MARTINREA INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Martinrea International Inc.

Table of Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2014 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, throughout the year to review among other things accounting policies, observations, if any, relating to internal controls over the financial reporting process that may be identified during the audit process, as influenced by the nature, timing and extent of audit procedures performed, annual financial statements, the results of the external audit examination and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2014. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) *"Pat D'Eramo"*

Pat D'Eramo

President & Chief Executive Officer

(Signed) *"Fred Di Tosto"*

Fred Di Tosto

Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Martinrea International Inc.

We have audited the accompanying consolidated financial statements of Martinrea International Inc., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Martinrea International Inc. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 19, 2015
Toronto, Canada

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note		December 31, 2014		December 31, 2013
ASSETS					
Cash and cash equivalents		$	52,401	$	56,224
Trade and other receivables	4		520,844		541,598
Inventories	5		313,436		302,810
Prepaid expenses and deposits			10,039		13,128
Income taxes recoverable			8,321		3,727
TOTAL CURRENT ASSETS			905,041		917,487
Property, plant and equipment	6		984,681		847,548
Deferred income tax assets	13		153,367		100,156
Intangible assets	7		71,806		59,640
TOTAL NON-CURRENT ASSETS			1,209,854		1,007,344
TOTAL ASSETS		$	2,114,895	$	1,924,831
LIABILITIES					
Trade and other payables	9	$	645,862	$	597,591
Provisions	10		5,504		6,362
Income taxes payable			31,140		22,530
Current portion of long-term debt	11		37,526		37,276
TOTAL CURRENT LIABILITIES			720,032		663,759
Long-term debt	11		654,916		434,501
Pension and other post-retirement benefits	12		62,557		45,270
Deferred income tax liabilities	13		101,644		73,051
Other financial liability	3		-		154,239
TOTAL NON-CURRENT LIABILITIES			819,117		707,061
TOTAL LIABILITIES			1,539,149		1,370,820
EQUITY					
Capital stock	14		694,198		689,975
Contributed surplus			45,347		44,853
Other equity	3		-		(154,239)
Accumulated other comprehensive income			55,927		26,085
Accumulated deficit			(219,480)		(142,376)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			575,992		464,298
Non-controlling interest	3		(246)		89,713
TOTAL EQUITY			575,746		554,011
TOTAL LIABILITIES AND EQUITY		$	2,114,895	$	1,924,831

Commitment and Contingencies (note 21)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Scott Balfour” Director

Martinrea International Inc.

Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)

	Note		Year ended December 31, 2014		Year ended December 31, 2013
SALES		$	3,598,645	$	3,221,881
Cost of sales (excluding depreciation of property, plant and equipment)			(3,146,756)		(2,805,165)
Depreciation of property, plant and equipment (production)			(103,997)		(92,680)
Total cost of sales			(3,250,753)		(2,897,845)
GROSS MARGIN			347,892		324,036
Research and development costs	16		(18,359)		(16,811)
Selling, general and administrative			(184,499)		(163,984)
Depreciation of property, plant and equipment (non-production)			(6,786)		(6,578)
Amortization of customer contracts and relationships			(2,485)		(1,972)
Impairment of property, plant, and equipment and intangible assets	8		-		(29,078)
Restructuring costs	10		(3,542)		-
Loss on disposal of property, plant and equipment			(321)		(376)
OPERATING INCOME			131,900		105,237
Finance costs	18		(22,798)		(18,868)
Other finance income	18		2,137		2,916
INCOME BEFORE INCOME TAXES			111,239		89,285
Income tax expense	13		(21,823)		(51,356)
NET INCOME FOR THE PERIOD		$	89,416	$	37,929
Non-controlling interest	3		(18,112)		(20,979)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$	71,304	$	16,950
Basic earnings per share	15	$	0.84	$	0.20
Diluted earnings per share	15	$	0.83	$	0.20

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
NET INCOME FOR THE PERIOD	$ 89,416	$ 37,929
Other comprehensive income, net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	30,240	52,508
Items that will not be reclassified to net income		
Actuarial gains/(losses) from the remeasurement of defined benefit plans	(11,051)	6,863
Other comprehensive income, net of tax	19,189	59,371
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 108,605	$ 97,300
Attributable to:		
Equity holders of the Company	90,095	71,899
Non-controlling interest	18,510	25,401
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 108,605	$ 97,300

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Equity attributable to equity holders of the Company							
	Capital stock	Contributed surplus	Other equity	Cumulative translation account	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at December 31, 2012	$ 675,606	$ 46,897	$ (87,100)	$ (22,001)	$ (155,721)	$ 457,681	$ 66,240	$ 523,921
Net income for the period	-	-	-	-	16,950	16,950	20,979	37,929
Compensation expense related to stock options	-	1,612	-	-	-	1,612	-	1,612
Purchase of non-controlling interest (note 3)	-	-	-	-	(2,880)	(2,880)	(1,928)	(4,808)
Dividends ($0.09 per share)	-	-	-	-	(7,588)	(7,588)	-	(7,588)
Change in fair value of put option granted to non-controlling interest	-	-	(67,139)	-	-	(67,139)	-	(67,139)
Exercise of employee stock options	14,369	(3,656)	-	-	-	10,713	-	10,713
Other comprehensive income, net of tax								
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	-	6,863	6,863	-	6,863
Foreign currency translation differences	-	-	-	48,086	-	48,086	4,422	52,508
Balance at December 31, 2013	689,975	44,853	(154,239)	26,085	(142,376)	464,298	89,713	554,011
Net income for the period	-	-	-	-	71,304	71,304	18,112	89,416
Compensation expense related to stock options	-	1,699	-	-	-	1,699	-	1,699
Change in fair value of put option granted to non-controlling interest	-	-	(81,428)	-	-	(81,428)	-	(81,428)
Purchase of non-controlling interest (note 3)	-	-	235,667	-	(127,198)	108,469	(108,469)	-
Dividends ($0.12 per share)	-	-	-	-	(10,159)	(10,159)	-	(10,159)
Exercise of employee stock options	4,223	(1,205)	-	-	-	3,018	-	3,018
Other comprehensive income, net of tax								
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	-	(11,051)	(11,051)	-	(11,051)
Foreign currency translation differences	-	-	-	29,842	-	29,842	398	30,240
Balance at December 31, 2014	$ 694,198	$ 45,347	$ -	$ 55,927	$ (219,480)	$ 575,992	$ (246)	$ 575,746

