GKN Aerospace Services Limited

Annual report and financial statements
Registered number 00355922
31 December 2023

Contents

Strategic Report

1. Business Review

GKN Aerospace is a leading global tier one supplier of airframe and engine structures, landing gear, electrical interconnection systems, transparencies, and aftermarket services. It supplies products and services to a wide range of commercial and military aircraft and engine prime contractors, and other tier one suppliers. With 32 manufacturing locations in 12 countries, GKN Aerospace serves over 90% of the world's aircraft and engine manufacturers, specialising in the development and delivery of cutting-edge aerostructures and engine systems. GKN Aerospace is structured according to its core customer markets – Structures (civil and defence airframe) and Engines.

The Company's operations are managed as part of the global operations of GKN Aerospace, with 3,626 employees at 31 December 2023 operating from sites in Bristol, Isle of Wight, Luton, Portsmouth, Solihull and London. The principal activities of the Company are the UK civil and defence Structures manufacturing operations and certain technology and head office functions of GKN Aerospace. Please refer to www.gknaerospace.com for more details about GKN Aerospace.

Business performance
Our end markets continue to recover strongly and look set for sustained structural growth in the years ahead. The demand is compounded by the fact that over the last four years there was a significant reduction in aerospace deliveries due to COVID-19 and the well-publicised issues with the Boeing 737 MAX. In addition, the industry supply chain is currently pacing deliveries due to capacity and raw material shortages. This dynamic continues to create a mismatch between supply and demand, and backlogs have increased in 2023 in our key markets. Given our embedded position on all major civil and defence aircraft, these large backlogs underpin our expected future business growth.

In 2023, global revenue passenger miles closed to within 1% of pre-COVID-19 levels and many domestic markets were ahead of previous peak levels. With strong order intake and constrained supply, the total civil aircraft order backlog has reached a record of over 14,000 aircraft. Defence demand has also increased significantly due to geo-political tensions. The book-to-bill ratio for leading global defence businesses is expected to remain above 1x in the near-term.

The Company's sales of £718 million were £116 million, 19% higher than 2022. Higher demand from Airbus, particularly the A320 was a main driver for the growth, with Airbus wide-bodied and business jets also showing good growth. Operating profit of £16 million compared to £24 million in 2022 and reflected the benefits of increased sales and favourable foreign exchange impacts but was partially offset by greater investment in research and development and higher corporate costs.

The Net finance income of £58 million includes a £45 million fair value re-measurement gain of forward foreign currency derivative contracts due to the weakening of the US Dollar and a £15 million improvement in current account interest received due to refinancing of overdrawn balances and increases in the base rate of interest earned.

Distributions from GKN Investments II LP of £87 million, compare to £19 million in 2022. The increase primarily represents the one-off profit on disposal of sub-licence rights, arising from the demerger of Dowlais Group plc from the Melrose Group. Profit before tax of £161 million compares to a loss before tax of £11 million in 2022.

During the year ended 31 December 2023, the Company commenced a process to buy-out the GKN UK Group Pension Scheme Number 4. The first stage of the process, purchasing a buy-in policy for £45 million which fully secures all members' benefits, was completed in the year, resulting in assets and liabilities of £438 million being recorded equally at 31 December 2023. The buy-out process is expected to complete in 2025, when assets and liabilities will leave the Company and cease being shown in the Balance Sheet. GKN UK Group Pension Scheme Number 1 had an accounting deficit of £60 million at the year end.

Strategic Report *(continued)*

1. Business Review *(continued)*

Outlook
The Company has an embedded position as a Super Tier One partner to the world's leading aircraft OEMs, coupled with unrivalled technical expertise. The Company is therefore well placed to benefit from civil ramp-up, defence spending and new platforms, and the shift to sustainable aviation over time. Our design to build business model and increasingly focused portfolio is set to deliver. For 2024 we expect to make sales progress reflecting market growth. However, reported sales is likely to be flattened compared to 2023 due to short-term destocking at some customers.

2. Principal Risks and Uncertainties

The Company is a wholly owned indirect subsidiary of Melrose Industries plc. The annual report for Melrose Industries plc is available from www.melroseplc.net and the results of this Company under IFRS are consolidated into those financial statements. The risks and uncertainties of Melrose Industries plc, which include those of the Company, are discussed on pages 31 to 36 of the Melrose Industries plc Annual Report 2023. Of these principal risks and uncertainties the below are particularly relevant to the Company:

Operations
The Company is part of complex global supply chains and major disruption within the Company's operations may adversely affect the financial performance of the Company. In particular, such disruption may result in the Company failing to meet customer commitments, which could result in contractual penalties, as well as reducing the likelihood of the Company winning future orders from such customers. Moreover, the Company is dependent on the prompt delivery of materials and components by suppliers and subcontractors. These third parties may be impacted by their own economic and geographic environments (such as pricing pressures and availability issues), which could impact on the Company's ability to manufacture and supply products, or to deliver them in a timely manner.

Operations risk mitigation
- The Company invests in equipment and capacity within its facilities, as well as identifying dual source suppliers and alternative materials where available.
- Supply reviews are undertaken in order to assess the Company's supplier order book and to confirm commitments over specified timeframes.
- Contingency plans have been developed with respect to potential shortages of key materials or production inputs which may arise as a result of geopolitical events.
- The senior management team has actively engaged with and supported the divisional teams in identifying embedded contractual and business conduct risks relating to key supply chain and production programme partners. Those teams have continued to implement and direct a series of operational change management programmes to mitigate the risks that they have identified.
- Operational management teams are properly incentivised to align with Melrose strategy.

Commercial
The Company operates in competitive markets throughout the world. Widespread disruption that may be caused by geopolitical events could heighten the Company's exposure to end-market commercial risk. Product quality also drives certain commercial risks. For example, the supply of non-conforming or defective products by the Company could lead to product recalls, severe financial penalties and reputational damage to the Company. Other common commercial risk areas that may have an adverse impact on the Company include those related to customer concentration and uncertainties related to future customer demand, onerous customer and supplier contracts, the impact of increased competitive pressures on the maintenance/improvement of market share, technological innovation and market disruption, and the performance and management of programme partners ("Common Commercial Risks").

Strategic Report *(continued)*

2. Principal Risks and Uncertainties *(continued)*

Commercial Risk Mitigation

• The senior management team keeps track of the Company's Common Commercial Risks through a number of mediums including by conducting reviews of the Company's risk register and externally facilitated risk reporting dashboard. The dashboard aggregates and highlights the Common Commercial Risks and relevant trends across the Company.

• The Company actively invests in research and development activities to augment its platforms for future product expansion, quality improvements, customer alignment and achieving further production efficiencies.

• Regular reviews of the Company's loss-making contracts take place in order to identify ways, such as through contract renegotiations, to improve the Company's profitability.

• The Company operates robust quality assurance and management procedures.

• To combat against the fluctuations in commodity pricing experienced during the year as well as the high inflation levels, the Company has reviewed and where relevant renegotiated the terms of customer and supplier contracts.

Economic and Political

Geopolitical events may lead to an adverse impact on the Company's operations, particularly those that involve major trading partners or blocs. For example, they may result in explicit trade protectionism, the potential for conflict or broader political issues, as well as the introduction of new tariffs and/or taxes which could adversely affect the financial performance of the Company or the delivery of its global strategy. Moreover, global economic and political events may cause sudden and unanticipated disruption to the Company's operations. Fluctuation in commodity prices and high inflation may materially and adversely affect the Company's operational performance and financial condition. Further, these factors may materially affect customers, suppliers and other parties with which the Company does business. High inflation levels may result in increased Company costs both in terms of the operation of plants and the manufacturing of products, which in turn may be passed on to customers. More generally, adverse economic and financial market conditions may cause customers to terminate existing orders, to reduce their purchases from the Company, or to be unable to meet their obligations to pay outstanding debts to the Company. These market conditions may also cause suppliers to be unable to meet their commitments to the Company or to change the credit terms they extend to the Company.

