

Registered number: 34104

GKN Automotive Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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Company Information

Directors: C L Bailey (resigned 29 July 2019)
L D Butterworth (appointed 29 July 2019)
G E Barnes
J C F Crawford
R Fioroni (appointed 29 July 2019)
M J Gabriel (appointed 29 July 2019)
T Giese (resigned 29 July 2019)
R Gough (resigned 8 February 2019)
J A Hickman (appointed 8 February 2019, resigned 27 September 2019)
R C Kuczera (resigned 29 July 2019)
R H C M Luijten (appointed 29 July 2019, resigned 17 January 2020)
T Minel (appointed 29 July 2019)
G D Morgan
M J Richards
J Webb (appointed 26 February 2020)

Company Secretary: J C F Crawford

Registered Number: 34104

Registered Office: 1ST Floor, 2100 The Crescent
Birmingham Business Park
Birmingham
B37 7YE
United Kingdom

Independent Auditor: Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

GKN Automotive Limited

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GKN Automotive Limited

Strategic Report

For the year ended 31 December 2019

The Directors present the Strategic Report for the year ended 31 December 2019.

Business Review

GKN Automotive Limited is an intermediate holding company within the Melrose Industries PLC group which holds investments in GKN Driveline entities. The Company receives royalty income from certain entities within the GKN Driveline division and employs part of GKN Driveline's senior management and functional leadership team.

The Company's Income Statement for the financial year shows a profit of £46,292,000 (2018: loss of £133,314,000). The financial position of the Company is considered satisfactory and the Company continues to receive the ongoing support of Melrose Industries PLC group.

The Company's future development is to continue to hold investments in GKN Automotive entities.

The Company's turnover increased due to an increase in royalty charges to GKN Automotive entities.

During the year the annual impairment review of the company's investments in subsidiaries and other undertakings identified that the net asset value of certain investments in other group companies had fallen below the value at which they were held and an impairment charge of £129,000 has been recognised in the financial results for 2019 (2018: £107,922,000). A trading loss of £2,808,000 (2018: loss £22,174,000) was incurred as the company was unable to recover all its expenditures from other GKN companies.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Melrose Industries PLC Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Melrose Industries PLC Group, which include those of the Company, are discussed on pages 48 to 56 of the Group's 2019 annual report which does not form part of this report.

In early 2020 we experienced an unprecedented event in the worldwide outbreak of COVID-19. Whilst GKN Automotive Limited does not carry out any manufacturing activities, as a head Office company the impact of COVID-19 on the company is linked with the worldwide impact on members of the Melrose Industries Group.

The principal focus of risk mitigation measures has been the safety of the Company's staff. To this effect remote and short time working have been adopted and other control measures have been taken according to advice from the UK Government.

Key Performance Indicators

The Company's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of GKN Automotive, which includes this Company, is discussed on pages 18-19 of the Group's 2019 annual report which does not form part of this report.

The address to obtain the Group accounts is available in note 17 on page 32.

Section 172(1) Statement for GKN Automotive Limited (the "Company") for the year ended 31 December 2019

This statement is made pursuant to sections 414CZA and 426B of The Companies (Miscellaneous Reporting) Regulations 2018, and summarises how the directors of the Company have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties during the year ended 31 December 2019 (the "Financial Year"). This statement also contains the information required by paragraphs 11B and 11C, Part 4, Schedule 7, Large and Medium-sized Companies Regulations 2008 (which requires the directors to summarise how the Company's actions taken during the Financial Year have encouraged engagement with suppliers, customers and others in a business relationship with the Company).

Background & Purpose of the Company

The Company is part of the wider GKN Automotive business, a global tier 1 supplier to the automotive industry. GKN Automotive manufactures and supplies conventional and electrified drivetrain components for the world's leading vehicle manufacturers. GKN Automotive employs approximately 24,000 people and operates from 20 countries. GKN Automotive is owned by Melrose Industries Plc ("Melrose"), an investor in manufacturing businesses, which is headquartered in the UK. The board of directors of the Company is made of five members of the GKN Automotive Executive Committee and four directors appointed by Melrose.

The Company carries on head office and certain central functions for the wider GKN Automotive business, and holds certain intellectual property rights which it licenses to other GKN Automotive companies worldwide. The Company operates from

GKN Automotive Limited

Strategic Report (continued)

For the year ended 31 December 2019

offices in London and the Midlands, UK. To a significant degree, the activities of the Company are inextricably linked to the activities of the wider GKN Automotive business.

How the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires that the directors act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to (a) the likely consequences of any decision in the long term, (b) the interests of the company's employees, (c) the need to foster the company's business relationships with suppliers, customers and others, (d) the impact of the company's operations on the community and the environment, (e) the desirability of the company maintaining a reputation for high standards of business conduct, and (f) the need to act fairly as between members of the company. This statement considers the matter set out in section 172(1)(a) to (f) in turn.

a) The likely consequences of any decision in the long term

The Company operates within the wider management structure of the GKN Automotive business. The GKN Automotive Executive Committee is responsible for the strategic management and oversight of the GKN Automotive business as a whole and for the taking of decisions which are material to the GKN Automotive business in the short, medium and long term. During 2019, the GKN Automotive Executive Committee and the Company's directors: (a) continually reviewed the performance of the GKN Automotive business against its competitors and the automotive market generally; (b) continually assessed the likely future development of the automotive market, including in particular the impact of electrification and technological disruption; (c) prepared and agreed a 5 year business plan for the GKN Automotive business; and (d) approved a number of significant strategic investments to ensure that the GKN Automotive business remains competitive in the future.

The directors' primary focus is on the creation of long term value for its ultimate shareholder, Melrose. Melrose's stated strategy is to invest in and manage its businesses as if it intends to own them forever, whilst acting with integrity, honesty, transparency and decisiveness, and it is this culture and approach which the GKN Automotive Executive Committee and the directors of the company take in all their decision making. For example, all major business decisions are made on the basis of approved business plans, which set out the anticipated financial consequences and benefits of the decision in the long term.

b) The interests of the company's employees

The Company's employees principally work from its offices in London and the West Midlands. They are a small but crucial part of the wider GKN Automotive workforce, of approximately 24,000 employees, based in 20 countries. GKN Automotive places the interests of its employees at the heart of its decision making. Reflecting this, the Company continually engages with its employees and with the employees of the wider GKN Automotive business in order to ensure that their voice is heard. GKN Automotive measures employee engagement through an annual employee engagement survey, the results of which are shared with the GKN Automotive Executive Committee and the Company's directors, and are used to inform decision making. The Company's target is to increase employee engagement year-on-year.