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 89,416	$ 37,929
Adjustments for:		
Depreciation of property, plant and equipment	110,783	99,258
Amortization of customer contracts and relationships	2,485	1,972
Amortization of development costs	9,033	6,899
Unrealized losses on foreign exchange forward contracts	9	370
Finance costs	22,798	18,868
Income tax expense	21,823	51,356
Loss on disposal of property, plant and equipment	321	376
Stock-based compensation	1,699	1,612
Pension and other post-retirement benefits expense	4,068	1,713
Contributions made to pension and other post-retirement benefits	(3,898)	(12,399)
Impairment of property, plant and equipment and intangible assets	-	29,078
Accretion of interest on promissory note	-	(122)
	258,537	236,910
Changes in non-cash working capital items:		
Trade and other receivables	42,962	(84,929)
Inventories	1,374	911
Prepaid expenses and deposits	3,542	513
Trade, other payables and provisions	18,083	25,211
	324,498	178,616
Interest paid (excluding capitalized interest)	(21,429)	(18,833)
Income taxes paid	(38,715)	(23,984)
NET CASH PROVIDED IN OPERATING ACTIVITIES	$ 264,354	$ 135,799
FINANCING ACTIVITIES:		
Increase in long-term debt	297,077	133,166
Repayment of long-term debt	(100,908)	(57,161)
Dividends paid	(10,145)	(5,053)
Exercise of employee stock options	3,018	10,713
NET CASH PROVIDED IN FINANCING ACTIVITIES	$ 189,042	$ 81,665
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(203,645)	(180,330)
Capitalized development costs	(20,476)	(14,638)
Proceeds on disposal of property, plant and equipment	1,647	4,066
Purchase of non-controlling interest (note 3)	(235,667)	(4,808)
Promissory note receipts	-	2,500
NET CASH USED IN INVESTING ACTIVITIES	$ (458,141)	$ (193,210)
Effect of foreign exchange rate changes on cash and cash equivalents	922	2,548
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,823)	26,802
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	56,224	29,422
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,401	$ 56,224

* As at December 31, 2014, $13,372 (December 31, 2013, $13,216) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the consolidated financial statements.

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. It designs, engineers, manufactures and sells quality metal parts, assemblies and fluid management systems and is focused on the automotive sector.

1. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2014 were approved by the Board of Directors on March 19, 2015.

(b) Presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (assumptions made are disclosed in individual notes throughout the financial statements where relevant):

- Estimating the economic life of property, plant and equipment and intangible assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post retirement benefits earned by employees is actuarially determined using the project unit credit method prorated on service, and the Company's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and interest costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately priced tooling contracts: Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total

contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes.

- Estimates used in the fair valuing of stock option grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options.

Information about significant areas of critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (judgements made are disclosed in individual notes throughout the financial statements where relevant):

- Accounting for provisions including assessments of possible legal and tax contingencies, restructuring and onerous contracts. Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgement is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Acquisitions – at initial recognition and subsequent remeasurement, judgements are made both for key assumptions in the purchase price allocation for each acquisition and regarding impairment indicators in the subsequent period. The purchase price is assigned to the identifiable assets, liabilities, and contingent liabilities based on fair values for those assets. Any remaining excess value is reported as goodwill. This allocation requires judgement as well as the definition of cash generating units for impairment testing purposes. Other judgements might result in significantly different results and financial position in the future.

The decisions made by the Company in each instance are set out under the various accounting policies in these notes.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(ii) Transactions eliminated on consolidation

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

For every business combination, the Company identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Non-controlling interest:

The Company measures, on a transaction-by-transaction basis, any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the identifiable assets and liabilities of the acquiree.

Measuring goodwill:
In a business combination, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired entity, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, including cash, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes contingent consideration and share-based payment awards exchanged in the business combination. Payments that effectively settle pre-existing relationships between the Company and the acquiree, payments to compensate employees or former owners for future services, and a reimbursement of transaction costs incurred by the acquiree on behalf of the Company are not accounted for as part of the business combination.

Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are excluded from acquisition accounting, and are expensed as incurred.

Contingent liabilities:
Contingent liabilities that are present obligations that arose from past events are recognized at fair value at the acquisition date. Contingent liabilities that are possible obligations are not recognized in a business combination. Future changes in acquisition date contingent liabilities are recorded in earnings.

Put option held by non-controlling shareholder:
The Company recognizes a liability measured at fair value for a written-put option when a non-controlling shareholder has the right to require the Company to acquire its shareholdings. Based on the facts and circumstances of each put option, the liability will either replace the non-controlling interest balance or be recorded with an offset to other equity. Fair value is measured as the present value of the exercise price of the option or of the forward price. Subsequent changes in the carrying amount of the liability, including accretion and foreign exchange, are recognized within other equity.

(b) Foreign currency

Each subsidiary of the Company maintains its accounting records in its functional currency. A company's functional currency is the currency of the principal economic environment in which it operates.

(i) Foreign currency transactions

Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

(ii) Translation of financial statements of foreign operations

The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the Canadian dollar are translated to Canadian dollars at the exchange rate prevailing on the date of transaction.

Foreign currency differences on translation are recognized in other comprehensive income in the cumulative translation account.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability.

The Company has the following non-derivative financial assets:

Financial assets at fair value through profit or loss:
Financial assets are designated at fair value through profit or loss if the Company manages such asset and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss consist of cash and cash equivalents.

Cash and cash equivalents comprise cash balances and highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables consist of trade and other receivables.

(ii) Non-derivative financial liabilities
The Company initially recognizes debt and subordinated liabilities at fair value on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which time the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: long term debt and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments
The Company periodically uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in profit or loss. The Company does not currently apply hedge accounting.

(d) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of material and labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either a) not sold to the customer, or b) paid for by the customer on delivery of each part, without the customer guaranteeing full financing of the costs incurred. In accordance with IAS 16, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within profit or loss.

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment as part of the cost of that asset, if applicable. Capitalized borrowing costs are amortized over the useful life of the related asset.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

(iii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is provided for at the following basis and rates:

	Basis	**Rate**
Buildings	Declining balance	4%
Leasehold improvements	Straight line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight line	15% to 20%
Stamping and die-casting equipment	Straight line	7% to 17%
Tooling and fixtures	Straight line	Lesser of estimated useful life and life of program
Other	Declining balance and straight line	20% to 30%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(e) Intangible assets

The Company's intangible assets are composed of customer contracts acquired in previous acquisitions and development costs.

(i) Customer contracts and relationships:

Customer contracts and relationships have a finite useful life and are amortized over their estimated economic life of up to 10 years on a straight line basis which approximates a basis consistent with the contract value initially established upon acquisition.

(ii) Research and development:

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if:

- the development costs can be measured reliably,
- the product or process is technically and commercially feasible,
- the future economic benefits are probable, and
- the Company intends to and has sufficient resources to complete the development and to use or sell the asset.

Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in Research and Development costs in the statements of operations.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, including depreciation, based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Impairment losses are recognized on the basis of the net realizable value.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories 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. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets 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.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

(h) Pensions and other post-retirement benefits

The Company's liability for pensions and other post-retirement benefits is based on valuations performed by independent actuaries using the projected unit credit method. These valuations incorporate both financial assumptions (discount rate, and changes in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

The liability for pensions and other post-retirement benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in accumulated deficit through other comprehensive income.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.

A provision for onerous contracts is recognized when the unavoidable costs to meet an obligation exceeds the future economic benefits expected to be earned under the contract. Provisions for onerous contracts are recognized over time as the contracts are fulfilled or when the contracts are no longer onerous.

When the effect of the time value of money is material, the amount of the provision is discounted using a rate that reflects the market's current assessment of this value and the risks specific to the liability concerned. The increase in the provision related to the passage of time is recognized through income in other finance income and expense.

(j) Revenue recognition

Sales primarily include sales of finished goods and tooling revenues. Sales of finished goods and tooling revenues are recognized at the date on which the Company transfers substantially all the risks and rewards of ownership to the buyer, retains neither continuing managerial involvement nor effective control over the goods sold, and meets other revenue recognition criteria in accordance with IFRS. This generally corresponds to when the goods are shipped or, in the case of the sale of tooling, when the tool has been inspected and accepted by the customer.

(k) Finance income and finance expense

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense is comprised of interest expense on long-term debt, amortization of deferred financing costs, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Guarantees

The Company accounts for guarantees in accordance with IAS 39, *Financial Instruments, Recognition and Measurement* (“IAS 39”). A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Under IAS 39, guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are re-measured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions* and (ii) the amount initially recognized less cumulative amortization.

(n) Share-based payments

The Company accounts for all stock-based payments to employees and non-employees using the fair value based method of accounting. The Company measures the compensation cost of stock-based option awards to employees at the grant date using the Black-Scholes option pricing model to determine the fair value of the options. The stock based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options.

(o) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Recently adopted accounting standards

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- Level of fair value hierarchy within which the fair value measurement is categorised
- Valuation techniques used to measure fair value less costs of disposal
- Key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3" of the fair value hierarchy, and
- Discount rate when applicable.

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provide clarification on when an entity has a legally enforceable right to off-set financial assets and financial liabilities.

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

The adoption of this standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

(r) Recently issued accounting standards

The IASB issued the following new standards and amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) – In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 9, Financial Instruments (IFRS 9) - In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(in thousands of Canadian dollars, except per share amounts)

Amendments to IFRS 11, Joint Arrangements – In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendment is effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment – In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

3. CHANGES IN OWNERSHIP INTEREST

On July 29, 2011, the Company purchased a controlling interest in the assets of Honsel AG, a German-based leading supplier of aluminum components for the automotive and industrial sectors, forming the Martinrea Honsel Group. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction, acquiring 55%, with Anchorage acquiring the remaining 45%.

As part of the transaction the Company granted Anchorage a put option which, if exercised, would have required the Company to purchase Anchorage's 45% interest in Martinrea Honsel. The put option would have become effective on April 1, 2015 with an expiry date of October 1, 2017. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option is exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel Group for a negotiated purchase price of €160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel Group became wholly owned by Martinrea. The transaction resulted in the carrying value of the put option liability on the date of the transaction being reversed out of other equity and the carrying amount of Anchorage's share of equity in Martinrea Honsel being reversed from non-controlling interest. The $127,198 difference of the consideration paid and the carrying amount of the non-controlling interest at the date of the transaction was recognized in accumulated deficit.

On January 14, 2013, the Company, through its subsidiary Martinrea Honsel Holdings B.V., closed an agreement to purchase the 35% non-controlling interest of the facility in Monte Mor, Brazil from Daimler AG ("Daimler") for a total cost of $4,808 (€3,712). The transaction resulted in the carrying amount of Daimler's share of equity in the facility being reversed from non-controlling interest. The $2,880 difference between the amount of the non-controlling interest adjustment and the consideration paid was recognized in accumulated deficit.

4. TRADE AND OTHER RECEIVABLES

		December 31, 2014		December 31, 2013
Trade receivables	$	501,962	$	498,261
VAT and other receivables		18,882		43,337
	$	520,844	$	541,598

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 20.

5. INVENTORIES

		December 31, 2014		December 31, 2013
Raw materials	$	145,817	$	138,337
Work in progress		43,895		41,841
Finished goods		55,173		52,013
Tooling work in progress and other inventory		68,551		70,619
	$	313,436	$	302,810

(in thousands of Canadian dollars, except per share amounts)

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 135,782	$ (30,365)	$ 105,417	$ 124,844	$ (24,979)	$ 99,865
Leasehold improvements	44,756	(24,198)	20,558	40,652	(20,518)	20,134
Manufacturing equipment	1,252,106	(588,639)	663,467	1,055,258	(461,778)	593,480
Tooling and fixtures	35,977	(29,664)	6,313	33,516	(28,183)	5,333
Other assets	28,349	(14,525)	13,824	29,461	(15,811)	13,650
Construction in progress and spare parts	175,102	-	175,102	115,086	-	115,086
	$ 1,672,072	$ (687,391)	$ 984,681	$ 1,398,817	$ (551,269)	$ 847,548

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress and spare parts	Total
Net as of December 31, 2012	$ 94,984	$ 19,906	$ 486,340	$ 9,901	$ 13,493	$ 107,119	$ 731,743
Additions	263	197	7,624	-	553	180,428	189,065
Disposals	(2,051)	-	(1,571)	(652)	(35)	(133)	(4,442)
Depreciation	(3,858)	(2,989)	(83,901)	(4,912)	(3,598)	-	(99,258)
Impairment (note 8)	-	-	(9,041)	(5,279)	(380)	-	(14,700)
Transfers from construction in progress and spare parts	6,505	2,229	161,255	4,491	3,355	(177,835)	-
Foreign currency translation adjustment	4,022	791	32,774	1,784	262	5,507	45,140
Net as of December 31, 2013	$ 99,865	$ 20,134	$ 593,480	$ 5,333	$ 13,650	$ 115,086	$ 847,548
Additions	1,436	156	3,957	-	321	197,931	203,801
Disposals	(828)	-	(697)	(284)	(84)	(75)	(1,968)
Depreciation	(4,142)	(3,290)	(96,511)	(3,343)	(3,497)	-	(110,783)
Transfers from construction in progress and spare parts	3,814	2,505	128,252	4,314	3,022	(141,907)	-
Foreign currency translation adjustment	5,272	1,053	34,986	293	412	4,067	46,083
Net as of December 31, 2014	$ 105,417	$ 20,558	$ 663,467	$ 6,313	$ 13,824	$ 175,102	$ 984,681

The Company has entered into certain asset-backed financing arrangements that were structured as sales-and-leaseback transactions. At December 31, 2014, the carrying value of property, plant and equipment under such arrangements was $35,736 (December 31, 2013 – $43,229). The corresponding amounts owing are reflected within long-term debt (note 11).