Economic and Political Risk Mitigation

• The Company has a commercial split across both the civil and defence markets which helps to mitigate against geopolitical shocks. Order books, cash performance, cost control and other leading indicators are regularly monitored to ensure that the Company and both of its divisions can respond quickly to adverse trading conditions. This includes the identification of cost reduction and efficiency measures.

• Bank financing is readily available to the Company from Melrose Industries plc and their supportive banking syndicate. This support has proven to be available to the Company even during periods of unprecedented turmoil, including during the global pandemic.

• The Company fosters strong customer relationships which are often long-term partnerships, built on technical excellence and quality, and often with plants in close proximity to customers where feasible and commercially necessary.

Health and Safety

The Company employs over 3,600 people with many operations often involving risks related, but not limited, to heavy duty machinery, chemical use, movement of parts such as lifting or transportation, as well as energy, such as electricity and pressurised systems. A serious accident in the workplace could have a major impact on employees as well as their families, colleagues and communities. Such an incident could also result in legal claims, reputational damage and financial loss.

Strategic Report *(continued)*

2 Principal Risks and Uncertainties *(continued)*

Health and Safety Risk Mitigation
The Company has a dedicated health and safety team which has rolled out a comprehensive health and safety programme across all sites, led by business-wide training on risk management for all operational leaders and an awareness campaign around GKN Aerospace's Golden Safety Rules. All sites are required to self-certify compliance with the Golden Safety Rules which is validated through internal independent sampling checks throughout the year.
• Investments have been made into the provision of appropriate safety equipment and employees are provided with the knowledge and skills necessary to perform their roles safely. All employees are required under the Golden Safety Rules to use the equipment provided and adhere to any safety training and instruction given.
• As at 31 December 2023, five sites within the Company were certified to the ISO 45001 international standard, with additional relevant sites progressing towards accreditation. Third-party auditing on a three-year certification cycle is required to maintain ISO accreditation, with HSE internal annual surveillance audits taking place in between on a rotation or risk basis to ensure minimum standards are being maintained.
• Through the Leadership Safety Tour Programme, senior management take an active role in physically attending sites and validating the effectiveness of HSE controls by site leadership, and ensuring compliance and continuous improvement. In 2023, particular focus has been placed on strengthening the risk assessments and risk controls of the Golden Safety Rules by conducting on-site Task Specific Risk Assessment Workshops through which over 90% of GKN Aerospace's operational leaders have been trained.
• The Board of Melrose Industries plc, of which the Company is a subsidiary, is provided with visibility and oversight on health and safety risks through the form of quarterly reports, which collates information for all sites based on three key performance indicators – Major Accident Frequency, Lost Time Accident Frequency ("LTA"), and Accident Severity.

Legal and Regulatory
There is a risk that the Company may not always be in complete compliance with laws, regulations or permits. The Company could be held responsible for liabilities and consequences arising from: (i) restrictions arising from economic sanctions, export controls and customs, which can result in fines, criminal penalties, adverse publicity, payment of back duties and suspension or revocation of the Company's import or export privileges; (ii) product liability claims, which can result in significant total liability or remedial costs, particularly for products supplied to large volume global production programmes spanning multiple years, and (iii) employee matters including liability for employee accidents in the workplace or consequences of environmental liabilities.

The Company operates in a highly regulated environment across multiple jurisdictions. The Company's operations are subject to anti-bribery and corruption, anti-money laundering, competition, anti-trust and trade compliance laws and regulations. Failure to comply with certain regulations may result in significant financial penalties, debarment from government contracts and/or reputational damage, and may impact our business strategy.

Legal and Regulatory Risk Mitigation
• Regular monitoring of legal and regulatory matters takes place at both a Melrose Industries plc and divisional level. Consultation with external advisors is also undertaken where necessary.
• Company-wide standard and enhanced application to trade authorisation procedures are in place and regularly reviewed against the ever-changing global trade compliance landscape, supported by access to external trade compliance legal and regulatory specialists and electronic counterparty screening systems.
• A robust control framework is in place, underpinned by comprehensive corporate governance and compliance policies and procedures at both Company and divisional level, including utilisation of third-party verification providers, training of applicable employees on policies and procedures, and regular reviews of the Company policies in light of legal and regulatory changes, as well as best practice.
• Melrose Industries plc operates a Group-wide whistleblowing platform whereby all employees have access to a multi-lingual online portal, together with local hotline numbers that are available 24/7, in order to allow employees to raise concerns on possible wrongdoing in any aspect of the business.

Strategic Report *(continued)*

2 Principal Risks and Uncertainties *(continued)*

Climate Change
Increased frequency in extreme weather and climate-related natural disasters can lead to physical damage at the Company's sites in addition to disruptions in our business lines' supply chain. Additionally, new legislation and regulations may require additional investment, restrict commercial flexibility and business strategies, or introduce additional liabilities for the Company or the Directors. Changing demand patterns influenced by climate change concerns create risks for the sustainability of the Company's products and solutions. During the year, as part of the Company's new assessment of climate change risks, specific and potentially material transition risks were identified. These risks are related to exposure to carbon pricing mechanisms, raw material availability, replacement of carbon intensive machinery and successful entry of new technologies to the market. The physical risk assessment sought to identify current and potential future physical climate risks facing the Company's global facilities and key suppliers, with consideration of revenue and property value of each facility, to determine the materiality of identified risks, most material of which were found to be related to flooding and storm events, and some potential disruptions to key suppliers caused by extreme weather events.

Climate Change Risk Mitigation
• We seek to integrate climate considerations, such as energy and climate management efforts in countries where we operate and sell our products, expectations of our value chains, and the various commitments to achieve the goals of the Paris Agreement, into strategic decisions and operational management.
• To understand better and plan for the effects of climate change within the Company, a framework has been developed for identifying, understanding, quantifying, where possible, and, ultimately, managing climate-related challenges and opportunities. This framework covers government and international policy, emissions regulations, energy costs, physical impacts, access to capital, risks relating to permits, product demand and litigation risks.
• During the year, a new sustainability and climate change governance framework was developed by the GKN Aerospace sustainability function, overseen by the Group Chief Technology Officer. This sets out the responsibilities for delivering the Company's climate strategy and addresses progress against the Company's climate commitments.
• Scope 1, 2 and 3 emissions are monitored and reported on. This data is used to manage operational and supply chain emissions, as well as track the Company's emissions, energy, and other climate-related sustainability targets. Performance is reported annually within Melrose's Annual and Sustainability Reports, Task Force on Climate-related Financial Disclosures ("TCFD") report, and through the CDP Climate Change disclosures.
• During the year Melrose Industries plc developed a new Transition Plan in order to help the Company deliver its ambition of Net Zero by 2050. The Transition Plan was prepared in line with the TCFD recommendations and the new UK Transition Plan Taskforce's guidance. It is available on Melrose's website at www.melroseplc.net/sustainability.
• As part of the assessment of climate transition risks, mitigation and adaptation opportunities have been identified related to the development of new technologies such as hydrogen, battery electric and sustainable aviation fuels as well as improving inflight efficiencies by lightweighting components and energy efficiency of engines to ensure continued motivation to be the most sustainable partner in the sky.

Information Security and Cyber Threats
Information security and cyber threats to our systems are an increasing priority across all industries and remain a key UK, US and European agenda item across governments. The Company's potential exposure to information security and cyber risks remains at a high status due to its operations within the aerospace industry, together with the scale and public facing nature of the Company. There is an inherent security threat within the Company where data is held in relation to civil aerospace technology and controlled military contracts in airframe and engines. The risks associated with information security and cyber threats are far reaching and include business disruption resulting from attacks to the Company's information technology and operational technology infrastructure and systems, unlawful attempts to obtain access to proprietary or classified information held by the Company, and the potential for business disruption and compromise of information as a result of such attacks and unlawful access attempts within the Company's wider supply chain.

