

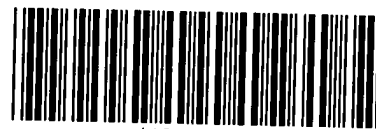
Registered number: 00751186

GKN Wheels Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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Strategic Report

For the year ended 31 December 2019

The Directors present the Strategic Report for the year ended 31 December 2019.

Business Review

The principal activities of GKN Wheels Limited (Company) is the manufacture of steel wheels for the agriculture and construction markets.

The company recorded sales of £24,472,000 in 2019 (2018: £28,127,000) which was lower than 2018 by £3,655,000. This was primarily due to a temporary transfer of specific sales volumes to a sister company while the company managed the introduction of new production lines. The sales volume reduction and one-time costs of launching the new production lines resulted in a loss of £9,454,000 (2018: loss of 4,368,000).

The Company continues to invest in production improvements and capital expenditure amounted to £3,213,000 (2018: £3,651,000).

On 25 November 2020, the GKN Wheels and Structures group of companies, including this company, was acquired by AURELIUS Development Twenty-Three GmbH of which AURELIUS Equity Opportunities SE & Co. KGaA is ultimate parent.

Future Developments

The Company serves primarily the agricultural and construction industries and this is expected to remain the case on an ongoing basis. The business will continue to develop the performance of the new production lines in order to meet end-user demand.

Covid-19

In early 2020 we experienced an unprecedented event in the worldwide outbreak of COVID-19. Whilst the full impact of the outbreak continues to unfold, it is clear that this will impact the operations and financial performance of GKN Wheels Limited. At this time, the company cannot quantify fully the impact of the situation but will continue to monitor the impact on its staff, customers and operations regularly.

GKN Wheels Limited has taken all necessary actions to protect the health and wellbeing of employees, customers and suppliers, incorporating the latest Government Covid-19 guidance on social distancing, sanitation and healthcare checks. The company continues to monitor latest developments to ensure that the business deals with the crisis in the best possible manner for all stakeholders. This includes

- Taking the temperature and providing face covering to all employees and visitors prior to entering the site.
- Further increasing the frequency of hand washing and surface cleaning.
- Installing desk screens or barriers or separating employees from each other.
- Reconfiguring the layout of production cells to accommodate latest social distancing guidance.
- Considering the maximum number of employees who can be safely accommodated by introducing rota systems.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties have been integrated with the principal risks of the Melrose Group and were not managed separately. The potential rapid spreading of COVID-19 has become a significant emerging risk to the global economy. The Company will continue to monitor the impact of the virus as more information about the epidemic emerges. The principal risks and other uncertainties of the Melrose Industries PLC Group, which include those of the Company, are discussed on pages 48 to 55 of the Group's 2019 annual report which does not form part of this report. The management of risks and uncertainties are to be transitioned to the AURELIUS group processes.

Key Performance Indicators

The Company's operations are managed on a product stream 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.

Approved by the Board on 22 February 2021 and signed on its behalf by:



Matthew Pritchard
Director
Registration number: 751186

Directors' Report

For the year ended 31 December 2019

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2019.

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:

A Butt (appointed 31 January 2020)
M Pritchard (appointed 26 February 2020)
J Pötzl (appointed 25 November 2020)
C Schmehl (appointed 25 November 2020)
P Wyatt (resigned 30 May 2019)
N Parry (resigned 14 May 2019)
S Dainty (resigned 18 July 2019)
P Dodds (appointed 18 June 2019, resigned 15 January 2020)
J Crawford (appointed 25 June 2019, resigned 25 November 2020)
G Morgan (appointed 25 June 2019, resigned 25 November 2020)

Financial Results

The income statement of the Company shows a loss for the financial year of £9,454,000 (2018: loss of £4,368,000).

Dividends

The Directors resolved not to pay an interim dividend (2018: £0.12p) per ordinary share, amounting to £nil (2018: £12,072,000) for the year ended 31 December 2019. The Directors have not proposed a final dividend for the year ended 31 December 2019 (2018: £nil).

