Registered number: 00034104

GKN Automotive Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

Company Information

Directors:	J McLeod R Fioroni J Nicholson C Wyatt
Company Secretary:	J McLeod
Registered Number:	00034104
Registered Office:	2100 The Crescent, Birmingham Business Park, Birmingham, England B37 7YE
Independent Auditor:	Deloitte LLP Statutory Auditor London United Kingdom

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Strategic Report
For the year ended 31 December 2022

The Directors present the Strategic Report for the year ended 31 December 2022.

Business Review
For the period of these accounts, GKN Automotive Limited was an intermediate holding company within the Melrose Industries PLC group, holding investments in GKN Automotive entities. It also performs some head office functions, receives royalty income from certain entities within the GKN Automotive division and employs part of GKN Automotive's senior management and functional leadership team.

On 20 April 2023 the Company was part of the group headed by Dowlais Group PLC ('the Dowlais Group'), which demerged from Melrose Industries and listed on the London Stock Exchange. The Company's purpose and scope of operations remains the same.

The Company's Income Statement for the financial year shows a profit after taxation of £49,918,000 (2021: profit of £54,413,000). Net assets for the year are £398,043,000 (2021: £400,800,000). This is principally due to changes in the valuation of the pension schemes. The financial position of the Company is considered satisfactory and the Company continues to receive the ongoing support of the Melrose Industries PLC group (the Dowlais Group from the point of the demerger).

The Company's turnover increased to £227,995,000 (2021: £204,548,000) due to an increase in royalty charges to GKN Automotive entities. Income from subsidiaries decreased to £119,161,000 (2021: £247,735,000). This was principally due to a fall in dividend income, as there was a significant one-off dividend paid in the prior year.

A trading loss of £19,818,000 (2021: loss of £41,243,000) was incurred as the company was unable to recover all its expenditures from other GKN companies.

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

Principal Risks and Uncertainties
From the perspective of the Company, the principal risks and uncertainties were integrated with the principal risks of the Melrose Industries PLC Group for the period of these accounts and were not managed separately. Accordingly, the principal risks and uncertainties of the Melrose Industries PLC Group, which include those of the Company, are discussed in that Group's 2022 annual report which does not form part of this report.

As referenced above, on 20 April 2023 the Company became part of Dowlais Group PLC following the demerger from Melrose Industries PLC.

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 address to obtain the Group accounts is available in note 18 on page 32.

Strategic Report (continued)
For the year ended 31 December 2022

Section 172(1) Statement for GKN Automotive Limited (the "Company") for the year ended 31 December 2022

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 2022. 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 2022 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. During the year, GKN Automotive was owned by Melrose Industries Plc ("Melrose"), an investor in manufacturing businesses, which is headquartered in the UK. During the year, the board of directors of the Company was made up of six members of the GKN Automotive Executive Committee and four directors appointed by Melrose. On 20 April 2023, the following the year, GKN Automotive ceased to be owned by Melrose and became owned by Dowlais Group plc. The Company carries out 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 offices in London and in 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 2022, 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) monitored progress against their medium and long term plans for the GKN Automotive business; and (d) approved a number of significant investments to ensure that the GKN Automotive business remains commercially competitive and operationally effective in the future. The directors' primary focus during the year was on the creation of long term value for its ultimate shareholder, Melrose and decisions during the year were focussed on this goal.

b) The interests of the company's employees

The Company employs approximately 100 employees who principally work from its offices in London and the West Midlands. They are a small but crucial part of the wider global GKN Automotive workforce. GKN Automotive places the interests of its employees at the heart of its decision making and is committed to creating an equitable employee experience that will enable high engagement, performance, retention and reputation. Reflecting this, in 2022, GKN Automotive undertook a full census employee survey which was a key enabler for the Company to continually engage with its employees and with the employees of the wider GKN Automotive business, ensuring that their voice was heard.

