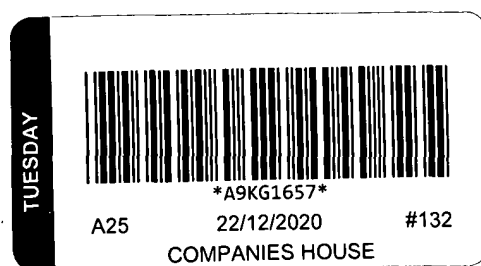


Registered number: 03384705

Metaldyne International (UK) Limited

Annual report and financial statements

for the year ended 31 December 2019



Metaldyne International (UK) Limited

Contents

	Page
Strategic report	1
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account & Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

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 2019.

Principal activities

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

Review of the business

2019 proved a challenging trading year with Brexit impending. This led to a significant increase in customer demand, coupled with escalating premium freight costs to satisfy that. Margins were impacted by both material price increases and product mix. Increases in sales from the previous year of £7.3m were offset with £8.0m higher cost of sales. This combined with both higher manning costs and significant product development costs resulted in a fall in gross profit from 18.4% to 13.7%.

Net assets moved from £18.0m to £12.9m in 2019 primarily due to the loss for the year of £1.2m, a dividend payment of £3.0m and the revaluation of the pension liability.

The company has invested in tangible fixed assets during the past two years, with assets under the course of construction of £5.5m, 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.

Key performance indicators

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

	31 December 2019	31 December 2018	Measure
Financial			
Return on capital	(7.7)%	8.3%	(Loss)/Profit before tax/ net assets
Current ratio	1.4	1.8	Current assets: current liabilities
Stock turnover	9.1	7.4	Turnover/stock
Days debtors	51.2	94.5	Trade debtors/turnover
Days creditors	33.5	56.5	Trade creditors/turnover
Sales per employee (£000)	290.4	270.7	Turnover/average number of employees

Return on capital: (Loss)/Profit before tax has decreased by £2.5m from 2018. This decrease is a result of higher material and labour costs.

Current ratio: Current ratio has declined due to higher stock purchases during the year in anticipation of Brexit, leading to reduced cash, and a reduction in debtors due to focused cash collection.

Stock turnover: In anticipation of Brexit the company continues to have an increased stock turnover due to customers increasing their levels of stock as a precaution against potential border issues.

Days debtors: The prior year debtor days was impacted by a £3.1m payment received from a customer after the year end in January 2019. Excluding this item debtor days in 2018 were 62.9, a reduction year on year compared with 2019 at 51.2 due to lower debtor balances and focused cash collection.

Days creditors: As the pre-Brexit stocks are being utilised, creditor days have reduced by 23.0 days year on year as stock ordering normalises.

Metaldyne International (UK) Limited

Strategic report

Key performance indicators (continued)

Sales per employee: Sales increased year on year by £7.3m causing an increase in the sales per employee of 7% compared with 2018. Headcount has increased by 12% and Sales by 18%.

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.

Principal risks and uncertainties

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

Brexit: Following the 2018 increase of inventory to protect against the potential impacts of Brexit, stock levels have remained static. Although dropping by 2% the stock levels serve to maintain the protection against 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. Sales remain secure as orders increase from our European customers as they seek to hedge against post-Brexit price impacts.

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 2019 was 67% (2018: 68%) invested in growth assets and 31% (2018: 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.

COVID-19 impact: The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people (like social distancing and working from home) and securing the supply of materials that are essential to our production process. At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity.

Metaldyne International (UK) Limited

Strategic report

Future developments

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

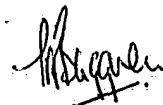
Sales and marketing: New and replacement business is being won continually; new markets have been developed in line with the Company's strategy; key customer relationships are monitored on a regular basis.

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.

Approved by the board and signed on its behalf by:



18 December 2020

Michael Bagguley
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 2019. 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

The company paid a dividend of £3.0m in the year (2018: £nil).

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 2019 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)

Michael Bagguley (appointed 28/09/2020)

Going concern

In light of the COVID-19 pandemic, the Directors have considered the impact that has been experienced by the company in recent months with customers, suppliers, employees and other stakeholders as well as the impact on operating cash flows. The company experienced a temporary adverse impact on results due to the pandemic, however operations and levels of trade have recovered during recent months. The company has taken steps to ensure that social distancing could be maintained going forward where employees are unable to work from home.

In determining whether the Company's 2019 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.

Although it is expected that COVID-19 may have some impact, it is not thought to be significant and the Directors are confident that the company is well placed to trade successfully through the economic uncertainty within the United Kingdom and overseas. The Directors have performed and carefully considered a revised forecast scenario to assess the resilience of the company's cash flows and trading performance and have concluded that this provides sufficient comfort to the Directors that the company has sufficient cash and liquidity headroom to continue for a period of at least 12 months from the date of signing these financial statements.

