

Partnership Accounts

Registration number: SC633480

GKN Investments III GP Limited

Annual Report and Financial Statements

for the period ended 31 December 2019

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GKN Investments III GP Limited

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GKN Investments III GP Limited

Company Information

Directors	J C F Crawford
	G E Barnes
	G D Morgan
	M J Richards
Company secretary	J C F Crawford
Registered office	Brodies LLP
	15 Atholl Crescent
	Edinburgh
	EH3 8HA
Auditor	Deloitte LLP
	London
	United Kingdom

GKN Investments III GP Limited

Strategic Report

for the period ended 31 December 2019

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

Principal activity

The Company was set up to facilitate the separation of the GKN Group Pension Scheme 2012 into four separate pension schemes. Its principal activity is to act as the General Partner of GKN Investments III LP which was established for the purpose of owning and sub-leasing property assets, entering into a sub-licensing of the GKN trademark license and improving the funding of the associated GKN Automotive Pension Schemes. There are no anticipated changes to the nature of the Company.

Fair review of the business

The Company was incorporated on 14 June 2019 and contributed capital of £10 into GKN Investments III LP on the date of the Limited Partner's incorporation. The Company generated a retained profit for the period of £30,000.

Financial risk management

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

Principal risks

Credit risk

The Company's principal financial assets are other receivables (including amounts due from other Group undertakings).

The Company's credit risk is primarily attributable to its receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an expected loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

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

Going concern

The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2019 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £1,136 million, when applying the exchange rates at 31 December 2019. Headroom is largely unchanged through to the end of April 2020.

The Melrose Group has been impacted by events subsequent to the period end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Company, they are impacting fellow subsidiaries.

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

Approved by the Board on 29 May 2020 and signed on its behalf by:



M J Richards
Director
GKN Investments III GP Limited
Registration number: SC633480

GKN Investments III GP Limited

Directors' Report

for the period ended 31 December 2019

The Directors present their report and the audited financial statements for the period ended 31 December 2019. An indication of likely future developments in the business of the Company is included in the Strategic Report. Information on financial risk management and going concern are also included in the Strategic Report.

Directors of the Company

The Directors who held office during the period and up to the date of signing the financial statements were as follows:

J C F Crawford – Company Secretary and Director (appointed 14 June 2019)

G E Barnes (appointed 14 June 2019)

G D Morgan (appointed 14 June 2019)

M J Richards (appointed 14 June 2019)

No Director had a beneficial interest in the share capital of the Company or any of its subsidiaries, except for the fact that each Director 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.

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial period ended 31 December 2019. No interim dividend was paid during the period.

Directors' liabilities

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

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 29 May 2020 and signed on its behalf by:



M J Richards
Director
GKN Investments III GP Limited
Registration number: SC633480

GKN Investments III GP Limited

Directors' Responsibilities Statement

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

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

- select suitable accounting policies and 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.

GKN Investments III GP Limited

Independent Auditor's Report to the members of GKN Investments III GP Limited

Opinion

In our opinion the financial statements of GKN Investments III GP 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 profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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.

GKN Investments III GP Limited

Independent Auditor's Report to the members of GKN Investments II GP Limited (continued)

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 period 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.

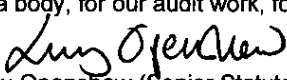
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

Use of our report

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


Lucy Openshaw (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 May 2020

GKN Investments III GP Limited

Income Statement

For the Period Ended 31 December 2019

	Notes	2019 £
Operating result		-
Income from investment in subsidiary		30,000
Profit before tax		30,000
Tax on profit	7	-
Profit after tax for the period		30,000

The above profit was derived from continuing operations. The Company has no gains and losses other than the profit for the financial period shown above and therefore no separate statement of comprehensive income has been presented.

GKN Investments III GP Limited

Balance Sheet

At 31 December 2019

	Notes	2019 £
Non-current assets		
Investments	8	10
Current assets		
Trade and other receivables	9	30,000
Net assets		30,010
Equity		
Share capital	10	1
Retained earnings		30,009
Total equity		30,010

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2020. They were signed on its behalf by:



M J Richards
Director
GKN Investments III GP Limited
Registration number: SC633480

GKN Investments III GP Limited

Statement of Changes in Equity

For the period ended 31 December 2019

	Share Capital £	Profit and loss account £	Total £
Profit for the period	-	30,000	30,000
Total comprehensive income	-	30,000	30,000
Shares issued on incorporation	1	-	1
Capital contribution	-	9	9
At 31 December 2019	1	30,009	30,010

GKN Investments III GP Limited

Notes to the Financial Statements

1 General information

The Company is a private company limited by share capital incorporated in the UK and registered in Scotland with the registered number SC009943. Its registered office is Brodies LLP, 15 Atholl Crescent, Edinburgh, EH3 8HA. The nature of the Company's operations and its principal activity are set out in the Strategic Report.

