Registered number: 00056211

GKN Freight Services Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

GKN Freight Services Limited

Contents

GKN Freight Services Limited

Strategic Report
For the year ended 31 December 2021

The Directors present the Strategic Report for the year ended 31 December 2021.

Business Review
GKN Freight Services Limited is a freight management company providing integrated supply chain support solutions, with its services embracing all modes of transport by road, rail, sea and air. We operate in Europe, North and South America and Asia. Revenue in 2021 totalled £58,176,000 (2020: £50,036,000). The higher sales were primarily as a result of a recovery in sales volumes across a range of customers due to the global impact of COVID-19 easing.

	2021 **£'000**	2020 £'000	**Change** **£'000**
GM	**4,177**	4,312	**(135)**
GM%	**7.2%**	8.6%	

Slight reduction in the gross margin due to a higher mix of lower margin sales in the sales volume compared to prior year.

The profit before taxation for the year ended 31 December 2021 amounted to £216,000 (2020: loss of £21,000), due to cost controls and reduction in one-off costs of reorganisation and also the profit share agreement coming to its close with a lower percentage recharged for the final year. Net Assets in 2021 increased by £456,000 to £6,624,000 (2020: £6,168,000) predominantly as a result of the profit in 2021.

The impact of the UK's withdrawal from the EU after 01st January 2021 has had little impact on the business. Most of the Company's sales are for goods transported wholly outside of the UK which were not impacted by the UK's withdrawal. The only impact has been the adoption of additional customs procedures required for goods moved between the UK and EU.

Principal Risks and Uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Melrose Industries plc. Melrose Industries plc's annual report is where we as a Group discuss principal risks and mitigation plans.

The company has been impacted by the unprecedented situation of the COVID-19 pandemic, though this has been and is *continually being managed. The company continues to monitor the impact of* COVID-19 on its sales volumes and has accordingly reduced its operational headcount to mitigate the effect on the business.

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 the GKN Automotive division, which includes this Company, is discussed on pages 30-31 of the Group's 2021 annual report which does not form part of this report.

Section 172(1) Statement for GKN Freight Services Limited (the "Company") for the year ended 31 December 2021

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 2021. 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 2021 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 is owned by Melrose Industries Plc ("Melrose"), an investor in manufacturing businesses, which is headquartered in the UK.

The Company carries out freight management services for the wider GKN Automotive business and for some external customers. The Company principally operates from offices in Uxbridge, UK.

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

GKN Freight Services Limited

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 2021, 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 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 employs approximately 50 employees, most of whom work from its offices in Uxbridge, UK. 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 2021, 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. In addition, to reinforce the sense of belonging and to create transparency in the way the Company operates, a new set of values were launched in February 2021. Those values provide a frame of reference from which to build on to support business performance and reinforce employee engagement for GKN Automotive and the Company.

During 2021, the activities of the Company continued to be affected by the impact of the global Coronavirus pandemic. GKN Automotive's priorities throughout the pandemic have continued to be its employees, its customers and its financial stability. During 2021, extensive measures continued to be taken to protect the Company's employees from the health risks of the pandemic, including: (a) the provision of PPE and additional sanitisation; (b) changes in working practices; (c) the extensive use of home-working and offices closures; and (d) travel restrictions. GKN Automotive and the Company also focussed extensively on communicating with the Company's employees in order to keep them informed about the impact of the pandemic, 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 2021, the GKN Automotive Executive Team held monthly calls with approximately 100 of the most senior employees from across the GKN Automotive business, including senior 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 keyway in which the directors regards the interests of GKN Automotive employees in its decision making.

GKN Automotive has a central HR function, responsible for managing interactions with GKN Automotive employees, including the employees of the Company. In 2021, the function commenced a transformation project in respect of its HR service delivery model to balance cost efficiency with effective, high-quality support to our business and employees.

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 2021.

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

The majority of the Company's customers are other companies within GKN Automotive, for whom the Company provides freight management services. The Company does however have a number of external customers that are suppliers of materials to GKN Automotive's manufacturing facilities. The directors view the Company's relationship with its customers as crucial to its business success, and during the year the Company continued to place significant emphasis on growing its customer base and strengthening its relationship with external customers.

