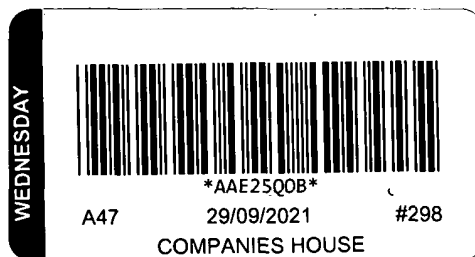


Registered number: 00056211

GKN Freight Services Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



GKN Freight Services Limited

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GKN Freight Services Limited

Strategic Report

For the year ended 31 December 2020

The Directors present the Strategic Report for the year ended 31 December 2020.

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 2020 totalled £50,036,000 (2019: £62,259,000). The lower sales were primarily as a result of lower sales volumes across a range of customers due to the global impact of COVID-19. The slight reduction in the gross margin is also consequently a result of the COVID-19 impact and its impact on the mix of sales overall where high margin sales were lower than prior year.

The loss before taxation for the year ended 31 December 2020 amounted to £21,000 (2019: loss of £1,287,000), which arose due to the impact COVID-19 had on sales in the year.

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/Group 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 19 to 21 of Melrose Industries plc's annual report which does not form part of this report.

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 2021 and signed on its behalf by:



Mr G. Nagle
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 2020

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2020.

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 R Jesson (resigned 13 July 2020)
Ms S Ooi (resigned 18 August 2020)
Mr J Crawford (appointed 4 July 2018)
Mr G Barnes (appointed 4 July 2018)
Mr M Richards (appointed 4 July 2018)
Mr G Morgan (appointed 4 July 2018)
Mr G Nagle (appointed 7 September 2020)
Mr T Riley (appointed 7 September 2020 and subsequently 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 £51,000 (2019: loss of £1,550,000).

Going Concern

The Financial Statements have been prepared under the going concern basis. At 31 December 2020, the Company had net assets of £6,168,000 (2019: £6,290,000). 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. The treasury balances are held by another group undertaking and amount to £10,337,000 at 31 December 2020 (2019: £10,457,000). The treasury balance can be drawn upon at any time to fund working capital requirements.

Given the continuing political and economic uncertainty resulting from the COVID-19 pandemic, it is difficult to estimate with certainty the impact on the Company's prospective financial performance. The Company continues to monitor impact of the pandemic on the market in order to adjust operating expenses in line with any fluctuations in demand.

Whilst COVID19 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. 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.

Dividends

No interim dividend was paid for the year ended 31 December 2020 (2019: £nil). The Directors have not proposed a final dividend for the year ended 31 December 2020 (2019: £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 2020 (2019: £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 44 to 53 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 2020 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 Auditors

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 2021 and signed on its behalf by:



Mr G. Nagle
Director
GKN Freight Services Limited
2100 The Crescent,
Birmingham Business Park,
Birmingham,
West Midlands,
United Kingdom,
B37 7YE

GKN Freight Services Limited

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 at 31 December 2020 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.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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 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.

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

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.

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 and the Directors' Report.

Matters on which we are required to report by exception

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

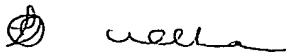
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

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

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.



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

28 September 2021

GKN Freight Services Limited

Income Statement

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	2	50,036	62,259
Cost of sales		(45,724)	(56,590)
Gross profit		4,312	5,669
Operating expenses		(4,669)	(6,582)
(Loss)/Operating		(357)	(913)
Other income/(expenditure)	3	359	(337)
Interest payable and similar charges		(31)	(60)
Interest receivable and similar income		8	40
Other net financing charges		-	(17)
Net financing costs	4	(23)	(37)
(Loss) before taxation	5	(21)	(1,287)
Taxation Credit/(Charge)	6	72	(263)
Profit/(Loss) for the financial year		51	(1,550)

Revenue and operating profit are all derived from continuing operations.

The accompanying notes on pages 12 to 24 are an integral part of these financial statements.

GKN Freight Services Limited

Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit/(Loss) for the financial year		51	(1,550)
Items that will not be reclassified to profit or loss			
Exchange adjustments in reserve		(174)	(219)
Actuarial (Losses)	11	-	(124)
Taxation on actuarial pension movement	6	-	21
Total other comprehensive (Expense)		(174)	(322)
Total comprehensive (Loss) for the year		(123)	(1,872)

The accompanying notes on pages 12 to 24 are an integral part of these financial statements.