During the year, GKN Automotive and the Company continued to place a high focus on communicating with the Company's employees in order to keep them informed about the performance of the business and to keep connected. This included regular 'town hall' calls with employees, at which a range of information was communicated. In addition, and in accordance with GKN Automotive's normal practice, during 2022, the GKN Automotive Executive Team, including the majority of the directors, held monthly calls with approximately 100 of the most senior employees from across the GKN Automotive business, including employees of the Company. The purpose of these calls was to cascade information to these employees which was 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 regard the interests of GKN Automotive employees in its decision making.

Whilst the company does not operate a share-incentive scheme, employees are encouraged to be involved in GKN Automotive's performance through reward and incentive initiatives, 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 also supports a talent review process to ensure that GKN Automotive has the right people in the right roles, with the right development opportunities, for now and for the future.

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 2022.

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, does not have a unionized workforce or recognise any trade union, the Company is represented 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.

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, representatives of GKN Automotive 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, 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; (c) continuous supplier relationship management through dedicated Commodity Purchasing Managers; (d) regular information exchange through 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. The relationship with all major stakeholders is considered as part of each potential decision.

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

Environmental, Social and Governance (ESG) 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 important to our people, and 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.

During 2022, GKN Automotive continued to implement its ESG strategy. The strategy comprises 4 strategic pillars. Our People (inspiring our people to reach their full potential in a safe and inclusive environment, developing talent for the next generation); Climate Action (decarbonising our products and operations through innovation, resource efficiency and waste management); Responsible Sourcing (working with our suppliers to uphold our values and adhere to the social and environmental standards required of them, collectively driving positive change); and Our Impact (delivering a positive impact upon society through our products and services and positively contributing to our local communities around the world). These pillars are underpinned by a strong focus on Ethics, Compliance, Safety and Security. This ESG strategy is focused, amongst other things, on ensuring that the activities of GKN Automotive impact positively on the community and the environment.

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.

During 2022, GKN Automotive operated under its code of conduct known as Our Code. Our Code was a key part of GKN Automotive's compliance and governance arrangements and set out the standards of behaviour expected of the Company and its employees. This includes respecting and protecting each other and our business, behaving ethically and lawfully, and caring for our communities and our world. 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. The Company ensures that the GKN Automotive requirements are adhered to by way of training and ongoing compliance awareness.

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.

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

The Company has only one member, GKN Automotive Holdings Limited, which during the year was 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 14 September 2023 and signed on its behalf by:

John Nicholson
Director
Registration number: 00034104

Directors' Report
For the year ended 31 December 2022

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 Butterworth (resigned 31 October 2022)
J McLeod (appointed 20 April 2023)
R Fioroni
J Nicholson (appointed 31 October 2022)
C Wyatt
J Crawford (resigned 20 April 2023)
G Barnes (resigned 20 April 2023)
M Gabriel (resigned 31 October 2022)
T Minel (resigned 31 October 2022)
G Morgan (resigned 20 April 2023)
M Richards (resigned 20 April 2023)
J Webb (resigned 31 October 2022)

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 2022 (2021: £nil). The Directors have not proposed a final dividend for the year ended 31 December 2022 (2021: £nil).

Financial risk management
As a subsidiary of Dowlais Group PLC all the Company's future funding will be 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 were managed centrally by the Melrose Group Treasury function for the period these accounts relate to, are set out in the annual report of Melrose PLC. The Company does not use derivative financial instruments to manage interest rate costs.

Future Outlook
The automotive industry is undergoing change as powertrains evolve to adapt to new demands. The Automotive 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. The Company's future development position is that it will continue to function as a head office and hold investments in subsidiaries.

Going concern
The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

Directors' Indemnities
The Company has indemnified one or more Directors of the Company against liability in respect of proceedings bought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the year and at the date of this report.

Directors' Report (continued)
For the year ended 31 December 2022

Directors' Responsibilities Statement
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

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;
- 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.

Detail on how the Directors have considered the needs of the various key stakeholders in the business (employees, suppliers, customers and others) is set out in the Strategic Report.