Suppliers

The Company's suppliers are principally transportation providers, who are managed by the global GKN Automotive procurement function. 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 2021, GKN Automotive began developing a new ESG strategy. The key principles of this strategy were finalised during 2021. 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. Planning of a range of activities in support of this ESG strategy commenced during 2021.

During 2021, the Company began implementation of an electronic tool that allows the carbon impact of its transportation management to be assessed. This tool was subsequently launched in 2022 and will assist the Company in continuing to support GKN Automotive's ESG strategy.

(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 2021, GKN Automotive operated under a code of conduct known as the GKN Automotive Code. The 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. 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. 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 Industries 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.

Future Outlook
The Company will continue to focus on value creation through efficient freight management. The business will look for new sales opportunities to increase its revenue streams and is looking at initiatives to improve operational efficiency to improve profitability.

Approved by the Board on 28 September 2022 and signed on its behalf by:

Ms Dawn Rasmussen
Director
GKN Freight Services Limited
2100 The Crescent,
Birmingham Business Park,
Birmingham,
West Midlands,
United Kingdom,
B37 7YE

GKN Freight Services Limited

Directors' Report

For the year ended 31 December 2021

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2021.

Directors of the Company

The Directors who held office during the year and up to the date of signing the Financial Statements are as follows:

Mr J Crawford
Mr G Barnes
Mr M Richards
Mr G Morgan
Mr G Nagle
Mr T Riley (resigned 20 May 2021)
Ms D Rasmussen (appointed 20 May 2021)

Financial results

The income statement of the Company shows a profit for the financial year of £402,000 (2020: profit of £51,000).

Going Concern

The Financial Statements have been prepared under the going concern basis. At 31 December 2021, the Company had net assets of £6,624,000 (2020: £6,168,000). The company does not hold a cash balance as there is a facility within the group where all cash balances are swept into the central treasury function, however at the end of the year its cash balance was £142,000 (2020: £nil) due to recording of cash in transit. The treasury balances are held by another group undertaking and amount to £10,261,000 at 31 December 2021 (2020: £10,337,000). The treasury balance can be drawn upon at any time to fund working capital requirements.

The Directors have reviewed the Cashflow Forecasts during the year and believe that the company will have sufficient funds to meet its liabilities as they fall due for that period.

Whilst COVID19 and the Ukraine events have significantly affected the markets in which the Company operates, there is currently no reason to suspect that the Company or its ultimate parent company, Melrose Industries, is at significant risk of insolvency as a result of COVID-19 or the unrest in Ukraine. The actions taken so far to ensure robust cash management and to maintain staff levels in line with volumes have produced encouraging results. Therefore, it is considered appropriate to adopt a going concern basis in the financial statements.

Dividends

No interim dividend was paid for the year ended 31 December 2021 (2020: £nil). The Directors have not proposed a final dividend for the year ended 31 December 2021 (2020: £nil).

The dividend in respect of the Company's 6% cumulative preference shares was waived. It has been nil for the year ended 31 December 2021 (2020: £nil).

Future developments

The Company intends to continue operating as a freight management company providing integrated supply chain support solutions, with our services embracing all modes of transport by road, rail, sea and air.

Events after the balance sheet date

There were no material events after the reporting year that give rise to an adjustment in the financial statements.

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 the Melrose Industries plc Group Treasury function, are discussed in the Director's report on pages 40 to 49 of the annual report of Melrose Industries plc. The Company does not use derivative financial instruments to manage interest rate costs.

Where the Company enters into transactions with inherent external counter-party risk, exposures are assessed in line with Melrose Industries Plc policies and guidance.

GKN Freight Services Limited

Directors' Report (continued)

Branches
The company had branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

Brazil

Directors' indemnities
Pursuant to the articles of association, the company has executed a deed poll of Indemnity for the benefit of the Directors of the Company and persons who were Directors of the Company in respect of costs of defending claims against them and third-party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2021 and remains in force. The indemnity provision in the Company's articles of association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the Company.

A copy of the deed poll of indemnity is available for inspection at the group's registered office during normal business hours.