Post balance sheet events

The COVID-19 global pandemic is deemed as a non-adjusting post balance sheet event.

On 25 November 2020, the GKN Wheels and Structures group of companies, including this company, was acquired by AURELIUS Development Twenty-Three GmbH of which AURELIUS Equity Opportunities SE & Co. KGaA is ultimate parent. It is not yet possible to estimate the financial effect on the Company as a result of this change in ultimate parent ownership.

The Directors are not aware of any other post Balance Sheet events at the date of signing of these Financial Statements.

Likely Future Developments

The Company's future development position is set out in the Business Review section of the Strategic Report on page 1.

Research and Development

The Company undertakes research and development work in support of its principal manufacturing activities at a cost of £162,000 (2018: £401,000).

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies and approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

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 2019 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.

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with employees is promoted through a variety of means including in-house newsletters, briefing meetings and the intranet which provides access to information, news, policies and procedures.

Directors' Report (continued)

For the year ended 31 December 2019

Disabled Persons

The Company's policy in relation to the employment of disabled persons is to give full consideration to job applications received from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Where appropriate, special training is given to facilitate engagement of the disabled and modifications to the job will be considered. Where an employee becomes disabled whilst employed by the Company, arrangements will be made wherever possible for re-training in order that a different job may be performed. Consideration for modifying jobs will be given.

Going Concern

The financial statements have been prepared on a going concern basis, with positive net assets of £7,007,000 (2018: positive net assets £16,461,000). The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

Analysis that supports the Company's going concern assessment over the next 12 months included consideration of availability of finance, which shows the company should be able to operate for the foreseeable future.

GKN Wheels Limited current facility headroom, its access to liquidity, the Companies supportive group and parent, allow the Directors to consider it appropriate that the Company can manage its business risks successfully and adopt a going concern basis in preparing these annual financial statements.

Disclosure of Information to Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/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.

Auditors

Following the acquisition of the GKN Wheels and Structures group of companies by AURELIUS Development Twenty-Three GmbH it is expected that the AURELIUS group auditor will be appointed as the Company's auditors.

Approved by the Board on 22 February 2021 and signed on its behalf by:



Matthew Pritchard
Director
Registration number: 751186

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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, 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.

Independent auditor's report to the members of GKN Wheels Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Wheels Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet;
- the related notes 1 to 21.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

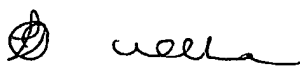
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

Use of our report

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



Lee Welham FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
22 February 2021

Income Statement

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	24,472	28,127
Trading loss	3	(8,382)	(2,780)
Change in value of derivative and other financial instruments	3	234	(158)
Operating loss		(8,148)	(2,938)
Loss before interest and taxation		(8,148)	(2,938)
Interest (payable)/receivable		(30)	122
Other net financing expenses		-	(544)
Net financing costs	4	(30)	(422)
Loss before taxation		(8,178)	(3,360)
Taxation	5	(1,276)	(1,008)
Loss for the year		(9,454)	(4,368)

All of the results presented are derived from continuing operations. The notes on pages 10 to 23 form part of these accounts.

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Loss after taxation for the year		(9,454)	(4,368)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		-	5,017
Taxation	5	-	(852)
		-	4,165
Total comprehensive loss for the year		(9,454)	(203)

Statement of Changes in Equity

For the year ended 31 December 2019

Note	Share capital £'000	Retained earnings/(deficit) £'000	Total equity £'000
At 1 January 2019	5,000	11,461	16,461
Loss for the year	-	(9,454)	(9,454)
Other comprehensive income	-	-	-
Total comprehensive income	5,000	2,007	7,007
At 31 December 2019	5,000	2,007	7,007
At 1 January 2018	105,482	(76,746)	28,736
Loss for the year	-	(4,368)	(4,368)
Other comprehensive income	-	4,165	4,165
Total comprehensive loss	-	(203)	(203)
Capital Reduction	(100,482)	100,482	-
Dividend Paid	-	(12,072)	(12,072)
At 31 December 2018	5,000	11,461	16,461

The notes on pages 10 to 23 form, part of these accounts.