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 is 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 14 September 2023 and signed on its behalf by:

John Nicholson
Director
Registration number: 00034104

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 UK Limited:

- give a true and fair view of the state of the company's affairs as at 31st December 2022 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".
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the balance sheet;
- the statement of changes in equity;
- and the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Independent auditor's report to the members of GKN Automotive Limited (continued)
For the year ended 31 December 2022

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pension legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

As a result of performing the above, we identified the greatest potential for fraud in the revenue recognition around occurrence, and our specific procedures performed to address it are described below:

- Obtaining sales listing and agreeing it to the invoices raised during the year;
- Testing a sample of revenue items and agreeing it to their respective invoices and consequently to bank statements where payment has been received subsequently;
- Reviewing contractual agreement with other Group entities; and
- Testing the design and implementation of key controls.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the members of GKN Automotive Limited (continued)
For the year ended 31 December 2022

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 has 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Openshaw

Lucy Openshaw, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

14September 2023

Income Statement

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	**227,995**	204,548
Administrative costs		**(247,813)**	(245,791)
Trading loss	3	**(19,818)**	(41,243)
Income from investments in subsidiaries		**119,161**	247,735
GKN Investments III LP payment into pension scheme		**15,000**	15,000
Impairment of investments in subsidiaries	9	**(49,709)**	(146,752)
Operating profit		**64,634**	74,740
Interest payable		**(104)**	(2,796)
Other net financing charges		**1,447**	(1,214)
Net financing costs	4	**1,343**	(4,010)
Profit before taxation		**65,977**	70,730
Taxation charge	5	**(16,059)**	(16,317)
Profit after taxation for the year from continuing operations		**49,918**	54,413

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Profit after taxation for the year from continuing operations		**49,918**	54,413
Items that will not be reclassified to Income Statement			
Remeasurement of defined benefit plans	14	**(70,233)**	97,189
Deferred Taxation thereon	5	**17,558**	(24,297)
Total other comprehensive income for the year		**(52,675)**	72,892
Total comprehensive income for the year from continuing operations		**(2,757)**	127,305

Balance Sheet
At 31 December 2022

	Notes	**2022 £'000**	2021 £'000
Assets			
Non-current assets			
Intangible assets	7	**25,361**	20,249
Property, plant and equipment	8	**6,603**	7,525
Investments in subsidiaries	9	**189,304**	189,304
Post-employment obligations surplus	14	**15,398**	71,495
		236,666	288,573
Current assets			
Trade and other receivables	10	**400,425**	368,312
Cash and cash equivalents		**1**	1,575
		400,426	369,887
Total assets		**637,092**	658,460
Liabilities			
Current liabilities			
Trade and other payables	11	**(215,484)**	(217,223)
Current tax liabilities	5	**(2,132)**	(2,686)
		(217,616)	(219,909)
Net Current Assets		**182,810**	149,978
Total Assets less Current Liabilities		**419,476**	438,551
Non-current liabilities			
Deferred tax liability	5	**(21,282)**	(37,600)
Provisions	12	**(151)**	(151)
Total liabilities		**(239,049)**	(257,660)
Net assets		**398,043**	400,800
Shareholders' equity			
Share capital	13	**462,939**	462,939
Share premium account		**183,621**	183,621
Accumulated losses		**(248,517)**	(245,760)
Total Equity		**398,043**	400,800

The Financial Statements of GKN Automotive Limited on pages 12 to 32 were approved by the Board of Directors and authorised for issue on 14 September 2023. They were signed on its behalf by:

John Nicholson
Director
Registration number: 00034104

Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total Equity £'000
At 1 January 2022	**462,939**	**183,621**	**(245,760)**	**400,800**
Profit for the year	-	-	49,918	49,918
Other Comprehensive income	-	-	(52,675)	(52,675)
Total comprehensive income for the year	-	-	(2,757)	(2,757)
At 31 December 2022	**462,939**	**183,621**	**(248,517)**	**398,043**

At 1 January 2021	462,939	183,621	(373,065)	273,495
Profit for the year	-	-	54,413	54,413
Other comprehensive income	-	-	72,892	72,892
Total comprehensive income for the year	-	-	127,305	127,305
At 31 December 2021	**462,939**	**183,621**	**(245,760)**	**400,800**

Notes to the Financial Statements

For the year ended 31 December 2022

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 00034104. Its registered office is 2100 The Crescent, Birmingham Business Park, Birmingham, England 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 2022. 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 2022 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 18.