Independent Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 28 September 2022 and signed on its behalf by:

Ms Dawn Rasmussen
Director
GKN Freight Services Limited
2100 The Crescent,
Birmingham Business Park,
Birmingham,
West Midlands,
United Kingdom,
B37 7YE

Statement of directors' responsibilities in respect of the financial statements
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 prepared 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GKN FREIGHT SERVICES LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of GKN Freight Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as of 31 December 2021 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 Freight Services 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 16.

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.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, 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 the UK Companies Act and 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. These included regulatory solvency requirements and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

- Performing substantive testing specifically over the revenue cut-off assertion by agreeing revenue recognised to supporting documentation and assessing whether recognition was in the appropriate period 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.
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, reviewing internal audit report and reviewing correspondence with HMRC

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.

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

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

28 September 2022

GKN Freight Services Limited

Income Statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	2	58,176	50,036
Cost of sales		(53,999)	(45,724)
Gross profit		**4,177**	**4,312**
Operating expenses		(4,404)	(4,669)
(Operating Loss)		**(227)**	**(357)**
Other income	3	**462**	**359**
Interest payable and similar charges		**(4)**	(13)
Interest expense on lease liability		**(15)**	(18)
Interest receivable and similar income		**-**	8
Net financing costs	4	**(19)**	**(23)**
Profit/(Loss) before taxation	5	**216**	**(21)**
Taxation credit	6	**186**	**72**
Profit for the financial year		**402**	**51**

Revenue and operating profit are all derived from continuing operations.

The accompanying notes on pages 15 to 25 are an integral part of these financial statements.

GKN Freight Services Limited

Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		**402**	51
Items that will not be reclassified to profit or loss			
Exchange adjustments in reserve		**53**	(174)
Total other comprehensive Income/(Expense)		**53**	(174)
Total comprehensive Profit/(Loss) for the year		**455**	(123)

The accompanying notes on pages 15 to 25 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**479**	605
Deferred tax assets	6	**693**	507
		1,172	1,112
Current assets			
Trade and other receivables	9	**17,311**	16,940
Cash at bank and in hand		**142**	-
		17,453	16,940
Total assets		**18,625**	18,052
Current liabilities			
Trade and other payables	10	**(11,472)**	(11,215)
Lease obligations	13	**(144)**	(140)
		(11,616)	(11,355)
Net current assets		**5,837**	5,585
Total assets less current liabilities		**7,009**	6,697
Non-current liabilities			
Lease obligations	13	**(385)**	(529)
Net assets		**6,624**	6,168
Shareholder's equity			
Called up share capital	12	**129**	129
Share premium account	12	**4,950**	4,950
Retained earnings	12	**1,545**	1,089
Total equity		**6,624**	6,168

The accompanying notes on pages 15 to 25 are an integral part of these financial statements.

The financial statements of GKN Freight Services Limited (registered number 00056211) were approved by the board of directors and authorised for issue on 28 September 2022. They were signed on its behalf by:

Ms Dawn Rasmussen
Director
GKN Freight Services Limited
2100 The Crescent,
Birmingham Business Park,
Birmingham,
West Midlands,
United Kingdom,
B37 7YE

GKN Freight Services Limited

Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	129	4,950	1,211	6,290
Profit for the financial year	-	-	51	51
Other comprehensive expense				
Exchange adjustment expense in reserve	-	-	(174)	(174)
Total comprehensive loss for the year	-	-	(123)	(123)
At 31 December 2020	129	4,950	1,088	6,167
At 1 January 2021	**129**	**4,950**	**1,089**	**6,168**
Profit for the financial year	-	-	**402**	**402**
Other comprehensive income				
Exchange adjustment income in reserve	-	-	**53**	**53**
Total comprehensive profit for the year	-	-	**455**	**455**
At 31 December 2021	**129**	**4,950**	**1,544**	**6,623**

The accompanying notes on pages 15 to 25 are an integral part of these financial statements.

1 Accounting policies and presentation

GKN Freight Services Limited (the company) is a private company limited by shares, incorporated and domiciled in the UK, and registered in England and Wales with the registration number 00056211. Its registered office is 2100 The Crescent, Birmingham Business Park, Birmingham, West Midlands, United Kingdom, B37 7YE.