Strategic Report *(continued)*

2 Principal Risks and Uncertainties *(continued)*

Information Security and Cyber Threats Risk Mitigation
• Management works closely with the Company's external security consultants, Ernst & Young, to assess the Company's increased exposure to cyber security risk and to ensure appropriate mitigation measures are in place for the Company.
• During the year, management continued to monitor and enhance its information security strategy and risk-based governance framework within the Company. The framework follows both the UK Government's National Cyber Security Centre recommended steps on cyber security and overseas frameworks as appropriate. This strategic management approach has delivered risk profiling capabilities for aerospace and defence, and the enablement of mitigation plans to be developed to reduce the Company's exposure to cyber risk.
• The progress of the Company is measured against its information security strategy and is monitored on a quarterly basis. These results are externally verified on a quarterly basis by Ernst & Young, who also continue to conduct cyber assurance site reviews covering key locations across the Company.
• Education and awareness initiatives are considered vital to the management of information security and cyber threat risks. A number of initiatives are undertaken throughout the year, including phishing exercises, to help drive better awareness and engagement with such risks.

3. Section 172(1) Statement

This is an overview of how the Directors performed their duty to promote the success of the Company under section 172 of the Companies Act 2006.

The principal activities and background of the Company are outlined in the Business Review.

The Directors must act in accordance with a set of general duties detailed in section 172 of the Companies Act 2006. These general duties include a duty to promote the success of the Company, and specifically to act in a way that the Director considers, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, having regard (amongst other matters) to the:

• likely consequences of any decisions in the long-term;
• interests of the Company's employees;
• need to foster the Company's business relationships with customers, suppliers and others;
• impact of the Company's operations on the community and environment;
• desirability of the Company maintaining a reputation for high standards of business conduct; and
• need to act fairly as between shareholders of the Company.

This statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which require the Company to describe how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006 during the financial year under review. It is noted that the Directors have always acted in accordance with such duties in their decision making and they will continue to do so. In light of the additional disclosure requirements, we have set out below further detail on how the Directors have fulfilled their duties during the course of 2023.

(a) The likely consequences of any decision in the long-term

The Company operates within the wider management structure of GKN Aerospace and its ultimate parent company Melrose Industries plc ("Melrose"). The GKN Aerospace Executive Committee is responsible for the strategic management and oversight of the GKN Aerospace business as a whole and for the taking of decisions which are material to the GKN Aerospace business, including the Company, in the short, medium and long-term.

During 2023, the GKN Aerospace Executive Committee and the Company's directors continually reviewed the performance of GKN Aerospace (and within it the Company) against its competitors and the aerospace market generally and continually assessed the likely future development of the aerospace market.

Strategic Report *(continued)*

3. Section 172(1) Statement *(continued)*

The Directors' primary focus is on the creation of long-term value for its ultimate shareholder, Melrose, while having regard to the interests of employees, customers, suppliers and other stakeholders. Melrose is a world-leading multi-technology aerospace business, serving both civil and defence platforms across the global aerospace industry. Its stated strategy is to 'Design, Deliver and Improve', while its culture is underpinned by the principles and values of integrity, honesty, transparency and decisiveness. This strategy and culture is central to all the Directors' decision making. For example, all major business decisions are made on the basis of approved business plans, which set out the anticipated financial consequences and benefits of the decision in the long-term.

(b) The interests of the Company's employees and how the Company's actions taken during 2023 encourage employee engagement

The Company employed 3,626 people at 31 December 2023 operating from sites in Bristol, Isle of Wight, Luton, Portsmouth, Solihull and London. In March 2024 the Portsmouth site was sold and the Solihull office was closed. GKN Aerospace places the interests of its employees at the heart of its decision making. Reflecting this, the Company continually engages with its employees in order to ensure that their voice is heard. The Company recognises the trade union Unite, with whom it has collective bargaining agreements by establishment/location. Approximately 60% of the Company's employees are members of and are represented by Unite.

Business updates are provided to the Company's elected union representatives twice a year through our UK Information & Consultation Forum, including monthly financial performance, capital investment decisions, new business wins and any key decisions affecting employees. In addition, a number of presentations are delivered to employees throughout the year through local "All Hands" meetings to give all employees updates of key business decisions as well as an overview of operational performance.

GKN Aerospace measures employee engagement through an annual employee engagement survey, the results of which are shared with its Executive Committee and the Company's directors, and are used to inform decision making. The Company's target is to increase employee engagement year-on-year. GKN Aerospace conducts the annual survey to gauge the employee engagement levels within a team, a site, a business line and globally. Employee opinions, on their teams and place of work, will be used locally and globally to help determine any positive or negative themes/common trends and indicate to local and global management where engagement efforts need to focus. These efforts can then take the shape of a number of initiatives/activities to support individual managers or sites in their pursuit of a Great Place to Work for all. The Company's ambition is to become a recognised Gallup World Class Employer by 2025. GKN Aerospace will also run a pulse survey to test employee engagement during the year.

The GKN Aerospace CEO and Executive team host monthly calls with the GKN Aerospace Executive population to update them on the Company's strategic direction and leadership focus. There is an opportunity for questions to be raised and responded to by the Executive team.

GKN Aerospace has HR representatives at each location who are responsible for managing interactions between the employees and management of the business. Whilst the Company does not operate a share incentive scheme, employees are encouraged to be involved in business performance through other reward and incentive initiatives that are managed by the HR function on a local basis. Many employees participate in local bonus schemes, with the payment and level of any bonus linked to profit and cash performance as well as individual objectives and operational performance metrics. The HR function are also managing a talent review process to ensure that GKN Aerospace can support all of its employees to grow, develop and bring their best to the business.

Strategic Report *(continued)*

3. Section 172(1) Statement *(continued)*

(c) The need to foster the Company's business relationships with customers, suppliers and others

Customers
It is critical to the future success of GKN Aerospace that it builds and maintains deep, long-lasting and committed relationships with its customers. GKN Aerospace and the Company work closely with customers across the aerospace sector in order to form strong relationships that encourage a culture of collaboration in order to drive future opportunity and growth in the aerospace market.

One of GKN Aerospace's priorities is operational excellence which places an emphasis on GKN Aerospace's ability to deliver quality products and services to its customers to meet their needs. GKN Aerospace and the Company monitors the "voice of the customer" and maintains key performance indicators that support this and ensure strong quality, cost and delivery performance.

GKN Aerospace has developed a Commercial Excellence model that encourages the development of close relationships with its customers to gain deeper insight into customer and market outlook and to drive an alignment between customer needs and GKN Aerospace's strategy for the future. GKN Aerospace has a single customer-facing team for each major customer. These teams manage programmes and act a single point-of-contact for the customer, no matter the product or system GKN Aerospace supplies, and where it is supplied from. All material decisions taken by GKN Aerospace and by the Company, involve consideration of their impact on relationships with our customers.

Suppliers
GKN Aerospace has a range of suppliers. Maintaining strong relationships with our suppliers is vital to the future success of GKN Aerospace. We build our relationships with our suppliers on the basis of:

- open dialogue and transparent decision-making;
- setting clear expectations of our suppliers;
- continuous supplier relationship management, through our dedicated Commodity Purchasing Managers;
- regular information exchange through our SOP processes;
- supplier quality reviews and audits; and
- senior management business reviews which enable suppliers to have a greater understanding of GKN

Aerospace's future needs and strategy, whilst allowing suppliers to have the confidence to develop new innovations in conjunction with GKN Aerospace.

The Supplier Code of Conduct (the "Supplier Code") sets out the fundamental principles which GKN Aerospace and as such the Company expects of its suppliers. A copy of the Supplier Code can be found on our corporate website (https://www.gknaerospace.com/media/21zaxxmt/gkn-aerospace-supplier-code-of-conduct.pdf).

Other Stakeholders
In addition to the stakeholders considered elsewhere in this statement, the Directors also have regard to the impact of their decisions on other stakeholders including government and regulators, third parties with whom the Company deals and potential future employees and students. The relationship with all major stakeholders is considered as part of each potential decision.