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 18):

- 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 balance sheet 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)

1. Accounting policies and presentation (continued)

- Paragraphs 134 d-f

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 on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

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:

- Income from payments into the pension scheme by other Group entities;
- income from investments in subsidiaries; and;
- the impact of annual impairment review of investments.

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.

1. Accounting policies and presentation (continued)

Revenue recognition

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

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.

1. Accounting policies and presentation (continued)

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

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.

1. Accounting policies and presentation (continued)

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.

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, investments in subsidiaries 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 haves 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.

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.

The Company adopted all applicable amendments to standards with an effective date in 2022 with no material impact on its result, assets and liabilities. All other accounting policies have been applied consistently.

1. Accounting policies and presentation (continued)

Critical accounting judgements & key sources of estimation uncertainty
The Company's significant accounting policies are set out above. The preparation of financial statements, in conformity with IFRS, requires the use of accounting judgements and estimates 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 in some areas. The Directors do not consider that any judgments made in these accounts meet the criteria to be considered significant accounting judgments under IAS 1.

Estimates and assumptions
Any 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.

<u>Pensions</u>
The Company has a significant defined benefit pensions scheme, The scheme's assets are held separately in trustee administered funds. The obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. When setting the criteria for bonds to be included in the measurement population significant estimation is required. The obligations are also subject to actuarial assumptions in determining inflation rates and mortality rates across the schemes.

Further details of the assumptions applied, and a sensitivity analysis of the principal assumptions used to determine the pension liabilities are found in Note 14. Actual movements may differ from the sensitivities shown, however these changes are a reasonably possible change which could occur.

The Directors do not consider that any other accounting estimates in these accounts meet the criteria to be considered key sources of estimation uncertainty under IAS 1.

2. Turnover

	Europe	Asia	North America	Total
	£'000	£'000	£'000	£'000
2022				
Turnover	**102,072**	**34,996**	**90,927**	**227,995**
2021				
Turnover	93,275	34,270	77,003	204,548

3. Trading Loss

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

(a) Trading Loss	2022 £'000	2021 £'000
Turnover	**227,995**	204,548
Administrative costs		
Staff costs (note 6)	**(20,168)**	(15,479)
Reorganisation costs (ii)	**(2,918)**	(6,055)
Depreciation of property, plant and equipment – owned (i)	**(300)**	(201)
Depreciation of property, plant and equipment – capital leased assets (i)	**(627)**	(487)
Amortisation of intangible assets (i)	**(4,137)**	(4,215)
Net exchange differences on foreign currency transactions	**(1,287)**	(298)
Audit fees payable to the Company's auditor (iii)	**(342)**	(277)
Other Charges from Group Subsidiaries (v)	**(184,171)**	(180,091)
Research and Development (iv)	**(1,494)**	(3,289)
Other costs (vi)	**(32,369)**	(35,399)
Total Administrative costs	**(247,813)**	(245,791)
Trading Loss	**(19,818)**	(41,243)

(i) EBITDA is subsidiary trading loss before depreciation, impairment and amortisation charges included in trading profit. EBITDA was a loss of £14,754,000 (2021: Loss of £36,340,000).

(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 the auditing of the financial statements. All fees payable have been charged to the income statement. There were no non-audit services in 2022 (2021: £nil).

(iv) Research and development expenditure is net of customer and government funding.

(v) Charges relating to general and management costs from other Group Companies

(vi) Other costs comprise all other service and sundry costs related with the running of the head office company.