During the year, the GKN Automotive Executive Team, including the majority of the directors, held monthly calls with approximately 250 of the most senior employees from across the GKN Automotive business, including 17 employees of the Company. The purpose of these calls was to cascade information to these employees (including information on the economic factors affecting the performance of GKN Automotive) which is then further cascaded to their teams, and to provide an opportunity for questions and feedback to the GKN Automotive Executive Team. This is a key way in which the directors can have regard to the interests of GKN Automotive employees in its decision making. The GKN Automotive Executive Team, including most of the directors, also visited numerous GKN Automotive plants and facilities and held 'town-hall' meetings which were an opportunity for the views of employees to be heard.

GKN Automotive has a central HR function, who are responsible for managing interactions with GKN Automotive employees, including the employees of the Company. Whilst the Company does not operate a share incentive scheme, employees are encouraged to be involved in GKN Automotive's performance through other reward and incentive initiatives that are managed by the HR function, from long-term incentive plans designed to incentivise long term value creation, to bonus schemes linked to GKN Automotive's annual financial performance. The HR function are also managing a talent review process to ensure that GKN Automotive's and the Company's talented employees are given the support that they need to successfully further their careers.

GKN Automotive operates a confidential external whistleblowing hotline where employees can report any concerns anonymously. Feedback from this hotline was reviewed by the Executive Committee (including most of the directors) during 2019.

The Company engages in specific consultation regarding material decisions affecting its employees. For example, during 2019 the Company relocated its Midlands premises to a new office which was purposely selected to meet the needs of the Company's employees. This relocation had a significant impact on those employees whose principal place of work is in the

GKN Automotive Limited

Strategic Report (continued)

For the year ended 31 December 2019

Midlands, but all affected employees were consulted with throughout the process and their input was reflected in many aspects of the relocation exercise.

GKN Automotive and the Company employ a number of measures for providing employees systematically with information on matters of concern to them as employees. These include: (a) CEO and management conference calls; (b) intranet and e-mail announcements; (c) information placed on notice boards; and (d) line-manager communication and team meetings. Although the Company (as distinct from other parts of GKN Automotive), does not have a unionized workforce or recognise any trade union, the Company is represented by at the GKN Automotive European Works Council by an elected representative for the UK.

c) The need to foster the company's business relationships with suppliers, customers and others

Customers

Although the Company does not itself manufacture or sell products, its activities include customer relationship management activities for GKN Automotive as a whole. GKN Automotive's customers comprise 90% of the world's vehicle manufacturers and over 50% of new cars feature GKN Automotive systems and solutions.

With such a small concentration of large customers, it is critical to the future success of GKN Automotive that we build and maintain deep, long-lasting and committed relationships with our customers, and maintain a high degree of customer intimacy. We do this through our dedicated customer account teams, which interface with our customers on a daily basis and are responsible for day to day management.

In addition, the directors of the Company including the Chief Executive Officer and the Chief Commercial Officer, regularly meet with GKN Automotive's customers in order to discuss future strategy, commercial opportunities, investment and technology trends.

All material decisions taken by GKN Automotive and by the Company, involve consideration of their impact on relationships with our customers. GKN Automotive's Chief Commercial Officer, who is a director of the Company, is responsible for all customer relationships globally and regularly reports to the GKN Automotive Executive Committee and to the board on the status of day-to-day relationships with customers and the impact of decision making on customer relationships. Customer scorecards, which set out our customers' assessment of our performance, are also regularly reviewed and reported on.

Suppliers

GKN Automotive has a diverse range of indirect suppliers of both direct and indirect goods and services. Maintaining strong relationships with our suppliers is vital to the future success of GKN Automotive. We build our relationships with our suppliers based on: (a) open dialogue and transparent decision-making; (b) setting clear expectations of our suppliers; (c) continuous supplier relationship management, through our dedicated Commodity Purchasing Managers; (d) regular information exchange through our SOP processes; and (e) supplier quality reviews and audits.

Other Stakeholders

In addition to the stakeholders considered elsewhere in this statement, the directors also have regard to the impact of their decisions on other stakeholders, including government and regulators, third parties with whom the Company deals, and potential future employees and students.

d) The impact of the company's operations on the community and the environment

Corporate social responsibility is a key strategic focus for GKN Automotive. Our focus derives from the fact that not only is it the right thing to do, but also because it is increasingly a consideration for GKN Automotive's customers when they are awarding business. Both our customer scorecards, and our customer sourcing decisions, increasingly include environmental and social considerations in their assessment. That continues to inform decision making throughout GKN Automotive and within the Company.

GKN Automotive's corporate social responsibility strategy includes consideration of: (i) social issues (including regulatory compliance, ethical procurement and equality and inclusion); (ii) environmental issues (including the reduction of carbon emissions, improved manufacturing processes, and product lifecycle management) and (iii) workplace and community issues, (including health & safety, community volunteering, fundraising activities and sponsorship).

Within the Company, we supported a range of charitable and social initiatives throughout the year, including raising funds to support the family of a GKN Automotive employee who was seriously injured in a road traffic accident, with the Company matching all funds raised by employees.

GKN Automotive Limited

Strategic Report (continued)

For the year ended 31 December 2019

e) The desirability of the company maintaining a reputation for high standards of business conduct

GKN Automotive's reputation as an honest and ethical supplier is crucial to our future success. Our customers' policies require that they only source from suppliers which have the highest ethical standards, and failing to meet those standards could severely damage our business. The directors therefore continually have regard to this in their decision making. Specifically, it informs decisions as to how we manage and train our employees, whether to enter into new markets, deal with customers or suppliers, or employ (or retain the employment of) certain individuals.

GKN Automotive has a code of conduct known as the GKN Automotive Code. The code is a key part of GKN Automotive's compliance and governance arrangements and sets out the standards of behaviour expected of the Company and its employees. We summarise this behaviour as 'Doing the Right Thing', which includes treating people with dignity, respecting the rights of others, speaking up when we see behaviour which is wrong, and promoting honest and proper conduct. We also cascade our ethical standards to our suppliers, via our Supplier Code of Conduct, which sets out the minimum ethical standards expected from all GKN Automotive suppliers. The Supplier Code of Conduct forms part of our terms and conditions with our suppliers and requires that they maintain high ethical standards, refrain from engaging in any bribery and corruption, engaging in forced or bonded labour, comply with health and safety laws and all laws and regulations in the countries in which they operate.