GKN Freight Services Limited

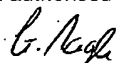
Balance Sheet

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	605	731
Deferred tax assets	6	507	435
		1,112	1,166
Current assets			
Trade and other receivables	9	16,940	15,492
		16,940	15,492
Total assets		18,052	16,658
Current liabilities			
Trade and other payables	10	(11,215)	(9,515)
Lease obligations	13	(140)	(144)
		(11,355)	(9,659)
Net current assets		5,585	5,833
Total assets less current liabilities		6,697	6,999
Non-current liabilities			
Lease obligations	13	(529)	(709)
Net assets		6,168	6,290
Shareholder's equity			
Called up share capital	12	129	129
Share premium account	12	4,950	4,950
Retained earnings	12	1,089	1,211
Total equity		6,168	6,290

The accompanying notes on pages 12 to 24 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 2021. They were signed on its behalf by:



Mr G. Nagle
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 2020

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	129	4,950	3,083	8,162
Loss for the financial year	-	-	(1,550)	(1,550)
Other comprehensive expense	-	-	(322)	(322)
Total comprehensive loss for the year	-	-	(1,872)	(1,872)
At 31 December 2019	129	4,950	1,211	6,290
At 1 January 2020	129	4,950	1,211	6,290
Profit for the financial year	-	-	51	51
Other comprehensive expense	-	-	(174)	(174)
Total comprehensive loss for the year	-	-	(123)	(123)
At 31 December 2020	129	4,950	1,089	6,168

The accompanying notes on pages 12 to 24 are an integral part of these financial statements.

GKN Freight Services Limited

Notes to the Financial Statements

For the year ended 31 December 2020

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 2020. 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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1 Accounting policies and presentation (continued)

Going Concern

The Financial Statements have been prepared under the going concern basis. At 31 December 2020, the Company had net assets of £6,168,000 (2019: £6,290,000). 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. The treasury balances are held by another group undertaking and amount to £10,337,000 at 31 December 2020 (2019: £10,457,000). The treasury balance can be drawn upon at any time to fund working capital requirements.

In early 2020, we experienced an unprecedented event in the worldwide outbreak of COVID-19. Whilst it has sign affected the 2020 results and the full impact of the outbreak continues to unfold, it is clear its impact on the operations and financial performance of GKN Freight Services Limited will continue during 2021.

Whilst COVID-19 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. 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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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.

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 to 15

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.

Financial assets and liabilities

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

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1 Accounting policies and presentation (continued) Financial asset and liabilities (continued)

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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1 Accounting policies and presentation (continued)

Historic adoption of accounting standards, revisions and amendments to standards and interpretations

IFRS 9 Financial Instruments

IFRS 9 introduced requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. General hedge accounting.

Details of the requirements as well as their impact on the Company's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) was 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continued to be recognised as at 1 January 2018 and did not apply the requirements to instruments that were already derecognised as at that date.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date, concluded that the initial application of IFRS 9 did not have any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in any year.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost; and
- Trade debtors and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade debtors and contract assets in certain circumstances.

The directors of the Company in 2018 reviewed and assessed the Company's existing financial assets and determined that the adoption of IFRS 9 did not have an impact on the recognition of credit losses and, therefore, no restatement to the previous years' comparative were made.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to change in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 since its application in 2018 has had no impact on the classification and measurement of the Company's financial liabilities.

(a) General hedge accounting

The company does not have any hedging arrangements falling within the scope of IFRS 9.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1 Accounting policies and presentation (continued)

IFRS 15 Revenue from Contract with Customers

The Company applied on 1 January 2018 IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016). IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Company's accounting policies for its revenue streams are disclosed in detail within this note. The application of IFRS 15 in 2018 and subsequently in the years since then did not result in any changes to the timing or value of revenue recognised in the comparative periods and therefore no restatement has been required.

IFRS 16: Leases

The Company adopted IFRS 16 "Leases" on 1 January 2019 using the modified retrospective approach, resulting in no adjustments to the prior year comparatives. IFRS 16 superseded the previous lease guidance, including IAS 17: "Leases" and related interpretations. IFRS 16 requires all leases, except where exemptions are applied, to be recognised on the Balance Sheet as a lease liability with a corresponding right-of-use asset presented within property, plant and equipment. As a result of the transition to IFRS 16 in 2019, the Company recognised right-of-use assets and lease liabilities of £929,207.