Strategic Report *(continued)*

3. Section 172(1) Statement *(continued)*

(d) The impact of the Company's operations on the community and the environment

In 2023 GKN Aerospace reset the foundations of our sustainability strategy as a pureplay aerospace business in line with GKN Aerospace's mission to be the most trusted and sustainable partner in the sky. We have refreshed our sustainability governance framework enabling the delivery of our new sustainability targets and commitments through an integrated Melrose and GKN Aerospace sustainability function. This cross-functional and multi-disciplinary team is responsible for executing the the overall sustainability strategy. Sustainability is a key focus of the Company's management and remains a key Melrose board meeting agenda item.

The Company conducted its first double materiality assessment to identify the topics that are most relevant for our new aerospace focused business and aligned stakeholders. Perspectives were gained through a series of consultations and interviews with internal experts who were able to represent the views and concerns of key stakeholder groups including members of the executive management team, employees, customers, suppliers and shareholders.

The Company formalised its strategy to enable transition to a net zero economy. The Net Zero Transition Plan was updated to provide clarity to our stakeholders around the actions the Company intends to take to achieve our short- and medium-term emissions reduction targets to reach net zero greenhouse gas emissions across the value chain by 2050, and how we plan to contribute to reducing the climate impact of aerospace. This has included the submission of emissions reduction targets through the SBTi for validation, and progress against these targets will be reported annually.

The Company continued to engage with key ESG benchmarking agencies to improve data quality and comprehensiveness of their coverage of our sustainability performance, and to identify and resolve inconsistencies. A key action has been working with the benchmarking agencies to realign the business to be assessed against the aerospace sector.

The Company submitted its response to the CDP Climate Change and Water Security questionnaires, achieving B (2022: C) and C (2022: C) respectively, which the Company views as encouraging progress.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

GKN Aerospace has a code of conduct known as the GKN Aerospace Code of Ethics. The Code of Ethics is a key part of the GKN Aerospace ethics and compliance program, and forms a central component of the Company's culture. Additionally, the Code of Ethics sets out the standards of conduct expected of the Company and its employees. Together with GKN Aerospace's Culture Principles, we summarise this in our way of working, "A Great Place to Work", which involves everyone in the Company having a personal responsibility to treat people with care, respect and dignity. This also includes the responsibility to speak up via the various Company speak up channels, which are available to employees in instances where they believe conduct is wrong and/or falls short of the standards which the Company expects.

We also cascade our ethical standards to our suppliers through our Supplier Code of Conduct, which sets out the minimum ethical standards we expect from our suppliers. The Supplier Code of Conduct forms part of our terms and conditions with our suppliers, and requires them to maintain high ethical standards including, amongst other things refraining from engaging in any bribery and corruption (including the facilitation of tax evasion), a prohibition in engaging in forced, child or bonded labour; and complying with health and safety laws. Our suppliers are required to meet the laws regulations of the countries in which they operate and are encouraged to report instances of conduct they believe is wrong and/or falls short of the standards which the Company expects through the reporting hotline we provide.

The Company ensures that the GKN Aerospace requirements are met by way of on-going Company communications including training, governance processes and specialist review, advice and assurance provided by the teams which form the three lines of defence to risk management model implemented by the Company.

Strategic Report *(continued)*

3. Section 172(1) Statement *(continued)*

(f) The need to act fairly as between members of the Company

The Company has only one member, Westland Group plc, which is 100% indirectly owned by Melrose Industries plc. During the year there was therefore no actual or potential conflict between the interests of any members of the Company.

4. Key Performance Indicators

The Company's operations comprise the UK operations of GKN Aerospace. GKN Aerospace also has significant operations in the USA, Scandinavia, Netherlands and Asia. The Company's operations are managed and reported separately within the Structures segment of Melrose Industries plc. The financial results of the Company's operations are reported to the business lines, GKN Aerospace and Melrose Industries plc under IFRS.

For these reasons, the Directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key financial performance indicators of Melrose Industries plc, which includes this Company, are discussed on page 18 of Melrose Industries plc Annual Report 2023, which does not form part of this report.

The sustainability and environmental performance of Melrose Industries plc, which includes this Company, is discussed on pages 43 to 93 of the Melrose Industries plc Annual Report 2023. The health and safety performance of Melrose Industries plc, which includes this Company, is discussed on page 88 of Melrose Industries plc Annual Report 2023.

5. 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.

Long-term intercompany arrangements exists with GKN Enterprise Limited (an intermediary company within the group) to sweep any excess cash from GKN Aerospace Services Limited to GKN Enterprise Limited. Under this arrangement the Company is able to draw amounts in excess of the current receivable balance from GKN Enterprise Limited to fund working capital needs and other expenditure, which is then offset against this current receivable balance from GKN Enterprise Limited. This availability of cash has been factored into the going concern assessment.

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

Approved by the Board on 25 July 2024 and signed on its behalf by:

R Gough
Director
6 August 2024

Directors' Report

1. Financial results and future developments

The profit and loss account of the Company shows a profit after tax for the financial year of £151 million (2022: £1 million). Refer to the Strategic Report Outlook for future developments within the industry and GKN Aerospace.

2. Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of credit risk. As a subsidiary of Melrose Industries plc the Company's funding is provided by GKN Enterprise Ltd via current accounts. The policies in relation to external risks, including interest rate risk, price risk, credit risk, cash flow risk, foreign exchange risk and liquidity risk, all of which are managed centrally by the Melrose Industries plc treasury function, are set out in the annual report of Melrose Industries plc. The Company uses derivative financial instruments (forward foreign currency contracts) to manage foreign exchange risks. No other derivatives financial instruments are used by the Company.

The Financial risk management policies of Melrose Industries plc are outlined in the Melrose Industries plc annual report see pages 25 to 26.

3. Dividends

No interim dividend was paid for the years ended 31 December 2023 and 31 December 2022. The Directors have not proposed a final dividend for the year ended 31 December 2023 and no final dividend was paid for the year ended 31 December 2022.

4. Research and Development

The Company undertakes research and development work in support of its principal manufacturing activities. Refer to Note 3 of the Financial Statements. GKN Aerospace has strong technology positions to make aircraft fly further, faster and greener. GKN Aerospace aims to deliver the best technology today and develop the innovative technologies of tomorrow. Please visit www.gknaerospace.com/en/our-technology/ for further details.

5. Directors

The Directors who held office during the year and up to the date of this report are as follows:

Ms S Anderson (appointed 7 March 2024)
Mr G Barnes (resigned 7 March 2024)
Mr J Crawford (resigned 31 May 2023)
Mr W Fernandez (appointed 31 May 2023)
Mr R Gough
Mr M Gregory
Ms M Kismul
Mr G Morgan (resigned 7 March 2024)
Mr M Payne (appointed 7 March 2024)
Mr J Pritchard
Mr M Richards (resigned 7 March 2024)
Ms S Schofield
Ms J Smyth (resigned 26 July 2023)

Directors' Report *(continued)*

6. Directors Indemnities

Pursuant to the Company's Articles of Association, the Company has indemnified the Directors of the Company and persons who were Directors of the Company in respect of costs of defending claims against them and third party liabilities. These provisions, deemed to be qualifying third party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2023 and are in force at the date of this Directors' report. The indemnity provision in the Company's Articles of Association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the Company. A copy of the Company's Articles of Association is available for inspection at the Company's registered office during normal business hours.

7. Employee Consultation and Engagement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of GKN Aerospace as a whole. Communication with employees is promoted through a variety of means including in-house newsletters, briefing meetings and the GKN Aerospace intranet which provides access to GKN Aerospace information, news, policies and procedures. Refer to the Strategic Report, 3. Section 172(1) Statement, paragraph (b) for details of actions taken during 2023 to encourage employee engagement.

8. Disabled Persons

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

9. Engagement with Customers, Suppliers and Others

Refer to the Strategic Report, 3. Section 172(1) Statement, paragraph (c) for details of the Company's business relationships with customers, suppliers and others.