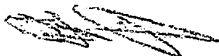
GKN Automotive engages external audit firms to monitor and verify both financial and non-financial performance and controls. This includes a range of audits, including health and safety audits, to which the Company is subject.

During the year the directors also improved the investment in new online training packages covering Competition Law Compliance and Anti-Bribery & Corruption, to maintain the high standards of employee training in these areas.

f) The need to act fairly as between members of the company

The Company has only one member, GKN Automotive Holdings Limited, which is indirectly 100% owned by Melrose Industries plc. During the year there was therefore no actual or potential conflict between the interests of any members of the Company.

Approved by the Board on 5th October 2020 and signed on its behalf by:



R Fioroni
Director
Registration number: 34104

GKN Automotive Limited

Directors' Report

For the year ended 31 December 2019

Directors of the Company

The Directors who held office during the year and up to the date of approval of the Financial Statements unless otherwise stated, were as follows:

L D Butterworth (appointed 29 July 2019)
R Fioroni (appointed 29 July 2019)
M J Gabriel (appointed 29 July 2019)
R H C M Luijten (appointed 29 July 2019, resigned 17 January 2020)
T Minel (appointed 29 July 2019)
J A Hickman (appointed 8 February 2019 resigned 27 September 2019)
C L Bailey (resigned 29 July 2019)
R C Kuczera (resigned 29 July 2019)
J C F Crawford
G E Barnes
R Gough (resigned 8 February 2019)
G D Morgan
M J Richards
T Giese (resigned 29 July 2019)
J Webb (appointed 26 February 2020)

Future Developments

The Company's future development position is set out in the Business Review section of the Strategic Report on page 3.

Research and Development

The Company does not undertake significant research and development work.

Dividends

No interim dividend was paid for the year ended 31 December 2019 (2018: £nil). The Directors have not proposed a final dividend for the year ended 31 December 2019 (2018: £nil).

Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of credit risk. As a subsidiary of Melrose Industries PLC all the Company's funding is provided through a fellow subsidiary via a current account. The overarching Group policies in relation to external risks, including interest rate risk, price risk, credit risk, cash flow risk, foreign exchange risk and liquidity risk, all of which are managed centrally by Melrose Industries PLC, are set out in the annual report of that company.

Future Outlook

The automotive industry is undergoing massive change as powertrains evolve to adapt to new demands. The Driveline division is well positioned to benefit from this change. Alternative energy vehicles are expected to dominate the landscape over the next decade and the division is seeing exciting opportunities in new markets.

Going concern

The Financial Statements have been prepared under the going concern basis, with net assets at 31 December 2019 of £197,792,000 (2018 net assets £130,507,000) and net current assets of £203,022,000 (2018: net current liabilities (£23,829,000)). The company continues to receive the ongoing support of Melrose Industries PLC.

As part of their consideration of going concern the Directors have reviewed the Company's future cash forecast and profit projections. These show that the Company expects to be able to operate for 12 months from the date of the approval of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

The Company is a subsidiary of Melrose Industries plc, a global manufacturing and engineering group. The 2019 Annual Report of Melrose Industries PLC disclosed covenant headroom of £1,136m. As at June 2020 the Group has modelled a reasonably possible downside scenario against future cash forecasts and throughout this scenario the Group would not breach any revised financial covenants nor would it require additional sources of financing.

The Melrose Group has been impacted by events subsequent to the year end, specifically the COVID 19 global pandemic. Whilst the implications from this do not directly affect the Company, they will affect other Group subsidiaries and therefore recoverability of intercompany receivables.

The longer term impact of COVID 19 remains uncertain and the impacts of the pandemic on trading conditions could be more prolonged or severe than that which the Directors have considered in the scenarios described above.

Directors' Indemnities

The Group has not made qualifying third-party indemnity provisions for the benefit of its directors during the financial year

GKN Automotive Limited

Directors' Report (continued)

For the year ended 31 December 2019

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditor's responsibilities in relation to the accounts are set out in their report on page 9.

Disclosure of Information to Auditor

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

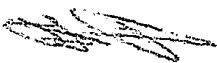
- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

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

Auditor

Deloitte LLP is deemed to be reappointed as the Company's auditor under section 487(2) of the Companies Act 2006.

Approved by the Board on 5th October 2020 and signed on its behalf by:



R Fioroni
Director
Registration number: 34104

GKN Automotive Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Automotive Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of GKN Automotive Limited (the 'company') which comprise:

- the Income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GKN AUTOMOTIVE LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

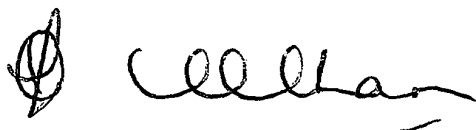
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Lee Welham, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

5 October 2020

GKN Automotive Limited

Income Statement

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	176,431	71,984
Other Operating Income		-	1,896
Administrative costs		(179,239)	(96,054)
Trading loss	3	(2,808)	(22,174)
Income from investments in subsidiaries		18,794	1,326
GKN Investments III LP payment into pension scheme		15,000	-
Profit on sale of investment		11,537	-
Impairment of investments in subsidiaries	9	(129)	(107,922)
Operating profit/(loss)		42,394	(128,770)
Interest payable		(2,186)	(64)
Other net financing charges		(3,128)	(377)
Net financing costs	4	(5,314)	(441)
Profit / (Loss) before taxation		37,080	(129,211)
Taxation credit / (charge)	5	9,212	(4,103)
Profit / (Loss) after taxation for the year from continuing operations		46,292	(133,314)

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit / (Loss) after taxation for the year from continuing operations		46,292	(133,314)
Items that will not be reclassified to Income Statement			
Remeasurement of defined benefit plans	13	25,293	655
Deferred Taxation	5	(4,300)	(111)
Total other comprehensive income for the year		20,993	544
Total comprehensive income / (loss) for the year from continuing operations		67,285	(132,770)


