



Albion Automotive Limited
Registration Number SC144986

**Report
and
Financial Statements**

**Year Ended
31 December 2012**

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ALBION AUTOMOTIVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Company Registration Number	SC144986
Registered Office	1187 South Street Glasgow G14 0DT
Directors	S. J. Proctor M.K. Simonte G.J. McFarlane J .J. Bellanti
Secretary	D.E. Barnes
Bankers	Citibank NA
Solicitors	MacRoberts LLP
Independent Auditor	Deloitte LLP Glasgow
Communications Advisor	Martin Hayes and Associates
Internet Address	http://www.aam.com

ALBION AUTOMOTIVE LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012

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ALBION AUTOMOTIVE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Corporate Statement

Albion Automotive Ltd is a niche supplier of automotive components, specialising particularly in the manufacture and assembly of truck, van and bus axles and vehicle and engine components.

We are the direct descendant of Albion Motors, the pioneering vehicle manufacturer founded in 1899. As such we embody a proud tradition of innovation, quality and customer service. Today, we have a skilled labour force, including an engineering capability and manufacturing facility in Glasgow.

Many of our customers are leading European producers of trucks, vans and buses.

Our aim is to develop and grow our business for the benefit of customers, suppliers, employees and shareholders alike.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012.

Principal Activities

The company's principal activities during the year to 31 December 2012 were the manufacture and assembly of truck, van and bus axles and vehicle and engine components.

Review of Developments and Future Prospects

The company recorded a loss after taxation for the year of £3,902,000 (2011 - profit of £237,000). This has arisen primarily due to interest payable of £2,049,000 (2011: £1,722,000) in respect of financing costs and net pension financing cost of £1,118,000 (2011: £1,161,000). The prior year included an exceptional profit on disposal of fixed assets of £4,293,000 which was significantly larger than £519,000 profit on disposal in the current year.

Over the last three years we have seen improvements throughout the automotive industry, despite difficult market conditions. A key strategic objective has been diversification of our business and in 2012 we successfully implemented two new pieces of business with two new customers on time during the last quarter of the year. This has created a benefit to the company in 2012 but we will only see the full benefit of this new business during 2013 and beyond. We continue to manage our cost structure in line with the changing market environment and during 2012 the company also implemented the lean manufacturing system which has helped the company improve quality, eliminate waste, reduce lead time and cost.

During 2012 we have started to see the benefit of bringing new business online in Q4 and have moved the gross loss of £262,000 in 2011 to a gross loss of £152,000 in 2012. This new business has enabled the company to increase turnover year on year by 6% compared to 3% on the prior year.

The company is starting to benefit from the execution of the new strategy implemented as a result of Project Compete in 2012 and as it progresses into 2013 and beyond, enabling improved productivity to deal with the existing and future economic conditions both within the industry and worldwide.

The company pension has moved from a deficit in 2011 of £6,553,000 to a surplus in 2012 of £7,321,000. This is due in part to a 'special contribution' of £15,000,000 (2011 - £4,375,000) and also as a result of the current economic conditions and changes to assumptions as part of the valuation results as at 31 December 2012. The £15,000,000 'special contribution' is to cover past service deficit contributions for the next few years, keeping in line with the covenant agreed with the trustees and the pension regulator.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Review of Developments and Future Prospects (continued)

Research and development is an important part of the company's operations. These operations are carried out in pursuit of the development of new products, improved quality, competitiveness, performance and profitability. In 2012 the research and development expenditure amounted to £613,000 (2011 - £596,000). We plan to continue to invest in the development of new products, processes and systems in order to improve efficiency and flexibility for our customers.

No dividends were paid or proposed during the year or prior year.

Risks and Uncertainties

The company manufactures automotive components specialising particularly in the manufacture and assembly of truck, van and bus axles and vehicle and engine components.