4. Net financing costs

	2022 £'000	2021 £'000
(a) Interest payable and receivable		
Interest payable on current account with GKN Industries Ltd	**(3,964)**	(2,906)
	(3,964)	(2,906)
Interest receivable		
Amount owed by associated undertakings	**3,860**	110
Net interest payable and receivable	**(104)**	(2,796)

	2022 £'000	2021 £'000
(b) Other net financing charges		
Interest charge on net defined benefit plans	**1,525**	(1,147)
Interest expense on lease liabilities	**(78)**	(67)
	1,447	(1,214)

5. Taxation

(a) Tax charge

Analysis of charge in year	2022 £'000	2021 £'000
Current tax		
UK Corporation tax		
- withholding tax suffered	**(14,819)**	(3,773)
	(14,819)	(3,773)
Deferred tax		
Origination and reversal of temporary differences		
Current year	**(1,682)**	(1,750)
Tax credit on pension transfer between group companies	**577**	(10,792)
Adjustments in respect of prior years	**(135)**	(2)
	(1,240)	(12,317)
Total tax charge for the year	**(16,059)**	(16,317)

(b) Factors affecting the tax charge in the year

The tax assessed for the year is different to (2021: different to) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	**65,977**	70,730
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(12,536)**	(13,439)
Tax effect of income not taxable in determining taxable profits	**12,288**	14,816
Withholding taxes suffered	**(14,819)**	(3,773)
Other deferred tax movements	**577**	(10,792)
Taxable income from limited partnership	**(9,936)**	(4,325)
Group relief surrendered at nil rate	**8,906**	1,801
Effect of change in corporation tax rate on deferred tax recognition	**(404)**	(603)
Adjustment to deferred tax charge in respect of prior periods	**(135)**	(2)
Total tax charge for the year	**(16,059)**	(16,317)

The rate of UK corporation tax for the year ended 31 December 2022 was 19%. The Finance Act 2021 included an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. As this change had been enacted at the balance sheet date, the closing deferred tax balances have been re-measured using the 25% rate to the extent that the deductible or taxable temporary differences will reverse post 1 April 2023.

5. Taxation (continued)

(c) 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 2022	**(44,585)**	**5,494**	**1,491**	**(37,600)**
Included in the income statement	**(1,872)**	**(18)**	**73**	**(2,198)**
Transfer from group company	**577**	**-**	**-**	**577**
Included in other comprehensive income	**17,558**	**-**	**-**	**17,558**
At 31 December 2022	**(28,322)**	**5,476**	**1,564**	**(21,282)**

	Post-employment obligations £'000	Fixed assets £'000	Other £'000	Total £'000
At 1 January 2021	(5,919)	4,067	1,093	(759)
Included in the income statement	(3,577)	1,427	398	(1,752)
Transfer from group company	(10,792)	-	-	(10,792)
Included in other comprehensive income	(24,297)	-	-	(24,297)
At 31 December 2021	**(44,585)**	**5,494**	**1,491**	**(37,600)**

(d) Statement of comprehensive income	**£'000**	**£'000**
Tax credit/(charge) on actuarial pension movement – deferred tax	**17,558**	**(24,297)**

(e) Current Tax liability	**£'000**	**£'000**
	(2,132)	**(2,686)**

6. Employees including Directors

Employee benefit expense

	2022 £'000	2021 £'000
Wages and salaries	**16,599**	13,130
Social security costs	**2,658**	1,577
Post-employment costs	**911**	772
	20,168	15,479

Average monthly number of employees (including Executive Directors)

	2022 Number	2021 Number
By activity		
Administration	**99**	83

Directors' Remuneration	**2022 £'000**	2021 £'000
Remuneration	**5,259**	4,882
Contributions paid to money purchase pensions schemes	**34**	35
	5,293	4,917

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 £5,259,000 (2021: £4,882,000).

No Directors exercised options over shares in the ultimate parent undertaking, Melrose Industries PLC, during the year (2021: none).

Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £34,000 (2021: £35,000).