GKN Automotive Limited

Balance Sheet

At 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	7	18,810	17,603
Tangible assets	8	2,765	-
Investments in subsidiaries	9	286,753	147,600
Deferred tax assets	5	12,344	2,955
		320,672	168,158
Current assets			
Trade and other receivables	10	194,779	73,108
Cash at Bank		58,929	3,598
		253,708	76,706
Total assets		574,380	244,864
Liabilities			
Current liabilities			
Trade and other payables	11	(50,686)	(100,535)
		(50,686)	(100,535)
Net Current Assets / (Liabilities)		203,022	(23,829)
Total Assets less Current Liabilities		523,694	144,329
Non-current liabilities			
Trade and other payables	11	(139,302)	-
Post-employment obligations	13	(186,600)	(13,822)
		(376,588)	(114,357)
Net assets		197,792	130,507
Shareholders' equity			
Share capital	12	462,939	462,939
Share premium account		183,621	183,621
Accumulated losses		(448,768)	(516,053)
Total equity		197,792	130,507

The Financial Statements of GKN Automotive Limited on pages 11 to 32 were approved by the Board of Directors and authorised for issue on 5th October 2020. They were signed on its behalf by:



R Fioroni
Director
Registration number: 34104

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2018	462,939	183,621	(383,283)	263,277
Loss for the Year	-	-	(133,314)	(133,314)
Other Comprehensive income	-	-	544	544
Total Loss for the year	-	-	(132,770)	(132,770)
At 31 December 2018	462,939	183,621	(516,053)	130,507
At 1 January 2019	462,939	183,621	(516,053)	130,507
Profit for the Year	-	-	46,292	46,292
Other comprehensive income	-	-	20,993	20,993
Total Profit for the year	-	-	67,285	67,285
At 31 December 2019	462,939	183,621	(448,768)	197,792

GKN Automotive Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1. Accounting Policies and presentation

GKN Automotive Limited is a private company limited by shares and is incorporated under the Companies Act 2006 and domiciled in the UK, and registered in England and Wales with the registered number 34104. Its registered office is 1ST Floor, 2100 The Crescent, Birmingham Business Park, Birmingham, B37 7YE.

The Company's significant accounting policies, which have been consistently applied, are summarised below.

General Information and Basis of preparation

The financial statements (the "statements") of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) under Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). These statements have been prepared on a going concern basis under the historical cost method except where other measurement bases are required to be applied under IFRS as set out below, and in accordance with the Companies Act 2006.

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2019. No standards or interpretations have been adopted before the required implementation date.

Exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Melrose Industries. The group accounts of Melrose Industries are available to the public and can be obtained as set out in note 17.

The following exemptions have been applied in accordance with FRS 101, as the relevant disclosure is contained in the Group Financial Statements of Melrose Industries PLC (details can be obtained as disclosed in note 17):

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IFRS 15 'Revenue from Contracts with Customers'

The following exemptions have been applied in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (statement of compliance with all IFRS),
- 38A (requirement for a minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third balance sheet)
- 111 (cash flow statement information), and
- 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The following paragraphs of IAS 36:

- Paragraphs 130 (f)(ii) and (f)(iii)

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

- Paragraphs 134 d-f
- Paragraphs 135 c-e

The following paragraphs of IFRS 16

- Paragraph 52
- The second sentence of Paragraph 89
- Paragraph 90
- Paragraph 91
- Paragraph 93

Going concern

The Financial Statements have been prepared under the going concern basis, with net assets at 31 December 2019 of £197,792,000 (2018 net assets £130,507,000), as set out in the directors' report on page 4. The company continues to receive the ongoing support of Melrose Industries PLC.

Exemption from preparing group accounts

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment of operation, determined having regard to the currency which mainly influences turnover and input costs. The financial statements are presented in "Pounds Sterling" (£), which is also the Company's functional currency.

Transactions are translated at exchange rates approximating to the rate ruling on the date of the transaction except in the case of material transactions when actual spot rate may be used where it more accurately reflects the underlying substance of the transaction. Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Such transactional exchange differences are taken into account in determining profit or loss before tax.

Presentation of the income statement

FRS 101 is not fully prescriptive as to the format of the income statement. Line items and subtotals have been presented on the face of the income statement in addition to those required under FRS 101.

Operating profit is profit before discontinued operations, taxation and finance costs. In order to achieve consistency and comparability between reporting periods, operating profit is analysed to show separately the results of normal trading performance and individually significant charges and credits. Such items arise because of their size or nature and comprise:

- asset impairment and restructuring charges which arise from events that are significant to the Company;
- changes in the fair value of derivative financial instruments and material currency translation movements arising on intra-group funding;
- income from investments in subsidiaries;
- the impact of annual impairment review of investments; and
- gains or losses on disposal of investments in subsidiaries.

Net financing costs are analysed to show separately interest payable, interest receivable and other net financing charges. Other net financing charges include the interest charge on net defined benefit plans, specific changes in fair value on cash flow hedges and unwind of discounts on fair value amounts established on business combinations.

Revenue recognition

Turnover

Turnover represents royalty income receivable from other Melrose Industries PLC Group companies and is measured at the fair value of the consideration receivable which generally equates to the invoices amount excluding sales taxes.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

Interest payable / Receivable

Interest income and expense are recognised when it is probable that the economic benefits will flow to and from the Company and the amount of revenue / expense can be measured reliably. Interest income and expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset / liabilities to that asset's net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded in arrangements where payments, or similar transfers of financial resources, are unavoidable or guaranteed.

Financial assets and liabilities are measured initially at fair value. Borrowings are measured initially at fair value which usually equates to proceeds received and includes transaction costs. Borrowings are subsequently measured at amortised cost.

Cash and cash equivalents comprise cash on hand and demand deposits, and overdrafts together with highly liquid investments of less than 90 days maturity. Other financial assets comprise investments with more than 90 days until maturity. Unless an enforceable right of set-off exists and there is an intention to net settle, the components of cash and cash equivalents are reflected on a gross basis in the balance sheet.

Other financial assets and liabilities, including short term receivables and payables, are initially recognised at fair value and subsequently measured at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment charges.

Cost

Cost comprises the purchase price plus costs directly incurred in bringing the asset into use.

Where assets are in the course of construction at the balance sheet date they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use.

Depreciation

Depreciation is not provided on capital work in progress. In the case of all other categories of property, plant and equipment, depreciation is provided on a straight-line basis over the course of the financial year from the date the asset is available for use.

Depreciation is applied to specific classes of asset so as to reduce them to their residual values over their estimated useful lives, which are reviewed annually.

