

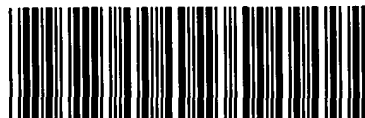
Registration number: SC633479

GKN Investments II 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 31 May 2023)
	<i>W Fernandez</i> (appointed 31 May 2023)
	G E Barnes
	G D Morgan
	M J Richards
Company secretary	J C F Crawford (resigned 31 May 2023)
Registered office	Brodies LLP
	58 Morrison Street
	Edinburgh
	EH3 8BP
Auditor	Deloitte LLP
	1 New Street Square
	London
	United Kingdom

GKN Investments II 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 II 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 Aerospace Pension Schemes. 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 II 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 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.

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 it expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Company is an indirect subsidiary of Melrose Industries PLC, a global manufacturing and engineering group (the "Melrose Group"). The Melrose Group refinanced its borrowing facilities on 20 April 2023 following a demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses which are expected to provide sufficient liquidity over the going concern period.

The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables and their ability to settle intercompany derivatives obligations.

Approved by the Board on 18 July 2023 and signed on its behalf by:



G E Barnes
Director
GKN Investments II GP Limited
Registration number: SC633479

GKN Investments II 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

G E Barnes

G D Morgan

M J Richards

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 18 July 2023 and signed on its behalf by:



G E Barnes

Director

GKN Investments II GP Limited

Registration number: SC633479

GKN Investments II 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 II GP Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GKN Investments II 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 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.

GKN Investments II 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.

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 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 II GP Limited

Independent Auditor's Report to the members of GKN Investments II 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

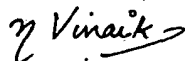
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Nipun Vinaik (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 July 2023

GKN Investments II GP Limited

Income Statement

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Operating result		-	-
Income from investment in Limited Partnership	8	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 II 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 18 July 2023. They were signed on its behalf by:



G E Barnes
Director
GKN Investments II GP Limited
Registration number: SC633479

GKN Investments II 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 II 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 SC633479. 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 it expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements. The Company is an indirect subsidiary of Melrose Industries PLC, a global manufacturing and engineering group (the "Melrose Group"). The Melrose Group refinanced its borrowing facilities on 20 April 2023 following a demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses which are expected to provide sufficient liquidity over the going concern period.

The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables and their ability to settle intercompany derivatives obligations.

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 II 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 II 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 II 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 II LP	Leasing and licensing assets	Scotland

9 Trade and other receivables

	2022	2021
	£	£
Current account with another Group undertaking	<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	2022	2021	2021
	Number	£	Number	£
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 Aerospace Services 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.