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

Basis of preparation
These statements have been prepared on a going concern basis under the historical cost convention except where other measurement bases are required to be applied and in accordance with IFRS under Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. In accordance with FRS 101, the Company has taken advantage of the exemption not to disclose transactions with related parties.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2021. 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.

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:

- 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)

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:
  paragraph 79(a)(iv) of IAS 1
  paragraph 73(e) of IAS 16 Property, plant and equipment

- 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 and notes)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third balance sheet)
  - 111 (cash flow statement information)
  - 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 and 18A 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.

1 Accounting policies and presentation (continued)

Going Concern
The Financial Statements have been prepared under the going concern basis. At 31 December 2021, the Company had net assets of £6,624,000 (2020: £6,168,000). The company does not hold a cash balance as there is a facility within the group where all cash balances are swept into the central treasury function, however at the end of the year its cash balance was £142,000 (2020: £nil) due to recording of cash in transit. The treasury balances are held by another group undertaking and amount to £10,261,000 at 31 December 2021 (2020: £10,337,000). The treasury balance can be drawn upon at any time to fund working capital requirements.

Whilst COVID19 and the Ukraine events has significantly affected the markets in which the Company operates, there is currently no reason to suspect that the Company or its ultimate parent company, Melrose Industries, is at significant risk of insolvency as a result of COVID-19 or the unrest in Ukraine. The actions taken so far to ensure robust cash management and to reduce staff costs in line with volumes have produced encouraging results. Therefore, it is considered appropriate to adopt a going concern basis in the financial statements.

Pensions and post-employment benefits
The Company operates a defined contribution scheme for which the cost charged to the income statement represents the Group's contributions to the relevant scheme in the year in which they fall due.

Whilst some ex-employees are members of the former GKN defined benefit pension schemes, those schemes are not administered by GKN Freight Services Limited and no active employees of the Company are accruing benefits under those schemes.

Presentation of the income statement
IFRS 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 IFRS.

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 joint ventures;
- the impact of annual impairment review of investments;
- gains or losses on disposal of investments in subsidiaries; and
- significant pension scheme curtailments and settlements.

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.

Grant Income
Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1 Accounting policies and presentation (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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 revenue and input costs.

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. Where practicable, transactions involving foreign currencies are protected by forward contracts. 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 before tax.

Reserves at the end of the financial year are translated at closing foreign exchange rates at the date of the balance sheet with any resulting exchange differences being recognised in other comprehensive income.

Revenue recognition
Revenue
Revenue from services is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding sales taxes and net of allowances for returns, early settlement discounts and rebates.

For exports, revenue is recognised once the cargo has departed from origin country and for Imports once the cargo has arrived at the destination country.

Other income
Interest income is recognised using the effective interest method.

Property, Plant and Equipment
Property, 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 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 are:

	Years
Plant and Equipment	6 to15

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.

Plant and equipment are reviewed at least annually for indications of impairment. Impairments are charged to the income statement. Similarly, where property, plant and equipment has 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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1 Accounting policies and presentation (continued)

Financial assets and liabilities

Financial liabilities are recorded in arrangements where payments, or similar transfers of financial resources, are unavoidable or guaranteed.

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.

Impairment

For trade and other receivables, contract assets and amounts due from equity accounted investments, the simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents are also subject to impairment requirements.

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.

1 Accounting policies and presentation (continued)

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and 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. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates

GKN Freight Services Limited

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

1 Accounting policies and presentation (continued)
Leases (continued)

the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Critical judgements
There are no judgements in preparation of the financial statements that management have deemed to be critical.

Key sources of estimation uncertainty
The Company's significant accounting policies are set out above. The preparation of financial statements, in conformity with FRS 101 "Reduced Disclosure Framework", 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 and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance. We do not believe that there are significant areas of estimation within the financial statements.