As part of the initial application of IFRS 16, the Company applied the following exemptions available: IFRS 16 guidance has not been applied to lease with a lease term which ends within 12 months of the date of initial application or to lease of low value assets. Payments relating to these leases are recognised as an expense in the Income Statement over the lease term and no right-of-use asset or lease liability is recognised.

The lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 January 2019. On transition, the right-to-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In order to calculate the incremental borrowing rate, reference interest rates were derived for corporate bonds, for a period of up to 15 years. Interest rates were adjusted to reflect the country risk premium and a leasing risk premium.

The leasing risk premium derived was adjusted to reflect whether the lease was deemed to be secured or unsecured. The Company applied a single discount rate to a portfolio of leases with similar characteristics, in line with the practical expedient available under IFRS 16.

The following explains the difference between operating lease commitments applying IAS 17 at 31 December 2018 and the lease liability recognised on adoption of IFRS 16 at 1 January 2019:

	£'000
Total minimum lease payments reported at 31 December 2018 under IAS 17	1,008
Leases outside the scope of IFRS 16	-
Impact of discounting lease liability under IFRS 16	(79)
Lease liability recognised on transition to IFRS 16 at 1 January 2019	929

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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1 Accounting policies and presentation (continued)

Leases (continued)

The Company as lessee (continued)

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 recognised 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 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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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
2020						
Revenue	4,155	12,116	29,441	4,324	45,881	50,036
2019						
Revenue	8,422	12,929	36,146	4,762	53,837	62,259

3 Other 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 costs to GKN Freight Services Inc and from GKN Automotive for GBS services.

4 Net financing costs

	2020 £'000	2019 £'000
(a) Interest payable and similar charges		
Short term bank and other borrowings	(31)	(60)
Interest receivable and similar income		
Short term investments, loans and deposits	8	40
Net interest payable and receivable	(23)	(20)
(b) Other net financing charges		
Net interest charge on defined benefit plans	-	(17)
Net financing costs	(23)	(37)

5 (Loss)/Profit before taxation

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

	2020 £'000	2019 £'000
Staff costs (note 7)	(2,709)	(3,954)
Reorganisation costs - footnote (i):		
Redundancy and other employee related amounts	(613)	(317)
Depreciation of property, plant and equipment	(18)	(18)
Depreciation of right-of-use assets	(108)	(108)
Finance lease obligations:		
Plant and equipment	-	-
Property	-	-
Audit fees payable to the Company's auditors - footnote (ii)	(66)	(67)
Other costs	(1,131)	(2,076)
Net exchange loss on foreign currency transactions	(24)	(42)

- (i) Reorganisation costs reflect actions in the ordinary course of business to reduce costs, improve productivity and rationalise facilities into a centralised UK-based hub.
- (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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

(iii) During 2020 £173k of support was received under the UK Government's Furlough Scheme. This was paid back to the Government in December 2020 and so the amount recognised is nil for 2020.

6 Taxation

(a) Analysis of tax charge/(credit) in the year

	2020 £'000	2019 £'000
Current tax		
UK corporation tax		
- current year UK corporation tax	-	-
- overseas tax	-	-
- adjustments to current tax charge in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences		
- current year	(72)	355
- adjustments in respect of prior years	-	(92)
Total deferred tax (credit)/charge	(72)	263
Taxation (credit)/charge on Profit/(loss)	(72)	263

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

The tax assessed for the year is different to (2019: different to) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £'000	2019 £'000
(Loss)/Profit on ordinary activities before tax	(21)	(1287)
(Loss) multiplied by the standard UK corporation rate of 19% (2019: 19%)	(4)	(245)
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	114	56
Effect of rate change on deferred tax	(52)	-
Other deferred tax movements	-	225
Effect of rate change on CY reversal of temporary differences	-	(16)
Group relief surrendered at nil rate	(130)	335
Adjustment to current tax charge in respect of prior periods	-	-
Adjustment to deferred tax charge in respect of prior periods	-	(92)
Total tax (credit)/charge for the year	(72)	263

The enacted rate of UK corporation tax for the year ended 31 December 2020 was 19% due to the reversal in the Finance Act 2020 of the previously enacted rate reduction to 17%. Therefore, a rate change effect arises in this period where deferred tax that was previously recognised at 17% is now recognised at 19%.