GKN Wheels Limited

Balance Sheet

At 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	17,655	15,365
Intangibles	7	9	23
Investments in subsidiaries	10	-	777
Deferred tax assets	5	1,436	2,648
		19,100	18,813
Current assets			
Inventories	11	3,657	3,366
Trade and other receivables	12	10,753	8,368
Derivative financial instruments	15	295	24
Current Tax Asset	5	-	-
Cash and cash equivalents	14	10	1,047
		14,715	12,805
Total assets		33,815	31,618
Liabilities			
Current liabilities			
Derivative financial instruments	15	(219)	(183)
Trade and other payables	13	(25,652)	(14,929)
Lease Obligations	9	(241)	-
Provisions	16	(12)	(45)
		(26,124)	(15,157)
Non-current liabilities			
Lease Obligations	9	(684)	-
		(684)	-
Total liabilities		(26,798)	(15,157)
Net assets		7,007	16,461
Shareholders' equity			
Share capital	17	5,000	5,000
Retained earnings/(deficit)		2,007	11,461
Total equity		7,007	16,461

The Financial Statements of GKN Wheels Limited (registered number 00751186) were approved by the Board of Directors and authorised for issue on 22 February 2021. The notes on pages 10 to 23 form part of these accounts. They were signed on its behalf by:



Matthew Pritchard
Director
Registration number: 751186

Notes to the Financial Statements

For the year ended 31 December 2019

1 Accounting policies and presentation

GKN Wheels Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales with the registration number 751186. Its registered office is Hadley Castle Works, Hadley, Telford, TF1 6AA. The Company's significant accounting policies, which have been consistently applied, are summarised below.

Basis of preparation

The financial statements (the "statements") of the Company, incorporated and domiciled in the UK, have been prepared in accordance with International Financial Reporting Standards (IFRS) under Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). These statements have been prepared on a going concern basis under the historical cost method except where other measurement bases are required to be applied under IFRS as set out below, and in accordance with the Companies Act 2006. These statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

IFRS 16: Leases

The Company adopted IFRS 16 "Leases" on 1 January 2019 using the modified retrospective approach, resulting in no adjustments to the prior year comparatives. IFRS 16 superseded the previous lease guidance, including IFRS 17: "Leases" and related interpretations. IFRS 16 requires all leases, except where exemptions are applied, to be recognised on the Balance Sheet as a lease liability with a corresponding right-of-use asset presented within property, plant and equipment. As a result of the transition to IFRS 16, the Company recognised right-of-use assets of £1,158,000 and lease liabilities of £1,158,000.

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

In order to calculate the incremental borrowing rate, reference interest rates were derived for corporate bonds, for a period of up to 15 years. Interest rates were obtained for all key currencies and were subsequently adjusted to reflect the country risk premium and a leasing risk premium. The leasing risk premium derived was adjusted to reflect whether the lease was deemed to be secured or unsecured.

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

	£'000
Total minimum lease payments reported at 31 December 2018 under IAS 17	1,252
Impact of discounting lease liability under IFRS 16	(94)
Lease liability recognised on transition to IFRS 16 at 1 January 2019	1,158

Exemption from preparing group accounts

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

Going concern

As part of their consideration of going concern, the Directors have reviewed the Companies future cash forecasts and profit projections, which are based on market and internal data and recent past experience. Given the global political and economic uncertainty resulting from the COVID-19 pandemic, it is difficult to estimate with precision the impact on GKN Wheels Limited prospective financial performance.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1 Accounting policies and presentation (continued)

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 revenues and input costs. The financial statement 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.

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;
- income from investments in subsidiaries;
- the impact of annual impairment review of investments;
- significant pension scheme curtailments and settlements.

Net financing costs are analysed to show separately interest payable, interest receivable and other net financing charges. Other net financing charges include the interest charge on net defined benefit plans, specific changes in fair value on cash flow hedges and unwind of discounts on fair value amounts established on business combinations.

