

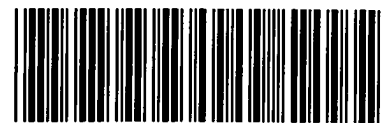
Registration number: SC633480

GKN Investments III GP Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

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Company Information

Directors

J C F Crawford (Resigned 20 April 2023)
G E Barnes (Resigned 20 April 2023)
G D Morgan (Resigned 20 April 2023)
M J Richards (Resigned 20 April 2023)
J D Nicholson (Appointed 20 April 2023)
E J Hayward (Appointed 20 April 2023)

Company secretary J C F Crawford (Resigned 20 April 2023)

Registered office Brodies LLP
58 Morrison Street
Edinburgh
EH3 8BP

Auditor Deloitte LLP 1
New Street Square
London
United Kingdom

GKN Investments III GP Limited

Strategic Report

For the year ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activity

The Company's 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. On 20 April 2023 a significant portion of the GKN sub-group, being the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses were demerged into the separate listed company, Dowlais Group plc. More detailed information is contained in note 11 and 12. There are no anticipated changes to the nature of the Company.

Fair review of the business

The Company generated a retained profit for the year of £30,000 (2021: £30,000) relating to the distribution from GKN Investments III LP.

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 trade and 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.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

GKN Investments III GP Limited

Approved by the Board on 14 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'J D Nicholson', with a stylized, flowing script.

J D Nicholson
Director
GKN Investments III GP Limited
Registration number: SC633480

GKN Investments III GP Limited

Directors' Report

For the year ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022. 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 year and up to the date of signing the financial statements were as follows:

J C F Crawford – Company Secretary and Director (Resigned 20 April 2023)

G E Barnes (Resigned 20 April 2023)

G D Morgan (Resigned 20 April 2023)

M J Richards (Resigned 20 April 2023)

J D Nicholson (Appointed 20 April 2023)

E J Hayward (Appointed 20 April 2023)

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 conditional awards in respect of ordinary 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 year ended 31 December 2022 (2021: £nil). No interim dividend was paid during the year (2021: £nil).

Directors' liabilities

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

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 14 September 2023 and signed on its behalf by:



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

Report on the audit of the financial statements

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be

GKN Investments III GP Limited

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

materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

GKN Investments III GP Limited

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic 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 Directors' Report or the Strategic Report.

Matters on which we are required to report by exception

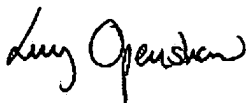
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Lucy Openshaw FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 September 2023

GKN Investments III GP Limited

Income Statement

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Operating result		-	-
Income from investment in Limited partnership	9	30,000	30,000
Profit before tax		30,000	30,000
Tax on profit	7	-	-
Profit after tax for the year		30,000	30,000

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

GKN Investments III GP Limited

Balance Sheet

At 31 December 2022

	Notes	2022 £	2021 £
Non-current assets			
Investments	8	10	10
Trade and other receivables	9	120,000	90,000
Net assets		120,010	90,010
Equity			
Share capital	10	1	1
Retained earnings		120,009	90,009
Total equity		120,010	90,010

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2023.
They were signed on its behalf by:



J D Nicholson
Director
GKN Investments III GP Limited
Registration number: SC633480

GKN Investments III GP Limited

Statement of Changes in Equity

For the year ended 31 December 2022

	Share Capital £	Retained Earnings £	Total £
At 1 January 2021	1	60,009	60,010
Profit for the year	-	30,000	30,000
At 31 December 2021	1	90,009	90,010
At 1 January 2022	1	90,009	90,010
Profit for the year	-	30,000	30,000
At 31 December 2022	1	120,009	120,010

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 SC633480. Its registered office is Brodies LLP, 58 Morrison Street, Edinburgh, United Kingdom EH3 8BP. 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.

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.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

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 the group financial statements of Melrose Industries PLC.

GKN Investments III GP Limited

Notes to the Financial Statements

2 Accounting policies (continued)

New standards, interpretations and amendments effective

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

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 year. 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 years 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.

GKN Investments III GP Limited

Notes to the Financial Statements

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 year. The Directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

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

4 Auditor's remuneration

The fees payable to the Company's auditor for the audit of the financial statements were £2,581 (2021: £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 year (2021: nil).

6 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (2021: £nil). The Directors of the Company who served during the year 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 year

	2022 £	2021 £
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 year is different to (2021: different to) the standard rate of corporation tax in the UK of 19%.

