

Registered number: 00361671

GKN Driveline Mexico (UK) Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



GKN Driveline Mexico (UK) Limited

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GKN Driveline Mexico (UK) 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

The Company's principal activity ceased during 2019 and the Company has not traded during the year. It is not anticipated that any further trading will be undertaken by GKN Driveline Mexico (UK) Ltd.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Melrose Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Melrose Group, which include those of the Company, are discussed on pages 46 to 53 of the Group's annual report which does not form part of this report.

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

The Melrose Group has been impacted by the COVID 19 global pandemic. Whilst the implications from this do not directly affect the Company, they will affect other Group subsidiaries and therefore recoverability of intercompany receivables. The 2020 Annual Report of Melrose Industries PLC disclosed covenant headroom of £1,136m. The Group has modelled a reasonably possible downside scenario against future cash forecasts and throughout this scenario the Group would not breach any revised financial covenants, nor would it require additional sources of financing.

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

Key Performance Indicators

The Company is no longer a trading company and so no key performance indicators are reviewed.

Approved by the Board on 28 September 2021 and signed on its behalf by:



J Nicholson
Director
Registration number: 0361671

GKN Driveline Mexico (UK) Limited

Director's 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:

J Crawford
G Barnes
M Richards
G Morgan
J Nicholson
M J Gabriel (resigned 15 February 2021)
B S Bains (resigned 19 November 2020)
R Fioroni (resigned 15 February 2021)
J Hilzendeger (resigned 15 February 2021)

Financial Results

The Income Statement of the Company shows a profit for the year of \$1,411,000 (2019: profit of \$43,595,000).

Future developments

It is not anticipated that the Company will trade in the future.

Going Concern

The Directors have assessed that the Company's principal activities have ceased. Consequently, the financial statements have been prepared on a basis other than going concern. Further details can be found in Note 1 to the accounts.

Post balance sheet events

There are no adjusting post balance sheet events to disclose.

Research and development

The Company has not undertaken research and development in the year.

Foreign branches

The company has a branch, as defined in section 1046(3) of the Companies Act 2006, in Mexico.

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).

Financial risk management

As a subsidiary of Melrose 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 Group Treasury function, are set out in the annual report of Melrose. The Company does not use derivative financial instruments to manage interest rate costs.

Should the Company enter into transactions with inherent external counter-party risk, exposures are assessed in line with Melrose plc policies and guidance.

Directors Indemnities

Pursuant to the Company's 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 are in force at the date of this Directors' Report. 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 and of the Company's Articles of Association are available for inspection at the Company's registered office during normal business hours.

GKN Driveline Mexico (UK) Limited

Directors' Report (continued)

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on a basis other than going concern.

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 auditors' responsibilities in relation to the accounts are set out in their report on page 4

Disclosure of Information to Auditor

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

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's 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 are deemed to be reappointed as the Company's auditor under section 487(2) of the Companies Act 2006.

Approved by the Board on 28 September 2021 and signed on its behalf by:



J Nicholson
Director
Registration number: 361671

GKN Driveline Mexico (UK) Limited

Independent Auditor's Report to the members of GKN Driveline Mexico (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Driveline Mexico (UK) 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 Driveline Mexico (UK) (the 'company') which comprise:

- the Income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 11.

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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in 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.

GKN Driveline Mexico (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GKN Driveline Mexico (UK) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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 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:

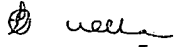
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

GKN Driveline Mexico (UK) Limited

Use of our report

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



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

28 September 2021

GKN Driveline Mexico (UK) Limited

Income Statement

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Sales	2	-	676,782
Trading profit	3	-	33,850
Change in value of derivative and other financial instruments	3	-	10,591
Operating profit		-	44,441
Net financing costs	4	1,411	(846)
Profit before taxation		1,411	43,595
Taxation	5	-	-
Profit after taxation for the year		1,411	43,595

There was no other comprehensive income recognised during the year. These results are from discontinued operations.

The notes on pages 11 to 21 form an integral part of these financial statements.

GKN Driveline Mexico (UK) Limited

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
At 1 January 2020	230,813	94,716	325,529
Profit for the year	-	1,411	1,411
Total comprehensive income	-	1,411	1,411
At 31 December 2020	230,813	96,127	326,940
At 1 January 2019	230,813	51,121	281,934
Profit for the year	-	43,595	43,595
Total comprehensive income	-	43,595	43,595
At 31 December 2019	230,813	94,716	325,529

The notes on pages 11 to 18 form an integral part of these financial statements.

