

GKN Powder Metallurgy Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

FRIDAY



AB7SHNV7

A04

08/07/2022

#171

COMPANIES HOUSE

GKN Powder Metallurgy Holdings Limited

Strategic Report

For the year ended 31 December 2021

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

Principal activity

The Company is an investment holding company and the principal activity of its subsidiary undertakings continues to be the manufacture of sintered components and metal powder. The Directors do not anticipate any likely changes to the principal activity of the Company in the foreseeable future.

Business Review

The Company shows a profit after tax of £61,300,000 (2020: loss of £40,752,000), primarily due to foreign exchange gains on group loans and dividend income from group undertakings.

During the year, the Company acquired the shares in GKN Powder Metallurgy Holdings Inc. in exchange for the equity of Hoeganaes Corporation USA and GKN Sinter Metals LLC (USA).

Principal risks and uncertainties

The Company's activities expose it to a number of primary financial risks as set out below.

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit Risk

The Company's principal financial assets are cash balances and trade and other receivables. The Company's credit risk attributable to its receivables has been reviewed and no material risk was identified.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

Liquidity Risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies.

Key Performance Indicators

The Company's operations are managed on a 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.

Going concern

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

The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group.

The 2021 Annual Report of Melrose Industries PLC disclosed that the Group had significant headroom on its multi-currency committed revolving credit facility of £3 billion, when applying the exchange rates at 31 December 2021. Headroom is largely unchanged through to the date of these accounts and there remains sufficient headroom throughout the going concern forecast period.

The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Approved by the Board on 30th June 2022 and signed on its behalf by:



Mr R Callaghan
Director
GKN Powder Metallurgy Holdings Limited
Registration number: 00347378

GKN Powder Metallurgy Holdings Limited

Directors' Report

For the year ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021. An indication of likely future developments in the business of the Company is included in the Strategic Report. Information on the financial risk management and going concern and future developments are also included in the Strategic report.

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 D Laurent
Mr R Callaghan
Dr P Oberparleiter (resigned 31st January 2022)
Mr J Crawford
Mr G Barnes
Mr M Richards
Mr G Morgan
Mr RW Wood (appointed 4th March 2021)
Mr PJC Eichholz (appointed 4th March 2021)

No Director had a beneficial interest in the share capital of the Company or any of its subsidiaries, except for the fact that each Director as at 31 December 2021 held shares and/or options over shares in Melrose Industries PLC, the ultimate parent company and controlling party, and therefore had an indirect beneficial interest in the Company.

Section 172 Statement

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 (the "Financial Year"). This statement also contains the information required by paragraphs 11B and 11C, Part 4, Schedule 7, Large and Medium-sized Companies Regulations 2008 (which requires the directors to summarise how the Company's actions taken during the Financial Year have encouraged engagement with suppliers, customers and others in a business relationship with the Company).

Background & Purpose of the Company

The Company is part of the wider GKN Powder Metallurgy business, a global engineering and manufacturing partner of metal powders and product solutions for automotive and industrial markets. GKN Powder Metallurgy employs approximately 6,000 people and operates from 10 countries. GKN Powder Metallurgy is owned by Melrose Industries Plc ("Melrose, an investor in manufacturing businesses, which is headquartered in the UK). The board of directors of the Company is made up of one member of the GKN Powder Metallurgy Executive Committee, three directors appointed by GKN Powder Metallurgy and four directors appointed by Melrose.

The Company carries on head office and certain central functions for the wider GKN Powder Metallurgy business. The Company operates from offices in the Midlands, UK. To a significant degree, the activities of the Company are inextricably linked to the activities of the wider GKN Powder Metallurgy business.