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

2 Accounting policies

Basis of preparation

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

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the services.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment of operation, determined having regard to the currency which mainly influences sales and input costs. The financial statements are presented in "Pounds Sterling" (£), which is also the Company's functional currency.

Summary of disclosure exemptions

As permitted by FRS 101 and where relevant, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, 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 financial statements 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, B4 6AT.

Going concern

The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2019 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £1,136 million, when applying the exchange rates at 31 December 2019. Headroom is largely unchanged through to the end of April 2020.

The Melrose Group has been impacted by events subsequent to the period end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Company, they are impacting fellow subsidiaries.

Analysis that supports the Company's going concern assessment over the next 12 months included consideration of the Group covenants associated with its banking facilities, and in particular the leverage covenant being formally waived during 2020. As the Group recovers from the global uncertainties of the COVID-19 pandemic, visibility over trading conditions remains difficult. Outside the 12 month going concern period the leverage covenant is currently due to be tested again on 30 June 2021 and if there are any required changes to covenants they will be considered depending on trading performance.

Exemption from preparing group financial statements

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in group financial statements of Melrose Industries PLC.

New standards, interpretations and amendments effective

None of the new standards, interpretations and amendments adopted during the period have had any impact on the financial statements of the Company.

GKN Investments III GP Limited

Notes to the Financial Statements

2 Accounting policies

Tax

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

The Company's liability for current tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it excludes items that are never taxable or deductible.

Investments

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

Financial assets and liabilities

Classification

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

Recognition and measurement

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

Loans and receivables

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

Derecognition of financial assets

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

Impairment

Financial assets, other than those at fair value through the income statement, 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 these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents are also subject to impairment requirements.

3 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 period. 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 Directors have considered this and concluded no significant judgements have been made or key estimates utilised in respect of these financial statements.

GKN Investments III GP Limited

Notes to the Financial Statements

4 Auditor's remuneration

The fees payable to the Company's auditor for the audit of the financial statements were £1,000 and this was borne by a fellow Group undertaking.

5 Particulars of employees

The Company did not have any employees in the current period.

6 Directors' remuneration

The Directors received no remuneration for their services to the Company during the period. The Directors of the Company who served during the period were also Directors of a number of the companies within the Melrose Group and as such remuneration of Directors is borne by a fellow company.

7 Income tax

Analysis of tax charge for the period

	2019 £
Current taxation	
Current tax	-
Deferred taxation	
Arising from origination and reversal of temporary differences	-
Total tax charge in the income statement	-

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19%

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

	2019 £
Profit on ordinary activities before tax	30,000
Profit on ordinary activities multiplied by the standard UK corporation rate of 19%	(5,700)
Group relief at nil tax rate	5,700
Total tax charge in the income statement	-

GKN Investments III GP Limited

Notes to the Financial Statements

8 Investments

Subsidiaries	£
Cost and net book value	
Additions	10
At 31 December 2019	10

The Company made a £10 capital contribution to its Limited Partner, GKN Investments III LP on the date of the Founding Partnership Arrangement. The Company was not required to make any further contributions.

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business
GKN Investments III LP	Leasing and licensing assets	Scotland

9 Trade and other receivables

	2019
	£
Amounts owed by Group undertakings	<u>30,000</u>

10 Share Capital

	2019
	£
Authorised, issued and fully paid shares	Number
Ordinary shares of £1 each	<u>1</u>
	<u>1</u>

11 Controlling party

The Company's immediate parent company is GKN Automotive Limited, a company incorporated in England & Wales.

The ultimate parent company and controlling party is Melrose Industries PLC, a company incorporated in England & Wales.

The parent of the smallest and largest group in which these financial statements are consolidated is Melrose Industries PLC, incorporated in England & Wales.

Copies of the Group financial statements of Melrose Industries PLC are available from its registered address: 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT.

GKN Investments III LP

General Partner's Report and Financial Statements

For the period ended 31 December 2019

Strategic Report

For the period ended 31 December 2019

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

Principal activity

The Partnership owns and sub-leases property assets, enters into a sub-licensing of the GKN trademark licence in respect of the Automotive business and improves the funding of GKN Automotive Group Pension Schemes.