7. INTANGIBLE ASSETS

	December 31, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 60,644	$ (48,848)	$ 11,796	$ 59,966	$ (45,978)	$ 13,988
Development costs	97,261	(37,251)	60,010	71,357	(25,705)	45,652
	$ 157,905	$ (86,099)	$ 71,806	$ 131,323	$ (71,683)	$ 59,640

(in thousands of Canadian dollars, except per share amounts)

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2012	$ 15,073	$ 49,024	$ 64,097
Additions	-	14,638	14,638
Amortization	(1,972)	(6,899)	(8,871)
Impairment charge (note 8)	-	(14,378)	(14,378)
Foreign currency translation adjustment	887	3,267	4,154
Net as of December 31, 2013	$ 13,988	$ 45,652	$ 59,640
Additions	-	20,476	20,476
Amortization	(2,485)	(9,033)	(11,518)
Foreign currency translation adjustment	293	2,915	3,208
Net as of December 31, 2014	$ 11,796	$ 60,010	$ 71,806

8. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Year ended December 31, 2014	Year ended December 31, 2013
Impairment charges	$ -	$ 29,078
	$ -	$ 29,078

During 2013, in conjunction with its annual business planning cycle, the Company recorded impairment charges on property, plant and equipment and intangible assets totaling $29,078 of which $27,758 relates to a CGU in the North America operating segment, specifically, Hopkinsville, Kentucky, and $1,320 to specific manufacturing equipment no longer in use also in the North America operating segment. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts. The recoverable amounts were based on the greater of the fair value of the assets less cost to sell and value in use.

When determining the value in use of a CGU, the Company develops a discounted forecast cash flow model for each CGU. The forecasts are based on past experience, estimated OEM vehicle volumes available from external service providers at the reporting date the tests were conducted, macroeconomic data for the automotive market, order books and products under development. For the impairment review conducted for 2013, cash flows were discounted based on a post-tax discount rate of 11.5%, which was derived from the Company's weighted average cost of capital and adjusted as necessary.

No impairment charges were recorded in 2014.

9. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Trade accounts payable and accrued liabilities	$ 645,853	$ 597,221
Foreign exchange forward contracts (note 20(d))	9	370
	$ 645,862	$ 597,591

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

(in thousands of Canadian dollars, except per share amounts)

10. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Onerous Contracts (c)	Total
Net as of December 31, 2012	$ 24,433	$ 2,241	$ 2,305	$ 28,979
Net additions	-	365	-	365
Amounts used during the period	(22,154)	(801)	(1,173)	(24,128)
Foreign currency translation adjustment	1,069	(98)	175	1,146
Net as of December 31, 2013	$ 3,348	$ 1,707	$ 1,307	$ 6,362
Net additions	3,542	546	-	4,088
Amounts used during the period	(3,102)	(450)	(1,291)	(4,843)
Foreign currency translation adjustment	(36)	(51)	(16)	(103)
Net as of December 31, 2014	$ 3,752	$ 1,752	$ -	$ 5,504

Based on estimated cash outflows, all provisions as at December 31, 2014 and 2013 are presented on the consolidated balance sheet as current.

(a) Restructuring

As part of the acquisition of Honsel in 2011 as described in note 3, a certain level of restructuring was contemplated, in particular, at the Company's German facilities in Meschede and Soest. The restructuring accrual as at December 31, 2012 and 2013 and $1,054 of the accrual as at December 31, 2014 relates to restructuring activities undertaken in Honsel primarily for employee related severance.

Additions to the restructuring accrual in 2014 of $3,542, represent employee related severance relating to the rightsizing of two manufacturing facilities in Ontario.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

(c) Onerous contracts

An onerous contract is a contract in which the unavoidable costs to meet the obligation exceed the future economic benefits expected to be earned under it. As part of the valuation of the assets and liabilities assumed in the acquisition of Honsel, certain sales contracts were determined to be onerous. As such, the present value of the future net obligation of these contracts was recorded as a provision and has been recognized over time as the contracts were fulfilled or when the contracts are were longer considered onerous.

11. LONG TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 20.

	December 31, 2014	December 31, 2013
Banking facility	$ 547,090	$ 310,372
Equipment loans	145,109	146,534
Other bank loans	243	1,681
Loan payable to non-controlling shareholder of Martinrea Honsel	-	13,190
	692,442	471,777
Current portion	(37,526)	(37,276)
	$ 654,916	$ 434,501

(in thousands of Canadian dollars, except per share amounts)

Terms and conditions of outstanding loans as at December 31, 2014, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2014 Carrying amount	December 31, 2013 Carrying amount
Banking facility	CAD	BA+2.0%	2018	$ 274,466	$ 276,337
	USD	LIBOR+2.0%	2018	272,624	34,035
Equipment loans	USD	4.25%	2018	46,742	45,224
	USD	4.25%	2017	18,846	23,452
	EUR	3.06%	2024	15,195	-
	USD	7.36%	2017	14,948	17,641
	EUR	4.93%	2023	14,735	14,896
	EUR	3.37%	2016	13,806	20,816
	USD	3.89%	2016	6,405	9,201
	EUR	3.35%	2019	5,615	-
	USD	3.99%	2017	4,176	5,555
	USD	3.65%	2016	1,982	2,805
	BRL	11.88%	2015	1,310	2,702
	USD	4.69%	2017	1,013	1,362
	BRL	5.00%	2020	336	409
	BRL	5.00%	2014	-	569
	CAD	Prime+0.3%	2014	-	1,333
	USD	3.65%	2014	-	458
	BRL	5.59%	2014	-	111
Other bank loans	BRL	14.00%	2015	243	1,681
Loan payable to Anchorage	EUR	5.00%	2014	-	13,190
				$ 692,442	$ 471,777

On August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The increase in credit lines facilitated the purchase of the 45% minority interest in Martinrea Honsel as described in Note 3. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $300 million and US $350 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to $100 million;
- pricing terms at market rates; and
- a maturity date of August 2018.

As at December 31, 2014, the Company has drawn US$235,000 (December 31, 2013 - US$32,000) on the U.S. revolving credit line and drawn $278,000 (December 31, 2013 - $278,000) on the Canadian revolving credit line. At December 31, 2014, the weighted average effective rate of the banking facility credit lines was 3.3% (December 31, 2013 - 3.3%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2014.