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

	2022 £	2021 £
Profit on ordinary activities before tax	30,000	30,000
Profit on ordinary activities multiplied by the standard UK corporation rate of 19% (2021: 19%)	5,700	5,700
Group relief at nil tax rate	(5,700)	(5,700)
Total tax charge in the income statement	-	-

Changes in UK Corporation tax rates

The rate of UK corporation tax for the year ended 31 December 2022 was 19%. The Finance Act 2021 included an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. As this change had been enacted at the balance sheet date, the closing deferred tax balances have been measured using the 25% rate to the extent that the deductible or taxable temporary differences will reverse post 1 April 2023.

GKN Investments III GP Limited

Notes to the Financial Statements

8 Investments

Limited Partnership	£
Cost and net book value At 1 January 2022 and 31 December 2022	<u>10</u>

Details of the Limited Partnership as at 31 December 2022 are as follows:

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

9 Trade and other receivables

	2022 £	2021 £
Amounts owed by Group undertakings	<u>120,000</u>	<u>90,000</u>

Amounts owed by Group undertakings are unsecured, do not accumulate interest, have no fixed date of repayment and are repayable on demand.

10 Share Capital

	2022 Number	2022 £	2021 Number	2021 £
Authorised, issued and fully paid shares				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<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 was Melrose Industries PLC, a company incorporated in England & Wales.

The parent of the smallest and largest group in which these financial statements were 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.

On 20 April 2023, Melrose Industries PLC demerged its GKN Automotive, GKN powder Metallurgy and GKN Hydrogen businesses. As a consequence, from 20 April 2023, GKN Automotive Limited is owned by Dowlais Group plc, which will be the smallest and largest group in which these financial statements will be consolidated

12 Post Balance Sheet Event

Following the demerger of Dowlais Group plc from Melrose PLC on 20 April 2023, the new ultimate parent undertaking and controlling party of the Company is Dowlais Group plc.

Registered number: SL033839

GKN Investments III LP

General Partner's Report and Financial Statements

For the year ended 31 December 2022

GKN Investments III LP

Strategic Report

For the year ended 31 December 2022

The Directors present the Strategic Report for GKN Investments III LP ("the Partnership"), for the year ended 31 December 2022.

Principal activity

The Partnership owns and sub-leases property assets and enters into a sub-licensing of the GKN trademark licence in respect of the GKN Automotive business in order to improve the funding of GKN Automotive Group Pension Schemes. The Directors do not expect any change in this activity in the foreseeable future.

Business Review

The Partnership shows a profit after tax of £36,788,681 (2021: £20,909,668), 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 credit risk and 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 expected credit loss. An allowance for expected credit loss 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.

At 31 December 2022, the Partnership was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group PLC, which is the new ultimate parent of the Partnership. In assessing going concern, the Partnership has taken into account a multi-currency committed revolving credit facility of £1.8 billion, when applying the exchange rates at 31 December 2022, within the Dowlais Group.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

Signed on behalf of the Board of GKN Investments III GP Limited, General Partner on 14 September 2023.



J D Nicholson
Director

Registration number: SC633480

GKN Investments III LP

General Partner's Report

For the year ended 31 December 2022

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, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP.

The General Partner presents the General Partner's Report and the audited financial statements for the year ended 31 December 2022. An indication of likely future developments in the business of the Partnership and information on the risk management and going concern are included in the Strategic Report.

Directors of the General Partner

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

J C F Crawford – Company Secretary and Director (resigned on 20 April 2023)

G E Barnes (resigned on 20 April 2023)

G D Morgan (resigned on 20 April 2023)

M J Richards (resigned on 20 April 2023)

E J Haywood (appointed 20 April 2023)

J D Nicholson (appointed 20 April 2023)

No Director had a beneficial interest in the capital of the Partnership, except for the fact that certain Directors held shares and/or conditional awards in respect of ordinary shares in Melrose Industries PLC, the ultimate parent company and controlling party at 31 December 2022, and therefore had an indirect beneficial interest in the Partnership.

Limited Partners

The Limited Partners are GKN Automotive Limited and GKN 3 Trustee 2018 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 GKN Automotive business and improving the funding of GKN Automotive Group Pension Schemes.

Results of the Partnership

The net income available for distribution for the year is £43,008,193 (2021: £27,641,106). The net income is distributable as follows: GKN Investments III GP Limited £30,000 (2021: £30,000); GKN 3 Trustee 2018 Limited £15,000,000 (2021: £15,000,000) and GKN Automotive Limited £27,978,193 (2021: £12,611,106).