Business Review

The Partnership shows a profit after tax of 23,568,163, primarily due to income received under the GKN trademark sub-licensing agreements, from GKN Automotive companies.

Principal Risks and Uncertainties

The Partnership's activities expose it to a number of risks including liquidity risk.

Credit Risk

The Partnership's principal financial assets are trade and other receivables (including amounts due from other Group undertakings).

The Partnership's credit risk is primarily attributable to its receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an expected loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Partnership has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity Risk

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

Going concern

The financial statements have been prepared on a going concern basis. The Partnership's forecasts show that the Partnership expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Partnership is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2019 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £1,136 million, when applying the exchange rates at 31 December 2019. Headroom is largely unchanged through to the end of April 2020.

The Melrose Group has been impacted by events subsequent to the period end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Partnership, they are impacting fellow subsidiaries. The Partnership does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

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

Signed on behalf of the Board of GKN Investments III GP Limited, General Partner on 29 May 2020.



M J Richards
Director
Registration number: SC633480

General Partner's Report

For the period ended 31 December 2019.

General Partner

The General Partner is GKN Investments III GP Limited, a company incorporated in Scotland. Its company number is SC633480 and its registered office is Brodies LLP, 15 Atholl Crescent, Edinburgh, Scotland, EH3 8HA.

The General Partner presents the General Partner's Report and the audited non-statutory financial statements for the period ended 31 December 2019.

Directors of the General Partner

The Directors of GKN Investments III GP Limited, who held office during the period and up to the date of signing the financial statements are as follows:

J C F Crawford – Company Secretary and Director (appointed 14 June 2019)

G E Barnes (appointed 14 June 2019)

G D Morgan (appointed 14 June 2019)

M J Richards (appointed 14 June 2019)

Limited Partners

The Limited Partners are GKN Automotive Limited and GKN Group Pension Trustee (No.2) Limited.

Purpose of Partnership

The General Partner and GKN Automotive established the Partnership for the purpose of owning and sub-leasing property assets, entering into a sub-licensing of the GKN trademark licence in respect of the Automotive business and improving the funding of GKN Automotive Group Pension Schemes.

The Partnership was registered on 18 June 2019 and assumed the activities of the now liquidated GKN Investments LP in respect of the GKN Automotive related licence fee arrangements and investment property, effective from 1 January 2019, under the Amended and Restated Limited Partnership Agreement for GKN Investments III LP.

Results of the Partnership

The net income available for distribution for the period is £33,824,017. The net income is distributable as follows: GKN Investments III GP Limited £30,000; GKN Group Pension Trustee (No. 2) Limited £15,000,000 and GKN Automotive Limited £18,794,017.

Statement of General Partner's Responsibilities

The General Partner is responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations and the terms of the Amended and Restated Limited Partnership Agreement for GKN Investments III LP dated 28 June 2019.

The Limited Partnership Agreement requires the General Partner to prepare financial statements for each financial period. The General Partner has 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).

The General Partner 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is 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 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditor's responsibilities in relation to the financial statements are set out in their report on page 3.

Signed on behalf of the Board of GKN Investments III GP Limited, General Partner on 29 May 2020.



M J Richards
Director

Registration number: SC633480

Independent Auditor's Report to the partners of GKN Investments III LP

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of GKN Investments III LP:

- give a true and fair view of the state of the Qualifying Partnership's affairs as at 31 December 2019 and of its profit for the period 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 as applied to Qualifying Partnerships.

We have audited the non-statutory financial statements of GKN Investments LP (the 'Qualifying Partnership') which comprise:

- the Income Statement;
- the Statement of Income Available for Distribution;
- the Balance Sheet;
- the Statement of Partners' Accounts;
- the Statement of Cash Flows;
- the Reconciliation of Movement in Net Cash; and
- the related notes 1 to 15.

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 non-statutory financial statements section of our report.

We are independent of the Qualifying Partnership in accordance with the ethical requirements that are relevant to our audit of the non-statutory 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 General Partner's use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the General Partner has not disclosed in the non-statutory financial statements any identified material uncertainties that may cast significant doubt about the Qualifying Partnerships' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The General Partner is responsible for the other information. The other information comprises the information included in the General Partner's report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory 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 non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory 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 non-statutory 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.

