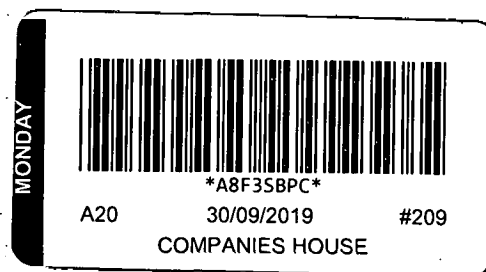


Registered number: 03384705

Metaldyne International (UK) Limited

Annual report and financial statements

for the year ended 31 December 2018



Metaldyne International (UK) Limited

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Metaldyne International (UK) Limited

Strategic report

The directors present their strategic report on the affairs of Metaldyne International (UK) Limited ('the Company') for the year ended 31 December 2018.

Principal activities

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

Review of the business

2018 proved a difficult trading year as margins were impacted by both material price increases and product mix. Increases in sales from the previous year of £2.3m were offset with £3.2m higher material costs. This combined with both higher manning costs and significant product development costs resulted in a fall in gross profit from 22.4% to 18.4%.

Net assets moved from £16.4m to £18.0m in 2018 primarily due to the profit for the year.

The company has invested £5.7m in tangible fixed assets during the past two years to ensure the company can satisfy the forecast demand from large OEM contracts won by the business.

The capital investments have proved extremely challenging however the introduction of In-House painting will provide the business with greater flexibility in the future. There has also been investment in people and training with costs of £1.5m absorbed in the year, which should provide the business with a stronger platform for the future.

Key performance indicators

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

	31 December 2018	31 December 2017	Measure
Financial			
Return on capital	8.3%	25.8%	Profit before tax/ net assets
Current ratio	1.8	2.2	Current assets/ current liabilities
Stock turnover	7.4	12.5	Turnover/stock
Days debtors	94.5	66.6	Trade debtors/average turnover
Days creditors	56.5	39.9	Trade creditors/average turnover
Sales per employee (£000)	270.7	326.9	Turnover/average number of employees

Return on capital: Profit before tax has decreased by £2.7m from 2017. This decrease is a result of higher material and labour costs.

Current ratio: Current ratio has declined due to higher stock purchases towards the end of the year in anticipation of Brexit.

Stock turnover: In anticipation of Brexit the company has increased its levels of stock as a precaution against potential border issues.

Day's debtors: £3.1m payment received 31st January from customer. Excluding this item debtor days are 62.9, a reduction year on year.

Day's creditors: A planned increase in stocks pre- Brexit is the main reason for the increase in creditor days year on year.

Sales per employee: Although sales increased year on year by £2.3m the increase in manning levels caused a decrease in sales per employee of 17% compared to the 2017 levels.

Metaldyne International (UK) Limited

Strategic report

Key performance indicators (continued)

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

In line with Financial Reporting Standard 102 Section 28, the pension liability net of deferred tax at 31 December 2018 of £1,441,000 (£1,869,000) has been included in the financial statements.

Principal risks and uncertainties

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

Brexit: During the year the business has increased inventory by £2.1m to ensure no border issues with regards to procuring key components for manufacture and building a finished goods stock to enable customer supplies. Until there is a resolution then this will continue to impact the business as well as the risks of potential tariffs on ongoing profitability.

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 17. The funding of the pension liabilities at 31 December 2018 was 68% invested in growth assets and 28% in liability driven investments (LDI). 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.

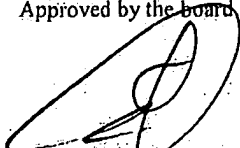
Environment: Consent limits have been met; neighbour complaints have been at a minimum and all have been addressed; new methods of achieving greater environmental effectiveness are continually being examined.

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.

Metaldyne International (UK) Limited

Strategic report

Approved by the board and signed on its behalf by:



30 September 2019

Yves J R Gerard
Director

Metaldyne International (UK) Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2018. In accordance with s414C(ii) of the Companies Act 2006 the Company has elected to present certain items in the Strategic report, including the review of business, key performance indicators, principal risks and uncertainties, financial risk management policy and future developments.

Dividends

No dividends were paid during the year (2017: £nil). The directors recommended a final dividend of £3.0m to be paid in 2019.

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 2018 there were several R&D projects that were eligible for the purposes of R&D tax relief claim.