7. Intangible assets

	Capitalised Engineering cost £'000	Computer Software £'000	Total £'000
Cost			
At 1 January 2022	28,194	15,665	43,859
Additions	-	4,142	4,142
Transfer from Group company	10,013	-	10,013
At 31 December 2022	38,207	19,807	58,014
Accumulated amortisation			
At 1 January 2022	12,205	11,405	23,610
Charge for the year	3,828	309	4,137
Transfer from Group company	4,906	-	4,906
At 31 December 2022	20,939	11,714	32,653
Net book amount at 31 December 2022	17,268	8,093	25,361
Net book amount at 31 December 2021	15,989	4,260	20,249

Capitalised engineering costs represent costs incurred in developing new parts for specific customer vehicle programmes that are amortised over the programme's duration. Computer software is amortised over the software's useful economic life.

8. Tangible fixed assets

	Right of use assets Leasehold property	Leasehold improvements	Office Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2022	6,235	1,858	574	8,667
Additions	4	(2)	3	5
At 31 December 2022	**6,239**	**1,856**	**577**	**8,672**
Accumulated depreciation				
At 1 January 2022	806	214	122	1,142
Depreciation in year	624	188	115	927
At 31 December 2022	**1,430**	**402**	**237**	**2,069**
Net book amount at 31 December 2022	**4,809**	**1,454**	**340**	**6,603**
Net book amount at 31 December 2021	**5,429**	**1,644**	**452**	**7,525**

The Company is a head office location and therefore principally leases buildings to act as headquarters and some associated office equipment.

Leasehold property includes right of use leased assets of cost £6,239,000 (2021: £6,235,000) and net book value £4,809,000 (2021: £5,429,000) with a remaining minimum lease term of between 2 and 4 years at the balance sheet date. These are within Property Plant and Equipment on the Statement of Financial Position. Total cash outflow for leases in the year was £420,000

Plant and Equipment includes right of use leased assets of cost £10,000 (2021: £nil) and net book value £7,000 (2021: £nil). All extension options which are reasonably certain to be exercised are included in the values above.

The leases are predominantly office buildings and equipment and are used in support of the Company's activities as a head office company for the GKN Automotive Division of the Dowlais Group.

9. Investments in subsidiaries and other undertakings

	Investment in subsidiaries £'000	Investment in Associated Undertakings £'000	Total £'000
Cost			
At 1 January 2022	**668,358**	**3,959**	**672,317**
Additions	**49,709**	**-**	**49,709**
At 31 December 2022	**718,067**	**3,959**	**722,026**
Accumulated impairment			
At 1 January 2022	**479,054**	**3,959**	**483,013**
Impairment charges	**49,709**	**-**	**49,709**
At 31 December 2022	**528,763**	**3,959**	**533,722**
Net book amount at 31 December 2022	**189,304**	**-**	**189,304**
Net book amount at 31 December 2021	**189,304**	**-**	**189,304**

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 2022 are disclosed in note 19.

The additions relate to the acquisition from another GKN Automotive entity of a group company in Thailand.

Following the transfer of ownership of GKN Thailand Holdings Limited, the company was liquidated as part of a restructuring programme. An impairment charge of £49,709,000 was therefore recognised.

10. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**12**	191
Amounts owed by Group undertakings	**45,953**	25,360
Prepayments	**5,445**	5,092
Other receivables	**11,722**	9,408
Indirect taxes recoverable	**1,615**	1,386
Current Account with GKN Industries Limited	**335,678**	326,875
	400,425	368,312

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

Amounts owed by 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.

11. Trade and other payables

Current	**2022 £'000**	2021 £'000
Redeemable preference shares	**50**	50
Amounts owed to suppliers and customers	**17,280**	16,751
Amounts owed to Group undertakings	**35,220**	34,483
Accruals and deferred income	**23,607**	26,626
Loan account with GKN Industries Ltd	**139,327**	139,313
	215,484	217,223

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 Industries Ltd are unsecured, accrue interest at a rate of SONIA +1%, and are repayable on demand. In January 2022 the rate was changed from LIBOR to SONIA.