Independent Auditor's Report to the partners of GKN Investments III LP (continued)

Responsibilities of the General Partner

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

In preparing the non-statutory financial statements, the General Partner is responsible for assessing the Qualifying Partnership'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 Qualifying Partnership's members either intend to liquidate the Qualifying Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory 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 General Partner's report for the financial period for which the non-statutory financial statements are prepared is consistent with the non-statutory financial statements; and
- the General Partner's report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Qualifying Partnership and its environment obtained in the course of the audit, we have not identified any material misstatements in the General Partner's report.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to Qualifying Partnerships 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 non-statutory financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' 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 Qualifying Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Qualifying Partnerships by the Companies and Partnerships (Accounts and Audit) Regulations 2013. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement



Deloitte LLP
London, United Kingdom
29 May 2020

Income Statement

For the period ended 31 December 2019

	Notes	2019 £
Revenue	2	35,144,501
Operating profit	3	32,108,793
Finance costs		(7,517,119)
Finance income		-
Net financing costs	4	(7,517,119)
Profit before tax		24,591,674
Tax	5	(1,023,511)
Profit after tax for the period		23,568,163

Statement of Income Available for Distribution

For the period ended 31 December 2019

	Notes	2019 £
Revenue and other income	2	35,144,501
Net other (expense)	6	(296,973)
Net income		34,847,528
Tax	5	(1,023,511)
Net income available for distribution	11	33,824,017
Distributable as follows:		
GKN Investments III GP Limited		30,000
GKN Group Pension Trustee (No. 2) Limited		15,000,000
GKN Automotive Limited		18,794,017
		33,824,017

Balance Sheet

At 31 December 2019

	Notes	2019 £
Assets		
Non-current assets		
Intangible assets	7	234,575,000
Investment property	8	17,688,265
		252,263,265
Current assets		
Trade and other receivables	9	34,847,538
Total assets		287,110,803
Liabilities		
Current liabilities		
Trade and other payables	10	(15,000,000)
Current tax liabilities		(1,023,511)
		(16,023,511)
Non-current liabilities		
Trade and other payables	10	(108,217,109)
Total liabilities		(124,240,620)
Net assets		162,870,183
Shareholders' equity		
Capital accounts		139,302,020
Retained earnings	12	23,568,163
Total equity		162,870,183

The notes on pages 9 to 14 form part of the financial statements.

Signed on behalf of the Board of GKN Investments III GP Limited, General Partner on 29 May 2020.



M J Richards
Director
Registration number: SC633480

Statement of Partners' accounts

For the period ended 31 December 2019

	General Partner	Limited Partners	
	GKN Investments III GP Ltd	GKN Group Pension Trustee (No.2) Limited	GKN Automotive Limited
	£	£	£
Capital Accounts			
At 1 January 2019	-	-	-
Change in Partnership during the period	10	10	139,302,000
31 December 2019	10	10	139,302,000
Current Accounts			
At 1 January 2019	-	-	-
Amounts paid	-	(15,000,000)	-
Partners' allocation	30,000	15,000,000	18,794,017
At 31 December 2019	30,000	-	18,794,017

Statement of Cash Flows

For the period ended 31 December 2019

	<u>Note</u>	<u>2019</u> £
Net cash from operating activities	13	15,000,000
Finance income received		-
Taxation paid		-
Net cash used in investing activities		
Purchase of intangible assets	7	(234,575,000)
Purchase of investment property	8	(20,427,000)
Net cash used in financing activities		
Capital contributions		255,002,000
Distributions paid to Partners		(15,000,000)
Movement in net cash		-

Reconciliation of Movement in Net Cash

For the period ended 31 December 2019

	<u>2019</u> £
Movement in net cash	-
Cash at 31 December	-

Notes to the Financial Statements

For the period ended 31 December 2019

1 Accounting policies and presentation

GKN Investments III LP ("the Partnership") is a limited partnership, domiciled in the UK, and registered in Scotland, with the registration number SL033839. Its registered office is Brodies LLP, 15 Atholl Crescent, Edinburgh, Scotland, EH3 8HA.

The Partnership's significant accounting policies are summarised below. They have been applied consistently throughout the period presented.

Basis of preparation

The Partnership is established under the Limited Partnerships Act 1907. 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) and the Amended and Restated Limited Partnership Agreement for GKN Investments III LP dated 28 June 2019 ('the Agreement'). 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 Limited Partnership Act 1907. The agreement requires the General Partner to prepare financial statements for the Limited Partners.

The partnership is controlled by and its results are consolidated by Melrose Industries PLC, as such advantage has been taken of the exemption from preparing a strategic report and filing the financial statements as set out in Companies & Partnerships (Accounts and Audit) Regulations 2013.