The range of depreciation lives used are:

Plant, machinery, fixtures and fittings and leasehold improvements – up to 15 years

Office equipment and computers – up to 5 years

Vehicles and cars – up to 5 years

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

Right of use assets

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment charges. Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects or where there is a contractual right to be remunerated for the engineering design and development costs relating to a programme. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. Provision is made for any impairment.

Investments in subsidiaries and other undertakings

Investments in subsidiaries and other undertakings are held at cost less accumulated impairment losses.

Taxation

Current tax and deferred tax are recognised in the income statement unless they relate to items recognised directly in other comprehensive income, when the related tax is also recognised in other comprehensive income. The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Full provision is made for deferred tax on all temporary differences resulting from the difference between the carrying value of an asset or liability in the consolidated financial statements and its tax base. The amount of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

Deferred tax assets are reviewed at each balance sheet date and are only recognised to the extent that it is probable that they will be recovered against future taxable profits.

Pensions and post-employment benefits

The Company's pension arrangements comprise various defined benefit and defined contribution schemes. Contributions to externally funded defined benefit schemes are based on the advice of independent actuaries or in accordance with the rules of the schemes.

The Company also operates a number of defined contribution and defined benefit arrangements which provide certain employees with defined post-employment healthcare benefits.

The Group accounts for all post-employment defined benefit schemes through recognition of the schemes' surpluses or deficits on the balance sheet at the end of each year. Remeasurement of defined benefit plans is included in other comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating profit. Interest charges on net defined benefit plans are recognised in other net financing charges.

For defined contribution arrangements the cost charged to the income statement represents the Group's contributions to the relevant schemes in the year in which they fall due.

Impairment

Property, plant and equipment and intangible assets are reviewed at least annually for indications of impairment. Impairments are charged to the income statement. Similarly, where assets, property, plant and equipment have been impaired and subsequent reviews demonstrate the recoverable value is in excess of the impaired value an impairment reversal is recorded. The amount of the reversal cannot exceed the theoretical net book amount at the date of the reversal had the item not been impaired. Impairment reversals are credited to the income statement against the same line item to which the impairment was previously charged.

Leasehold Property

Leasehold property which is not subject to IFRS 16 (either due to the lease being of low value or short length) is not capitalised and is treated as an operating lease. Lease payments made under operating leases are recognised as an expense on a straight-line basis over the whole of the lease term (i.e. a rent-free period does not mean an expense free period).

Where a lease is subject to IFRS 16 the Company recognises a right of use asset and a corresponding lease liability. These are measured at the present value of the lease payments not paid at the commencement date and are discounted using the rate implicit in the lease. Right of use assets are depreciated over the shorter of the lease term and the useful economic life of the underlying asset as defined above.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

Standards, revisions and amendments to standards and interpretations issued but not yet adopted

The Company does not intend to adopt any standard, revision or amendment before the required implementation date. At the date of authorisation of these financial statements, there have been no standards which has not been applied in these financial statements that were in issue but not yet effective.

IFRS9 and IAS 12 were subject to amendments during the year however these did not materially affect the Company.

IFRS 16 Lease accounting has been applied and the effect on these financial statements is set out below. A £2m right of use asset was recognised following a building lease commencing in July 2019. The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year. There is no impact on prior years as the only leasehold assets GKN Automotive Limited has were entered into during 2019:

Impact on profit or loss as at 31 December 2019	As previously reported	IFRS 16 adjustments	As restated
Increase in depreciation on right of use asset	-	(117,979)	(117,979)
Increase in finance cost	-	(21,139)	(21,139)
Decrease in lease payments	-	111,839	111,839
Decrease in profit for year	-	(27,279)	(27,279)
Impact on assets and liabilities as at 31 December 2019	As previously reported	IFRS 16 adjustments	As restated
Right of use leased assets	-	2,029,466	2,765,096
Net impact on total assets	-	2,029,466	2,765,096
Obligations under finance leases	-	(2,056,746)	(2,056,746)
Net impact on total assets	-	(27,280)	(27,280)
Total effect on equity	-	(27,280)	(27,280)

Significant accounting judgements, key assumptions and estimates

The Company's significant accounting policies are set out above. The preparation of financial statements, in conformity with IFRS, requires the use of estimates, subjective judgement and assumptions that may affect the amounts of assets and liabilities at the balance sheet date and reported profit and earnings for the year. The Directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

Accounting Judgements

In the process of applying the Group's accounting policies, management has made judgements around the useful lives of tangible and intangible assets, which have the most significant effect on the amounts recognised in the financial statements. Tangible and intangible asset lives are outlined in the relevant accounting policy notes:

Estimates and assumptions

The areas where assumptions and estimates are significant to the financial statements are as described below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Impairments of tangible fixed assets – An annual impairment review is undertaken of all tangible and intangible assets. Where an asset's existence cannot be verified or where the condition of the asset or market conditions suggests its recoverable value is lower than its carrying value, an impairment is recognised.

Impairment of intangible Fixed Assets – Fixed Assets are reviewed for impairment by management annually. Where indicators of impairment are present a calculation of recoverable value is performed based on the higher of value in use and the fair value less cost of disposal.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and presentation (continued)

Impairment of investments – Management reviews investments for impairment by considering the fair value of those investments against their carrying value. Net assets are used by management as an indicator of fair value.

Tax liabilities are based on the taxable profits for the period. They represent tax currently payable and deferred tax. Deferred tax is provided for at the balance sheet date using the liability method on all temporary differences between the tax base of the assets and liabilities on the balance sheet and their carrying amounts for financial reporting purposes.

The accounting policies requiring the Directors to consider more complex estimates, judgements and assumptions are those in respect of post-employment obligations and impairment of non-current assets. Details of the principal estimates, judgements and assumptions made are set out in the related notes.