Directors' liabilities

At 31 December 2022, the ultimate parent undertaking had indemnified one or more Directors of the General Partner against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Partnership Act (2008). Such qualifying third-party indemnity provision was in force throughout the year.

Disclosure of Information to the Auditor

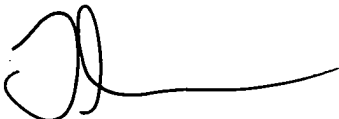
Each Director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and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

Auditor

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

Signed on behalf of the Board of GKN Investments III GP Limited, General Partner on 14 September 2023.



J D Nicholson

Director

Registration number: SC633480

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 year. The General Partner has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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 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.

Independent auditor's report to the partners of GKN Investments III LP

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Investments III LP (the 'qualifying partnership'):

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

We have audited the financial statements of GKN Investments III LP 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 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 financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

- 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the qualifying partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the General Partner with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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 statement, the General Partner is 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 General Partner determines 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 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 partners 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 financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the qualifying partnership's industry and its control environment, and reviewed the qualifying partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the qualifying partnership operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the qualifying partnership's ability to operate or to avoid a material penalty.

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the General Partner's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the General Partner's report have 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 strategic report or the General Partner's report.

GKN Investments III LP

Independent auditor's report to the partners of GKN Investments III LP (continued)

Matters on which we are required to report by exception

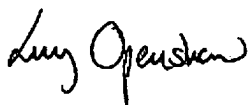
Under the Companies Act 2006 as applied to qualifying partnerships we are required to report in respect of the following matters if, in our opinion:

- 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 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. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership and the qualifying partnership'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
14 September 2023

GKN Investments III LP

Income Statement

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Revenue	2	37,183,280	29,535,875
Operating profit	3	44,745,421	28,789,926
Finance costs		(5,745,004)	(6,561,482)
Net financing costs	4	(5,745,004)	(6,561,482)
Profit before tax		39,000,417	22,228,444
Tax	5	(2,211,736)	(1,318,776)
Profit after tax for the year		36,788,681	20,909,668

The above results have arisen from continuing activities in the year.

GKN Investments III LP

Statement of Income Available for Distribution

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Revenue	2	37,183,280	29,535,875
Net other income/(expense)	6	8,036,649	(575,993)
Net income		45,219,929	28,959,882
Tax	5	(2,211,736)	(1,318,776)
Net income available for distribution	11	43,008,193	27,641,106
Distributable as follows:			
GKN Investments III GP Limited		30,000	30,000
GKN 3 Trustee 2018 Limited		15,000,000	15,000,000
GKN Automotive Limited		27,978,193	12,611,106
		43,008,193	27,641,106

GKN Investments III LP (Registration No. SL033839)

Balance Sheet

At 31 December 2022

	Notes	2022 £	2021 £
Assets			
Non-current assets			
Intangible assets	7	234,575,000	234,575,000
Investment property	8	10,120,259	17,418,801
Total non-current assets		244,695,259	251,993,801
Current assets			
Trade and other receivables	9	58,090,260	30,699,786
Total assets		302,785,519	282,693,587
Liabilities			
Current liabilities			
Trade and other payables	10	(15,266,773)	(15,432,018)
Current tax liabilities		(2,211,334)	(1,686,599)
Total current liabilities		(17,478,107)	(17,118,617)
Non-current liabilities			
Trade and other payables	10	(82,891,890)	(91,843,886)
Total liabilities		(100,369,997)	(108,962,503)
Net assets		202,415,522	173,731,084
Shareholders' equity			
Capital accounts		139,302,020	139,302,020
Retained earnings	12	63,113,502	34,429,064
Total equity		202,415,522	173,731,084

The financial statements were approved by the Board of GKN Investments III GP Limited, General Partner, and authorised for issue on 14 September 2023. They were signed on its behalf by:



J D Nicholson
Director
Registration number: SC633480

GKN Investments III LP

Statement of Partners' accounts

For the year ended 31 December 2022

	General Partner	Limited Partners	
	GKN Investments III GP Ltd	GKN 3 Trustee 2018 Limited	GKN Automotive Limited
	£	£	£
Capital Accounts			
At 1 January 2022 and 31 December 2022	10	10	139,302,000
Current Accounts			
At 1 January 2022	30,000	15,000,000	13,496,578
Amounts paid	(30,000)	(15,000,000)	(8,074,243)
Partners' allocation	30,000	15,000,000	27,978,193
At 31 December 2022	30,000	15,000,000	33,400,528

Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £	2021 £
Net cash from operating activities	13	23,628,978	40,280,407
Taxation paid		(524,735)	(706,396)
Net cash used in financing activities			
Distributions paid to Partners		(23,104,243)	(39,574,011)
Movement in net cash		-	-

Reconciliation of Movement in Net Cash

For the year ended 31 December 2022

	2022 £	2021 £
At 1 January	-	-
Movement in net cash	-	-
At 31 December	-	-

Notes to the Financial Statements

For the year ended 31 December 2022

1 Accounting policies and presentation

GKN Investments III LP ("the Partnership") is a limited qualifying partnership, domiciled in the UK, and registered in Scotland, with the registration number SL033839. Its registered office is Brodies LLP, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP.

The Partnership's significant accounting policies are summarised below. They have been applied consistently throughout the year 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 Companies Act 2006. The agreement requires the General Partner to prepare financial statements for the Limited Partners.

At 31 December 2022, the partnership was controlled by and its results were consolidated by Melrose Industries PLC. On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group PLC, which is the new ultimate parent of the Partnership.

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);
 - 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.

At 31 December 2022, the Partnership was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group PLC, which is the new ultimate parent of the Partnership. In assessing going concern, the Partnership has taken into account a multi-currency committed revolving credit facility of £1.8 billion, when applying the exchange rates at 31 December 2022, within the Dowlais Group.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

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 year 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.

The Partnership enters into lease agreements as a lessor with respect to its investment properties. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 and, if necessary, changes in useful lives are accounted for prospectively.

The range useful economic lives are:

	Years
Freehold buildings	Up to 50

The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or if events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists an impairment test is performed and, where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 year ended 31 December 2022

1 Accounting policies and presentation (continued)**Intangible assets**

Intangible assets are stated at cost less accumulated impairment losses. Intangible assets comprise the non-exclusive perpetual licence for the use and the right to grant sub licence of the GKN Trademarks. The Trademark Licence intangible asset has an infinite economic life and is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment.

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 and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, the General Partner is 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future years.

The General Partner considers the impairment of intangible assets to be the only key source of estimation uncertainty 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

	2022 £	2021 £
Revenue		
Operating lease rentals – United Kingdom	1,718,000	1,701,394
Royalties – United Kingdom	238,520	651,235
Revenue – United Kingdom	1,956,520	2,352,629
Royalties – Overseas	35,226,760	27,183,246
	37,183,280	29,535,875

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Operating profit

An analysis of operating profit is shown below:

	2022 £	2021 £
Revenue	37,183,280	29,535,875
Operating costs		
Depreciation of investment property (i)	(171,508)	(169,956)
Net other income/(expense) (ii)	7,733,649	(575,993)
Operating profit	44,745,421	28,789,926

- (i) Depreciation of investment property let under leases to Group companies.
- (ii) Analysed further in note 6.
- (iii) The Partnership had no employees during the year (2021: nil).

4 Net financing costs

	2022 £	2021 £
Finance cost and fee expense on amounts owed to Limited Partner GKN 3 Trustee 2018 Limited	(6,048,004)	(6,561,482)
Finance income	303,000	-
Net finance costs	(5,745,004)	(6,561,482)

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 income/(expense)

	2022 £	2021 £
Services provided by the Partnership's auditor:		
Fees payable for the audit	(5,973)	(5,480)
Net exchange differences on foreign currency transactions	827,817	75,988
Other charges including professional fees	(45,680)	-
Trademark maintenance charges	(250,000)	(250,000)
Profit on disposal of investment property	13,390,339	-
Impairment of trade receivables	(6,182,854)	(396,501)
	7,733,649	(575,993)
Finance income	303,000	-
	8,036,649	(575,993)

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

7 Intangible assets

	Trademark Licence £
Cost and net book value	
At 1 January 2022 and 31 December 2022	234,575,000

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 initially recorded at its transferred value which was based on a valuation performed in 2010. No amortisation is charged on the licence. The Trademark Licence intangible asset is subject to annual impairment testing.

Significant estimates – impairment testing

Fair value less costs to sell calculations have been used to determine the recoverable amount of the non-exclusive perpetual licence. When applying the fair value less cost to sell methodology, it has been difficult to assess a cashflow value using observable market inputs (level 1) or inputs based on market evidence (level 2) in the current environment and so unobservable inputs (level 3) have been used. 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, which are discounted to a net present value.