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

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

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

The Company operates within the wider management structure of the GKN Powder Metallurgy business. The GKN Powder Metallurgy Executive Committee is responsible for the strategic management and oversight of the GKN Powder Metallurgy business as a whole and for the taking of decisions which are material to the GKN Powder Metallurgy business in the short, medium and long term. During 2021, the GKN Powder Metallurgy Executive Committee and the Company's directors: (a) continually reviewed the performance of the GKN Powder Metallurgy business against its competitors and the automotive market generally; (b) continually assessed technology changes in the industry; (c) prepared and agreed medium and long term business plan for the GKN Powder Metallurgy business; and (d) approved a number of significant strategic investments to ensure that the GKN Powder Metallurgy business remains competitive in the future.

The directors' primary focus is on the creation of long term value for its ultimate shareholder, Melrose. Melrose's stated strategy is to invest in and manage its businesses as if it intends to own them forever, whilst acting with integrity, honesty, transparency and decisiveness, and it is this culture and approach which the GKN Powder Metallurgy Executive Committee

GKN Powder Metallurgy Holdings Limited

and the directors of the company take in all their decision making. For example, all major business decisions are made on the basis of approved business plans, which set out the anticipated financial consequences and benefits of the decision in the long term.

b) The interests of the Company's employees

The Company's employees principally work from its offices in the West Midlands. They are a small but crucial part of the wider GKN Powder Metallurgy workforce, of approximately 6,000 employees, based in 10 countries. 2021 saw continued challenges caused from the global pandemic which had a significant impact for GKN Powder Metallurgy. With this in mind, safety procedures and precautions implemented in the previous year were maintained at all of the GKN Powder Metallurgy plants and facilities to ensure the safety of employees working in the plants and home-working put in place for our non-production employees continued.

GKN Powder Metallurgy places the interests of its employees at the heart of its decision making. Reflecting this, the Company continually engages with its employees and with the employees of the wider GKN Powder Metallurgy business in order to ensure that their voice is heard. GKN Powder Metallurgy measures employee engagement through regular employee engagement survey, the results of which are shared with the GKN Powder Metallurgy Executive Committee and the Company's directors, and are used to inform decision making. The Company's target is to increase employee engagement year-on-year.

During the year, the GKN Powder Metallurgy Executive Team, including the majority of the directors, held regular calls with approximately 100 of the most senior employees from across the GKN Powder Metallurgy business, including employees of the Company. The purpose of these calls was to cascade information to these employees (including information on the economic factors affecting the performance of GKN Powder Metallurgy) which is then further cascaded to their teams, and to provide an opportunity for questions and feedback to the GKN Powder Metallurgy Executive Team. This is a key way in which the directors can have regard to the interests of GKN Powder Metallurgy employees in its decision making. During the year, the GKN Powder Metallurgy Executive Team, including most of the directors, made some visits to numerous GKN Powder Metallurgy plants although travel was still largely restricted due to the impact of Covid-19. Therefore additional communications and virtual meetings continued to keep our employees informed.

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

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

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

Customers

Although the Company does not itself manufacture or sell products, its activities include customer relationship management activities for GKN Powder Metallurgy as a whole. GKN Powder Metallurgy's 3,000 customers comprise some of the world's largest vehicle manufacturers, as well as tier 1, 2 and smaller automotive and industrial suppliers.

With such a large customer base, it is critical to the future success of GKN Powder Metallurgy that customer interactions are tailored to build and maintain deep, long-lasting and committed relationships with our larger customers, and maintain an effective relationship with the smaller customer. We do this through our dedicated customer account teams, which interface with our customers on a regular basis and are responsible for day to day management.

In addition, the Chief Executive Officer regularly meets with GKN Powder Metallurgy's larger customers in order to discuss future strategy, commercial opportunities, investment and technology trends.

All material decisions taken by GKN Powder Metallurgy and by the Company involve consideration of their impact on relationships with our customers.

Suppliers

GKN Powder Metallurgy Holdings Limited

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

Other Stakeholders

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

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

Corporate social responsibility is a key strategic focus for GKN Powder Metallurgy. Our focus derives from the fact that not only is it the right thing to do, but also because it is increasingly a consideration for GKN Powder Metallurgy'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 Powder Metallurgy and within the Company.