Revenue recognition

Revenues are recognised either at the point of transfer of control of goods and services or recognised over time on an activity basis using the costs incurred as the measure of the activity. Costs are recognised as they are incurred. Contracts are reviewed to identify each performance obligation relating to a distinct good or service and associated consideration. A performance obligation is identified if the customer can benefit from the good or service on its own or together with other readily available resources, and it can be separately identified within the contract. Invoices for goods are raised and revenue is recognised when control of goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch or acceptance by the customer. The revenue recognised in the transaction price as it is the observable selling price per product.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1 Accounting policies and presentation (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment charges.

Cost

Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Where freehold and long leasehold properties were carried at valuation on 23 March 2000, the date of implementation of FRS 15, these values have been retained as book values in accordance with the transitional arrangements of that standard with no subsequent impact of transition to FRS 101 on 1 January 2014.

Where assets are in the course of construction at the balance sheet date they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use.

Depreciation

Depreciation is not provided on freehold land or capital work in progress. In the case of all other categories of property, plant and equipment, depreciation is provided on a straight-line basis over the course of the financial year from the date the asset is available for use.

Depreciation is applied to specific classes of asset so as to reduce them to their residual values over their estimated useful lives, which are reviewed annually.

The range of depreciation lives are:

	Years
Land and Buildings	Up to 50
Plant and Machinery	3 to 12
Other tangible assets	3 to 12
Computer Software	3 to 12

Property, plant and equipment is reviewed at least annually for indications of impairment. Impairments are charged to the income statement. Similarly, where property, plant and equipment has been impaired and subsequent reviews demonstrate the recoverable value is in excess of the impaired value an impairment reversal is recorded. The amount of the reversal cannot exceed the theoretical net book amount at the date of the reversal had the item not been impaired. Impairment reversals are credited to the income statement against the same line item to which the impairment was previously charged. 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.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment charges.

Computer Software

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Amortisation is provided on a straight-line basis over its useful economic life which is in the range of three to twelve years.

Financial Instruments

Classification and measurement

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.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, including amounts owed by Group undertakings are subsequently measured at amortised costs.

Recognition and derecognition of financial assets

Financial assets are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

Accounting policies and presentation (continued)

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. 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 balances do not contain 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

Recognition and measurement

Financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs.

The company derecognises financial liabilities when the company's obligations are discharged, significantly modified, cancelled or they expire.

Classification and measurement

Non-derivative 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 periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the gross carrying amount on the financial liability. Initial recognition.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Investments in subsidiaries and other undertakings

Investments in subsidiaries and other undertakings are held at cost less accumulated impairment losses. Impairment reviews are carried out on an annual basis.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items. Cost is determined on a first in, first out cost basis. Cost includes raw materials, direct labour, other direct costs and the relevant proportion of works overheads assuming normal levels of activity. Net realisable value is the estimated selling price less estimated selling costs and costs to complete.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

Accounting policies and presentation (continued)

Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Pensions and post-employment benefits

The Company's pension arrangements comprise various defined benefit and defined contribution schemes.

Contributions to externally funded defined benefit schemes are based on the advice of independent actuaries or in accordance with the rules of the schemes.

The Company also operates a number of defined contribution and defined benefit arrangements which provide certain employees with defined post-employment healthcare benefits.

The Group accounts for all post-employment defined benefit schemes through recognition of the schemes' surpluses or deficits on the balance sheet at the end of each year. Remeasurement of defined benefit plans is included in other comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating profit. Interest charges on net defined benefit plans are recognised in other net financing charges.

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

Provisions

Provisions for onerous or loss making contracts, warranty exposures, environmental matters, restructuring, employee obligations and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in provisions due to discounting, only recorded where material, is recognised as interest expense within other net financing charges.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

Accounting policies and presentation (continued)

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 the 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.

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.

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 following are the critical judgements, including those involving key sources of estimation uncertainty, that the Directors have made in the process of applying the Company's accounting policies. These have the most significant effect on the amounts recognised in the financial statements or have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Directors consider the impairment of non-current assets being the only significant estimate, and it is considered that there are no significant judgements within these financial statements.