10. Post balance sheet events

On 1 March 2024 the Company completed the disposal of its Fuel Systems Portsmouth business for £41,055,000 before costs and other deductions.

11. Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepared the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Directors' Report *(continued)*

11. Statement of Directors' Responsibilities *(continued)*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have 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 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, 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.

12. Statement of corporate governance arrangements

During the year, GKN Aerospace and the Company complied with the corporate governance principles, policies and procedures of its ultimate shareholder Melrose. Melrose has systems, processes and controls in place in accordance with the guidance contained in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial Business Reporting" and the UK Corporate Governance Code. These systems, processes and controls ensure that the Melrose group is well managed, with appropriate oversight and control. Melrose has an ongoing process for identifying, evaluating, tracking and managing the principal risks faced by the Melrose group, which include the Company. These systems, processes and controls are subject to regular monitoring and review. As such, the Company did not apply any specific corporate governance code during the financial year.

13. Disclosure of Information to Auditor

The auditor's responsibilities in relation to the Financial Statements are set out in their report on pages 14 to 16. In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

14. Auditor

Deloitte LLP served as auditor for the financial year ending 31 December 2023. Following the resignation of Deloitte LLP from the Melrose Industries Group on 2 May 2024, which will be effective for the year ended 31 December 2024 onwards, and in accordance with Section 485 of the Companies Act 2006, a resolution for the appointment of Pricewaterhouse Coopers LLP as auditor of the Company will be presented to the members for approval.

Approved by the Board on 25 July 2024 and signed on its behalf by:

R Gough, Director, 6 August 2024. Company registered number: 00355922

Indcpendent Auditor's Report to the members of GKN Aerospace Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash)

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.

Independent Auditor's Report to the members of GKN Aerospace Services Limited *(continued)*

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.

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, internal audit 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 include UK Companies Act, pensions legislation, 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.

Independent Auditor's Report to the members of GKN Aerospace Services Limited *(continued)*

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry 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.

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, internal audit, in-house and external 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 and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

We have nothing to report in respect of these matters.

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

Bashir Bahaj

Bashir Bahaj FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP, Statutory Auditor, London, United Kingdom,
6 August 2024

Profit and Loss Account and Statement of Other Comprehensive Income
for the year ended 31 December 2023

	Note	**2023**	2022
		£000	£000
Turnover	2	**717,575**	601,418
Operating profit	3	**15,766**	24,356
Net finance income/(expense)	6	**58,171**	(54,300)
Distribution from GKN Investments II LP	19	**86,593**	18,909
Profit/(loss) before taxation		**160,530**	(11,035)
Tax on profit/(loss)	7	**(9,756)**	11,616
Profit for the financial year		**150,774**	581
Other comprehensive income			
Re-measurement of net defined benefit pension asset	19	**(133,802)**	(111,903)
Re-measurement of post-employment medical obligations	20	**(2,759)**	957
Tax on re-measurements	7	**34,140**	27,737
Other comprehensive expense for the year, net of tax		**(102,421)**	(83,209)
Total comprehensive income/(expense) for the year		**48,353**	(82,628)

All results are derived from continuing operations.
The notes on pages 20 to 39 form part of these financial statements.

Balance Sheet
at 31 December 2023

	Note	2023 £000	2022 £000
Fixed assets and other assets due after more than one year			
Investments in subsidiaries	8	**159,719**	159,719
Intangible assets – Goodwill	9	**-**	6,355
Intangible assets – Development and software costs	9	**34,683**	46,661
Tangible fixed assets	10	**100,854**	103,788
Pension assets	19	**-**	12,688
Current accounts with GKN Enterprise Ltd	16	**398,900**	484,753
Debtors due after more than one year	13	**101,274**	79,624
		795,430	893,588
Current assets			
Stocks	11	**94,801**	83,783
Debtors due within one year	12	**198,762**	188,338
Cash at bank and in hand		**8,031**	10,450
		301,594	282,571
Creditors: amounts falling due within one year	14	**(284,718)**	(267,698)
Net current assets		**16,876**	14,873
Total assets less current liabilities		**812,306**	908,461
Creditors: amounts falling due after more than one year	15	**(57,554)**	(258,685)
Provisions for liabilities			
Provisions	18	**(40,760)**	(46,100)
Pension obligations	19	**(59,563)**	-
Post-employment medical obligations	20	**(6,428)**	(4,028)
		(164,305)	(308,813)
Net assets		**648,001**	599,648
Capital and reserves	21		
Called up share capital		**300,203**	300,203
Share premium account		**50,000**	50,000
Other reserve		**15,250**	15,250
Merger reserve		**(10,737)**	(10,737)
Profit and loss account		**293,285**	244,932
Shareholders' funds		**648,001**	599,648

The notes on pages 20 to 39 form part of these financial statements.

These Financial Statements were approved by the Board of Directors on 25 July 2024 and were signed on its behalf by:

RGough

R Gough
Director, 6 August 2024
Company registered number: 00355922

Statement of Changes in Equity
for the year ended 31 December 2023

	Called up Share capital £000	Share Premium account £000	Other reserve £000	Merger reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	300,203	50,000	15,250	(10,737)	327,560	682,276
Total comprehensive income for the year						
Profit and loss	-	-	-	-	581	581
Other comprehensive income						
Re-measurement of net defined benefit pension asset	-	-	-	-	(111,903)	(111,903)
Re-measurement of post-employment medical obligations					957	957
Tax on re-measurements	-	-	-	-	27,737	27,737
Total comprehensive expense for the year	-	-	-	-	(82,628)	(82,628)
Balance at 31 December 2022	**300,203**	**50,000**	**15,250**	**(10,737)**	**244,932**	**599,648**
Total comprehensive income for the year						
Profit and loss	-	-	-	-	150,774	150,774
Other comprehensive income						
Re-measurement of net defined benefit pension asset	-	-	-	-	(133,802)	(133,802)
Re-measurement of post-employment medical obligations					(2,759)	(2,759)
Tax on re-measurements	-	-	-	-	34,140	34,140
Total comprehensive income for the year	-	-	-	-	48,353	48,353
Balance at 31 December 2023	**300,203**	**50,000**	**15,250**	**(10,737)**	**293,285**	**648,001**

Notes
(forming part of the financial statements)

1 Accounting policies

GKN Aerospace Services Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK. The principal activities of the Company are stated in the Strategic Report, Business Review. The Company is registered in England and Wales with the registered number 00355922. The registered office of the Company is 11th Floor The Colmore Building, Colmore Circus Queensway, Birmingham, United Kingdom, B4 6AT.

These financial statements are prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Melrose Industries plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Melrose Industries plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT. The Company has taken advantage of the exemption from the requirement to produce consolidated financial statements in accordance with s400 of the Companies Act 2006. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Melrose Industries plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Critical account judgements and key sources of estimation uncertainty
The Company's significant accounting policies are set out below. The preparation of financial statements, in conformity with FRS 102, 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 consider that there are no key accounting judgements other than those that involve estimation. The Directors consider that the key sources of estimation uncertainty are those in respect of defined benefit pension obligations and provisions, details of the principal estimates, judgements and assumptions made are set out in Notes 19 and 18.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

1.2 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.

Long-term intercompany arrangements exists with GKN Enterprise Limited (an intermediary company within the group) to sweep any excess cash from GKN Aerospace Services Limited to GKN Enterprise Limited. Under this arrangement the Company is able to draw amounts in excess of the current receivable balance from GKN Enterprise Limited to fund working capital needs and other expenditure, which is then offset against this current receivable balance from GKN Enterprise Limited. This availability of cash has been factored into the going concern assessment.

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

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

1.7 Investments in subsidiaries

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

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

• freehold buildings	up to 50 years
• leasehold properties	over lease term or 50 years, whichever is the shorter
Other fixed assets:	
• general plant, machinery, fixtures, fittings and equipment	6 – 15 years
• computers	3 – 5 years
• commercial vehicles and cars	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets – software costs

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation of development costs is charged to the profit or loss on a straight line basis over the product's life up to a maximum of 15 years starting from the date on which serial production commences, or by units of production where this more appropriately reflects the consumption of the asset.