2. Turnover

	Europe	Asia	North America	Australia	Total
	£'000	£'000	£'000	£'000	£'000
2019					
Turnover	82,448	25,247	68,736	0	176,431
2018					
Turnover	18,305	22,585	31,093	1	71,984

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. Trading Loss

The analysis of the additional components of trading loss is shown below:

(a) Trading (Loss)/Profit	2019 £'000	2018 £'000
Turnover	176,431	71,984
Other Operating Income		
Material rebates (v)	-	1,896
Operating Costs		
Staff costs (note 6)	(8,160)	(869)
Reorganisation costs (ii)	(7,881)	(2,197)
Depreciation of property, plant and equipment – owned (i)	(11)	-
Depreciation of property, plant and equipment – capital. leased assets (i)	(118)	-
Amortisation of intangible assets (i)	(1,141)	(2,098)
Impairment of intangible assets (i)	-	(2,401)
Operating lease rentals payable:		
Plant and equipment	(15)	(36)
Property	-	-
Net exchange differences on foreign currency transactions	112	210
Audit fees payable to the Company's auditor (iii)	(348)	(226)
Other Charges from Group Subsidiaries	(153,507)	(83,613)
Research and Development (iv)	(29)	(2,065)
Other costs	(8,141)	(2,759)
Total Operating Cost	(179,239)	(96,054)
Trading (Loss)/ Profit	(2,808)	(22,174)

- (i) EBITDA is subsidiary trading loss before depreciation, impairment and amortisation charges included in trading profit. EBITDA was a loss of (£1,538,000) (2018: Loss £17,674,000).
- (ii) Reorganisation costs reflect actions in the ordinary course of business to reduce costs, improve productivity and rationalise facilities in continuing operations. This cost is included in trading profit.
- (iii) All fees payable to the Company's auditor relate to audit fees. All fees payable have been charged to the income statement. There were no non-audit services in 2019 (2018: £nil) in respect of amounts borne on behalf of other subsidiaries of the GKN Group. The non-audit services were not provided by Deloitte's LLP.
- (iv) Research and development expenditure in subsidiaries is net of customer and government funding.
- (v) As the company employs the senior Driveline purchasing management it is entitled to receive rebates from some suppliers of materials to Driveline companies. These have been recharged to specific manufacturing units in 2019.

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

4. Net financing costs

	2019 £'000	2018 £'000
(a) Interest payable and fee expense		
Interest payable on current account with GKN (United Kingdom) plc	-	(19)
Interest payable on current account with GKN Holdings Ltd	(2,109)	-
Interest payable on current account with GKN Enterprise Limited	(177)	(45)
	(2,286)	(64)
Interest receivable		
Amounts owed by associated undertakings	100	-
Net interest payable and receivable	(2,186)	(64)
	2019 £'000	2018 £'000
(b) Other net financing charges		
Interest charge on net defined benefit plans	(3,107)	(377)
Interest expense on lease liabilities	(21)	-
	(3,128)	(377)

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5. Taxation

(a) Tax credit/(charge)

	2019 £'000	2018 £'000
Analysis of (charge)/credit in year		
Current tax		
UK Corporation tax		
- withholding tax suffered	(3,830)	(4,153)
- adjustments in respect of prior years	(647)	647
	(4,477)	(3,506)
Deferred tax		
Origination and reversal of temporary differences		
Current year	(3,116)	(124)
Tax credit on pension transfer between group companies	15,916	-
Adjustments in respect of prior years	889	(473)
	13,689	(597)
Total tax credit/(charge) for the year	9,212	(4,103)

(b) Factors affecting the tax credit/(charge) in the year

The tax assessed for the year is different to (2018: different to) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £'000	2018 £'000
Profit / (Loss) on ordinary activities before tax	37,080	(129,211)
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(7,045)	24,550
Tax effect of (expenditure not deductible)/ income not taxable in determining taxable profits	8,398	(28,676)
Withholding taxes suffered	(3,830)	(4,153)
Deferred tax on pension transfer	15,916	-
Other deferred tax movements	(2,672)	-
Taxable income from limited partnership	(5,187)	-
Group relief surrendered at nil rate	3,338	3,987
Effect of change in corporation tax rate on deferred tax recognition	52	15
Adjustment to current tax charge in respect of prior periods	(647)	647
Adjustment to deferred tax charge in respect of prior periods	889	(473)
Total tax credit/(charge) for the year	9,212	(4,103)

The enacted rates of UK corporation tax at 31 December 2019 were 19% for the year ended 31st December 2019 reducing to 17% with effect from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

The Finance Bill 2020, published on 19th March, 2020, has reversed the reduction to 17%, meaning that the UK rate will remain at 19%. The effect of this change in rate on the closing balance sheet would increase the deferred tax asset by £1,452,000.

	2019 £'000	2018 £'000
(c) Intercompany balance		
Tax receivable/(payable)	-	-

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5. Taxation (continued)

(d) Recognised deferred tax

The movements in deferred tax assets and liabilities during the year are shown below:

	Post- employment obligations £'000	Fixed assets £'000	Other £'000	Total £'000
At 1 January 2019	2,350	-	605	2,955
Included in the income statement	12,725	(120)	1,084	13,689
Included in other comprehensive income	(4,300)	-	-	(4,300)
At 31 December 2019	10,775	(120)	1,689	12,344

	Post- employment obligations £'000	Fixed assets £'000	Other £'000	Total £'000
At 1 January 2018	2,560	-	1,103	3,663
Included in the income statement	(99)	-	(498)	(597)
Included in other comprehensive income	(111)	-	-	(111)
At 31 December 2018	2,350	-	605	2,955

(e) Statement of comprehensive income	£'000	£'000
Tax charge on actuarial pension movement – deferred tax	(4,300)	(111)

6. Employees including Directors

Employee benefit expense

	2019 £'000	2018 £'000
Wages and salaries	7,399	663
Social security costs	597	64
Post-employment costs	164	142
Share-based payments	-	-
	8,160	869

Average monthly number of employees (including Executive Directors)

	2019 Number	2018 Number
By activity		
Administration	15	5

The Directors' emoluments for the year are disclosed in accordance with the Companies Act 2006. Emoluments are apportioned for the services provided by the Directors of the Company. The emoluments of the Directors of the Company for their services to the Company amounted to £nil (2018: £nil).

No Directors exercised options over shares in the ultimate parent undertaking, Melrose Industries PLC, during the year (2018: nil).

Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £nil (2018: £nil).

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

7. Intangible assets	Capitalised Engineering Cost £'000
Cost	
At 1 January 2019	22,102
Transfers from group companies	2,348
At 31 December 2019	24,450
Accumulated amortisation	
At 1 January 2019	4,499
Charge for the year	1,141
At 31 December 2019	5,640
Net book amount at 31 December 2019	18,810
Net book amount at 31 December 2018	17,603

Capitalised engineering costs represent costs incurred in developing new parts for specific customer vehicle programmes that will be amortised over the sales life of the part or parts concerned.