Deferred financing fees of $4,155 (December 31, 2013 - $2,218) have been netted against the carrying value of the long term debt.

During 2014, the Company finalized the following equipment financing arrangements with the corresponding equipment acting as security:

- the final draw down on a five year US$50 million equipment loan in the amount of US$6,958 at a fixed interest rate of 4.25%;
- a five year equipment loan in the amount of €4,000 at a fixed interest rate of 3.35%; and
- a ten year equipment loan with the government of Spain in the amount of €10,824 at a fixed interest rate of 3.06%, with scheduled principal repayments starting in 2018.

(in thousands of Canadian dollars, except per share amounts)

The loan payable to Anchorage formed part of a €20,000 ($29,100) loan to Martinrea Honsel from its shareholders, including Martinrea, during 2012. On August 6, 2014, in conjunction with the purchase of the remaining 45% equity interest in Martinrea Honsel, as described in note 3, the loan payable to the non-controlling shareholder was repaid.

Future annual minimum principal repayments are as follows:

Within one year	$	37,526
One to two years		37,144
Two to three years		25,499
Three to four years		568,254
Thereafter		24,019
	$	692,442

12. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The Company has defined benefit and non-pension post-retirement benefit plans in Canada, the United States and Germany. The defined benefit plans provide pensions based on years of service, years of contributions and earnings. The post-retirement benefit plans provide for the reimbursement of certain medical costs.

The plans are governed by the pension laws of the jurisdiction in which they are registered. The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. Local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

The assets of the defined benefit pension plans are held in segregated accounts isolated from the Company's assets. The plans are administered pursuant to applicable regulations, investment policies and procedures and to the mandate of an established pension committee. The pension committee oversees the administration of the pension plans, which include the following principal areas:

- Overseeing the funding, administration, communication and investment management of the plans;
- Selecting and monitoring the performance of all third parties performing duties in respect of the plans, including audit, actuarial and investment management services;
- Proposing, considering and approving amendments to the defined benefit pension plans;
- Proposing, considering and approving amendments of the investment policies and procedures;
- Reviewing actuarial reports prepared in respect of the administration of the defined benefit pension plans; and
- Reviewing and approving the audited financial statements of the defined benefit pension plan funds.

The assets of the defined benefit pension plans are invested and managed following all applicable regulations and investment policies and procedures, and reflect the characteristics and asset mix of each defined benefit pension plan. Investment and market return risk is managed by:

- Contracting professional investment managers to execute the investment strategy following the investment policies and procedures and regulatory requirements;
- Specifying the kinds of investments that can be held in plans and monitoring compliance;
- Using asset allocation and diversification strategies; and
- Purchasing annuities from time to time.

The pension plans are exposed to market risks such as changes in interest rates, inflation and fluctuations in investment values. The plans are also exposed to non-financial risks in the nature of membership mortality, demographic changes and regulatory change.

(in thousands of Canadian dollars, except per share amounts)

Information about the Company's defined benefit plans as at December 31, in aggregate, is as follows:

Accrued benefit obligation:

	Other post-retirement benefits	Pensions	December 31, 2014	Other post-retirement benefits	Pensions	December 31, 2013
Balance, beginning of the year	$ (41,804)	$ (47,217)	$ (89,021)	$ (43,191)	$ (132,475)	$ (175,666)
Benefits paid by the plan	1,671	2,541	4,212	1,790	6,832	8,622
Current service costs	(181)	(2,182)	(2,363)	(203)	(2,025)	(2,228)
Interest costs	(1,949)	(2,177)	(4,126)	(1,697)	(4,577)	(6,274)
Actuarial gains/(losses) - experience	1,158	1,260	2,418	56	(405)	(349)
Actuarial losses - demographic experience	(2,136)	(1,618)	(3,754)	(2,055)	(4,404)	(6,459)
Actuarial gains/(losses) - financial assumptions	(5,056)	(7,646)	(12,702)	4,738	10,937	15,675
Transfers	-	(431)	(431)	-	-	-
Curtailment	547	-	547	-	-	-
Settlements	-	419	419	-	80,253	80,253
Foreign exchange translation adjustment	(1,617)	(1,509)	(3,126)	(1,242)	(1,353)	(2,595)
Balance, end of year	$ (49,367)	$ (58,560)	$ (107,927)	$ (41,804)	$ (47,217)	$ (89,021)

Plan Assets:

	Other post-retirement benefits	Pensions	December 31, 2014	Other post-retirement benefits	Pensions	December 31, 2013
Fair value, beginning of the year	$ -	$ 43,751	$ 43,751	$ -	$ 110,887	$ 110,887
Contributions paid into the plans	1,671	2,227	3,898	1,790	10,609	12,399
Benefits paid by the plans	(1,671)	(2,541)	(4,212)	(1,790)	(6,832)	(8,622)
Transfers	-	429	429	-	-	-
Settlements	-	(452)	(452)	-	(77,189)	(77,189)
Interest income	-	2,106	2,106	-	3,970	3,970
Administrative costs	-	(199)	(199)	-	(245)	(245)
Remeasurements, return on plan assets recognized in other comprehensive income	-	(1,385)	(1,385)	-	1,656	1,656
Foreign exchange translation adjustment	-	1,434	1,434	-	895	895
Fair value, end of year	$ -	$ 45,370	$ 45,370	$ -	$ 43,751	$ 43,751
Accrued benefit liability, end of year	$ **(49,367)**	$ **(13,190)**	$ **(62,557)**	$ **(41,804)**	$ **(3,466)**	$ **(45,270)**

Pension benefit expense recognized in net income:

	Other post-retirement benefits	Pensions	Year ended December 31, 2014	Other post-retirement benefits	Pensions	Year ended December 31, 2013
Current service costs	$ 181	$ 2,182	$ 2,363	$ 203	$ 2,025	$ 2,228
Net interest cost	1,949	71	2,020	1,697	607	2,304
Administrative costs	-	199	199	-	245	245
Curtailment/Settlements*	(547)	33	(514)	-	(3,064)	(3,064)
Net benefit plan expense (income)	$ 1,583	$ 2,485	$ 4,068	$ 1,900	$ (187)	$ 1,713

* During 2014, the Company carried out a restructuring at its Ridgetown facility which resulted in a curtailment and a negative plan amendment in its OPEB plan. In accordance with IAS 19R, a re-measurement was performed on the curtailment date and a net reduction of the OPEB obligation of $547 was recognized as a reduction to net benefit plan expense in the statement of operations.

(in thousands of Canadian dollars, except per share amounts)

During 2013, the Company settled a pension plan originating from its facility in Windsor, Ontario through the purchase of annuities with an insurance company resulting in a settlement gain of $3.1 million.