The following exemptions have been applied in accordance with FRS 101, as the relevant disclosure is contained in the Group financial statements of Melrose Industries PLC (details are provided in note 15):

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

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 79(d) of IAS 40 Investment Property;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets;
- The following paragraphs of IAS 1, 'Presentation of 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); and
 - 134-136 (capital management disclosures)
- Paragraphs 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);
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'; and
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The financial statements have been prepared on a going concern basis. The Partnership's forecasts show that the Partnership expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Partnership is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2019 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £1,136 million, when applying the exchange rates at 31 December 2019. Headroom is largely unchanged through to the end of April 2020.

The Melrose Group has been impacted by events subsequent to the period end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Partnership, they are impacting fellow subsidiaries. The Partnership does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

Analysis that supports the Partnership's going concern assessment over the next 12 months included consideration of the Group covenants associated with its banking facilities, and in particular the leverage covenant being formally waived during 2020. As the Group recovers from the global uncertainties of the COVID-19 pandemic, visibility over trading conditions remains difficult. Outside the 12 month going concern period the leverage covenant is currently due to be tested again on 30 June 2021 and if there are any required changes to covenants they will be considered depending on trading performance.

Notes to the Financial Statements (continued)

For the period ended 31 December 2019

1 Accounting policies and presentation (continued)

Foreign currencies

Items included in the financial statements of the Partnership are measured using the currency of the primary economic environment of operation, determined having regard to the currency which mainly influences sales and input costs. The financial statements are presented in "Pounds Sterling" (£), which is also the Partnership'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. Monetary 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.

New standards, interpretations and amendments effective

None of the new standards, interpretations and amendments adopted during the period have had any impact on the financial statements of the Partnership.

Revenue recognition

Revenue

Revenue from the sale of services, all at a point in time, 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.

Finance income

Finance income is recognised using the effective interest rate method.

Investment property

Investment property is measured using the cost model and is stated at cost less accumulated depreciation and impairment charges.

Cost

Investment properties comprise land and buildings. Land and buildings are valued at purchase price plus costs incurred in bringing assets into use.

Depreciation

Investment property is depreciated on a straight-line basis over the course of the financial period from the date the asset is available for use.

Depreciation is not provided on freehold land. 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
Freehold buildings	Up to 50

Investment property is reviewed at least annually for indications of impairment. Impairments are charged to the income statement.

Financial assets and liabilities

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

Notes to the Financial Statements (continued)

For the period ended 31 December 2019

1 Accounting policies and presentation (continued)

Intangible assets

Intangible assets are stated at cost less impairment charges. Intangible assets comprise the non-exclusive perpetual licence for the use and the right to grant sub licence of the GKN Trademarks.

Taxation

Withholding taxes are recognised in the income statement unless they relate to items recognised directly in other comprehensive income when the related tax is also recognised in other comprehensive income.

Significant judgements, key assumptions and estimates

The Partnership'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 period. The General Partner 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 General Partner considers the impairment of intangible assets to be the only significant estimate within these financial statements (see note 7). There are no accounting judgements that are considered to have a significant effect on the amounts recognised in the financial statements.

2 Revenue

The Partnership derives its revenue from the lease rentals of property and royalty income from trademark sub-licence agreements which fall within the Partnership's ordinary activities. An analysis of revenue by type and geographical location by destination is given below:

Revenue and other income	2019 £
Revenue	
Operating lease rentals – United Kingdom	1,667,870
Royalties – United Kingdom	1,008,935
Revenue – United Kingdom	2,676,805
Royalties – Overseas	32,467,696
	35,144,501
Other income	
Finance income on amounts owed by Group subsidiaries	-
	35,144,501

The Partnership assumed the activities of the now liquidated GKN Investments LP in respect of the GKN Automotive related licence fee arrangements and investment property, effective from 1 January 2019.

Notes to the Financial Statements (continued)

For the period ended 31 December 2019

3 Operating profit

An analysis of operating profit is shown below:

	2019 £
Revenue	35,144,501
Operating costs	
Depreciation of investment property (i)	(306,735)
Impairment of investment property (ii)	(2,432,000)
Trademark maintenance charges	(244,349)
Other costs	(52,624)
Operating profit	32,108,793

- (i) Depreciation of investment property let under leases to Group companies.
(ii) Impairment of investment property let under leases to Group companies.
(iii) The Partnership had no employees during the period.