8. Tangible assets	Right of use assets Leasehold property £'000	Leasehold improvements £'000	Right of use leased vehicles £'000	Office Equipment £'000	Total £'000
Cost					
At 1 January 2019	-	-	-	-	-
Additions	2,129	718	18	29	2,894
At 31 December 2019	2,129	718	18	29	2,894
Accumulated depreciation					
At 1 January 2019	0	-	0	0	0
Depreciation in year	106	11	12	0	129
At 31 December 2019	106	11	12	0	129
Net book amount at 31 December 2019	2,023	707	7	29	2,765
Net book amount at 31 December 2018	-	-	-	-	-

Leasehold Property includes right of use leased assets of cost £2,129,000 and net book value £2,023,000 with a lease term of ten years. Plant and Equipment includes right of use leased assets of cost £18,000 and net book value £7,000. All extension options which are reasonably certain to be exercised are included in the values above.

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9. Investments in subsidiaries and other undertakings

	Investment in subsidiaries £'000	Investment in Associated Undertakings £'000	Total £'000
Cost			
At 1 January 2019	479,761	3,959	483,720
Additions	139,327	-	139,327
Disposals	(45)	-	(45)
At 31 December 2019	619,043	3,959	623,002
Accumulated impairment			
At 1 January 2019	332,161	3,959	336,120
Impairment charges	129	-	129
At 31 December 2019	332,290	3,959	336,249
Net book amount at 31 December 2019	286,753	-	286,753
Net book amount at 31 December 2018	147,600	-	147,600

The Subsidiary and other undertakings in which the Company held 20% or more of the nominal value in any class of share at 31 December 2019 are disclosed in note 17.

GKN Driveline Singapore PTE Limited ceased trading during 2018 and returned its capital of £1,143,000.

Significant judgement and estimates

As part of an annual impairment review, management reviewed the net asset value of the Company's investments and where the net asset value had fallen below the value at which the investment was held an impairment charge of £129,000 (2018: £107,922,000) has been recognised in these financial statements.

10. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	2,809	4,862
Amounts owed by Group undertakings	37,318	944
Prepayments	175	123
Other receivables	-	1,048
Indirect taxes recoverable	568	169
Current Account with GKN Enterprise Limited	153,909	65,962
	194,779	73,108

There is no provision against other receivable categories and no receivables arising from contracts with customers were written off during the year.

Amounts owed from other Group undertakings are unsecured and accumulate interest in a range between 0% and 4%. They have no fixed date of repayment and are repayable on demand.

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Trade and other payables

	2019 £'000	2018 £'000
Current		
Redeemable preference shares	50	50
Amounts owed to suppliers and customers	3,596	-
Amounts owed to Group undertakings	14,245	89,456
Accruals and deferred income	30,686	11,029
Loan account with GKN Holdings Ltd	2,109	-
	50,686	100,535
Non-current		
Loan account with GKN Holdings Ltd	139,302	-

Amounts owed to Group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

Amount owed to GKN Holdings Ltd are unsecured, accrue interest at a rate of LIBOR +2%, and are repayable on 31 December 2022.

Amounts owed to suppliers and customers includes lease finance liability of £2,057,000.

Preference shares

The cumulative redeemable preference shares, which do not carry voting rights, were issued at par for cash consideration. Shareholders are entitled to receive dividends, based upon the redemption yield on the 2.5% Index Linked Gilt 2016 and increased each year in line with the movement in Retail Price Index. The dividends are currently accrued from the period of 31 December 2001 and have not been paid due to the lack of distributable reserves.

The preference shareholders have priority over the other shareholders on winding up. The Preference shares were redeemable on 29 November 2015 at par together with a premium of 50p per share increased by the percentage increase in the Retail Price Index between the date of issue and the date of redemption.

12. Share capital

	Issued and Fully Paid	
	2019 £'000	2018 £'000
Ordinary shares of £1 each	462,939	462,939
	2019 Number 000s	2018 Number 000s
Ordinary shares of £1 each	462,939	462,939

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Post-employment obligations

	2019	2018
	£'000	£'000
Post-employment obligations as at the year-end comprise:		
Pensions	(186,600)	(13,822)

The Company's pension arrangements comprise a defined benefit and defined contribution scheme.

The Company's defined benefit pension scheme is funded, albeit in deficit, in common with many other UK pension schemes, with the scheme assets held in trustee administered funds.

During 2019 the previous GKN Group pensions schemes were split into four separate schemes. The schemes containing past and present GKN Automotive employees were allocated to GKN Automotive Limited. The schemes are funded plans, closed to new members and closed to future accrual in 2017. The Company's defined benefit pension arrangements provide benefits to members in the form of an assured level of pension payable for life.

The level of benefits provided typically depends on length of service and salary levels in the years leading up to retirement. Pensions in payment are generally updated in line with inflation. The schemes are closed to new entrants.

The valuation of the plan was based on a full actuarial valuation as of 5 April 2016, updated to 31 December 2019 by independent actuaries. The present value of the defined benefit obligation and the related service cost elements were measured using the projected unit credit method.

(a) Defined benefit schemes – significant judgements, assumptions and estimates

Key assumptions:

	2019	2018
	%	%
Rate of increase in pensionable salaries (past/future)	n/a	n/a
Rate of increase in payment and deferred pensions	2.8/2.1	3.1
Discount rate (past/future service)	2.0	2.9
Inflation assumption (past/future service)	2.1	2.1
Rate of increase in medical costs:		
Initial/long term	5.4/5.4	5.4/5.4

In prior years, separate assumptions for past and future service in relation to the UK pension scheme. However, following the closure to future accrual from 1 July 2017, this is no longer relevant.

Mortality assumptions as at 31 December 2019 were based on the Self-Administered Pension Scheme ("SAPS") "S3PA" base tables with adjustments.

The following table shows the future life expectancy of individuals age 65 at the year end and the future life expectancy of individuals aged 65 in 20 years time.

	Years
Male today	21.2
Female today	23.6-24.0
Male in 20 years time	22.4-22.5
Female in 20 years time	25.1-25.5

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Post-employment obligations (continued)

Assumption sensitivity analysis

The impact of a one percentage point movement in the primary assumptions (longevity: 1 year) on the defined benefit obligations as at 31 December 2019 is set out below:

	Liabilities £'000
Discount rate +0.1ppts	(17,300)
Discount rate -0.1 ppts	17,900
Rate of inflation +0.1ppts	14,900
Rate of inflation -0.1ppts	(14,400)
Life expectancy +1 year	38,800
Life expectancy -1 year	(38,000)

The above sensitivity analyses are based on isolated changes in each assumption, whilst holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations. The assets, including derivatives held by the schemes, have been designed to mitigate the impact of these movements to some extent, such that the movements in the defined benefit obligations shown above would, in practice be partly offset by movements in asset valuations. However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant balance sheet values and have not changed compared to the previous period.