Amounts owed to suppliers and customers includes lease finance liability of £5,215,000 (2021: £5,542,000).

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. Provisions

	2022 £'000	**2021** £'000
Dilapidations provision	**151**	**151**
Total provisions	**151**	**151**

During 2021 the Company entered into a new office lease. This provision represents remediation costs at the end of the lease and is based upon a professional valuation. If no break clause is exercised in the interim we expect the liability to be settled in 2031.

13. Share capital

	Issued and Fully Paid	
	2022 £'000	2021 £'000
Ordinary shares of £1 each	**462,939**	462,939

	2022 Number 000s	2021 Number 000s
Ordinary shares of £1 each	**462,939**	462,939

14. Post-employment obligations

Post-employment obligations as at the year-end comprise:	**2022** **£'000**	2021 £'000
Pensions	**15,398**	71,495

The Company's pension arrangements comprise a defined benefit and defined contribution scheme. The Company's defined benefit pension scheme is funded 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 2022, updated to 31 December 2022 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:

	2022 **%**	2021 %
Rate of increase in pensionable salaries (past/future)	**n/a**	n/a
Rate of increase in payment and deferred pensions	**2.6/3.0**	2.7/3.1
Discount rate (past/future service)	**4.8**	2.0
Inflation assumption (past/future service)	**2.7**	2.7
Rate of increase in medical costs:		
Initial/long term	**8.0/4.7**	6.0/4.8

Mortality assumptions as at 31 December 2022 were based on the Self-Administered Pension Scheme ("SAPS") "S3PA" base tables with scheme-specific adjustments. The same basis was used in 2021.

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.

	2022 Years	2021 Years
Male today	21.7	21.3
Female today	23.6	24.3
Male in 20 years time	22.6	22.2
Female in 20 years time	24.8	25.7

14. Post-employment obligations (continued)

Assumption sensitivity analysis
The impact of half a percentage point movement in the primary assumptions (longevity: 1 year) on the defined benefit obligations as at 31 December 2022 is set out below:

	Liabilities £'000
Discount rate +0.5%	(38,878)
Discount rate -0.5%	42,535
Rate of inflation +0.5%	23,050
Rate of inflation -0.5%	(24,382)
Life expectancy +1 year	29,449
Life expectancy -1 year	(30,074)

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
2022	
Current service cost	**(2,604)**
	(1,582)
2021	
Current service cost	(1,582)
	(1,582)

The amounts recognised in the balance sheet are:

	2022 £'000	2021 £'000
Present value of funded obligations	**(650,608)**	(947,400)
Fair value of plan assets	**666,006**	1,018,935
Net obligations recognised in the balance sheet	**15,398**	71,495

14. Post-employment obligations (continued)

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

	2022	2021
	£'000	£'000
At 1 January	**(202,150)**	(104,961)
Remeasurement of defined benefit plans	**70,233**	(97,189)
At 31 December	**(131,917)**	(202,150)

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

	Assets	**Liabilities**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2022	**1,018,935**	**(947,440)**	**71,495**
Transfer of assets/liabilities from GKN 2016 Pension scheme buy out	**-**	**(2,308)**	**(2,308)**
Current service cost	**(2,604)**	**-**	**(2,604)**
Interest	**20,127**	**(18,602)**	**1,525**
Remeasurement of defined benefit plans	**(346,663)**	**276,430**	**(70,233)**
Contributions by Group	**17,523**	**-**	**17,523**
Benefits and administrative expenses paid	**(41,312)**	**41,312**	**-**
At 31 December 2022	***666,006***	***(650,608)***	***15,398***
At 1 January 2021	882,270	(966,401)	(84,131)
Transfer of assets/liabilities from GKN 2016 Pension scheme buy out	103,815	(60,649)	43,166
Current service cost	(1,582)	-	(1,582)
Interest	12,160	(13,307)	(1,147)
Remeasurement of defined benefit plans	37,962	59,227	97,189
Contributions by Group	18,000	-	18,000
Benefits and administrative expenses paid	(33,690)	33,690	-
At 31 December 2021	1,018,935	(947,440)	71,495