The automotive industry has continued to improve over the past three years after suffering the effects of the global economic crisis in 2008 and 2009. Although we are seeing improvements through an up turn in Sales, recent turmoil in the European credit markets and the sovereign debt crisis in the Euro-zone pose potential threats to growth and market stability, which could have an adverse impact on the recovery of the automotive industry. As we look to expand our business we need to anticipate and effectively manage these and other risks.

The automotive industry is highly competitive, in relation to technology, design, quality, delivery and cost. Some of our competitors have economic advantages compared to our business such as patents, existing underutilised capacity and lower wage and benefit costs through supply base consolidation and global sourcing. As a result of these pressures our business may be adversely affected if we do not sustain our ability to meet customer requirements relative to technology, design, quality, delivery and cost.

We are under continuing pressure by our customers to reduce our prices, which is a common practice in the automotive industry. The majority of our products are sold under long-term supply contracts and certain contracts require us to reduce our prices in subsequent years. If we must accommodate a customers demand for higher annual price reductions and are unable to offset the impact of any such reductions through continued technology improvements, cost reductions and other productivity initiatives our results of operations and financial condition could be adversely affected.

During 2012 the subsidiary accreditation for ISO14001:2004 Environmental Management System was retained and this has been continued into 2013.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Going Concern

As described further in the 'Principal accounting policies' section of the financial statements, on the basis of having received confirmation of ongoing ultimate parent company support, 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.

Directors

The directors of the Board who served during the year and to the date of this report are set out below.

S.J. Proctor (Appointed 17 December 2012)

M.K. Simonte

G.J. McFarlane

J.J. Bellanti

J. S. Sofia (Resigned 30 March 2012)

D.A. Culton (Resigned 17 December 2012)

Directors' Indemnities

The company has made qualifying third party provisions for the benefit of its directors which were in place during the year and remain in force at the date of this report.

Employment of Disabled Persons

The company gives every consideration to applications for employment from handicapped or disabled persons who are able to meet the requirements of the job. Where an employee becomes disabled whilst employed by the company every effort is made in order to re-settle that employee in a suitable post. The company always endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

Employee Involvement

Good and effective employee communications is considered to be important and it is the company's policy to promote the understanding and involvement of all its employees in the company's business aims and performance.

Meetings are held on a regular basis to discuss the financial position and future prospects. Also at these meetings the opportunity is given to employees to question senior executives on matters that concern them.

ALBION AUTOMOTIVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Financial Instruments

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has a relatively concentrated credit risk, with exposure spread over a small number of customers with high credit-ratings assigned by international credit-rating agencies.

The company's principal financial liabilities are trade creditors and amounts owed to the ultimate parent company in respect of which interest is applied at a variable rate linked to the Bank of England Base Rate.

In the normal course of business the company obtains certain supplies and makes certain sales in Euros and US Dollars. The company does not enter into forward currency contracts, although to manage the risk of foreign exchange movements, the US parent company enters into forward currency contracts in accordance with the group treasury and risk management policy.

Audit Information

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP, being eligible, offer themselves for reappointment in accordance with the transitional arrangements of the Companies Act 2006, following an elective resolution previously passed in accordance with section 386 of the Companies Act 1985.

Approved by the Board and signed on its behalf by

Director *G McFarlane*

Date:-



M Simonte



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24 SEPTEMBER 2013

ALBION AUTOMOTIVE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBION AUTOMOTIVE LIMITED

We have audited the financial statements of Albion Automotive Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Principal Accounting Policies and the related notes 1 to 19. 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).

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. 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 2012 and of its loss 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 matter prescribed by the Companies Act 2006


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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF ALBION AUTOMOTIVE 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.