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

Directors' report

Significant events since the balance sheet date

The Covid-19 pandemic is a material non-adjusting event impacting the company. Please see the principal risks and uncertainties section in the strategic report and the going concern section above for details of the considerations and implications on the company.

Despite these challenging economic conditions, the directors expect the results of the company to remain at similar levels going forward.

Auditor

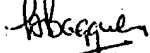
Each of the persons who are a director at the date of approval of this report confirms that:

- 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:



Michael Bagguley
Director

18 December 2020

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 2019 and of its loss 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 21.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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
18 December 2020

Metaldyne International (UK) Limited

Profit and loss account

For The Year Ended 31 December 2019

	Note	2019 £'000s	2018 £'000s
Turnover	2	43,556	36,279
Cost of sales		(37,572)	(29,617)
Gross profit		5,984	6,662
Distribution costs		(766)	(546)
Administrative expenses		(5,641)	(4,130)
Operating (loss)/profit		(423)	1,986
Finance costs (net)	3	(569)	(495)
(Loss)/Profit before taxation	4	(992)	1,491
Tax on (loss)/profit	8	(161)	260
(Loss)/Profit for the financial year attributable to the equity shareholders of the Company		(1,153)	1,751

Statement of comprehensive income

For The Year Ended 31 December 2019

	2019 £'000s	2018 £'000s
(Loss)/Profit for the financial year	(1,153)	1,751
Remeasurement of net defined benefit liability	(732)	(97)
Tax relating to components of other comprehensive expense	(280)	16
Other comprehensive expense	(1,012)	(81)
Total comprehensive (expense)/income attributable to equity shareholders of the Company	(2,165)	1,670

Metaldyne International (UK) Limited

Balance sheet

As at 31 December 2019

	Note	2019 £'000s	2018 £'000s
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	9,907	7,374
		<u>9,907</u>	<u>7,374</u>
Current assets			
Stocks	11	4,793	4,873
Debtors	12	7,713	19,415
Cash at bank and in hand		4,409	3,233
		<u>16,915</u>	<u>27,521</u>
Creditors: amounts falling due within one year	13	<u>(11,889)</u>	<u>(15,179)</u>
Net current assets		<u>5,026</u>	<u>12,342</u>
Total assets less current liabilities		<u>14,933</u>	<u>19,716</u>
Pension liability	17	(1,836)	(1,441)
Provisions for liabilities	14	<u>(223)</u>	<u>(236)</u>
Net assets		<u><u>12,874</u></u>	<u><u>18,039</u></u>
Capital and reserves			
Called-up share capital	15	6,663	6,663
Share premium account		999	999
Profit and loss account		5,212	10,377
Shareholders' funds		<u><u>12,874</u></u>	<u><u>18,039</u></u>

The financial statements of Metaldyne International (UK) Ltd (registered number 03384705) were approved by the board of directors and authorised for issue on 18 December 2020. They were signed on its behalf by:



Michael Bagguley
Director

Metaldyne International (UK) Ltd

Statement of changes in equity For The Year Ended 31 December 2019

	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

	Called-up share capital £'000s	Share premium account £'000s	Profit and loss account £'000s	Total shareholder's equity £'000s
Balance at 1 January 2019	6,663	999	10,377	18,039
Loss for the financial year	-	-	(1,153)	(1,153)
Other comprehensive expense	-	-	(1,012)	(1,012)
Total comprehensive expense for the year	-	-	(2,165)	(2,165)
Dividends paid	-	-	(3,000)	(3,000)
Balance at 31 December 2019	6,663	999	5,212	12,874

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

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 2019 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.

In light of the COVID-19 pandemic, the Directors have considered the impact that has been experienced by the company in recent months with customers, suppliers, employees and other stakeholders as well as the impact on operating cash flows. The company experienced a temporary adverse impact on results due to the pandemic, however operations and levels of trade have recovered during recent months. The company has taken steps to ensure that social distancing could be maintained going forward where employees are unable to work from home.

Metaldyne International (UK) Limited

Notes to the financial statements (continued) **For The Year Ended 31 December 2019**

1. Accounting policies (continued)

Going concern (continued)

Although it is expected that COVID-19 may have some impact, it is not thought to be significant and the Directors are confident that the company is well placed to trade successfully through the economic uncertainty within the United Kingdom and overseas. The Directors have performed and carefully considered a revised forecast scenario to assess the resilience of the company's cash flows and trading performance and have concluded that this provides sufficient comfort to the Directors that the company has sufficient cash and liquidity headroom to continue for a period of at least 12 months from the date of signing these financial statements.