The estimated useful lives of other intangible fixed assets are as follows:

- computer software costs 3 – 5 years
- goodwill 15 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Government grants

Government grants are recognised when the relevant grant criteria have been met and written confirmation has been received from the funding authority. Government grants are credited to the profit and loss account over the expected useful lives of the assets to which they relate or in years in which the related costs are incurred.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

Pensions and post-employment benefits

The Company's pension arrangements comprise various defined benefit and defined contribution schemes. Contributions to externally funded defined benefit schemes are based on the advice of independent actuaries or in accordance with the rules of the schemes.

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.15 Turnover

Turnover is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding sales taxes. The Company has two principal revenue streams:

Sales of product

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

Design and build

On occasions cash is received in advance of work performed to compensate the Company for costs incurred in design and development activities. Where such amounts are received and the risk and rewards of ownership over development assets are not deemed to have been transferred, amounts are deferred on the balance sheet (in 'Payments received on account') and taken to turnover as the Company performs its contractual obligations either on delivery of product or milestones.

Due to the nature of the design and build contracts there can be significant 'learning curves' whilst the Company optimises its production process. During the early phase of these contracts, all costs including any start-up losses are taken directly to the Profit and Loss account.

1.16 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Borrowing costs are expensed in profit or loss in the year in which they are incurred.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

Turnover represents the amounts derived from the provisions of goods which fall within the Company's ordinary activities stated net of VAT. The Company operates in the UK with one principal area of activity, being the supply of aerospace products to original equipment manufacturers.

	2023	2022
	£000	£000
By geographical market		
United Kingdom	**486,682**	425,877
Continental Europe	**53,378**	28,616
Americas	**165,758**	138,943
Rest of the world	**11,757**	7,982
	717,575	601,418

3 Profit/(loss) before interest and tax is after (charging)/crediting

	2023	2022
	£000	£000
Staff costs:		
Wages and salaries	**(177,898)**	(151,040)
Social security costs	**(17,642)**	(16,051)
Other pension costs – defined benefit schemes	**-**	-
Other pension costs – defined contribution schemes	**(15,861)**	(14,735)
Retirement benefits paid by GKN Investment II LP (Note 19)	**15,000**	15,000
Restructuring project costs	**(6,283)**	(4,143)
Depreciation of tangible assets	**(20,539)**	(19,191)
Impairment reversal of tangible assets	**2,190**	-
Amortisation of goodwill	**(6,355)**	(6,356)
Amortisation and impairment reversal of other intangible assets	**(13,540)**	(11,224)
Impairment of other intangible assets	**-**	-
Operating lease charges	**(10,273)**	(9,946)
Services provided by the Company's auditor		
Fees payable for the audit	**(805)**	(795)
Fees payable for other services	**-**	-
Net charge in respect of commercial, programme, warranty and legal arrangements	**(2,949)**	(437)
Net income for loss-making contract provisions	**827**	-
Revaluation gain on retranslation of US dollar denominated monetary items	**(1,269)**	2,515

Research and development expenditure was £32,874,000 (2022: £24,664,000) before customer and government funding of £8,899,000 (2022: £6,377,000).

Notes *(continued)*

4 Average number of employees

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2023	2022
Works	**2,845**	2,755
Administrative staff	**792**	753
	3,637	3,508

5 Directors' remuneration

	2023	2022
	£000	£000
Aggregate remuneration	**1,085**	846
Aggregate Company contributions to pension schemes	**48**	57
Aggregate amounts received under long-term incentive schemes	**3,026**	29
	4,159	932

The Directors' emoluments for the year are disclosed in accordance with the Companies Act 2006. Emoluments are apportioned for the services provided by the Directors to the Company. The emoluments of four Directors are borne by another Group company during 2022 and 2023.

	2023	2022
Exercised share options	-	-
Accruing benefits under defined benefit pension schemes in respect of qualifying services	-	-
Accruing benefits under money purchase pension schemes in respect of qualifying services	6	6
Received/entitled to receive shares under long term incentive schemes in respect of qualifying services	-	-

Pension benefits are provided to six Directors through the GKN Group Pension Scheme No. 1 (the Scheme). Directors are entitled to receive benefits under the defined benefit or defined contribution sections of the Scheme depending on when they joined the Group and/or they may choose to take a cash allowance. The defined benefit section of the Scheme closed to future accruals on 30 June 2017. One Director has opted out of the Scheme.

GKN makes contributions to the defined contribution section of the Scheme in respect of Directors' qualifying services. GKN pays a multiple of an individual's contribution depending on the individual's grade subject to a maximum % of the individual's salary.

In respect of the highest paid Director

	2023	2022
	£000	£000
Remuneration	**689**	567
Amounts (excluding shares) receivable under long-term incentive schemes	**2,700**	-
Company contributions to pension schemes	**34**	34
	3,423	601
Defined benefit accrued pension entitlement at 31 December	-	-
Defined benefit accrued lump sum at 31 December	-	-

Notes *(continued)*

6 Net finance charge

	2023 **£000**	2022 £000
Change in value of forward foreign currency derivative contracts	**45,267**	(57,674)
Finance income on defined benefit pension plans	**1,629**	2,299
Finance expense on post-employment medical obligations	**(184)**	(108)
Unwind of discounts within provisions	**62**	1,507
Interest on current accounts with GKN Enterprise Ltd	**19,098**	4,314
Other interest receivable/(payable)	**(342)**	(413)
Interest payable on loans with group undertakings	**(10,186)**	(5,080)
Interest receivable on loans with group undertaking	**2,827**	855
	58,171	(54,300)

7 Taxation

Total tax recognised in the profit and loss account

	2023 **£000**	2022 £000
Current tax		
UK Corporation tax		
Current tax on income for the year	**-**	-
Withholding taxes suffered	**(273)**	-
Adjustments in respect of prior years	**(555)**	(558)
Total current tax	**(828)**	(558)
Deferred tax		
Origination and reversal of temporary differences		
Current year	**(8,321)**	7,564
Effect of rate differences on deferred tax recognition	**(2,933)**	2,687
Adjustment in respect of prior year	**2,326**	1,923
Total deferred tax	**(8,928)**	12,174
Total tax	**(9,756)**	11,616

Total tax recognised in other comprehensive income and equity

		2023			2022	
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in:						
Profit and loss account	**(828)**	**(8,928)**	**(9,756)**	(558)	12,174	11,616
Other comprehensive income	**-**	**34,140**	**34,140**	-	27,737	27,737
Total tax	**(828)**	**25,212**	**24,384**	(558)	39,911	39,353

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 23.5% (2022: 19%)

	2023 £000	2022 £000
Profit/(loss) before tax	**160,530**	(11,035)
Profit/(loss) before tax multiplied by the standard UK corporation rate of 23.5% (2022: 19%)	**(37,725)**	2,097
Tax effect of expenditure not deductible in determining taxable profits	**15,133**	702
Group relief surrendered at nil tax rate	**14,271**	4,765
Withholding taxes suffered	**(273)**	-
Effect of rate differences on deferred tax recognition	**(2,933)**	2,687
Other deferred tax movements	**-**	-
Adjustment to current tax charge in respect of prior periods	**(555)**	(558)
Adjustment to deferred tax charge in respect of prior periods	**2,326**	1,923
Total tax included in profit or loss	**(9,756)**	11,616

The rate of UK corporation tax for the year ended 31 December 2023 was 23.5%. 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.