Non-current assets are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Such events and circumstances would include the effects of restructuring initiated by management. Where such events or circumstances are identified, to determine whether non-current assets are impaired requires an estimation of the assets recoverable amount. Management use their judgement in estimating the recoverable amount of each asset, which may be based on the asset's value in use or its fair value less costs to sell. Management have considered the significant investment in the business and identified assets which will be replaced by new equipment before reaching the end of their expected depreciation life. This has led to an impairment charge in the year of £nil (2018: £731,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

2 Revenue

The Company derives its revenues from the provision of goods which fall within the Company's ordinary activity, that of manufacturing wheels to the agricultural and construction industries. An analysis of revenues by geographical location by destination is given below:

	United Kingdom £'000	USA £'000	Europe £'000	Other countries £'000	Total £'000
2019 Revenue	11,985	455	11,498	534	24,472
2018 Revenue	11,326	440	15,666	695	28,127

3 Operating loss

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

(a) Trading loss

	2019 £'000	2018 £'000
Revenue	24,472	28,127
Operating costs		
Change in stocks of finished goods and work in progress	(405)	34
Raw materials and consumables	(15,017)	(14,659)
Staff costs (note 6)	(7,197)	(7,446)
Reorganisation costs (i):		
Redundancy and other employee related amounts	(1,993)	255
Depreciation of property, plant and equipment (note 8)	(778)	(445)
Depreciation of Leased Assets (note 8)	(157)	-
Impairment of property, plant and equipment	-	(731)
Profit on disposal of plant and equipment	36	141
Lease rentals payable:		
Plant and equipment	(139)	(171)
Net exchange differences on foreign currency transactions	109	161
Audit fees payable to the Company's auditor (ii)	(43)	(21)
Other costs	(7,270)	(8,025)
	(32,854)	(30,907)
Trading loss	(8,382)	(2,780)

- (i) Reorganisation costs reflect actions in the business to reduce costs, improve productivity and rationalise facilities in continuing operations. This cost is included in trading profit.
- (ii) All fees payable to the Company's auditors include amounts in respect of expenses. All fees payable have been charged to the income statement. Auditor's fees payable are for audit of the financial statements. Non-audit services in 2019 were £nil (2018: £nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3 Operating loss (continued)**(b) Change in value of derivative and other financial instruments**

	2019 £'000	2018 £'000
Forward currency contracts (not hedge accounted)	234	(158)

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk; including foreign exchange forward contracts and interest rate swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4 Net financing costs

	2019 £'000	2018 £'000
(a) Interest (payable)/receivable		
Interest receivable from subsidiaries	-	122
Interest paid to subsidiaries	(30)	-
	(30)	122

	2019 £'000	2018 £'000
(b) Other net financing charges		
Interest charge on net defined benefit plans	-	(544)
	-	(544)

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

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax		
Current year UK corporation tax charge	-	-
Overseas tax suffered	64	98
Adjustments in respect of prior years	-	(37)
Total current tax	64	61

Deferred tax

Origination and reversal of temporary differences		
Current year	1,180	1,053
Adjustments in respect of prior years	32	(106)
Total deferred tax	1,212	947
Tax on loss on ordinary activities	1,276	1,008

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5 Taxation (continued)**(b) Factors affecting the tax charge/(credit) in the year**

The tax assessed for the year is different to (2018: different to) the standard rate of corporation tax in the UK of 19% (2018: 19%)

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(8,178)	(3,360)
Loss on ordinary activities multiplied by the UK corporation rate of 19,00% (2018: 19%)	(1,554)	(638)
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	-	46
Overseas tax suffered	64	98
Effect of change in corporation tax rate on deferred tax recognition	(138)	(124)
Group relief at nil tax rate	2,872	1,769
Adjustment to current tax charge in respect of prior periods	-	(37)
Adjustment to deferred tax charge in respect of prior periods	32	(106)
Total tax charge for the year	1,276	1,008

The enacted rates of UK corporation tax at 31 December 2019 were 19% for the year ended 31 December 2019, reducing to 17% with effect from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

The Finance Bill 2020, published on 19 March 2020, has reversed the reduction to 17%, meaning that the UK rate will be maintained at 19%. The effect of this change in rate on the closing balance sheet would increase the deferred tax asset by £170,000.