Foreign currency

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

Basic financial instruments

Trade and other debtors / creditors

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

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.

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

1. Accounting policies (continued)

Tangible fixed assets (continued)

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

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 2019**

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 2019

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 2019

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 2019

2. Turnover and revenue

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

	2019 £'000s	2018 £'000s
Turnover:		
Europe	30,210	24,453
USA	6,526	6,385
Asia	4,566	4,196
Other	2,254	1,245
	<u>43,556</u>	<u>36,279</u>

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

	2019 £'000s	2018 £'000s
Sale of goods	43,556	36,279
Royalties	2	2
	<u>43,558</u>	<u>36,281</u>

3. Finance costs (net)

	2019 £'000s	2018 £'000s
Factoring charges	183	140
Bank charges	38	29
Interest expense	114	108
Bank interest	170	72
Net interest on defined benefit liability	146	146
	<u>651</u>	<u>495</u>

4. (Loss)/Profit before taxation

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

	2019 £'000s	2018 £'000s
Depreciation of tangible fixed assets (note 10)	1,241	1,201
Research and development	144	78
Operating lease rentals	133	74
Foreign exchange loss	492	172
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 2019

5. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements were £28,216. (2018: £26,725).

6. Staff numbers and costs

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

	2019 Number	2018 Number
Production	106	98
Administration	44	36
	<u>150</u>	<u>134</u>

Their aggregate remuneration comprised:

	2019 £'000s	2018 £'000s
Wages and salaries	5,597	4,710
Social security costs	487	384
Other pension costs	180	152
	<u>6,264</u>	<u>5,246</u>

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

7. Directors' remuneration and transactions

	2019 £'000s	2018 £'000s
<i>Directors' remuneration</i>		
Emoluments	220	210
	<u>220</u>	<u>210</u>
	2019 Number	2018 Number
The number of directors who: Are members of a defined benefit pension scheme	1	2

Only one director was remunerated for services provided to the company in the year (2018: same). This director's appointment terminated 31 May 2019. The other director is remunerated by another group company and it is not practical to make an apportionment of costs between companies (2018: same). Michael Bagguley was appointed director on 28 September 2020.

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 2019

8. Tax on (loss)/profit

The tax charge/(credit) comprises:

	2019 £'000s	2018 £'000s
Current tax on (loss)/profit		
UK Corporation tax	(211)	126
Adjustment in respect of prior years	387	(560)
Total current tax	<u>177</u>	<u>(434)</u>
Deferred tax		
Origination and reversal of timing differences	(17)	141
Adjustments in respect of prior periods	1	33
Total deferred tax	<u>(16)</u>	<u>174</u>
Total tax on (loss)/profit	<u>161</u>	<u>(260)</u>

The average standard rate of tax applied to reported (loss)/profit is 19 per cent (2018: 19 per cent).

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

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

	2019 £'000s	2018 £'000s
(Loss)/profit before tax	<u>(992)</u>	<u>1,491</u>
Tax on (loss)/profit at average standard UK corporation tax rate of 19 per cent (2018: 19 per cent)	<u>(188)</u>	<u>283</u>
Effects of:		
- Expenses not deductible for tax purposes	13	1
- Prior year adjustment – current tax	387	(560)
- Rate change	2	(17)
- R & D credits	27	-
- 2019 RDEC	30	-
- Adjustment to deferred tax for pensions	(111)	-
- Prior year adjustment – deferred tax	1	33
Total tax charge/(credit) for year	<u>161</u>	<u>(260)</u>

The applicable tax rate changed to 20% on 1 April 2015. Finance Act No2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2019 continue to be measured at 17%.

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

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

The Chancellor of the Exchequer announced on 11 March 2020 that the corporation tax rate will not be reduced from 1 April 2020 as set out in Finance Act 2016 and the rate of corporation tax would remain unchanged at 19%. As Finance Act 2020 has not yet gained Royal Assent, the rate of deferred tax used as at 31 December 2019 is 17%.

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2019 and at 31 December 2019	3,014
Amortisation	
At 1 January 2019 and at 31 December 2019	3,014
Net book value	
At 1 January 2019 and at 31 December 2019	-

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 2019	1,267	14,020	2,755	18,042
Additions	-	48	3,726	3,774
Transfers	-	965	(965)	-
At 31 December 2019	1,267	15,033	5,516	21,816
Depreciation				
At 1 January 2019	786	9,882	-	10,668
Charge for the year	67	1,174	-	1,241
At 31 December 2019	853	11,056	-	11,909
Net book value				
At 31 December 2019	414	3,977	5,516	9,907
At 31 December 2018	481	4,138	2,755	7,374

Freehold land and buildings includes land with a cost of £125,000 which is not depreciated (2018: same).