Michael McGregor ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

26 September 2013

ALBION AUTOMOTIVE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		Year ended 31 December 2012		Year ended 31 December 2011	
	<u>Note</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Turnover - continuing operations	1	31,604		29,684	
Cost of sales		<u>(31,756)</u>		<u>(29,946)</u>	
Gross loss		(152)		(262)	
Distribution costs		(214)		(206)	
Administrative expenses		<u>(888)</u>		<u>(705)</u>	
Operating loss - continuing operations		(1,254)		(1,173)	
Profit on disposal of tangible fixed assets	2	519		4,293	
Net interest payable	3	(2,049)		(1,722)	
Net pension finance cost	17	<u>(1,118)</u>		<u>(1,161)</u>	
(Loss) / profit on ordinary activities before taxation	2	(3,902)		237	
Tax on (loss) / profit on ordinary activities	5	<u>-</u>		<u>-</u>	
(Loss) / profit on ordinary activities after taxation for the year	13	<u><u>(3,902)</u></u>		<u><u>237</u></u>	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

(Loss) / profit on ordinary activities after taxation		(3,902)		237	
Actuarial losses relating to pension scheme	17	<u>(248)</u>		<u>(1,601)</u>	
Total recognised losses relating to the year		<u><u>(4,150)</u></u>		<u><u>(1,364)</u></u>	

The accompanying accounting policies and notes form an integral part of these financial statements.

ALBION AUTOMOTIVE LIMITED

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 £000's	2011 £000's
Fixed assets			
Tangible assets	7	3,781	2,073
Current assets			
Stocks	8	5,592	4,129
Debtors - due within one year	9	5,002	5,361
Cash at bank and in hand		2,068	4,390
		12,662	13,880
Creditors:			
Amounts falling due within one year	10	(70,225)	(51,630)
Net current liabilities		(57,563)	(37,750)
Total assets less current liabilities		(53,782)	(35,677)
Creditors:			
Provisions for liabilities	11	(481)	(562)
Net liabilities excluding pension liability		(54,263)	(36,239)
Pension asset / (liability)	17	7,321	(6,553)
Net liabilities including pension liability		(46,942)	(42,792)
Capital and reserves			
Called up share capital	12	4,096	4,096
Profit and loss account	13	(51,038)	(46,888)
Shareholders' deficit	14	(46,942)	(42,792)

The financial statements of Albion Automotive Limited, registered number SC144986, were approved by the Board of Directors and authorised for issue on 24 September 2013

Director G McFarlane

Director M Simonte

The accompanying accounting policies and notes form an integral part of these financial statements.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES – 31 DECEMBER 2012

Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

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

Basis of Preparation

As described within the directors' report, inherent uncertainties exist within the company's future projections, primarily in relation to future levels of demand in production volumes from the company's key customers. At 31 December 2012, the company's liabilities exceeded its assets by £46.9 million. The directors have received confirmation from the ultimate parent company, American Axle and Manufacturing Holdings Inc. ('AAM'), that any necessary financial support will be provided to the company for a period of at least 12 months from the signature of these financial statements.

Although certain uncertainties also inherently exist within the AAM group's future projections, primarily in relation to future levels of demand in production volumes from its two largest customers, General Motors and Chrysler, having considered forecast group results including reasonably possible sensitivities, the directors expect ongoing compliance with the AAM group's banking terms and conditions for the foreseeable future.

On this basis, 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.

Turnover

Turnover represents the net invoiced value of goods sold during the year, stated net of value added tax and trade discounts.

Cash flow statement

The company has not presented a cash flow statement. It has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised 1996) – "Cash Flow Statements", as the ultimate parent company, American Axle & Manufacturing Holdings Inc. has included the company's results within its publicly available group accounts for the year ended 31 December 2012.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES – 31 DECEMBER 2012 (Continued)

Tangible fixed assets

Tangible fixed assets are recorded at cost less depreciation and any impairment. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives in equal annual instalments.

The periods generally applicable are:

- | | | |
|------------------------------|---|--|
| Leasehold land and buildings | - | over the remaining life of the lease |
| Plant and equipment | - | charged systematically in accordance with usage on a machine hours basis, estimated to be over 15 years. |
| Tooling | - | over 3 years if short lived and 6 years if it is programme specific. |

Assets in the course of construction are not depreciated until the asset is completed and brought into use. Provision is made for any impairment, which is recognised in the profit and loss account.