Significant judgements and estimates

The Company's defined benefit pension scheme obligation arises as a result of its participation in the externally funded defined benefit Group pension arrangements of Melrose Industries PLC. The share of the obligation recognised by the Company is based on the benefits accruing to current and historic members of the scheme that have been employed by the Company.

(b) Defined benefit schemes – reporting

The amounts included in operating profit are:

	Total £'000
2019	
Current service cost	(537)
	(537)
2018	
Current service cost	(188)
	(188)

The amounts recognised in the balance sheet are:

	2019 £'000	2018 £'000
Present value of funded obligations	(949,100)	(58,577)
Fair value of plan assets	762,500	44,755
Net obligations recognised in the balance sheet	(186,600)	(13,822)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Post-employment obligations (continued)

Cumulative remeasurement of defined benefit plan differences recognised in equity are as follows:

	2019	2018
	£'000	£'000
At 1 January	2,337	2,992
Remeasurement of defined benefit plans	(25,293)	(655)
At 31 December	(22,956)	2,337

Movement in schemes' assets and liabilities (funded and unfunded) during the year:

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2019	44,755	(58,577)	(13,822)
Transfer of liabilities from 2012 scheme	695,282	(912,120)	(216,838)
Current service cost	(3,037)	2,500	(537)
Interest	10,287	(13,394)	(3,107)
Remeasurement of defined benefit plans	17,162	8,131	25,293
Contributions by Group	22,411	-	22,411
Benefits and administrative expenses paid	(24,360)	24,360	-
At 31 December 2019	762,500	(949,100)	(186,600)
At 1 January 2018	46,461	(61,520)	(15,059)
Current service cost	-	(188)	(188)
Interest	1,192	(1,570)	(378)
Remeasurement of defined benefit plans	(1,804)	2,459	655
Contributions by Group	1,148	-	1,148
Benefits and administrative expenses paid	(2,242)	2,242	-
At 31 December 2018	44,755	(58,577)	(13,822)

Remeasurement gains and losses in relation to the scheme's obligations are as follows:

	Total £'000
2019	
Experience gains and losses	(1)
Changes in financial assumptions	44,121
Change in demographic assumptions	(18,827)
Total	25,293
2018	
Experience gains and losses	(247)
Changes in financial assumptions	736
Change in demographic assumptions	166
Total	655

The fair values of the assets in the scheme were:

	Total £'000
At 31 December 2019	
Equities (incl. hedge funds)	382,513
Bonds - government	242,981
Bonds - corporate	73,314
Property	30,237
Other assets	33,454
	762,499

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Post-employment obligations (continued)

The fair values of the assets in the scheme were(continued):

At 31 December 2018

Equities (incl. hedge funds)	10,251
Diversified Growth Funds	11,016
Bonds - government	8,014
Bonds - corporate	4,852
Property	3,006
Other assets	15,630
	44,755

(c) Defined benefit scheme – risk factors

Through its post-employment pension plans, the Company is exposed to a number of risks, the most significant of which are detailed below. The Company's focus is on managing the cash demands which the various pension plans place on the Company, rather than balance sheet volatility in its own right. For funded schemes cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: Plan liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit. The Company's various pension plans hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long-term, albeit at the risk of short term volatility.

As the plans mature, with a shorter time horizon to cope with volatility, the Company will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Company considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long term nature of the liabilities and the strength of the Company to withstand volatility.

Changes in bond yields: A decrease in bond yields will typically increase plan liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in unfunded schemes where there is no potential for an offsetting movement in asset values.

Inflation risk: As pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation linked bonds to provide an element of protection against this risk, whilst additional protection is provided by inflation derivatives.

Member longevity: As the Company's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will generally result in an increase in plan liabilities (and vice versa).

14. Commitments and Contingencies

As of 31 December 2019, there are no commitments or contingencies that would have an adverse impact on the reported financial statements (2018: £nil).

15. Related party transactions

In accordance with FRS 101 the Company has taken advantage of the exemption not to disclose the transactions with other Group undertakings. There were no other related party transactions during the year.

GKN Automotive Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. Post Balance Sheet events

There have been no significant post balance sheet events.

17. Controlling parties

The immediate parent is GKN Automotive Holdings Limited. The ultimate parent undertaking and controlling party is Melrose Industries PLC.

The parent of the largest and smallest group in which these Financial Statements are consolidated is Melrose Industries PLC. Consolidated financial statements of Melrose Industries plc are available from its registered office:

11th Floor, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT

18. Subsidiaries and other undertakings

Name	Interest	Equity Held
GKN Driveline Birmingham Limited* (1)	Ordinary Shares	100 %
GKN Driveline Service Limited* (2)	Ordinary Shares	100 %
GKN Driveline Korea Limited* (3)	Ordinary Shares	100 %
GKN Birfield Extrusions Ltd* (4)	Ordinary Shares	100 %
Ball Components Limited* (4)	Ordinary Shares	100 %
GKN Service UK Ltd*(4)	Ordinary Shares	100 %
GKN EVO eDrive Systems Limited (5)	Ordinary Shares	100 %
GKN Driveline Mexico (UK) Limited (5)	Ordinary Shares	100 %
GKN Driveline UK Limited (5)	Ordinary Shares	100%
GKN Investment III LP	Ordinary Shares	100%

*indicates undertakings held directly by the Company, all other undertakings are held indirectly through intermediate companies

No.	Registered Address
(1)	Chester Road, Erdington, Birmingham, B24 0RB, England
(2)	Unit 5, Kingsbury Business Park, Kingsbury Road, Minworth, Sutton Coldfield, B76 9DL, England
(3)	Foreign Investors Industrial Park, 2 Ro, 3 Kongdan, Subuk- gu, Choongnam-do, 330-220, Republic of Korea
(4)	11 th Floor, Colmore Building, Colmore Circus Queensway, Birmingham, England, B4 6AT
(5)	1 st Floor, 2100 The Crescent, Birmingham Business Park, Birmingham, B37 7YE, England