The Finance Act 2021, includes a further increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This further change had not been substantively enacted at the balance sheet date, so deferred tax balances as at 31 December 2020 have been recognised at the enacted rate of 19%. If the new rate of 25% had been applied to the closing balance sheet there would have been an increase in the deferred tax asset of £160,000.

	2020 £'000	2019 £'000
(c) Intercompany balance – tax (payable)/ receivable – UK	-	-

(d) Recognised deferred tax

£'000	Fixed asset timing differences	Other	Total
At 1 January 2020	406	29	435
Included in the income statement	52	20	72
Included in other comprehensive income	-	-	-
At 31 December 2020	458	49	507

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6 Taxation (continued)

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

	2020 £'000	2019 £'000
Wages and salaries	2,357	3,416
Social security costs	227	345
Other pension costs	125	193
	2,709	3,954

Average monthly number of employees (including Executive Directors)

	2020 Number	2019 Number
Administration and support	57	70

(b) Directors' emoluments

	2020 £'000	2019 £'000
Aggregate remuneration	127	140
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-
Aggregate Company contributions to pension schemes	6	14
	133	154

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.

During 2020, there was no payment in respect of loss of office (2019: £nil).

Number of Directors receiving benefits and share incentives

	2020 Number	2019 Number
Exercised share options	-	-
Accruing benefits under defined benefit pension schemes in respect of qualifying services	-	-
Accruing benefits under money purchase pension schemes in respect of qualifying services	-	3
Received/entitled to receive shares under long term incentive scheme in respect of qualifying services	-	-

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 Directors' qualifying services. GKN pays a multiple of an individual's contribution depending on the individual's grade.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

8	Property, plant and equipment	Right-of-use Assets £'000	Plant and equipment £'000	Total £'000
	Cost			
	At 1 January 2020	740	169	909
	Additions	-	-	-
	Rent free period accrual	-	-	-
	Disposals	-	-	-
	At 31 December 2020	740	169	909
	Accumulated depreciation			
	At 1 January 2020	108	70	178
	Charge for the year	136	18	154
	Rent free period accrual release	(28)	-	(28)
	Disposals	-	-	-
	At 31 December 2020	216	88	304
	Net book amount at 31 December 2020	524	81	605
	Net book amount at 31 December 2019	632	99	731
	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	(272)	-	(272)
	Rent free period accrual balance cumulative	(133)	-	(133)
	Net book amount at 31 December 2020	524	-	524

9	Trade and other receivables	2020 £'000	2019 £'000
	Trade receivables	786	1,449
	Amounts due from other group undertakings – Trade	5,298	3,289
	Amounts due from other group undertakings – Loan	5,412	5,369
	Amounts due from parent – Loan	4,925	5,087
	Prepayments and accrued income	519	298
		16,940	15,492

Trade receivables are stated after provisions for impairment of £211,000 (2019: £137,000). 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	2020 £'000	2019 £'000
	Trade creditors	(5,802)	(4,288)
	Amounts due to other group undertakings – Trade	(276)	(276)
	Amounts due to other group undertakings – Recharges	(181)	(262)
	Accruals and deferred income	(4,877)	(4,616)
	Other taxes and social security	(79)	(73)
		(11,215)	(9,515)

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

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

11 Defined Contribution schemes

The charge to the income statement in the year from the defined contribution scheme was £124,000 (2019: £193,000).

12 Called up share capital and reserves

	2020		2019	
	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 2020 was waived (2019: 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:

	2020	2019
	£'000	£'000
Amounts payable:		
Within one year	155	161
After one year but within five years	555	620
Over five years	-	129
Less: future finance charges	(41)	(57)
Present value of lease obligations	669	853
	2020	2019
	£'000	£'000
Analysed as:		
Amounts due for settlement within one year	140	144
Amounts due for settlement after more than one year	529	709
	669	853

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. Further details on the adoption of IFRS 16 are shown in note 1. The remaining average lease term is 4.83 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.

15 Controlling parties

The immediate parent is GKN Enterprise 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.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

16 Post balance sheet events

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