Leased assets

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over the shorter of the lease term and their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the rate ruling at the date of the transaction. Translation differences are taken to the profit and loss account. Amounts receivable or payable at the year end are translated at the exchange rate ruling at the balance sheet date.

Research and development

Research expenditure is charged to the profit and loss account in the year in which it is incurred. All development costs are also charged to the profit and loss account in the year in which they are incurred.

ALBION AUTOMOTIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES – 31 DECEMBER 2012 (Continued)

Warranty Provision

The provision for warranty costs are based on a percentage of turnover and a number of years. This varies between customers as it is dependent on the terms of their contracts.

Stock and work in progress

Stock and work in progress is valued at the lower of cost or net realisable value. Cost comprises all expenditure incurred in purchasing or producing the stock and bringing it to its current state including an appropriate allocation of relevant production overheads. Provision is made for possible obsolescence or surplus stock by reference to predicted usage.

Pensions

The company applies the provisions of FRS 17 “Retirement Benefits”.

Amounts charged to the profit and loss are the current service costs and any gains or losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as net finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit plan is funded, with the assets of the plan held separately from those in the company, in a separate trustee administered fund. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit plan pension liability is presented on the balance sheet.

The contribution levels have been determined by qualified actuaries and further details are available in Note 17 to the financial statements.

Current taxation

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

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

Deferred tax

In accordance with FRS19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Turnover

Turnover relates to the manufacture and assembly of truck, van and bus axles, crankshafts and vehicle eand engine components. Turnover is stated net of VAT. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

The directors are of the opinion that there is only one class of business for the company.

	2012 £000's	2011 £000's
Turnover analysed by geographical market is as follows		
UK	26,571	22,553
Exports	<u>5,033</u>	<u>7,131</u>
	<u>31,604</u>	<u>29,684</u>

2 (Loss)/profit on ordinary activities before taxation

	2012 £000's	2011 £000's
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration		
- Audit services	40	40
- Taxation compliance services	9	9
Depreciation		
- Owned assets	918	820
- Leased assets	118	144
Profit on disposal of tangible fixed assets	(519)	(4,293)
Operating lease rentals		
- Land and buildings	375	-
- Plant and equipment	401	364
Government grants received	(468)	-
Research and development costs	<u>613</u>	<u>596</u>

Included within the above figures incurred by the company are audit fees of £3,000 (2011 - £3,000) and taxation compliance fees of £1,500 (2011 - £1,500) estimated to relate to the immediate parent company.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

3 Net interest payable

	2012 £000's	2011 £000's
Interest receivable	-	(2)
Interest payable on bank overdraft	12	-
Finance charges in respect of finance leases	22	98
Interest payable on group current accounts	2,015	1,626
	<u>2,049</u>	<u>1,722</u>

4 Directors and employees

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

	2012 Number	2011 Number
Production	154	142
Distribution	1	1
Sales	2	2
Administration	16	16
	<u>173</u>	<u>161</u>

Their aggregate remuneration comprised:

	2012 £000's	2011 £000's
Wages and salaries	4,462	4,576
Social security	360	370
Pension costs (Note 17)	268	268
	<u>5,090</u>	<u>5,214</u>

In addition to the above pension costs, an actuarial loss of £248,000 (2011 - actuarial loss of £1,601,000) has been recognised in the statement of total recognised gains and losses and a FRS 17 net finance cost of £1,118,000 (2011 - £1,161,000) has been recognised in the profit and loss account (Note 17).

	2012 £000's	2011 £000's
Directors' remuneration was paid as follows:-		
Emoluments (including fees and benefits in kind)	138	133
Company contribution to defined benefit pension scheme	4	3

During the year one director (2011 - 1) participated in the company's defined benefit pension scheme. At the end of the year the director has accrued pension entitlement of £17,361 (2011: £14,625).