4 Net financing costs

	2019 £
Finance cost and fee expense on amounts owed to Pension Trustee (No.2) Limited Limited partner	(7,517,119)
Finance income on amounts owed by Group subsidiaries	-
Net finance costs	(7,517,119)

5 Tax

The Partnership is not subject to UK taxation. Any incidence of UK taxation in respect of its income falls instead on the individual partners. The taxation charge shown in the income statement relates to withholding tax on overseas income.

6 Net other (expenses)/income

	2019 £
Services provided by the Partnership's auditor:	
Fees payable for the audit	-
Other charges including professional fees	(52,624)
Trademark maintenance charges	(244,349)
	(296,973)

The Partnership's audit fee was borne by a fellow Group undertaking.

Notes to the Financial Statements (continued)

For the period ended 31 December 2019

7 Intangible assets

	Trademark Licence £
Cost and net book value	
Additions	234,575,000
At 31 December 2019	234,575,000

During the period the Partnership purchased intangible assets of £234,575,000 from GKN Investments LP, that was paid under the GKN SLP Settlement Deed, effective of 1 January 2019.

Intangible assets comprise the non-exclusive perpetual licence for the use and the right to grant sub licence of the GKN trademark to GKN Automotive entities. The licence was recorded at fair value. No amortisation is charged on the licence. The Trademark Licence intangible asset is subject to annual impairment testing.

Significant estimates

The recoverable amount of the non-exclusive perpetual licence was measured using value in use. Detailed forecasts have been used for businesses subject to royalty charges which are based on approved annual budgets and strategic projections representing the best estimate of future performance.

8 Investment property

	Investment property £
Cost	
Additions	20,427,000
At 31 December 2019	20,427,000
Accumulated depreciation	
At 1 January 2019	-
Charge for the period	(306,735)
Impairment for the period	(2,432,000)
At 31 December 2019	(2,738,735)
Net book amount at 31 December 2019	17,688,265

During the period the Partnership purchased investment property of £20,427,000 from GKN Investments LP, that was paid under the GKN SLP Settlement Deed, effective 1 January 2019.

Investment property comprises real estate of certain GKN Automotive entities. The investment properties were recorded at fair value which was derived through an assessment of the property market, relevant to the land and buildings as well as consideration of the lease terms inherent in agreements with Group subsidiaries, as at the date of the transfer.

On 31 March 2035, the date at which the current leases expire, related assets will have a net book value of £16,628,032 (comprising land £10,783,000 and buildings £5,845,032).

9 Trade and other receivables

	2019 £
Amounts due from Group subsidiaries	33,476,631
Current account with a Group subsidiary	1,370,907
	34,847,538

10 Trade and other payables

	2019
	Current Non-current
	£ £
Amounts owed to Group subsidiaries	(15,000,000) (108,217,109)

The obligation to the Pension Trustee limited partner represents the amount expected to be payable over the period to 30 June 2031, discounted at an effective interest rate of 6.08%.

Notes to the Financial Statements (continued)

For the period ended 31 December 2019

11 Reconciliation of net income available for distribution to profit for the financial period

	2019 £
Net income available for distribution	33,824,017
Finance cost on amounts owed to Pension Trustee limited partner	(7,517,119)
Depreciation written off owned investment property let under leases to Group companies	(2,432,000)
	(306,735)
Profit for the financial period	23,568,163

12 Retained earnings

	2019 £
Profit for the financial period	23,568,163
Distribution paid from retained earnings	-
At 31 December 2019	23,568,163

13 Net cash from operating activities

	2019 £
Operating profit	32,108,793
Depreciation charge	306,735
Impairment charge	2,432,000
Change in trade and other receivables	(33,476,631)
Change in trade and other payables	13,629,103
Net cash from operating activities	15,000,000

14 Related party transactions

In accordance with FRS 101 the Partnership has taken advantage of the exemption not to disclose the transactions with wholly owned subsidiary undertakings in the Group. There were no other related party transactions during the period.

15 Controlling parties

The General Partner is GKN Investments III GP Limited which is a wholly-owned indirect subsidiary of Melrose Industries PLC. The Limited Partners are GKN Automotive Limited, a wholly-owned subsidiary of Melrose Industries PLC and GKN Group Pension Trustee (No. 2) Limited a wholly-owned indirect subsidiary of Melrose Industries PLC. Melrose Industries PLC is the ultimate controlling party.

The parent of the smallest and largest group in which these financial statements are consolidated is Melrose Industries PLC. Consolidated financial statements of Melrose Industries PLC are available from 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.