GKN Driveline Mexico (UK) Limited

Balance Sheet

At 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Non-current assets			
Intangible assets		-	-
Property, plant and equipment		-	-
Derivative financial instruments		-	-
Current assets			
Inventories		-	-
Trade and other receivables	10	326,940	325,529
Derivative financial instruments		-	-
Cash and cash equivalents		-	-
Total assets		326,940	325,529
Liabilities			
Current liabilities			
Derivative financial instruments		-	-
Trade and other payables		-	-
Current tax liabilities		-	-
Provisions		-	-
Non-current liabilities			
Derivative financial instruments		-	-
Total liabilities		-	-
Net assets		326,940	325,529
Shareholders' equity			
Share capital	14	230,813	230,813
Retained earnings		96,127	94,716
Total equity		326,940	325,529

The notes on page 11 to 18 form an integral part of these financial statements.

The financial statements on pages 8 to 18 of GKN Driveline Mexico (UK) Limited (registered number 361671) were approved by the Board of Directors and authorised for issue on 28 September 2021. They were signed on its behalf by:



J Nicholson
Director
Registration number: 0361671

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

1 Accounting policies and presentation

GKN Driveline Mexico (UK) Limited is a private company limited by shares and is incorporated and domiciled in the UK, and registered in England and Wales under the Companies Act 2006 with the registered number 361671. Its registered office is 2100 The Crescent, Birmingham Business Park, Birmingham, West Midlands, B37 7YE. The Company's significant accounting policies are summarised below.

Basis of preparation

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

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 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 plc (details can be obtained as disclosed in Note 17):

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IFRS 15, "Revenue from contracts with customers"

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for a minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third balance sheet),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The Directors have assessed that the Company's principal activities have ceased. Consequently, the financial statements have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Standards, revisions and amendments to standards and interpretations

The Company adopted all applicable amendments to standards with an effective date in 2020 with no material impact on its result, assets and liabilities. All other accounting policies have been applied consistently.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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 US Dollars (\$), which is 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.

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 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;

Net financing costs are analysed to show separately interest payable and interest.

Derivative financial instruments

The Company does not trade in derivative financial instruments. Derivative financial instruments including forward foreign currency contracts are used by the Company to manage its exposure to risk associated with the variability in cash flows in relation to both recognised assets or liabilities or forecast transactions. All derivative financial instruments are measured at the balance sheet date at their fair value.

Where derivative financial instruments are not designated as or not determined to be effective hedges, any gain or loss on remeasurement is taken to the income statement. Where derivative financial instruments are designated as and are effective as cash flow hedges, any gain or loss on remeasurement is held in equity and recycled through the income statement when the designated item is transacted, unless related to the purchase of a business, when recycled against consideration.

Gains or losses on derivative financial instruments no longer designated as effective hedges are taken directly to the income statement.

Derivatives embedded in non-derivative host contracts are recognised at their fair value when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are taken to the income statement.

Revenue recognition

Sales

Revenue from the sale of goods 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.

Invoices for goods are raised when the risks and rewards of ownership have passed which, dependent upon contractual terms, may be at the point of despatch, acceptance by the customer or certification by the customer.

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

Financial assets and liabilities

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

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

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

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

Derecognition of financial assets and liabilities

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

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

Taxation

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

Critical accounting judgements and key sources of estimation uncertainty

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

The accounting policies where the Directors consider the more complex estimates, judgements and assumptions have to be made are those in respect of derivative and other financial instruments, taxation, provisions and impairment of non-current assets. The following significant judgements have been made in the preparation of these accounts:

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

There are no significant sources of estimation uncertainty within the accounts.

2 Sales

The Company derives its sales from the provision of goods which fall within the Company's ordinary activity. An analysis of sales by geographical location by destination is given below:

	Americas \$'000	Other countries \$'000	Total \$'000
2020 Sales	-	-	-
2019 Sales	664,372	12,410	676,782

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 Operating profit

The analysis of the components of operating profit is shown below:

(a) Trading profit

	2020 \$'000	2019 \$'000
Sales	-	676,782
Operating costs		
Raw materials and consumables	-	(599,778)
Depreciation of property, plant and equipment	-	(20,357)
Amortisation of operating intangible assets	-	(789)
Net exchange differences on foreign currency transactions	-	3,406
Divisional and Group recharges	-	(18,822)
Other (costs)/income (ii)	-	(6,591)
	-	(642,932)
Trading profit	-	33,850

(i) The audit fees of \$6,417 (2019: \$28,611) were borne by another Group entity. There were \$nil non-audit services in 2020 (2019: \$nil).

(ii) Research and development expenditure included in other (costs)/income above was \$nil (2019: \$nil).