Revenue growth assumptions in the forecast period are based on financial budgets and medium-term forecasts by management, taking into account industry growth rates and management's historical experience in the context of wider industry and economic conditions. Discount rates reflect the current market assessments of the time value of money and the territories in which the businesses operate. In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each business relative to all other sectors and geographies on average. A discount rate of 11.25% was used. Long-term growth rates are based on long-term forecasts for growth in the sectors and geography in which the businesses operate. Long-term growth rates are determined using long-term forecasts that take into account the international presence and the markets in which each business operates. A long-term growth rates of 3.5% was used.

The forecasts show headroom of £151 million above the carrying amount of the Trademark Licence intangible asset. Sensitivity analysis has been carried out and a reasonably possible change in the discount rate, which could be impacted by conflict in Eastern Europe and any potential consequential implications on the automotive industry, from 11.25% to 17.0% would reduce headroom to £nil. The carrying amount is not sensitive to the long-term growth rate.

8 Investment property

	Investment property £
Cost	
At 1 January 2022	20,427,000
Disposal	(7,135,362)
At 31 December 2022	13,291,638
Accumulated depreciation	
At 1 January 2022	(3,008,199)
Charge for the year	(171,508)
Disposal	8,328
At 31 December 2022	(3,171,379)
Net book amount at 31 December 2022	10,120,259
Net book amount at 31 December 2021	17,418,801

Investment property comprises real estate of certain GKN Automotive and Group entities. The investment properties were initially recorded at transferred values, which were based on valuations performed in 2010 involving 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.

During the year, the Hadley Castle investment property in Telford, UK was sold for net proceeds of £20.2 million, resulting in a profit on disposal of £13.4 million.

On 31 March 2035, the date at which the current leases expire, related assets will have a net book value of £8,044,792 (comprising land £3,733,000 and buildings £4,311,792).

GKN Investments III LP

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

9 Trade and other receivables

	2022 £	2021 £
Amounts due from Group subsidiaries	32,534,260	27,613,981
Current account with a Group subsidiary	25,556,000	3,085,805
	58,090,260	30,699,786
Provisions for doubtful debts against trade receivables		
At 1 January	(607,993)	(211,492)
Charge for the year	(6,182,854)	(396,501)
At 31 December	(6,790,847)	(607,993)

The amounts due from Group subsidiaries represent trademark sub-licence royalty invoices outstanding, which are unsecured and non-interest bearing.

10 Trade and other payables

	2022		2021	
	Current £	Non-current £	Current £	Non-current £
Amounts owed to Group subsidiaries	(15,000,000)	(82,891,890)	(15,000,000)	(91,843,886)
Amounts owed to Group subsidiaries for trademark maintenance	(250,000)	-	(250,000)	-
Indirect taxes, audit fees and other payables	(16,773)	-	(182,018)	-
	(15,266,773)	(82,891,890)	(15,432,018)	(91,843,886)

The amounts owed to Group subsidiaries represents the cash expected to be payable over the period to 30 June 2031 to the Pension Trustee limited partner, discounted at an effective interest rate of 6.08%.

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

	2022 £	2021 £
Net income available for distribution	43,008,193	27,641,106
Finance cost on amounts owed to Pension Trustee limited partner	(6,048,004)	(6,561,482)
Depreciation	(171,508)	(169,956)
Profit for the year	36,788,681	20,909,668

12 Retained earnings

	2022 £	2021 £
At 1 January	34,429,064	38,093,407
Profit for the year	36,788,681	20,909,668
Distribution paid from retained earnings	(8,104,243)	(24,574,011)
At 31 December	63,113,502	34,429,064

13 Net cash from operating activities

	2022 £	2021 £
Operating profit	44,745,421	28,789,926
Depreciation charge	171,508	169,956
Change in trade and other receivables	(21,122,706)	11,142,772
Change in trade and other payables	(165,245)	177,753
Net cash from operating activities	23,628,978	40,280,407

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 year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

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, indirect subsidiary of Melrose Industries PLC and GKN 3 Trustee 2018 Limited, a wholly-owned indirect subsidiary of Melrose Industries PLC. Melrose Industries PLC is the ultimate controlling party.

At 31 December 2022, the Partnership and its General Partner is GKN Investments III GP Limited were wholly-owned indirect subsidiaries of Melrose Industries PLC. On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group PLC, which is the new ultimate parent of the Partnership and its General Partner.

At 31 December 2022, 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.