Directors

The directors, who served throughout the year and up to the date of this report except as noted, were as follows:

Yves J R Gerard

Keith Eagle (resigned 31/05/2019)

Going concern

In determining whether the Company's 2018 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.

Auditor

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

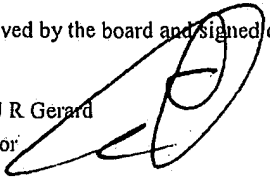
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

Yves J R Gerard
Director



30 September 2019

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

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Metaldyne International (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 20.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

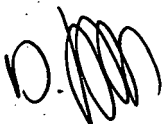
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

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

Use of our report

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



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
30 September 2019

Metaldyne International (UK) Limited

Profit and loss account

For The Year Ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Turnover	2	36,279	33,995
Cost of sales		(29,617)	(26,393)
Gross profit		6,662	7,602
Distribution costs		(546)	(275)
Administrative expenses		(4,130)	(2,775)
Operating profit		1,986	4,552
Finance costs (net)	3	(495)	(325)
Profit before taxation	4	1,491	4,227
Tax on profit	8	260	(857)
Profit for the financial year attributable to the equity shareholders of the Company		1,751	3,370

Statement of comprehensive income

For The Year Ended 31 December 2018

	2018 £'000s	2017 £'000s
Profit for the financial year	1,751	3,370
Remeasurement of net defined benefit liability	(97)	31
Tax relating to components of other comprehensive (expense)/income	16	(5)
Other comprehensive (expense)/income	(81)	26
Total comprehensive income attributable to equity shareholders of the Company	1,670	3,396

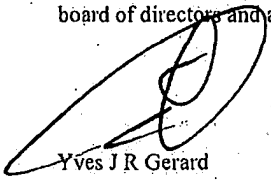
Metaldyne International (UK) Limited

Balance sheet

As at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	7,374	5,216
		<u>7,374</u>	<u>5,216</u>
Current assets			
Stocks	11	4,873	2,728
Debtors	12	19,415	16,461
Cash at bank and in hand		3,233	4,900
		<u>27,521</u>	<u>24,089</u>
Creditors: amounts falling due within one year	13	<u>(15,179)</u>	<u>(10,916)</u>
Net current assets		<u>12,342</u>	<u>13,173</u>
Total assets less current liabilities		<u>19,716</u>	<u>18,389</u>
Pension liability	17	(1,441)	(1,869)
Provisions for liabilities	14	(236)	(151)
Net assets		<u>18,039</u>	<u>16,369</u>
Capital and reserves			
Called-up share capital	15	6,663	6,663
Share premium account		999	999
Profit and loss account		10,377	8,707
Shareholders' funds		<u>18,039</u>	<u>16,369</u>

The financial statements of Metaldyne International (UK) Ltd (registered number 03384705) were approved by the board of directors and authorised for issue on 30 September 2019. They were signed on its behalf by:


Yves J R Gerard
Director

Metaldyne International (UK) Ltd

Statement of changes in equity For The Year Ended 31 December 2018

	Called-up share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total shareholder's equity £'000s
Balance at 1 January 2017	6,663	999	5,311	12,973
Profit for the financial year	-	-	3,370	3,370
Other comprehensive income	-	-	26	26
Total comprehensive income for the year	-	-	3,396	3,396
Balance at 31 December 2017	6,663	999	8,707	16,369

	Called-up share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total shareholder's equity £'000s
Balance at 1 January 2018	6,663	999	8,707	16,369
Profit for the financial year	-	-	1,751	1,751
Other comprehensive expense	-	-	(81)	(81)
Total comprehensive income for the year	-	-	1,670	1,670
Balance at 31 December 2018	6,663	999	10,377	18,039

Metaldyne International (UK) Limited

Notes to the financial statements

For The Year Ended 31 December 2018

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 incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is 131 Parkinson Lane, Halifax, West Yorkshire, HX1 3RD.

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 from the registered office as stated in note 20. 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;
- Financial instruments; 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.

Going concern

In determining whether the company's 2018 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) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

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. Land and assets in the course of construction are 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) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

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

Research and development expenditure is charged to the profit and loss account in the period in which it is 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) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

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) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

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.

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.

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.

Metaldyne International (UK) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

1. Accounting policies (continued)

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.