(b) Change in value of derivative and other financial instruments

	2020 \$'000	2019 \$'000
Forward currency contracts (not hedge accounted)	-	10,591

IFRS 9 requires derivative financial instruments to be valued at the balance sheet date and any difference between that value and the intrinsic value of the instrument to be reflected in the balance sheet as an asset or liability. Any subsequent change in value is reflected in the income statement unless hedge accounting is achieved. Such movements do not affect cash flow or the economic substance of the underlying transaction.

4 Net financing costs

	2020 \$'000	2019 \$'000
Interest payable		
Amounts received from Group undertakings	1,411	-
Amounts owed to Group undertakings	-	(846)
Net interest payable and receivable	1,411	(846)

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

5 Taxation

(a) Tax expense

	2020 \$'000	2019 \$'000
Analysis of (credit)/charge in year		
Current tax charge/(credit)		
Current year UK Corporation Tax	-	-
Foreign exchange movement on intercompany balance	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax credit/(charge)		
Current year	-	-
Adjustments in respect of prior years	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

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

- (b) 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
Tax reconciliation		
Profit on ordinary activities before tax	1,411	43,595
Profit on ordinary activities multiplied by the standard UK corporation rate of 19% (2019: 19%)	268	8,283
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	-	(8,104)
Recognition of previously unrecognised deferred tax assets	-	-
Foreign exchange movement on intercompany balance	-	-
Group relief at nil tax rate	(268)	(179)
Adjustment to current tax charge in respect of prior periods	-	-
Adjustment to deferred tax charge in prior periods	-	-
Total tax (credit)/charge for the year	-	-

The enacted rate of UK corporation tax at 31 December 2020 was 19%. However, it was confirmed in the Finance Act 2021 that the UK corporation tax rate will be increased to 25% with effect from 1 April 2023. As this change in rate was not substantively enacted at the balance sheet date, deferred tax balances as at 31 December 2020 have been recognised at the enacted rate of 19%. This future rate increase has no effect on the balance sheet of this company.

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

6 Employees including Directors

The Company does not have any employees apart from the Directors in the UK (2019: none).

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 \$nil (2019: \$nil).

No Director had a beneficial interest in the share capital of the Company or any of its subsidiaries, except for the fact that some Directors as at 31 December 2020 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.

7 Trade and other receivables

	2020 \$'000	2019 \$'000
Trade receivables	-	-
Amounts owed by other Group undertakings	326,940	325,529
Other receivables	-	-
	326,940	325,529

At 31 December 2020 there were no overdue receivables (2019: \$nil)

Amounts owed by other Group undertakings are unsecured, accumulate interest in a range between 0% and 4.0%, have no fixed date of repayment and are repayable on demand. The entire amount represents assets held within the Melrose Group cash pooling arrangement.

8 Share capital

	Issued and Fully Paid	
	2019 \$'000	2018 \$'000
Ordinary shares of \$1.56 each	230,813	230,813

	2019 Number	2018 Number
Ordinary shares of \$1.56 each	147,956,960	147,956,960

9 Related party transactions

In accordance with FRS 101 the Company has taken advantage of the exemption not to disclose the transactions with wholly owned subsidiary undertakings.

In the ordinary course of business, sales and purchases of goods take place between the Company and equity accounted investment companies of Melrose Industries plc priced on an arm's length basis. Sales by the Company to equity accounted investments in 2020 totalled \$nil (2019: \$nil). The amount due at the year end in respect of such sales was \$nil (2019: \$nil). Purchases by the Company from equity accounted investments in 2020 totalled \$nil (2019: \$nil). The amount due at the year end in respect of such purchases was \$nil (2019: \$nil).

10 Controlling parties

The immediate parent is GKN Automotive Limited. The ultimate parent undertaking and controlling party at the time of approving the financial statements is Melrose Industries plc.

The parent of the largest group in which these financial statements are consolidated is Melrose Industries plc. Consolidated financial statements of Melrose Industries plc are available from Melrose Industries plc, 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham B4 6AT, which is also the registered address of the Company.

The parent of the smallest group in which these results are consolidated is Melrose Industries plc. Consolidated financial statements of Melrose Industries plc are available from the address above.

GKN Driveline Mexico (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

11 Post Balance Sheet Events

There were no adjusting post balance sheet events.

On 26 March 2021, the Company passed a resolution to reduce its share capital to 650 shares of \$1.56 each.

On 19 April 2021 a dividend of \$326,000,000 was declared to the Company's parent, GKN Automotive Limited. This was settled immediately by the transfer of the amount from the Company's receivable from GKN