119,389</u>	<u>162,482</u>

17. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees of Metaldyne International (UK) Ltd. The total expense charged to profit or loss in the period ended 31 December 2016 was £134,689 (2015: £127,251).

Defined benefit schemes

The Company operates a defined benefit pension scheme which is subject to triennial valuations. The last full valuation was carried out on 31 December 2016. The latest full valuation was adopted for FRS102 purposes to 31 December 2016 by a qualified independent actuary.

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

The company has made contributions of £435,000 (2015: £435,000) during the year to the pensions scheme in line with a deficit reduction plan.

Net pension liability

	2016 £000	2015 £000
Plan assets	19,849	17,459
Defined benefit obligation	(22,123)	(17,854)
Net pension liability	<u>(2,274)</u>	<u>(395)</u>

Movements in fair value of plan assets

	2016 £000	2015 £000
At beginning of year	17,459	17,559
Expected return on plan assets-Interest Income	669	640
Actuarial gains/(losses)	1,861	(594)
Contributions by employer	435	435
Benefits paid	(575)	(581)
At end of year	<u>19,849</u>	<u>17,459</u>

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) For The Year Ended 31 December 2016

17. Employee benefits (continued)

Movements in present value of defined benefit obligation

	2016 £000	2015 £000
At beginning of year	17,854	18,363
Interest cost	676	662
Actuarial losses	4,168	(590)
Benefits paid	(575)	(581)
At end of year	22,123	17,854

Expense recognised in the profit and loss account

	2016 £'000	2015 £'000
Interest on defined benefit pension plan obligation	676	662
Expected return on defined benefit pension plan assets	(669)	(640)
Total	7	22

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

	Expected long-term return on assets	2016 Value £000	2015 Value £000
Cash	0.25%	166	126
APS Matching Fund	2.60%	4,633	2,910
Diversified Growth	4.85%	15,050	14,423
Total market value of assets		19,849	17,459

The valuation at 31 December 2015 has been updated by the actuary on an FRS102 basis as at 31 December 2016. The main assumptions used in this valuation were as follows:

	2016	2015
Discount rate	2.70%	3.85%
Inflation rate	3.30%	3.15%
Pensions increase	3.15%	3.0%
Expected return on plan assets	N/A	N/A
Salary increases	N/A	N/A

Metaldyne International (UK) Ltd

Notes to the financial statements (continued) **For The Year Ended 31 December 2016**

17. Employee benefits (continued)

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 £22,123k, 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: 21.7 years (male), 23.8 years (female).

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. Contingent liabilities

The company has none at year end.

20. Prior Period Adjustment

In line with FRS 102 and based on terms and conditions of Debt Factoring agreement with HSBC, the management reassessed the presentation of Debtors in financial statements and considered changing presentation of Trade Debtors as Gross with corresponding liability instead of presenting it as Net in prior year.

Based on above, prior period adjustment has been made to present Trade Debtors on gross basis resulting in restating Trade Debtors to £5,166,898 from £1,374,183 with a corresponding current liability 'Amount owed to recourse debt factor' of £3,792,715 from Nil. There is no change in net current assets or net assets due to the restatement of Trade Debtors on gross basis.

21. Ultimate Parent Undertaking

The immediate parent undertaking of the Company is Metaldyne GmbH, a company registered in Germany. Its registration address is Buchenwaldstr. 2, 77736 Zell a.H., Deutschland and its registration number is HRB 480404

Consolidated financial statements are prepared by the Company's Ultimate parent company is American Axle & Manufacturing Holdings, Inc which is registered in U.S.A. Its registered office address is One Dauch Drive, Detroit, Michigan and the registration number is 0001062231. These are the smallest and largest Group into which these financial statements are consolidated.