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

In the application of the Company accounting policies which are described above, the directors are required to make judgements (other than those involving estimations) that have significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no significant critical accounting judgements or key source of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

2. Turnover and revenue

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

	2018 £'000s	2017 £'000s
Turnover:		
Europe	24,453	23,433
USA	6,385	6,229
Asia	4,196	3,590
Other	1,245	743
	<u>36,279</u>	<u>33,995</u>

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

	2018 £'000s	2017 £'000s
Sale of goods	36,279	33,995
Royalties	2	4
Total revenue	<u>36,281</u>	<u>33,999</u>

3. Finance costs (net)

	2018 £'000s	2017 £'000s
Factoring charges	140	135
Bank charges	29	30
Interest expense	108	76
Bank interest	72	22
Net interest on defined benefit liability	146	62
	<u>495</u>	<u>325</u>

4. Profit before taxation

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

	2018 £'000s	2017 £'000s
Depreciation of tangible fixed assets (note 10)	1,201	953
Amortisation of intangible assets (note 9)	-	162
Research and development	78	88
Operating lease rentals	74	42
Foreign exchange loss / (gain)	172	(875)
Cost of stock recognised as an expense	21,365	19,300
Loss on disposal of fixed assets	8	-
	<u></u>	<u></u>

Metaldyne International (UK) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

5. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements were £26,725. (2017: £25,820).

6. Staff numbers and costs

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

	2018 Number	2017 Number
Production	98	70
Administration	36	34
	<u>134</u>	<u>104</u>

Their aggregate remuneration comprised:

	2018 £'000s	2017 £'000s
Wages and salaries	4,710	3,695
Social security costs	384	329
Other pension costs	152	140
	<u>5,246</u>	<u>4,164</u>

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

7. Directors' remuneration and transactions

	2018 £'000s	2017 £'000s
Directors' remuneration		
Emoluments	210	172
	<u>210</u>	<u>172</u>
	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

Only one director was remunerated for services provided to the company in the year (2017: same). The other director is remunerated by another group company and it is not practical to make an apportionment of costs between companies (2017: same).

The directors did not exercise any share options in the current or previous year.

Metaldyne International (UK) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

8. Tax on profit

The tax (credit)/charge comprises:

	2018 £'000s	2017 £'000s
Current tax on profit		
UK Corporation tax	126	756
Adjustment in respect of prior years	(560)	11
Total current tax	<u>(434)</u>	<u>767</u>
Deferred tax		
Origination and reversal of timing differences	141	81
Adjustments in respect of prior periods	33	9
Total deferred tax	<u>174</u>	<u>90</u>
Total tax on profit	<u>(260)</u>	<u>857</u>

The average standard rate of tax applied to reported profit is 19.00 per cent (2017: 19.25 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 (credit)/charge shown above and the amount calculated by applying the average standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £'000s	2017 £'000s
Profit before tax	<u>1,491</u>	<u>4,227</u>
Tax on profit at average standard UK corporation tax rate of 19.00 per cent (2017: 19.25 per cent)	283	814
Effects of:		
- Expenses not deductible for tax purposes	1	34
- Prior year adjustment – current tax	(560)	-
- Rate change	(17)	(11)
- Prior year adjustment – deferred tax	33	20
Total tax (credit)/charge for year	<u>(260)</u>	<u>857</u>

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2018 and at 31 December 2018	3,014
Amortisation	
At 1 January 2018 and at 31 December 2018	3,014
Net book value	
At 1 January 2018 and at 31 December 2018	-

10. Tangible fixed assets

	Freehold land and buildings £'000s	Plant and machinery £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 January 2018 (Land £125,000)	1,251	12,609	1,327	15,187
Additions	10	604	2,755	3,369
Disposals	-	(514)	-	(514)
Transfers	6	1,321	(1,327)	-
At 31 December 2018	1,267	14,020	2,755	18,042
Depreciation				
At 1 January 2018	721	9,252	-	9,973
Charge for the year	65	1,136	-	1,201
Disposals	-	(506)	-	(506)
At 31 December 2018	786	9,882	-	10,668
Net book value				
At 31 December 2018	481	4,138	2,755	7,374
At 31 December 2017	531	3,358	1,327	5,216

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

11. Stocks

	2018 £'000s	2017 £'000s
Raw materials and consumables	2,496	1,388
Work in progress	762	582
Finished goods and goods for resale	1,615	758
	<u>4,873</u>	<u>2,728</u>

In the opinion of the directors there is no difference between the book value of stocks and their replacement cost.