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

5 Tax on (loss)/profit on ordinary activities

There is no liability to corporation tax for the current year or for the prior year.

	2012 £000's	2011 £000's
(Loss)/profit before tax	<u>(3,902)</u>	<u>237</u>
Tax at 24.5% (2011 - 26.5%) thereon	(956)	63
Effects of:		
Expenses not deductible for tax purposes	41	2
Pension scheme adjustment re FRS 17	(1,935)	(1,400)
Depreciation in excess of capital allowances	243	217
Utilisation of capital allowances	-	(1)
Other timing differences	2,791	2,268
Profit on asset disposal	<u>(184)</u>	<u>(1,149)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

A deferred tax asset amounting to £24.1 million (2011 - £24.7 million) has not been recognised in respect of timing differences relating mainly to trading losses carried forward and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The asset would be recovered if there are suitable future taxable profits against which the revenue losses can be offset or arising in the same period in which the asset on the accelerated capital allowances will crystallise.

6 Dividends and other appropriations

No dividends or appropriations were made either in 2011 or 2012.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

7 Tangible fixed assets

	Leasehold Land and Buildings <u>£000's</u>	Plant and Equipment <u>£000's</u>	Assets in course of construction <u>£000's</u>	Total <u>£000's</u>
Cost				
At 1 January 2012	4,388	31,609	103	36,100
Additions at cost	-	2,507	479	2,986
Transfers	-	103	(103)	-
Disposals	(111)	(4,377)	-	(4,488)
At 31 December 2012	<u>4,277</u>	<u>29,842</u>	<u>479</u>	<u>34,598</u>
Accumulated depreciation and impairment				
At 1 January 2012	4,233	29,794	-	34,027
Provided in year	75	961	-	1,036
Disposals	(31)	(4,215)	-	(4,246)
At 31 December 2012	<u>4,277</u>	<u>26,540</u>	<u>-</u>	<u>30,817</u>
Net book value at 31 December 2012	<u>-</u>	<u>3,302</u>	<u>479</u>	<u>3,781</u>
Net book value at 31 December 2011	<u>155</u>	<u>1,815</u>	<u>103</u>	<u>2,073</u>

The cost of tangible fixed assets no longer includes any capitalised interest relating to prior years. Plant and equipment includes tooling with net book value of £52,000 (2011 £66,000).

The figures stated above include assets held under finance leases, hire purchase agreements and secondary lease rentals as follows:

	Leasehold Land and Buildings <u>£000's</u>	Plant and Equipment <u>£000's</u>	Total <u>£000's</u>
Net book value at 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31 December 2011	<u>69</u>	<u>49</u>	<u>118</u>
Depreciation provided in the year	<u>69</u>	<u>49</u>	<u>118</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

8 Stocks

	2012	2011
	<u>£000's</u>	<u>£000's</u>
Raw materials and consumable stores	3,507	2,517
Work in progress	1,231	1,070
Finished goods	854	542
	<u>5,592</u>	<u>4,129</u>

9 Debtors

Amounts due within one year:

	2012	2011
	<u>£000's</u>	<u>£000's</u>
Trade debtors	4,206	3,779
Amount owed by ultimate parent company	12	548
Prepayments and accrued income	784	1,034
	<u>5,002</u>	<u>5,361</u>

10 Creditors: amounts falling due within one year

	2012	2011
	<u>£000's</u>	<u>£000's</u>
Trade creditors	2,737	2,733
Amount owed to ultimate parent company	63,678	44,860
Amounts owed to group companies	2,483	2,510
Social security and other taxes	357	387
Amounts due under finance leases	-	173
Accruals	970	967
	<u>70,225</u>	<u>51,630</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

11 Provisions for liabilities	2012	2011
	<u>£000's</u>	<u>£000's</u>
Warranty provision		
Opening provision	562	670
Additional provision in the year	130	166
Provision utilised in the year	<u>(211)</u>	<u>(274)</u>
Closing Provision	<u>481</u>	<u>562</u>

The warranty provision represents estimated costs in respect of product rectification and is expected to be utilised within 3 years of the balance sheet date.