Amounts recognized in other comprehensive income(loss) (before income taxes):

		Year ended December 31, 2014	Year ended December 31, 2013
Actuarial gains/(losses)	$	(15,423) $	10,523

Plan assets are primarily composed of pooled funds that invest in fixed income and equities, common stocks and bonds that are actively traded. Plan assets are composed of:

Description	December 31, 2014	December 31, 2013
Cash	0.9%	0.6%
Equity	87.4%	86.7%
Debt securities	11.7%	12.7%
	100.0%	100.0%

The defined benefit obligation and plan assets are composed by country as follows:

		Year ended December 31, 2014				Year ended December 31, 2013			
		Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	$	(25,568) $	(25,891) $	- $	(51,459) $	(22,116) $	(19,244) $	- $	(41,360)
Fair value of plan assets		27,693	17,677	-	45,370	28,720	15,031	-	43,751
Funding status of funded obligations		2,125	(8,214)	-	(6,089)	6,604 -	(4,213)	-	2,391
Present value of unfunded obligations		(26,907)	(24,379)	(5,182)	(56,468)	(25,848)	(18,347)	(3,466)	(47,661)
Total funded status of obligations	$	(24,782) $	(32,593) $	(5,182) $	(62,557) $	(19,244) $	(22,560) $	(3,466) $	(45,270)

There are significant assumptions made in the calculations provided by the actuaries and it is the responsibility of the Company to determine which assumptions could result in a significant impact when determining the accrued benefit obligations and pension expense.

Principal actuarial assumptions, expressed as weighted averages, are summarized below:

Weighted average actuarial assumptions:

	December 31, 2014	December 31, 2013
Defined benefit pension plans		
Discount rate used to calculate year end benefit obligation	3.8%	4.7%
Mortality table	CPM - RPP 2014 Priv	CPM - RPP 2014 Priv
Other post-employment benefit plans		
Discount rate to calculate year end benefit obligation	3.9%	4.7%
Mortality table	CPM - RPP 2014 Priv & Blue collar w/MP	CPM - RPP 2014 Priv & IRS 2014 static w/BC adj
Health care trend rates		
Initial healthcare rate	8.5%	9.1%
Ultimate healthcare rate	5.0%	5.0%

Sensitivity of Key Assumptions

In the sensitivity analysis shown below, the Company determines the defined benefit obligation using the same method used to calculate the defined benefit obligations recognized in the consolidated balance sheets. Sensitivity is calculated by changing one assumption while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption will change at a time, and that some assumptions are correlated.

(in thousands of Canadian dollars, except per share amounts)

		Impact on defined benefit obligation		Impact on defined benefit obligation	
		December 31, 2014		December 31, 2013	
Pension Plans	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.9%	Increase by 9.0%	Decrease by 7.7%	Increase by 8.7%
Life Expectancy	1 Year	Increase by 2.88%	Decrease by 2.98%	Increase by 2.93%	Decrease by 2.98%
Other post-retirement benefits					
Discount rate	0.50%	Decrease by 7.03%	Decrease by 7.9%	Decrease by 6.5%	Decrease by 7.27%
Medical costs	1 Year	Increase by 13.2%	Increase by 10.7%	Increase by 12.6%	Increase by 11.85%

13. INCOME TAXES

The components of income tax expense are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Current income tax expense	$ 43,049	$ 36,517
Deferred income tax expense (recovery)	(21,226)	14,839
Total income tax expense	$ 21,823	$ 51,356

Taxes on items recognized in other comprehensive income or directly in equity in 2014 and 2013 were as follows:

Deferred tax benefit (charge) on:	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefit plan actuarial gains and losses	$ 4,372	$ (3,660)
Cumulative Translation Adjustments	(2,420)	-
	$ 1,952	$ (3,660)

Reconciliation of effective tax rate:

The provision for income taxes differs from the result that would be obtained by applying statutory income tax rates to income before income taxes. This difference results from the following:

	Year ended December 31, 2014	Year ended December 31, 2013
Income before income taxes	$ 111,239	$ 89,285
Tax at Statutory income tax rate of 26.50% (2013 - 26.50%)	29,478	23,661
Increase (decrease) in income taxes resulting from:		
Manufacturing and processing profits deduction	(866)	(1,405)
Rate differences and deductions allowed in foreign jurisdictions	(3,629)	(8,744)
Current year tax losses for which no benefit is recognized	19,703	35,243
Write-down of previously recognized deferred tax assets	1,918	-
Recognition of previously unrecognized deferred tax assets	(27,730)	(1,402)
Stock based compensation and other non deductible expenses	2,949	4,003
	$ 21,823	$ 51,356
Effective income tax rate applicable to earnings before income taxes	19.6%	57.5%

(in thousands of Canadian dollars, except per share amounts)

The movements of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2012	$ 67,719	$ 19,134	$ 9,927	$ 2,744	4,833	$ 104,357
Benefit (charge) to income	(2,994)	(2,877)	3,061	672	(2,238)	(4,376)
Charge to other comprehensive income	-	(3,660)	-	-	-	(3,660)
Translation and other	2,863	726	246	-	-	3,835
December 31, 2013	67,588	13,323	13,234	3,416	2,595	100,156
Benefit (charge) to income	21,565	(106)	(1,836)	19,566	3,854	43,043
Benefit to other comprehensive income	-	4,372	-	-	-	4,372
Translation and other	4,673	1,090	1,031	(721)	(277)	5,796
December 31, 2014	$ 93,826	$ 18,679	$ 12,429	$ 22,261	6,172	$ 153,367

The movements of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2012	$ (59,535)	$ (712)	$ (60,247)
Benefit (charge) to income	(11,529)	1,066	(10,463)
Translation and other	(1,586)	(755)	(2,341)
December 31, 2013	(72,650)	(401)	(73,051)
Benefit (charge) to income	(21,990)	173	(21,817)
Charge to other comprehensive income	-	(2,420)	(2,420)
Translation and other	(3,774)	(582)	(4,356)
December 31, 2014	$ (98,414)	$ (3,230)	$ (101,644)

Net deferred asset at December 31, 2013	$ 27,105
Net deferred asset at December 31, 2014	$ 51,723

The Company has accumulated approximately $546,725 (2013 - $422,459) in non-capital losses that are available to reduce taxable income in future years. If unused these losses will expire as follows:

Year	
2015-2017	$ 4,614
2018-2022	13,122
2023-2035	487,924
Indefinite	41,065
	$ 546,725

At December 31, 2014, the Company had nil (2013 - $8,356) capital losses carried forward which may only be used to offset future capital gains.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

At December 31, 2014, deferred taxes have not been recognized in respect of the following items:

	2014	2013
Tax losses in foreign jurisdictions	$ 94,389	$ 76,559
Deductible temporary differences in foreign jurisdictions	1,405	22,256
Other capital items	190	190
	$ 95,984	$ 99,005

(in thousands of Canadian dollars, except per share amounts)

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately $311,264 at December 31, 2014 (December 31, 2013 - $208,835).