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

The Company is a member of the group of companies whose ultimate holding company is Melrose Industries PLC. As an intermediate holding company, it is exempt from the Streamlined Energy and Carbon Reporting regulations. In accordance with the requirements of UK company law, Melrose Industries PLC has included in its 2021 Annual Report and Accounts on pages 50 to 53 a statement as to how the directors of Melrose Industries PLC have had regard to the matters set out in Section 172 of the Companies Act 2006.

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

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

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

GKN Powder Metallurgy 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 as between members of the company

The Company has only one member, GKN Enterprise 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.

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2021 (year ended 31 December 2020: £nil). There was no interim dividend payment for the year ended 31 December 2021 (year ended 31 December 2020: £nil).

Directors' liabilities

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

GKN Powder Metallurgy Holdings Limited

Disclosure of information to the 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/she ought to have taken as a director in order to make himself/herself 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.

Auditor

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

Approved by the Board on 30th June 2022 and signed on its behalf by:



Mr R Callaghan
Director
GKN Powder Metallurgy Holdings Limited
Registration number: 00347378

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of GKN Powder Metallurgy Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Powder Metallurgy Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 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 which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

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

Independent Auditor's Report to the members of GKN Powder Metallurgy Holdings 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 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.

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 or the Directors' Report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of GKN Powder Metallurgy Holdings 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.



Lucy Openshaw FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

1 July 2022

GKN Powder Metallurgy Holdings Limited

Income Statement

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Operating profit/loss	3	50,500	(49,059)
Income from investments in group undertakings	7	25,715	37,084
Impairment of investment in group undertakings	7	-	(25,507)
Profit/(Loss) before interest and tax		76,215	(37,482)
Finance Costs		(14,294)	(3,061)
Finance Income		1	15
Net financing expense	4	(14,293)	(3,046)
Profit/(Loss) before tax		61,922	(40,528)
Tax	5	(622)	(224)
Profit/(Loss) after tax for the year		61,300	(40,752)

The above results have arisen from continuing activities in the year. The Company has no gains and losses other than the results for the financial year shown above and therefore no separate statement of comprehensive income has been presented.

The accompanying notes are an integral part of the financial statements.

GKN Powder Metallurgy Holdings Limited

Balance Sheet

At 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	39	56
Intangible assets	9	1,562	2,093
Investments in subsidiaries	7	1,403,513	988,958
Deferred tax asset	5	4,778	3,638
		1,409,892	994,745
Current assets			
Trade and other receivables	10	16,423	2,440
Cash and cash equivalents	12	4,701	8,337
		21,124	10,777
Total assets		1,431,016	1,005,522
Liabilities			
Current liabilities			
Trade and other payables	11	(908,227)	(954,638)
		(908,227)	(954,638)
Total liabilities		(908,227)	(954,638)
Total assets less current liabilities		522,789	50,884
Net assets		522,789	50,884
Shareholders' equity			
Share capital	13	26,000	26,000
Share premium account	14	480,037	69,432
Other Reserves		7,000	7,000
Retained earnings		9,752	(51,548)
Total equity		522,789	50,884

The accompanying notes are an integral part of the financial statements. The financial statements on pages 10 to 23 were approved by the Board of Directors and authorised for issue on 30th June 2022. The accompanying notes are an integral part of the financial statements.

They were signed on its behalf by:



Mr R Callaghan
Director
GKN Powder Metallurgy Holdings Limited
Registration number: 00347378

Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Other Reserves £'000	Total equity £'000
At 1 January 2021	26,000	69,432	(51,548)	7,000	50,884
Profit for the year	-	-	61,300	-	61,300
Additions (note 14)	-	410,605	-	-	410,605
At 31 December 2021	26,000	480,037	9,752	7,000	522,789
At 1 January 2020	26,000	69,432	(10,796)	7,000	91,636
Loss for the year	-	-	(40,752)	-	(40,752)
At 31 December 2020	26,000	69,432	(51,548)	7,000	50,884

The retained earnings reserve is the accumulation of all current and prior year retained profits and losses less any dividends distributed.