12 Share capital	2012	2011
	<u>£000's</u>	<u>£000's</u>
Called up, allotted and fully paid		
4,096,000 Ordinary shares of £1 each	<u>4,096</u>	<u>4,096</u>

13 Reserves	Profit and loss account
	<u>£000's</u>
At 1 January 2012	(46,888)
Loss for the year	(3,902)
Actuarial loss on defined benefit pension scheme	<u>(248)</u>
At 31 December 2012	<u>(51,038)</u>

14 Reconciliation of movements in shareholders' deficit	2012	2011
	<u>£000's</u>	<u>£000's</u>
(Loss)/profit for the year	(3,902)	237
Actuarial loss on defined benefit pension scheme	<u>(248)</u>	<u>(1,601)</u>
Net movement in shareholders' deficit	<u>(4,150)</u>	<u>(1,364)</u>
Opening shareholders' deficit	<u>(42,792)</u>	<u>(41,428)</u>
Closing shareholders' deficit	<u>(46,942)</u>	<u>(42,792)</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

15 Capital commitments

	2012 <u>£000's</u>	2011 <u>£000's</u>
Contracted for but not provided in these financial statements	<u>184</u>	<u>2,184</u>

16 Leasing commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Plant and equipment	
	2012 <u>£000's</u>	2011 <u>£000's</u>	2012 <u>£000's</u>	2011 <u>£000's</u>
Expiring within one year	-	375	115	254
Expiring between two and five years inclusive	<u>375</u>	<u>-</u>	<u>58</u>	<u>375</u>
	<u>375</u>	<u>375</u>	<u>173</u>	<u>629</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

17. Pension costs

The company operates the Albion Automotive Limited Pension Plan, a defined benefit pension plan for the benefit of its employees. The assets of the plan are administered by trustees in funds independent from those of the company. Pension costs are assessed in accordance with the advice of qualified actuaries.

The FRS17 accounting and disclosure is based on an approximate projection of the Plan's liabilities from the results of the formal valuation as at 31 March 2012, updated for:

- The Plan assets values as at the accounting date;
- changes to the assumptions (and hence the FRS17 liabilities) arising from market value movements;
- the estimated impact of increases to pensionable salaries and pensions in payment; and
- the level of contributions paid and other cash flows to the accounting date.

A full actuarial valuation was carried out at 31 March 2012 and updated to 31 December 2012 by a qualified independent actuary.

The company introduced salary sacrifice for employee contributions. Under this arrangement the company pays contributions on behalf of the members who elected to participate in this arrangement. The company paid £15,000,000 of pension contributions to cover to 31 December 2015 in advance in 2012, covering 4% of pensionable salaries. Members contribute as set out in the Plan's Rules.

Pension contributions under FRS 17 for the year ended 31 December 2012, amounted to £15,856,000 (2011 - £5,975,000), inclusive of special contribution of £15,000,000 (2011 - £4,375,000).

Plan assets

The weighted –average asset allocation at the year end was as follows:

	2012	2011
Asset category		
Equities	35%	44%
Bonds & Cash (blended rate)	65%	56%
Total	<u>100%</u>	<u>100%</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

17. Pension costs (cont'd)

The main assumptions used by the actuary at the balance sheet date were as follows:

	2012	2011
Discount rate	4.30%	4.65%
Rate of salary increase	3.15%	3.25%
Rate of increase of pensions in payment (LPI 3.0%)	2.30%	2.60%
Rate of increase of pensions in payment (LPI 5.0%)	2.85%	2.80%
Rate of increase of pensions to deferment	2.20%	2.30%
Inflation	2.90%	3.00%
Expected long-term return on Plan assets	3.15%	4.15%