14. CAPITAL STOCK

	Number		Amount
Common shares outstanding:			
Balance, December 31, 2012	82,995,450	$	675,606
Exercise of stock options	1,484,254		14,369
Balance, December 31, 2013	84,479,704	$	689,975
Exercise of stock options	445,379		4,223
Balance, December 31, 2014	84,925,083	$	694,198

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

Stock options:

The Company has one stock option plan for key employees. Under the plan the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with stock option plan and the policies of the Company, and the options have a maximum term of 10 years. Options are granted throughout the year and vest between zero and four years.

The following is a summary of the activity of the outstanding share purchase options:

	Year ended December 31, 2014			Year ended December 31, 2013		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	5,521,915	$	10.68	6,921,836	$	9.94
Granted during the period	692,000		11.94	100,000		10.44
Exercised during the period	(445,379)		6.79	(1,484,254)		(7.21)
Cancelled during the period	(123,334)		11.25	(15,667)		(10.44)
Balance, end of period	5,645,202	$	11.13	5,521,915	$	10.68
Options exercisable, end of period	5,110,202	$	11.10	4,896,915	$	10.95

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2014:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$3.00 - 5.99	31,000	2005 & 2008	2015 & 2018
$6.00 - 8.99	2,398,452	2004 - 2012	2015 - 2022
$9.00 - 9.99	150,000	2008	2018
$10.00 - 15.99	1,275,750	2006 - 2014	2016 - 2024
$16.00 - 17.75	1,790,000	2007	2017
Total share purchase options	5,645,202		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes option pricing model. The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's black-out policy which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

(in thousands of Canadian dollars, except per share amounts)

		Year ended December 31, 2014		Year ended December 31, 2013
Expected volatility		39.4%		50.2%
Risk free interest rate		1.4%		1.5%
Expected life (years)		4		4
Dividend yield		1.0%		1.0%
Weighted average fair value of options granted	$	3.55	$	3.89

For the year ended December 31, 2014, the Company expensed $1,699 (2013 - $1,612) to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

15. EARNINGS PER SHARE

Details of the calculations of earnings per share are set out below:

	Year ended December 31, 2014			Year ended December 31, 2013		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	84,614,542	$	0.84	84,093,465	$	0.20
Effect of dilutive securities:						
Stock options	900,372		(0.01)	891,392		-
Diluted	85,514,914	$	0.83	84,984,857	$	0.20

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

During 2014, 2,407,000 options (2013 - 2,575,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

16. RESEARCH AND DEVELOPMENT COSTS

		Year ended December 31, 2014		Year ended December 31, 2013
Research and development costs, gross	$	29,802	$	24,550
Capitalized development costs		(20,476)		(14,638)
Amortization of capitalized development costs		9,033		6,899
Net expense	$	18,359	$	16,811

17. PERSONNEL EXPENSES

The statements of operations present operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note		Year ended December 31, 2014		Year ended December 31, 2013
Wages and salaries and other short-term employee benefits		$	775,267	$	688,266
Expenses related to pension and post-retirement benefits	12		4,068		1,713
Share based payments	14		1,699		1,612
		$	781,034	$	691,591

(in thousands of Canadian dollars, except per share amounts)

18. FINANCE EXPENSE AND OTHER FINANCE INCOME

		Year ended December 31, 2014		Year ended December 31, 2013
Debt interest, gross	$	25,930	$	20,355
Capitalized interest – at an average rate of 3.3% (2013 - 3.2 %)		(3,132)		(1,487)
Net finance expense	$	22,798	$	18,868

		Year ended December 31, 2014		Year ended December 31, 2013
Accretion of interest income on promissory note	$	-	$	(122)
Net foreign exchange gain		(1,940)		(2,509)
Other income, net		(197)		(285)
Other finance income	$	(2,137)	$	(2,916)

19. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by management. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of the World.

The accounting policies of the segments are the same as those described in the significant accounting policies in note 2 of the consolidated financial statements. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

The following is a summary of selected data for each of the Company's segments:

		Year ended December 31, 2014						Year ended December 31, 2013				
		Sales		Property, plant and equipment		Operating Income		Sales		Property, plant and equipment		Operating Income
North America												
Canada	$	818,219	$	162,047			$	775,418	$	157,302		
USA		1,384,715		401,432				1,148,799		357,693		
Mexico		648,436		236,156				599,480		194,771		
	$	2,851,370	$	799,635	$	89,416	$	2,523,697	$	709,766	$	71,117
Europe												
Germany		567,828		71,115				521,432		60,501		
Spain		91,505		48,779				84,905		26,639		
Slovakia		28,233		13,957				24,847		10,973		
		687,566		133,851		53,160		631,184		98,113		36,143
Rest of the World		59,709		51,195		(10,676)		67,000		39,669		(2,023)
	$	3,598,645	$	984,681	$	131,900	$	3,221,881	$	847,548	$	105,237

Inter-segment sales are not significant for any period presented.

(in thousands of Canadian dollars, except per share amounts)

20. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, long-term debt, foreign exchange forward contracts and other financial liability – put option.

Fair Value

IFRS 13 "*Fair Value Measurement*" provides guidance about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 52,401	$ 52,401	$ -	$ -
Foreign exchange forward contracts	$ (9)	$ -	$ (9)	$ -

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 56,224	$ 56,224	$ -	$ -
Foreign exchange forward contracts	$ (370)	$ -	$ (370)	$ -
Other financial liability - put option	$ (154,239)	$ -	$ -	$ (154,239)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

December 31, 2014	**Fair value through profit or loss**	**Loans and receivables**	**Amortized cost**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 520,844	$ -	$ 520,844	$ 520,844
	-	520,844	-	520,844	520,844
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	645,853	645,853	645,853
Long-term debt	-	-	692,442	692,442	692,442
Foreign exchange forward contracts	9	-	-	9	9
	9	-	1,338,295	1,338,304	1,338,304
Net financial assets (liabilities)	$ (9)	$ 520,844	$ (1,338,295)	$ (817,460)	$ (817,460)

(in thousands of Canadian dollars, except per share amounts)

December 31, 2013	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 541,598	$ -	$ 541,598	$ 541,598
	-	541,598	-	541,598	541,598
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	597,221	597,221	597,221
Long-term debt	-	-	471,777	471,777	471,777
Foreign exchange forward contracts	370	-	-	370	370
	370	-	1,068,998	1,069,368	1,069,368
Net financial assets (liabilities)	$ (370)	$ 541,598	$ (1,068,998)	$ (527,770)	$ (527,770)

The fair value of trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

(a) Credit risk

Credit risk refers to the risks of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. Approximately 85% of the Company's production sales are derived from seven customers. A substantial portion of the Company's accounts receivable are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that were past due as at December 31, 2014 are part of normal patterns within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current period are minimal.