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

	Total
	£'000
2022	
Experience gains and losses	**379,231**
Changes in financial assumptions	**(310,375)**
Change in demographic assumptions	**1,377**
Total	**70,233**
2021	
Experience gains and losses	(48,092)
Changes in financial assumptions	(47,055)
Change in demographic assumptions	(2,042)
Total	(97,189)

The fair values of the assets in the scheme were:

	Total
	£'000
At 31 December 2022	
Equities (incl. hedge funds)	**598,000**
Bonds - government	**49,900**
Bonds - corporate	**6,600**
Property	**730**
Other assets	**10,776**
	666,006

14. Post-employment obligations (continued)

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

At 31 December 2021	
Equities (incl. hedge funds)	**218,377**
Bonds – government	**518,493**
Bonds - corporate	**158,540**
Property	**21,380**
Other assets	**102,145**
	1,018,935

(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).

15. Commitments and Contingencies

As of 31 December 2022, there are no commitments or contingencies that would have an adverse impact on the reported financial statements (2021: £nil).

16. 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.

17. Post Balance Sheet events

On 20th April 2023, the Company's ultimate parent undertaking changed from Melrose Industries PLC to Dowlais Group PLC following the demerger from the Melrose Group of Dowlais Group PLC and the listing of Dowlais Group PLC on the London Stock Exchange.

The Directors do not consider that the change in ultimate parent company will impact significantly on the operations of the Company.

18. Controlling parties

The immediate parent is GKN Automotive Holdings Limited. The ultimate parent undertaking and controlling party at the time of approving the financial statement is Dowlais Group PLC (see Note 17).

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 Melrose Industries PLC, 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham B4 6AT, which is also the registered office of the Company.

19. 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 Birfield Extrusions Ltd* (1)	Ordinary Shares	100 %
Ball Components Limited (1)	Ordinary Shares	100 %
GKN Service UK Ltd*(1)	Ordinary Shares	100 %
GKN Hybrid Power Limited* (3)	Ordinary Shares	100 %
GKN EVO eDrive Systems Limited* (3)	Ordinary Shares	100 %
Dowlais Industries Limited* (3)	Ordinary Shares	100 %
GKN Driveline UK Limited* (3)	Ordinary Shares	100%
GKN Cylinder Liners UK Limited* (4)	Ordinary Shares	100%
GKN Driveline Thailand Ltd (5)	Ordinary Shares	100%
GKN Investment III LP* (6)	Membership Interest	N/a
GKN Investments III GP Limited* (6)	Ordinary Shares	100 %
GKN 2 Trustee 2018 Limited* (1)	Ordinary Shares	100%
GKN 3 Trustee 2018 Limited *(1)	Ordinary Shares	100 %
GKN Automotive Portugal Limitada* (7)	Ordinary Shares	50 %

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

No.	Registered Address
(1)	2nd Floor Nova North, 11 Bressenden Place, London, England SW1E 5BY
(2)	Unit 5, Kingsbury Business Park, Kingsbury Road, Minworth, Sutton Coldfield, B76 9DL, England
(3)	2100 The Crescent, Birmingham Business Park, Birmingham, B37 7YE, England
(4)	Unit 1, Cobnar Wood close, Chesterfield Trading Estate, Chesterfield, Derbyshire, United Kingdom, S41 9RQ
(5)	Eastern Seaboard Industrial Estate, 64/9 Moo 4, Tambon Pluakdaeng, Amphur Pluakdaeng, Rayong 211140, Thailand
(6)	c/o Brodies LLP, Capital Square, 58 Morrison St, Edinburgh, EH3 8BP
(7)	Avenida Marechal Gomes da Costa, 1131, Porto 4150-360, Portugal