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1 General information

GKN Powder Metallurgy Holdings Limited is a private company limited by shares incorporated and domiciled in the UK, under the Companies Act 2006 and is registered in England and Wales with the registered number 00347378. The Company moved its registered office on 28 January 2019 to Unit 7, Chestnut Court, Jill Lane, Sambourne, Redditch, B96 6EW, United Kingdom.

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

Accounting policies and presentation

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

The financial statements have been prepared on the historical cost basis, modified to include certain items at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Summary of disclosure exemptions

As permitted by FRS 101 and where relevant, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, share based payments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Melrose Industries PLC, which are available to the public and can be obtained from 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

Exemption from preparing group accounts

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

Going Concern

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

The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group.

The 2021 Annual Report of Melrose Industries PLC disclosed that the Group had significant headroom on its multi-currency committed revolving credit facility of £3 billion, when applying the exchange rates at 31 December 2021. Headroom is largely unchanged through to the date of these accounts and there remains sufficient headroom throughout the going concern forecast period.

The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Adoption of new and revised Standards

There were no new standards, interpretations and amendments adopted during the year have had any impact on the financial statements of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

2 Accounting policies and presentation (continued)

Finance income and costs policy

Finance income

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

Finance costs

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

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 sales and input costs. The financial statements are presented in "Pounds Sterling" (£), which is also the Company's functional currency.

Transactions are translated at exchange rates approximating to the rate ruling on the date of the transaction except in the case of material transactions when actual spot rate may be used where it more accurately reflects the underlying substance of the transaction. 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.

Taxation

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.

The Company's liability for current tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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.

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 goodwill or from the initial recognition (other than in a business combination) 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 balance sheet 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 balance sheet 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.

Investments

Investments in subsidiaries are stated at cost less provision for impairment. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Assets not available for use are classed as an 'asset under construction'. Fixed assets are depreciated over a five year period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Accounting policies and presentation (continued)

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

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are written off over a five year period.

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets and liabilities

Classification

All financial assets are classified as either those which are measured at fair value, through profit or loss, or Other Comprehensive Income, and those measured at amortised cost.

Recognition and measurement

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through the profit and loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment

Financial assets, other than those at fair value through the profit and loss, are assessed for indicators of impairment at each balance sheet date. For trade and other receivables the simplified approach permitted under IFRS 9 is applied.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Accounting policies and presentation (continued)

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.

Financial liabilities and equity

Classification

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Recognition and measurement

Financial liabilities are classified as either financial liabilities 'at Fair value through profit and loss' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Leases

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability.

Finance charges are recorded in the Income Statement within finance costs. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases with a term of 12 months or less and leases for low value are not recorded on the Balance Sheet and lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

Pensions and post-employment benefits

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider the impairment of investments in subsidiaries to be the only significant estimate (refer to Note 7 for further details), and it is considered that there are no significant judgements within these financial statements.

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3 Operating profit/(loss)

The analysis of additional components of operating results is shown below:

	2021 £'000	2020 £'000
Operating costs		
Staff costs (note 6)	(4,001)	(3,379)
Depreciation – Property, Plant and Equipment (note 8)	(1)	(4)
Depreciation – Right of use assets (note 8)	(21)	(20)
Amortisation (note 9)	(531)	(1,334)
Audit fees payable to the Company's auditor	(115)	(120)
Other charges	1,031	(3,002)
Amounts recharged to group undertakings	5,701	7,045
Reorganisation expenses	1,002	(3,763)
Retranslation of group loans	47,435	(44,482)
	50,500	(49,059)

All fees payable to the Company's auditor include amounts in respect of expenses and relate to the audit of the financial statements. All fees payable have been charged to the income statement.