Recognised deferred tax assets

	Post employment obligations £000	Fixed Asset timing difference £000	Other £000	Total £000
At 1 January 2023	(25,960)	65,564	32,864	72,468
Included in the profit and loss account	(13,236)	4,069	239	(8,928)
Included in other comprehensive income	34,140	-	-	34,140
At 31 December 2023	**(5,056)**	**69,633**	**33,103**	**97,680**

Other deferred tax assets includes £5,416,000 (2022: £16,733,000) in respect of derivative financial instruments (forward foreign currency contracts) and £13,129,000 (2022: £13,001,000) in respect of provisions. Deferred tax assets are recognised where management projections indicate the future availability of taxable profits to absorb the deductions.

8 Investments in subsidiaries

	£000
Cost and Net book value	
At 1 January 2023 and at 31 December 2023	**159,719**

Investments in subsidiary undertakings are not impaired at 1 January 2023 and 31 December 2023.

Notes *(continued)*

8 Investments in subsidiaries *(continued)*

The following is a list of the Company's subsidiaries at 31 December 2023:

	Equity interest %	Class of share held
United Kingdom		
11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
GKN 1 Trustee 2018 Ltd	100	Ordinary
GKN 4 Trustee 2018 Ltd	100	Ordinary
Capital Square, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP		
GKN Investments II LP	100	Membership Interest
GKN Investments II GP Ltd	100	Ordinary
China		
Room 805, 8th Floor, Building 2, No. 1859 Shibo Avenue, Shanghai		
GKN Aerospace (Shanghai) Co., Ltd	100	Ordinary
1 Xinwang Road, Jingjiang Economic and Technic Development Zone, Jingjiang, Jiangsu		
GKN Aerospace (Jingjiang) Co., Ltd	100	Registered investment

9 Intangible assets and goodwill

	Goodwill £000	Software costs £000	Development costs £000	Total £000
Cost				
Balance at 1 January 2023	91,257	15,558	251,767	358,582
Additions	-	443	1,119	1,562
Disposals in year	-	(434)	-	(434)
Balance at 31 December 2023	**91,257**	**15,567**	**252,886**	**359,710**
Amortisation and impairment				
Balance at 1 January 2023	84,902	14,486	206,178	305,566
Amortisation charge for the year	6,355	701	12,855	19,911
Impairment reversal for the year	-	(16)	-	(16)
Disposals in year	-	(434)	-	(434)
Balance at 31 December 2023	**91,257**	**14,737**	**219,033**	**325,027**
Net book value				
At 31 December 2023	**-**	**830**	**33,853**	**34,683**
At 31 December 2022	6,355	1,072	45,589	53,016

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Other fixed assets £000	Capital work in progress £000	Total £000
Cost				
Balance at 1 January 2023	42,288	325,496	6,838	374,622
Additions	-	1,674	13,741	15,415
Disposals	(29)	(6,352)	-	(6,381)
Transfers	982	3,537	(4,519)	-
Balance at 31 December 2023	**43,241**	**324,355**	**16,060**	**383,656**
Depreciation and impairment				
Balance at 1 January 2023	31,591	239,243	-	270,834
Depreciation charge for the year	3,073	17,466	-	20,539
Impairment reversal for the year	(1,154)	(1,036)	-	(2,190)
Disposals	(29)	(6,352)	-	(6,381)
Balance at 31 December 2023	**33,481**	**249,321**	-	**282,802**
Net book value				
At 31 December 2023	**9,760**	**75,034**	**16,060**	**100,854**
At 31 December 2022	10,697	86,253	6,838	103,788

11 Stocks

	2023 £000	2022 £000
Raw materials and consumables	**41,600**	35,950
Work in progress	**42,570**	35,644
Finished goods	**10,631**	12,189
	94,801	83,783

The amount of any adjustment to stocks recognised in profit and loss in the year was £1,169,000 expense (2022: £558,000 expense).

Notes *(continued)*

12 Debtors due within one year

	2023 £000	2022 £000
Trade debtors	**75,494**	98,173
Amounts owed by GKN Investment II LP	**86,593**	18,909
Amounts owed by other group undertakings	**6,249**	9,396
Corporation tax – R&D Expenditure credit	**2,095**	2,379
Other debtors	**13,969**	14,161
Other financial assets (Note 17)	**1,125**	3,672
Prepayments and accrued income	**13,237**	12,926
Loans due from group undertaking	**-**	28,722
	198,762	188,338

The amounts owed by other group undertakings are unsecured, interest free and repayable on demand.

13 Debtors due after more than one year

	2023 £000	2022 £000
Deferred tax assets (Note 7)	**97,680**	72,468
Other financial assets (Note 17)	**3,594**	597
Loans due from group undertaking	**-**	6,559
	101,274	79,624

14 Creditors: amounts falling due within one year

	2023 £000	2022 £000
Payments received on account	**39,909**	28,333
Trade creditors	**125,248**	122,094
Amounts owed to group undertakings	**24,046**	13,173
Other creditors including social security and other taxation	**39,618**	32,829
Bank overdrafts	**1,277**	-
Loans owed to GKN Enterprise Ltd	**-**	29,466
Current account with GKN Enterprise Ltd (Note 16)	**4,066**	-
Accruals and deferred income	**42,490**	23,104
Other financial liabilities (Note 17)	**8,064**	18,699
	284,718	267,698

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes *(continued)*

15 Creditors: amounts falling after more than one year

	2023	2022
	£000	£000
Payments received on account	**33,655**	43,254
Loan owed to GKN Enterprise Ltd	**-**	848
Loan owed to GKN Holdings Ltd	**-**	150,719
Accruals and deferred income	**5,580**	11,363
Other financial liabilities (Note 17)	**18,319**	52,501
	57,554	258,685

The loan to GKN Holdings Ltd was repaid on 22 December 2023 from funds available on the current accounts with GKN Enterprise Ltd.

16 Current accounts with GKN Enterprise Limited

Current accounts with GKN Enterprise Ltd represents funding both of a permanent nature and to cover short term funding of the Company's working capital. The Company has nine current account facilities with GKN Enterprise Limited, for a total of £917 million. Seven facilities, total £877 million, are due on 30 April 2028 and two facilities, total £40 million, are due on 30 June 2024. Interest is earned at the 1 month GBP swap rate (vs SONIA) -0.125% for accounts in hand and 1 month GBP swap rate (vs SONIA) +1.000% for accounts overdrawn. At 31 December 2023 accounts in hand were £398,900,000 (2022: £484,753,000) and accounts overdrawn were £4,066,000 (2022: £nil).

17 Other financial assets and liabilities

	2023	2022
	£000	£000
Amounts falling due within one year		
Financial assets	**1,125**	3,672
Financial liabilities	**(8,064)**	(18,699)
	(6,939)	(15,027)
Amounts falling due after more than one year		
Financial assets	**3,594**	597
Financial liabilities	**(18,319)**	(52,501)
	(14,725)	(51,904)
	(21,664)	(66,931)

All Other financial assets and liabilities are forward foreign currency derivative contracts held at fair value through profit and loss. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Gains and losses recognised on the change in the value of forward foreign currency derivative contracts are presented in note 6.

Notes *(continued)*

18 Provisions

	At 1 January 2023 £000	Provisions made £000	Provisions released £000	Utilised £000	Unwind of discount £000	**At 31 December 2023 £000**
Restructuring	73	802	-	(14)	-	**861**
Warranty	7,173	248	(2,614)	(853)	-	**3,954**
Litigation and commercial	13,941	10,929	(5,614)	(1,451)	-	**17,805**
Dilapidations	2,949	166	-	(30)	-	**3,085**
A380 Programme termination	3,747	-	-	(893)	-	**2,854**
Loss making contracts	18,217	822	(1,649)	(5,127)	(62)	**12,201**
	46,100	12,967	(9,877)	(8,368)	(62)	**40,760**

Loss-making contract provisions represent the forecast unavoidable costs required to meet the obligations of long-term agreements, in excess of the contractual inflow expected to be generated in respect of these agreements. In assessing the unavoidable costs, management has considered the possibility that future actions could impact the profitability of the contracts. Calculation of the liability includes estimations of volumes, price and costs to be incurred over the life of the contract, which are discounted to a current value. Future changes within these estimates, or commercial progress could have a material impact on the provision in future periods.