The aging of trade receivables at the reporting date was as follows:

	December 31, 2014	December 31, 2013
0-60 days	$ 473,337	$ 439,125
61-90 days	15,982	35,368
Greater than 90 days	12,643	23,768
	$ 501,962	$ 498,261

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At December 31, 2014, the Company had cash of $52,401 and banking facilities available as discussed in note 11. All the Company's financial liabilities other than long term debt and other financial liabilities have maturities of approximately 60 days.

(in thousands of Canadian dollars, except per share amounts)

A summary of contractual maturities of long term debt is provided in note 11.

(c) Interest rate risk

Interest rate risk refers to the risk the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Bankers Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.75%.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount	
	December 31, 2014	**December 31, 2013**
Variable rate instruments	$ 547,090	$ 311,705
Fixed rate instruments	145,352	160,072
	$ 692,442	$ 471,777

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $4,381 (December 31, 2013 - $3,183) on the Company's consolidated financial results for the year ended December 31, 2014.

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At December 31, 2014, the Company had committed to the following foreign exchange contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$ 10,000	$ 1.1696	12
Buy Euro	694	0.8131	1
Buy Mexican Peso	1,703	14.6785	1

The aggregate value of these forward contracts as at December 31, 2014 was a loss of $9 and was recorded in trade and other payables (December 31, 2013 – loss of $370 and was recorded in trade and other payables).

(in thousands of Canadian dollars, except per share amounts)

The Company's exposure to foreign currency risk reported in the foreign currency was as follows:

December 31, 2014		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	295,319	€	65,084	$	17,654	R$	15,171	¥	47,449
Trade and other payables		(357,294)		(88,788)		(60,722)		(16,376)		(24,372)
Long-term debt		(316,658)		(35,156)		-		(4,325)		-
	$	(378,633)	€	(58,860)	$	(43,068)	R$	(5,530)	¥	23,077

December 31, 2013		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	340,455	€	62,093	$	13,988	R$	14,729	¥	16,815
Trade and other payables		(363,579)		(84,639)		(55,903)		(23,264)		(17,111)
Long-term debt		(131,900)		(33,369)		-		(12,152)		-
	$	(155,024)	€	(55,915)	$	(41,915)	R$	(20,687)	¥	(296)

The following summary illustrates the fluctuations in the exchange rates applied during the year ended December 31, 2014 and 2013:

	Average rate		Closing rate	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
USD	1.0973	1.0242	1.1601	1.0636
EURO	1.4701	1.3553	1.4038	1.4655
PESO	0.0832	0.0803	0.0787	0.0812
BRL	0.4717	0.4807	0.4365	0.4503
CNY	0.1784	0.1665	0.1869	0.1757

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10 percent strengthening of the Canadian dollar against the following currencies at December 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the year ended December 31, 2014 by the amounts shown below, assuming all other variables remain constant:

		Year ended December 31, 2014		Year ended December 31, 2013
USD	$	1,833	$	6,916
EURO		(7,726)		(4,335)
BRL		952		443
CNY		421		227
	$	(4,520)	$	3,251

A weakening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with complementary acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive loss and accumulated deficit, and debt.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

In addition to debt and equity the Company may use operating leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

(in thousands of Canadian dollars, except per share amounts)

21. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain manufacturing facilities, office equipment and vehicles under operating leases and enters into purchase obligations in the normal course of business related to inventory, services, tooling and property, plant and equipment. The aggregate expected payments towards those obligations are as follows:

	December 31, 2014	December 31, 2013
Future minimum lease payments under operating leases	$ 94,702	$ 97,324
Capital and other purchase commitments (all due in less than one year)	533,147	448,817
	$ 627,849	$ 546,141

Future minimum lease payments under operating leases are due as follows:

	December 31, 2014	December 31, 2013
Less than one year	$ 21,867	$ 22,075
Between one and five years	45,925	54,987
More than five years	26,910	20,262
	$ 94,702	$ 97,324

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of this report or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $69,067 (BRL $158,230) including interest and penalties to December 31, 2014 (December 31, 2013 - $58,000 or BRL $128,800). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling $43,000 at some point in 2015 through a pledge of assets, bank letter of credits or cash deposit. No provision has been recorded by the Company in connection with this contingency as at this stage the Company has concluded that it is not probable that a liability will result from the matter.

(in thousands of Canadian dollars, except per share amounts)

22. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At December 31, 2014, the amount of the off balance sheet program financing was $17,229 (December 31, 2013 - $57,591) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2014 or 2013. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.

23. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include the Directors and the most Senior Corporate Officers of the company that are primarily responsible for planning, directing and controlling the Company's business activities.

The compensation expense associated with key management for employee services was included in employee salaries and benefits as follows:

		Year ended December 31, 2014		Year ended December 31, 2013
Salaries, pension and other short-term employee benefits	$	6,868	$	8,578
Stock-based compensation expense		1,322		502
Termination benefits*		8,448		-
	$	16,638	$	9,080

*On November 1, 2014, Nick Orlando stepped down as Martinrea's President and Chief Executive Officer. Upon his departure, Nick Orlando was entitled to the termination benefit as set out in his employment contract in the aggregate amount of $8.4 million payable over a two year period. The $8.4 million termination benefit was set up as a liability and expensed during the fourth quarter of 2014. The liability is included in trade accounts payable and accrued liabilities.

24. LIST OF CONSOLIDATED ENTITIES

The following is a summary of significant direct subsidiaries of the Company:

	Country of incorporation	Ownership interest
Martinrea Metallic Canada Inc.	Canada	100%
Martinrea Automotive Systems Canada Ltd.	Canada	100%
Martinrea Automotive Inc.	Canada	100%
Royal Automotive Group Ltd.	Canada	100%
Martinrea Metal Holdings (USA), Inc.	United States of America	100%
Martinrea Pilot Acquisition Inc.	Canada	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%
Martinrea Pilot Acquisition II LLC	United States of America	100%
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100%
Martinrea China Holdings Inc.	Canada	100%
Martinrea Honsel Holdings B.V. ("Martinrea Honsel") *	Netherlands	100%

* As described in note 3, on August 7, 2014, Martinrea acquired the remaining 45% equity interest in Martinrea Honsel. Prior to the transaction, the Company held a 55% controlling interest in the business. Effective August 7, 2014, Martinrea Honsel is wholly owned by Martinrea.