4 Net financing income/(expense)

	2021 £'000	2020 £'000
(a) Finance costs		
Amounts owed to Group undertakings	(14,292)	(3,058)
External Interest Expense	(2)	(3)
	(14,294)	(3,061)
Finance income		
Amounts owed by Group undertakings	-	14
External Interest Income	1	1
	1	15
Net financing (expense)/income	(14,293)	(3,046)

5 Tax

(a) Analysis of tax charge in the year

	2021 £'000	2020 £'000
Analysis of charge in year		
Current tax		
UK corporation tax	-	-
Withholding Tax suffered	(1,762)	(617)
Adjustments in respect of prior years	-	-
Total current tax	(1,762)	(617)
Deferred tax		
Current year	1,140	441
Adjustments in respect of prior years	-	(48)
Total deferred tax	1,140	393
Total tax charge for the year	(622)	(224)

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

5 Tax (continued)

(b) Factors affecting the tax charge 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 19.00% (2020: 19.00%).

	2021 £'000	2020 £'000
Tax reconciliation		
(Loss)/Profit on ordinary activities before tax	61,922	(40,528)
(Loss)/Profit on ordinary activities multiplied by the standard UK Corporation rate of 19% (2019: 19%)	(11,765)	7,700
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	4,109	1,273
Effect of change in corporation tax rate on deferred tax recognition	1,149	376
Group relief surrendered at nil rate	7,647	(8,908)
Withholding tax suffered	(1,762)	(617)
Adjustments to current tax charge in respect of prior periods	-	-
Adjustments to deferred tax charge in respect of prior years	-	(48)
Total tax charge for the year	(622)	(224)

The rate of UK Corporation tax for the year ended 31 December 2021 was 19%. The Finance Act 2021, which was substantively 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

	Fixed asset Timing Differences £'000	Other £'000	Total £'000
At 1 January 2021	2,925	713	3,638
Included in the income statement	1,061	79	1,140
At 31 December 2021	3,986	792	4,778

	Fixed asset Timing Differences £'000	Other £'000	Total £'000
At 1 January 2020	2,390	855	3,245
Included in the income statement	535	(142)	393
At 31 December 2020	2,925	713	3,638

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £12.9 million (2020: £13.2 million) would be payable.

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6 Employees including Directors

Employee benefit expense

	2021 £'000	2020 £'000
Wages and salaries	3,472	2,892
Social security costs	431	390
Post-employment costs	98	97
	4,001	3,379

Pension contributions made to the pensions schemes were £134,000 (2020: £128,000). Retirement benefits accruing to the employees of the Company for their service to the Company amounted to £134,000 (2020: £128,000).

Average monthly number of employees (including Executive Directors)

	2021 Number	2020 Number
By activity		
Administration	10	13

Directors' emoluments

	2021 £'000	2020 £000
Aggregate remuneration	1,215	1,038
Aggregate Company contributions to pension schemes	49	12
	1,264	1,050

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 emoluments of the Directors of the Company for their services to the Company amounted to £1,215,000 (2020: 1,038,000).

Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £49,000 (2020: £12,000).

7 Investments in subsidiaries

	Investment in subsidiaries £'000
Cost	
At 1 January 2021	1,044,852
Additions	414,555
At 31 December 2021	1,459,407
Accumulated impairment	
At 1 January 2021	(55,894)
Impairment charge	-
At 31 December 2021	(55,894)
Net book amount at 31 December 2021	1,403,513
Net book amount at 31 December 2020	988,958

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

7 Investments in subsidiaries (continued)

The subsidiary and other undertakings of the Company at 31 December 2021 are disclosed in note 17.

During the year, the Company acquired the shares in GKN Powder Metallurgy Holdings Inc. in exchange for the equity of Hoeganaes Corporation USA and GKN Sinter Metals LLC (USA).