Mortality Assumptions	2012	2011
	Years	Years
Males – non pensioners	22.8	21.7
Males – pensioners	21.1	19.9
Female – non pensioners	26.1	25.1
Female – pensioners	24.1	23.2

2012	2011
£'000	£'000

Analysis of the movement in the plan deficit during the year

Opening deficit in the plan	(6,553)	(9,498)
Current service cost	(616)	(268)
Contributions	15,856	5,975
Net finance cost	(1,118)	(1,161)
Actuarial loss	(248)	(1,601)
Closing surplus / (deficit) in the plan	<u>7,321</u>	<u>(6,553)</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

17. Pension Costs (cont'd)

	2012	2011
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	69,342	65,915
Current service cost	616	268
Interest cost	3,183	3,479
Member contributions	16	311
Actuarial losses	5,286	1,722
Benefits paid	(2,396)	(2,353)
Benefit obligation at end of year	<u>76,047</u>	<u>69,342</u>
	2012	2011
	£'000	£'000
Change in Plan assets		
Fair value of Plan assets at beginning of year	62,789	56,417
Expected return on Plan assets	2,065	2,318
Actuarial gains	5,038	121
Employer contributions	15,856	5,975
Member contributions	16	311
Benefits paid	(2,396)	(2,353)
Fair value of Plan assets at end of year	<u>83,368</u>	<u>62,789</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

17. Pension costs (cont'd)

	2012	2011
	£'000	£'000
Components of pension cost		
Current service cost	616	268
Interest cost	3,183	3,479
Expected return on Plan assets	(2,065)	(2,318)
	<u>1,734</u>	<u>1,429</u>
Total pension cost recognised in the P&L account		
	<u>248</u>	<u>1,601</u>
Actuarial loss immediately recognised		
	<u>248</u>	<u>1,601</u>
Total pension cost recognised in the STRGL		
	<u>248</u>	<u>1,601</u>
Cumulative amount of actuarial losses immediately recognised		
	<u>3,630</u>	<u>3,382</u>
Actual return on Plan assets		
	<u>7,103</u>	<u>2,439</u>

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (continued)

17. Pension costs (cont'd)

Five year history

	2012	2011	2010	2009	2008
Amount (£'000)					
Benefit obligation at end of year	76,047	69,342	65,915	62,960	50,100
Fair value of Plan assets at end of year	83,368	62,789	56,417	47,045	42,080
Surplus/(deficit) in Plan	7,321	(6,553)	(9,498)	(15,915)	(8,020)
Difference between actual and expected return on Plan assets: amount (£'000)	5,038	121	3,617	4,201	(9,651)
Percentage of Plan assets	6%	0%	6%	9%	(23%)
Experience gains and (losses) on Plan liabilities: Amount (£'000)	1,098	335	1,451	(2,528)	(9)
Percentage of Plan liabilities	1%	0%	2%	(4%)	0%

18. Transactions with related parties

As a wholly owned subsidiary of Albion Automotive (Holdings) Limited, the company is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions with other members of the group headed by Albion Automotive (Holdings) Limited and with other members of the group incorporating its holding company, American Axle & Manufacturing Holdings Inc.

ALBION AUTOMOTIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012 (continued)

19. Controlling related party

The immediate parent undertaking of the company, by virtue of owning the company's entire share capital, is Albion Automotive (Holdings) Limited, a company registered in Scotland.

66% of the issued share capital of Albion Automotive (Holdings) Limited is pledged to JP Morgan Chase Bank, N.A. in accordance with AAM's credit facility.

The ultimate parent undertaking of the company and its controlling related party is American Axle & Manufacturing Holdings Inc., a company registered in the USA. American Axle & Manufacturing Holdings Inc. heads the largest and smallest group preparing consolidated accounts including the results of the company. These consolidated accounts are available from its offices at 1 Dauch Drive, Detroit, Michigan, USA.