12. Debtors

	2018 £'000s	2017 £'000s
Amounts falling due within one year:		
Trade debtors	9,389	6,201
Amounts owed by fellow group companies – Trade	187	67
Amounts owed by fellow group companies	8,078	9,205
Other debtors	543	305
Corporation Tax	730	-
Prepayments and accrued income	243	365
Deferred tax asset (Note 14)	245	318
	<u>19,415</u>	<u>16,461</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

	2018 £'000s	2017 £'000s
Amount owed to recourse debt factor	7,468	5,080
Trade creditors	5,616	3,721
Amounts owed to fellow group companies	600	940
Corporation tax	-	289
Other taxation and social security	110	86
Other creditors	220	267
Accruals and deferred income	1,165	533
	<u>15,179</u>	<u>10,916</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, are interest free and unsecured.

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

14. Provisions for liabilities

	Deferred taxation £'000s
At 1 January 2017	151
Movement in year	85
At 31 December 2018	<u>236</u>

Total deferred tax is recognised as follows:

	2018 £'000s	2017 £'000s
Defined benefit pension scheme (Note 12)	245	318
Deferred tax assets	<u>245</u>	<u>318</u>
	2018 £'000s	2017 £'000s
Accelerated capital allowances	(238)	(153)
Other timing differences	2	2
Deferred tax provisions	<u>(236)</u>	<u>(151)</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

	2018 £'000s	2017 £'000s
Allotted, called-up and fully-paid 6,662,787 ordinary shares of £1 each	<u>6,663</u>	<u>6,663</u>

The Company declared and paid a final dividend of £3,000,000, £0.45 per ordinary share, on 31 January 2019 (2017: £nil).

16. Financial commitments

Capital commitments are as follows:

	2018 £'000s	2017 £'000s
Contracted for but not provided for	<u>645</u>	<u>428</u>

Metaldyne International (UK) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

17. Financial commitments (continued)

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

	2018 £'000s	2017 £'000s
- within one year	97	38
- between one and five years	83	41
Total	180	79

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 year ended 31 December 2018 was £152,191 (2017: £139,496).

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 2018 by a qualified independent actuary.

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

The company has made contributions of £671,000 (2017: £435,000) during the year to the pensions scheme in line with a deficit reduction plan.

Net pension liability

	2018 £'000s	2017 £'000s
Plan assets	19,057	20,458
Defined benefit obligation	(20,498)	(22,327)
Net pension liability	(1,441)	(1,869)

Movements in fair value of plan assets

	2018 £'000s	2017 £'000s
At beginning of year	20,458	19,849
Expected return on plan assets-interest income	508	528
Actuarial (gains)/losses	(1,474)	524
Administration costs	(108)	-
Contributions by employer	671	435
Benefits paid	(998)	(878)
At end of year	19,057	20,458

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2018

17. Employee benefits (continued)

Movements in present value of defined benefit obligation

	2018 £'000s	2017 £'000s
At beginning of year	22,327	22,123
Interest cost	546	590
Actuarial (gains)/losses	(1,377)	492
Benefits paid	(998)	(878)
At end of year	20,498	22,327

Expense recognised in the profit and loss account

	2018 £'000s	2017 £'000s
Interest on defined benefit pension plan obligation	546	590
Expected return on defined benefit pension plan assets	(508)	(528)
Administration expenses	108	
Total	146	62

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

	Expected long-term return on assets	2018 Value £'000s	2017 Value £'000s
Cash	0.25%	88	408
APS Matching Fund	2.60%	5,947	4,756
Diversified Growth	4.85%	13,022	15,294
Total market value of assets		19,057	20,458

The main assumptions in valuing the pension scheme's liabilities on an FRS102 basis at 31 December 2018 (and 2017 for comparison) are as follows:

	2018	2017
Discount rate	2.90%	2.50%
Inflation rate	3.30%	3.25%
Pensions increase	3.15%	3.10%
Expected return on plan assets	N/A	N/A
Salary increases	N/A	N/A

Metaldyne International (UK) Limited

Notes to the financial statements (continued)

For The Year Ended 31 December 2018

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 £20,498k, 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: 21.8 years (male), 23.8 years (female).

18. Related party transactions

As a wholly owned subsidiary of Metaldyne GmbH, the Company has taken advantage of the exemptions contained in paragraph 1.12 of FRS 102 "Related Party Disclosures" and has not disclosed transactions with other group companies.

19. Contingent liabilities

The company has no contingent liabilities at year end (2017: same).

20. 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, 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.