Income from investments in group undertakings of £25,715,000 (2020: £37,084,000) represents dividends received from subsidiaries.

Following an annual impairment review of investments in subsidiaries, no impairment was recognised during the year.

Significant judgement and key estimates

The Directors form a judgement as to the carrying value of the investments and whether any impairment is required. This requires estimation of the cash flows the investment will generate in the future. Following an annual impairment review of investments in subsidiaries, management have concluded no further impairments are required as each of the Company's investments is supported by its underlying net assets or value in use based on their estimate of discounted future cash flows.

8 Property, plant and equipment

	Land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At 1 January 2021	94	13	107
Additions	3	-	3
Lease assessments and modification	2	-	2
At 31 December 2021	99	13	112
Accumulated depreciation			
At 1 January 2021	39	12	51
Depreciation charge	21	1	22
At 31 December 2021	60	13	73
Net book amount at 31 December 2021	39	-	39
Net book amount at 31 December 2020	55	1	56

The Company recognised right-of-use assets of £39,000 (2020: £55,000) which is presented in land and buildings above.

9 Intangible assets

The Company has intangible assets relating to software and licences.

	£'000
Cost	
At 1 January 2021	5,767
Additions	-
At 31 December 2021	5,767
Accumulated depreciation	
At 1 January 2021	3,674
Amortisation charge	531
At 31 December 2021	4,205
Net book amount at 31 December 2021	1,562
Net book amount at 31 December 2020	2,093

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

10 Trade and other receivables

	2021 £'000	2020 £'000
Amounts owed from group undertakings	15,891	1,669
Trade receivables	532	771
	16,423	2,440

11 Trade and other payables

	2021 £'000	2020 £'000
Current account with GKN Enterprise	(2,793)	(33,903)
Amounts owed to group undertakings	(900,266)	(913,501)
Amounts due to employees	(4,009)	(1,786)
Audit fees	(25)	(120)
Other payables	(626)	(3,105)
Trade Creditors	(458)	-
Restructuring provision (see Provisions note below)	(50)	(2,223)
	(908,227)	(954,638)

The current account with GKN Enterprise Limited represents, together with the equity interest, the Group interest in the Company excluding normal intra-group trading balances with fellow subsidiaries. This account represents funding both of a permanent nature and to cover short term funding of the Company's working capital. Amounts owed to group undertakings are unsecured, interest bearing, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate equivalent to LIBOR + 1%.

Amounts owed to Group undertakings are unsecured, currently do not accumulate interest, and are repayable on demand unless agreed between the parties otherwise.

Provisions

	Restructuring £'000	Total £'000
Cost		
At 1 January 2021	(2,223)	(2,223)
Utilised	1,141	1,141
Net credit to operating profit	1,032	1,032
At 31 December 2021	(50)	(50)
 Current	(50)	(50)
Non-current	-	-
	(50)	(50)

Restructuring

Restructuring provision relates to committed costs in respect of restructuring programmes, usually resulting in cash spend within one year.

12 Cash and cash equivalents

	2021 Current £'000	2020 Current £'000
Bank Balances and Cash	4,701	8,337
Cash and cash equivalents	4,701	8,337

GKN Powder Metallurgy Holdings Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13 Share capital

	Issued and Fully Paid	
	2021	2020
	£	£
Balance at 31 December 2020 - Ordinary shares of £1 each	26,000,000	26,000,000
Ordinary Shares of £1 each issued during the year	100	-
Balance at 31 December 2021 - Ordinary shares of £1 each	26,000,100	26,000,000

	2021	2020
	Number	Number
At 31 December 2020 - Ordinary shares of £1 each	26,000,000	26,000,000
Ordinary Shares of £1 each issued during the year	100	-
At 31 December 2021 - Ordinary shares of £1 each	26,000,100	26,000,000

The authorised share capital is £26,000,100 (2020: £26,000,000). These ordinary shares do not provide a fixed right to income.