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

11. Stocks

	2019 £'000s	2018 £'000s
Raw materials and consumables	2,290	2,496
Work in progress	964	762
Finished goods and goods for resale	1,539	1,615
	<u>4,793</u>	<u>4,873</u>

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

12. Debtors

	2019 £'000s	2018 £'000s
Amounts falling due within one year:		
Trade debtors	6,107	9,389
Amounts owed by fellow group companies – Trade	256	187
Amounts owed by fellow group companies	126	8,078
Other debtors	485	543
Corporation tax	136	730
Prepayments and accrued income	291	243
Deferred tax asset (Note 14)	312	245
	<u>7,713</u>	<u>19,415</u>

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

Intercompany trade debtors are payable within 10 days following month of invoice. All other balances owed by group undertakings have no fixed repayment date, are interest free and unsecured.

13. Creditors: amounts falling due within one year

	2019 £'000s	2018 £'000s
Amount owed to recourse debt factor	4,851	7,468
Trade creditors	3,993	5,616
Amounts owed to fellow group companies	2,385	600
Other taxation and social security	112	110
Other creditors	181	220
Accruals and deferred income	367	1,165
	<u>11,889</u>	<u>15,179</u>

Intercompany trade creditors are payable within 10 days following month of invoice. All other balances owed to 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 2019

14. Provisions for liabilities

	Deferred taxation provision £'000s
At 1 January 2019	(236)
Prior year adjustment	(3)
Movement in year	16
At 31 December 2019	(223)

Total deferred tax is recognised as follows:

	2019 £'000s	2018 £'000s
Defined benefit pension scheme (Note 12)	312	245
Deferred tax assets	312	245
	2019 £'000s	2018 £'000s
Accelerated capital allowances	(223)	(239)
Deferred tax provisions	(223)	(239)

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

	2019 £'000s	2018 £'000s
Allotted, called-up and fully-paid 6,662,787 ordinary shares of £1 each	6,663	6,663

The Company declared and paid a final dividend of £3,000,000, £0.45 per ordinary share, on 31 January 2019 (2018: £nil).

16. Financial commitments

Capital commitments are as follows:

	2019 £'000s	2018 £'000s
Contracted for but not provided for	809	645

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

16. Financial commitments (continued)

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

	2019 £'000s	2018 £'000s
- within one year	148	97
- between one and five years	220	83
Total	368	180

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 2019 was £180,355 (2018: £152,191).

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 2019. The latest full valuation was adopted for FRS102 purposes to 31 December 2019 by a qualified independent actuary.

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

The company has made contributions of £732,000 (2018: £671,000) during the year to the pensions scheme in line with a deficit reduction plan.

Net pension liability

	2019 £'000s	2018 £'000s
Plan assets	20,631	19,057
Defined benefit obligation	(22,467)	(20,498)
Net pension liability	(1,836)	(1,441)

Movements in fair value of plan assets

	2019 £'000s	2018 £'000s
At beginning of year	19,057	20,458
Expected return on plan assets-interest income	546	508
Actuarial gains/(losses)	1,467	(1,474)
Administration costs	(113)	(108)
Contributions by employer	732	671
Benefits paid	(1,058)	(998)
At end of year	20,631	19,057

Metaldyne International (UK) Limited

Notes to the financial statements (continued) For The Year Ended 31 December 2019

17. Employee benefits (continued)

Movements in present value of defined benefit obligation

	2019 £'000s	2018 £'000s
At beginning of year	20,498	22,327
Interest cost	579	546
Actuarial losses/(gains)	2,448	(1,377)
Benefits paid	(1,058)	(998)
At end of year	<u>22,467</u>	<u>20,498</u>

Expense recognised in the profit and loss account

	2019 £'000s	2018 £'000s
Interest on defined benefit pension plan obligation	579	546
Expected return on defined benefit pension plan assets	(546)	(508)
Administration expenses	113	108
Total	<u>146</u>	<u>146</u>

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

	2019 Value £'000s	2018 Value £'000s
Cash	94	88
APS Matching Fund	6,779	5,947
Diversified Growth	13,758	13,022
Total market value of assets	<u>20,631</u>	<u>19,057</u>

The main assumptions in valuing the pension scheme's liabilities on an FRS102 basis at 31 December 2019 (and 2018 for comparison) are as follows:

	2019	2018
Discount rate	2.00%	2.90%
Inflation rate	3.05%	3.30%
Pensions increase	2.95%	3.15%
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 2019

17. Employee benefits (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. In valuing the liabilities of the pension fund at £22,467k, 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: 20.9 years (male), 22.9 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 (2018: 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.

21. Post Balance Sheet Event

The COVID-19 pandemic is a material non-adjusting event impacting the company. Please see the going concern section in the directors' report for details of the considerations and implications on the company.