2 Revenue

The Company derives its revenue from the provision of services which fall within the Company's ordinary activity - that of providing integrated supply chain support solutions in freight forwarding. An analysis of revenue by geographical location by destination is given below:

	United Kingdom	USA	Europe	Other countries	Total non-UK	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Revenue	**4,817**	**14,983**	**32,082**	**6,294**	**53,359**	**58,176**
2020						
Revenue	4,155	12,116	29,441	4,324	45,881	50,036

3 Other income/expenditure

Other expenditure represents amounts credited to GKN Freight Services Eurl and GKN Freight Services GmbH under a profit share agreement, and recharge of central shared services from GKN Automotive, while other income is a recharge of central costs to GKN Freight Services Inc.

4 Net financing costs

		2021	2020
		£'000	£'000
(a)	**Interest payable and similar charges**		
	Short term bank and other borrowings – group undertakings	**(4)**	(13)
	Interest expense on lease liability	**(15)**	(18)
	Interest receivable and similar income		
	Short term investments, loans and deposits – group undertakings	**-**	8
	Net interest payable and receivable	**(19)**	(23)
	Net financing costs	**(19)**	(23)

GKN Freight Services Limited

Notes to the Financial Statements (continued)
For the year ended 31 December 2021

5 Profit/(Loss) before taxation

The analysis of the additional components of operating (loss)/profit is shown below:

	2021 £'000	2020 £'000
Staff costs (note 7)	**(2,694)**	(2,709)
Reorganisation costs - footnote (i):		
Redundancy and other employee related amounts	**(68)**	(613)
Depreciation of property, plant and equipment	**(18)**	(18)
Depreciation of right-of-use assets	**(108)**	(108)
Interest expense of lease liabilities:		
Property	**(15)**	(18)
Audit fees payable to the Company's auditor - footnote (ii)	**(68)**	(66)
Other costs	**(1,443)**	(1,131)
Net exchange loss on foreign currency transactions	**(5)**	(24)

(i) Reorganisation costs reflect actions in the ordinary course of business to reduce costs and improve productivity.

(ii) All fees payable to the Company's auditors relate to the audit of the financial statements. All fees payable have been charged to the income statement.

6 Taxation

(a) Analysis of tax credit in the year

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of temporary differences		
- current year	**(186)**	(72)
- adjustments in respect of prior years	**-**	-
Total deferred tax (credit)	**(186)**	(72)
Taxation (credit) on Profit/(loss)	**(186)**	(72)

(b) Factors affecting the tax credit in the year

The tax assessed for the year is different to (2020: different to) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £'000	2020 £'000
Profit/(Loss) on ordinary activities before tax	**216**	(21)
Profit/(Loss) multiplied by the standard UK corporation rate of 19% (2020: 19%)	**41**	(4)
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	**46**	114
Effect of rate change on deferred tax	**(166)**	(52)
Group relief surrendered at nil rate	**(107)**	(130)
Total tax (credit) for the year	**(186)**	(72)

The rate of UK corporation tax for the year ended 31 December 2021 was 19%. The Finance Act 2021, which was substantively enacted on 24 May 2021 and enacted on 10 June 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.

(c) Recognised deferred tax

£'000	Fixed asset timing differences	Other	Total
At 1 January 2021	458	49	507
Included in the income statement	148	38	186
Included in other comprehensive income	-	-	-
At 31 December 2021	**606**	**87**	**693**

Deferred tax assets are recognised where, based on management projections, the future availability of taxable profits to absorb the deductions before any applicable time limits expire is probable.

7 Employees including Directors

(a) Employee benefit expense

	2021 £'000	2020 £'000
Wages and salaries	**2,337**	2,357
Social security costs	**204**	227
Other pension costs	**153**	125
	2,694	2,709

Average monthly number of employees (including Executive Directors)

	2021 Number	2020 Number
Administration and support	**51**	**57**

(b) Directors' emoluments

	2021 £'000	2020 £'000
Aggregate remuneration	**90**	127
Aggregate Company contributions to pension schemes	**6**	6
	96	133

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 to the Company.

The highest paid director's remuneration in the reporting period was £40,462.

During 2021, there was no payment in respect of loss of office (2020: £nil).

Directors are entitled to receive benefits under the defined contribution section of the Scheme.