The new shares issued during the year were in exchange for the equity associated with the GKN Powder Metallurgy Holdings Inc. (USA), the Company's new subsidiary. As part of a legal reorganisation of subsidiaries in the United States of America, GKN Powder Metallurgy Holdings Inc. (USA) was created and now owns the existing subsidiaries in the United States of America.

14 Share premium account

	£'000
Balance at 1 January and 31 December 2020	69,432
Premium arising on issue of equity shares (See note 13)	410,605
Expenses of issue of equity shares	-
Balance at 31 December 2021	480,037

15 Related party transactions

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

16 Controlling parties

The immediate parent is GKN Enterprise Limited (Formerly GKN (United Kingdom) Plc). The ultimate parent undertaking and controlling party is Melrose Industries plc.

The parent of the smallest and largest group in which these financial statements 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, England B4 6AT, which is also the registered office of the Company.

17 Subsidiaries and other undertakings

Set out below are a list of the Company's related undertakings as at 31 December 2021. These undertakings are included in the consolidated financial statements of Melrose Industries PLC. The Company had a 100% interest in the investments listed below unless indicated otherwise.

Name	Class of shares held/ interest	Registered office
GKN Sinter Metals Ltda	Quota ⁽¹⁾	Av. da Emancipacao no. 4.500, Bairro Santa Esmeralda, Hortolandia, Sao Paulo, Brazil
GKN Sinter Metals Private Ltd	Ordinary ⁽²⁾	146 Mumbai Pune Road, Pimpri, Pune 411 018, India
GKN Powder Metallurgy Holding GmbH	Ordinary ⁽³⁾	Pennfeldsweg 11-15, 53177, Bonn, Germany
GKN Sinter Metals SpA	Ordinary	Via delle Fabbriche 5, 39031 Brunico (BZ), Italy
GKN Sinter Metals - St. Thomas Limited	Ordinary	180 Dundas Street West, Suite 1200, Toronto, Canada, Ontario, M5G 1Z8
Hoeganaes Corporation Europe SA	Ordinary ⁽⁴⁾	Buzau, Str. Urziceni, nr. 33, Cod Postal 120226, Romania
GKN Sinter Istanbul Metal Sanayi ve Ticaret Anonim Sirketi	Ordinary	Yakuplu Mah. Haramidere Sanayi Sitesi, J Blok, No. 106-107, Beylikdüzü, Istanbul, Turkey
GKN Sinter Metals Mexico S de R.L. de C.V.	Capital contribution ⁽⁵⁾	Avenida Dr. Jesus Valdes Sanchez Lote 4, 5, y, 6, Parque Industrial Amistad Chuy Maria, Apaseo El Grande, Guanajuato, Mexico
GKN Sinter Metals Mexico Services S de R.L. de C.V.	Capital contribution ⁽⁵⁾	Avenida Dr. Jesus Valdes Sanchez Lote 4, 5, y, 6, Parque Industrial Amistad Chuy Maria, Apaseo El Grande, Guanajuato, Mexico
GKN Powder Metallurgy Japan K.K.	Ordinary	Senri Life Science Center, Bldg. 12F, 1-4-2 Shin-Senri Higashi-Machi, Toyonaka-city, Osaka, Japan
GKN Powder Metallurgy Holdings Inc.	Ordinary	251 Little Falls Drive

Notes

1) The Company owns 100% of the Ordinary Shares.

2) The Company owns 99.99% of the Ordinary shares. Remainder held equally by GKN United Kingdom Plc and by GKN International Trading (Holdings) Limited.

3) The Company owns 90% of the Ordinary shares. Remainder held by GKN Industries Limited.

4) The Company owns 99.99% of the Ordinary shares. Remainder held by GKN Group Services Limited.

5) The Company owns 99.99%. Remainder held by GKN Sinter Metals LLC