(c) Recognised deferred tax

	Post employment obligations £'000	Fixed asset timing differences £'000	Other £'000	Total £'000
At 1 January 2019	-	1,810	838	2,648
Included in the income statement	-	(752)	(460)	(1,212)
Included in other comprehensive income	-	-	-	-
Transfer to fellow subsidiary	-	-	-	-
At 31 December 2019	-	1,058	378	1,436

(d) Statement of comprehensive income

Taxation of actuarial pension movement amounts to £nil (2018: £852,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6 Employees including Directors

Employee benefit expense	2019 £'000	2018 £000
Wages and salaries	(5,303)	(5,755)
Social security costs	(859)	(716)
Post-employment costs	(1,035)	(975)
	(7,197)	(7,446)
Average monthly number of employees (Including Executive Directors)	2019 Number	2018 Number
By activity		
Production	126	137
Selling and distribution	1	1
Administration	29	40
	156	178
Directors' emoluments	2019 £'000	2018 £000
Aggregate remuneration	119	109
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-
Aggregate Company contributions to pension schemes	3	2
	122	111

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.

Number of Directors receiving benefits and share incentives

	2019 Number	2018 Number
Exercised share options	-	3
Accruing benefits under defined benefit pension schemes in respect of qualifying services	-	-
Accruing benefits under money purchase pension schemes in respect of qualifying services	-	3
Received/entitled to receive shares under long term incentive schemes in respect of qualifying services	-	3

7 Intangible assets

	Computer Software £'000	Total £'000
Cost		
At 1 January 2019	212	212
Additions	-	-
At 31 December 2019	212	212
Accumulated depreciation and impairment		
At 1 January 2019	189	189
Charge for the year	14	14
At 31 December 2019	203	203
Net book value at 31 December 2019	9	9

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8 Property, plant and Equipment

	Land and buildings £'000	Plant and Machinery £'000	Other tangible assets £'000	Total £'000
Cost				
At 1 January 2019	328	29,025	4,149	33,502
Additions	-	3,213	-	3,213
Disposals	-	-	(688)	(688)
Reclassification	-	(560)	560	-
At 31 December 2019	328	31,676	4,021	36,025
Accumulated depreciation and impairment				
At 1 January 2019	328	14,028	3,781	18,137
Reclassification	-	(532)	532	0
Disposals	-	-	(688)	(688)
Depreciation	-	769	152	921
At 31 December 2019	328	14,265	3,777	18,370
Net book value at 31 December 2019	-	17,411	244	17,655
Net book value at 31 December 2018	-	14,997	368	15,365

All land and buildings are held at nil NBV and are all freehold.

Includes the net book value of right-of-use assets as follows:

Right-of-use asset	£'000
IFRS 16 transition adjustment	1,158
Depreciation Charge	(157)
Net Book Value at 31 December 2019	1,001

The Company recognised £1.2 million of lease liabilities on adoption of IFRS 16 on 1 January 2019. There was a corresponding right-of-use asset, shown in property, plant and equipment in note 7. Further details on the adoption of IFRS 16 are shown in note 9. The remaining average lease term is 5 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

Significant estimates

Management have reviewed the carrying value of assets where the useful life will be reduced as a direct result of the significant investment in the business. Due to the age of these assets and current market conditions for similar assets, management has estimated that the recoverable amount for these assets is negligible. The expected useful life has been reduced accordingly and an impairment charge of £nil (2018: £731,000) has been charged in the year.