GKN makes contributions to the defined contribution section of the Scheme in respect of qualifying services for 2 Directors. GKN pays a multiple of an individual's contribution depending on the individual's grade.

8 Property, plant and equipment

	Right-of-use Assets £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2021	740	169	909
At 31 December 2021	**740**	**169**	**909**
Accumulated depreciation			
At 1 January 2021	216	88	304
Charge for the year	136	18	154
Rent free period accrual release	(28)	-	(28)
Disposals	-	-	-
At 31 December 2021	324	106	430
Net book amount at 31 December 2021	**416**	**63**	**479**
Net book amount at 31 December 2020	524	81	605

Right-of-use assets is comprised of net book value of right-of-use office space and plant and equipment is comprised entirely of furniture, fixtures and fittings.

Right-of-use assets			
IFRS 16 transition adjustment	929	-	929
Depreciation charge cumulative	(408)	-	(408)
Rent free period accrual balance cumulative	(105)	-	(105)
Net book amount at 31 December 2021	**416**	**-**	**416**

9 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**1,640**	786
Amounts due from other group undertakings – Trade	**4,955**	5,298
Amounts due from other group undertakings – Loan	**6,026**	5,412
Amounts due from parent – Loan	**4,235**	4,925
Prepayments and accrued income	**455**	519
	17,311	16,940

Trade receivables are stated after provisions for impairment of £345,000 (2020: £211,000).
Amounts due from Group are unsecured, have no fixed date of repayment and are repayable on demand. Interest is only charged on the loan due from parent at variable market rate determined by Melrose Industries plc treasury.

10 Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	**(6,282)**	(5,802)
Amounts due to other group undertakings – Trade	**(157)**	(276)
Amounts due to other group undertakings – Recharges	**(54)**	(181)
Accruals and deferred income	**(4,892)**	(4,877)
Other taxes and social security	**(87)**	(79)
	(11,472)	(11,215)

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

11 Defined Contribution schemes

The charge to the income statement in the year from the defined contribution scheme was £133,000 (2020: £124,000).

12 Called up share capital and reserves

	2021		2020	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of £5 each	**20,000**	**100**	20,000	100
6% cumulative non-redeemable preference shares of £5 each	**10,000**	**50**	10,000	50
At 1 January and 31 December	**30,000**	**150**	30,000	150
Allotted, called up and fully paid				
Ordinary shares of £5 each	**20,000**	**100**	20,000	100
6% cumulative non-redeemable preference shares of £5 each	**5,795**	**29**	5,795	29
At 1 January and 31 December	**25,795**	**129**	25,795	129

The 6% cumulative preference shares are non-redeemable and have restricted voting rights with a priority on winding up to capital and dividends in arrears. The dividend for the year ended 31 December 2021 was waived (2020: waived).

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Retained earnings reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

13 Lease obligations

Amounts payable under lease obligations:

	2021 £'000	2020 £'000
Amounts payable:		
Within one year	**155**	155
After one year but within five years	**400**	555
Over five years	**-**	-
Less: future finance charges	**(26)**	(41)
Present value of lease obligations	**529**	669

	2021 £'000	2020 £'000
Analysed as:		
Amounts due for settlement within one year	**144**	140
Amounts due for settlement after more than one year	**385**	529
	529	669

Amounts paid in the current period:	
Cash outflows	155
Less: finance charges	(15)
Present value of lease paid in the current period	**140**

The Company recognised £929,207 of lease liabilities on adoption of IFRS 16 on 1 January 2019. There was a corresponding right-of-use asset, shown in property, plant and equipment in note 8. The remaining average lease term is 3.83 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

14 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 other than transactions with key management personnel, who are defined to be the board of directors, as disclosed in note 7.

15 Controlling parties

The immediate parent is GKN Industries Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party at the time of approving the financial statements is Melrose Industries plc.

The parent of the smallest and largest group in which these results are consolidated is Melrose Industries plc. Consolidated financial statements of Melrose Industries plc are available from 11th Floor, The Colmore Building, Colmore Circus Queensway, Birmingham, B4 6AT, which is also the registered address of this Company.

16 Post balance sheet events

There were no material events either of an adjusting or non-adjusting nature after the reporting year to report on these financial statements.