9 Leased obligations

Amounts payable under lease obligations:

	2019 £000	2018 £000
Amounts payable:		
Within one year	268	-
After one year but within five years	716	-
Over 5 years	-	-
Less: future finance charges	(59)	-
Present value of lease obligations	925	-
	2019 £000	2018 £000
Analysed as:		
Amounts due for settlement within one year	241	-
Amounts due for settlement after more than one year	684	-
Present value of lease obligations	925	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9 Leased obligations - continued

The Company recognised £1.2 million of lease liabilities on adoption of IFRS 16 on 1 January 2019. There was a corresponding right of-use asset, shown in property, plant and equipment in note 8. The remaining average lease term is 3 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

10 Investments in subsidiaries and other undertakings

	Investment in subsidiaries £'000	Total £'000
Cost		
At 1 January 2019	777	777
Investment Sold	(777)	(777)
Net book amount at 31 December 2019	-	-

On 1 February 2019 GKN Wheels Limited sold its 50% investment in GKN Engineering (RUS) LLC (registered office: Office 21K, Building 19, Leninskaya Slobada Street, 115280, Moscow, Russian Federation) for consideration of £1.3million, resulting in a gain on sale of £0.5 million.

11 Inventories

	2019 £'000	2018 £'000
Raw materials	1,579	1,223
Work in progress	1,692	1,912
Finished goods	386	231
	3,657	3,366

Inventories of £151,000 (2018: £99,000) are carried at net realisable value.

12 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	2,731	3,513
Amounts owed by subsidiaries	7,061	4,128
Prepayments	370	254
Indirect taxes recoverable	591	473
	10,753	8,368

There is no provision against other receivable categories.

Amounts owed by subsidiaries are unsecured, accumulate interest in a range between 0% and 3.1%, have no fixed date of repayment and are repayable on demand.

13 Trade and other payables

	2019		2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Amounts owed to suppliers and customers	(6,282)	-	(10,708)	-
Amounts owed to subsidiaries	(3,406)	-	(3,349)	-
Group Cash Pooling	(15,604)	-	-	-
Payroll taxes, indirect taxes and audit fees	(216)	-	(234)	-
Amounts due to employees and employee benefit plans	(144)	-	(638)	-
	(25,652)	-	(14,929)	-

Amounts owed to subsidiaries are standard trading balances created in the normal course of business which are non-interest bearing, unsecured, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

14 Cash and cash equivalents

	2019		2018	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Bank balance and cash	10	-	1,047	-
Bank balance and cash	10	-	1,047	-

15 Derivative financial instruments

	2019					2018				
	Assets		Liabilities		Total	Assets		Liabilities		Total
	Non-current	Current	Non-current	Current		Non-current	Current	Non-current	Current	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Forward currency contracts	-	295	-	(219)	76	-	24	-	(183)	(159)

Significant judgement and estimates

Forward foreign currency contracts are marked to market using market observable rates and published prices together with forecast cash flow information where applicable.

16 Provisions

	Warranty £'000	Total £'000
At 1 January 2019	(45)	(45)
Net charge for the year:		
Additions	(18)	(18)
Amounts utilised	51	51
At 31 December 2019	(12)	(12)

All provisions are due within one year and relate to customer warranty claims.

17 Share capital

	Issued and Fully Paid	
	2019 £'000	2018 £'000
Ordinary shares of £1 each	5,000	5,000
	2019 Number 000s	2018 Number 000s
Ordinary shares of £1 each		
At 1 January and 31 December	5,000	5,000

18 Capital expenditure

Contracts placed against capital expenditure sanctioned at 31 December 2019 which are not provided amounted to £nil for property, plant and equipment (2018: £2,104,000 for property, plant and equipment).

19 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

20 Controlling parties

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 its registered office: 11th Floor, the Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B46AT.

21 Post Balance Sheet events

The COVID-19 global pandemic is deemed as a non-adjusting post balance sheet event.

On 25 November 2020, the GKN Wheels and Structures group of companies, including this company, was acquired by AURELIUS Development Twenty-Three GmbH of which AURELIUS Equity Opportunities SE & Co. KGaA is ultimate parent. It is not yet possible to estimate the financial effect on the Company as a result of this change in ultimate parent ownership.