Provisions set aside for other commercial, litigation and warranty exposures either relate to specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation or amounts provided systematically based on historical experience under contractual warranty obligations attaching to the supply of goods. Calculation of the liability represents the best estimate of the expenditure required to settle the Company's obligations, based on past experience, recent claims and current estimates of costs relating to specific claims and subsequently updated for changes in estimates as necessary.

Utilisation of the provisions due in more than one year is estimated at £2 million in 2025, less than £1 million in each of 2026 and 2027, £2 million in 2028 and £5 million due thereafter.

Significant judgements and estimates: Whilst estimating provisions requires judgement, the range of reasonably possible outcomes can be material. After consideration of sensitivity analysis, amounts stated represent management's best estimate of the likely outcome.

19 Employee benefits – pensions

The Company's pension arrangements at 31 December 2023 comprise two defined benefit schemes and a defined contribution scheme. During the year, a buy-in policy was purchased for £44,802,000 which fully insured pensioner members who were in the GKN Group Pension Scheme Number 4. The present value of funded defined benefit obligations for GKN Group Pension Scheme Number 4 was actuarially calculated and the plan asset was set equal.

On 1 July 2019 the GKN UK 2012 Pension Plan was split into four separate pension schemes "the GKN Group Pension Schemes (Numbers 1 - 4)". Two of these schemes, (GKN Group Pension Scheme (Number 1) and GKN Group Pension Scheme (Number 4) are allocated to the Company. These schemes are funded plans, closed to new members and were closed to future accrual in 2017. The valuation of the plans was based on a full actuarial valuation as of 5 April 2022, updated to 31 December 2023 by independent actuaries.

On 30 June 2019 the Company entered into a settlement deed with various group companies and the GKN Pension Trustees. The Company took a membership interest in GKN Investments II LP, for £150,719,000. GKN Investments II LP owns and sub-leases property assets, enters into sub-licensing of the GKN trademark licence in respect of the GKN Aerospace businesses and improves the funding of the Company's pension schemes. During the year GKN Investments II LP made contributions of £15,000,000 (2022: £15,000,000) to the Company's pension schemes, lowering the Company's net pension deficit and is shown as retirement benefit income within Operating profit. The Company has also accrued £86,593,019 (2022: £18,909,384) relating to its own partnership distribution from GKN Investments II LP which is due to be settled during 2024. The increased distribution arises primarily from a profit on a disposal of sub-licence rights for the Powder Metallurgy business to Dowlais Group plc following the demerger from the Melrose Group.

Notes *(continued)*

19 Employee benefits – pensions *(continued)*

The cost of the Company's defined benefit plans is determined in accordance with IAS 19 (revised): "Employee benefits" using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially.

Movements in present value of defined benefit obligation and fair value of plan assets

	Defined benefit obligation £000	Plan assets £000	Net pension asset/(liability) £000
At 1 January 2023	(1,099,841)	1,112,529	12,688
Liabilities assumed from group undertaking	-	-	-
Net expense recognised in profit and loss	-	-	-
Past service cost	-	-	-
Expenses paid	-	*(2,594)*	*(2,594)*
Interest (expense)/income	*(51,523)*	*53,152*	*1,629*
Total net expense recognised in profit or loss	(51,523)	50,558	(965)
Re-measurement	(39,024)	(94,778)	(133,802)
Contributions by employer	-	62,516	62,516
Benefits paid	60,488	(60,488)	-
At 31 December 2023	**(1,129,900)**	**1,070,337**	**(59,563)**

The fair value of the plan assets and the return on those assets were as follows:

	2023 Fair value £000	2022 Fair value £000
Equities	**-**	-
Private equities	**24,367**	38,800
Diversified growth funds	**129,483**	232,200
Government debt	**356,082**	690,800
Corporate bonds	**35,022**	112,400
Insurance contracts	**438,570**	14,177
Property	**8,588**	11,600
Cash and others	**78,225**	12,552
	1,070,337	1,112,529
Actual return on plan assets	**(41,626)**	(565,610)

Notes *(continued)*

19 Employee benefits – pensions *(continued)*

Estimating the defined benefit pension obligation involves a number of significant assumptions and estimates, the principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2023	2022
	%	%
Discount rate	**4.5**	4.8
Future salary increases (past/future service)	**n/a**	n/a
Inflation (RPI/CPI)	**2.9/2.5**	3.2/2.7
Rate of increase in payment and deferred pensions	**2.6**	2.7

Mortality assumptions for The GKN Group Pension Schemes (Numbers 1 and 4) as at 31 December 2023 were based on the Self Administered Pension Scheme ("SAPS") "S3PA" base tables with scheme-specific adjustments. The base table mortality assumption for each of the UK plans reflects best estimate results from the most recent mortality experience analyses for each scheme. Scaling factors vary by scheme.

Future improvements for all UK plans are in line with the 2022 Continuous Mortality Investigation ("CMI") core projection model (SK = 7.5, A = 0%, w2022 = 25%) with a long-term rate of improvement of 1.25% p.a for both males and females.

Risks and sensitivities
The defined benefit plans expose the Company to actuarial risks, such as longevity risk, inflation risk, interest rate risk and market (investment) risk. The Company is not exposed to any unusual, entity specific or plan specific risks. A sensitivity analysis on the principal assumptions used to measure the plan liabilities at the yearend was as follows:

	Change in assumption	Decrease/(increase) in plan liabilities £000	Increase/(decrease) in profit before tax £000 %
Discount rate	Increase by 0.5ppts	68,000	(1,900)
	Decrease by 0.5ppts	(74,200)	1,600
Inflation	Increase by 0.5ppts	(41,400)	n/a
	Decrease by 0.5ppts	44,400	n/a
Assumed life expectancy at age 65 (rate of mortality)	Increase by 1 year	(40,800)	n/a
	Decrease by 1 year	42,100	n/a

The sensitivity analysis above was determined based on reasonably possible changes to the respective assumptions, while holding all other assumptions constant. There has been no change in the methods or assumptions used in preparing the sensitivity analysis from prior years. Sensitivities are based on the relevant assumptions and membership profile as at 31 December 2023 and are applied to obligations at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation to the sensitivity of assumptions shown. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate and the sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Contributions

The contribution for deficit funding expected to be paid by the Company during 2024 to the UK schemes is £20 million.

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £15,861,000 (2022: £14,735,000).

Notes *(continued)*

20 Employee benefits – post-employment medical obligations

At 1 January 2022 the Company assumed a £5,336,000 liability regarding a share of the former GKN plc executive post-employment healthcare scheme. The liabilities for the whole scheme were previously held by a former group company, GKN Group Services Limited. The scheme provides post-employment healthcare benefits to former executive employees and their spouses in the form of an assured level of pension payable for life. The level of benefits provided typically depends on length of service and salary levels in the years leading up to retirement. Pensions in payment are generally updated in line with inflation. The schemes are closed to new entrants and the obligations are not funded.

	Post-employment medical obligations £000
At 1 January 2023	(4,028)
Net expense recognised in profit and loss	-
Interest expense	*(184)*
Total net expense recognised in profit or loss	(184)
Re-measurement	(2,759)
Benefits paid	543
At 31 December 2023	**(6,428)**

Estimating the retirement benefit obligation involves assumptions and estimates, the principal actuarial assumptions at the yearend were as follows:

2023: rate of increase in medical costs – initial/long-term: 12.00/10.00 (2022 8.00/4.70)

Risk factors
Through its post-employment medical plan, the Company is exposed to a number of risks, the most significant of which are detailed below. The Company's focus is on managing the cash demands which the plans place on the Company, rather than balance sheet volatility in its own right.

Changes in bond yields: A decrease in bond yields will typically increase plan liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in unfunded schemes where there is no potential for an offsetting movement in asset values.

Inflation risk: As pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation.

Member longevity: As the Company's retirement benefit obligations are generally to provide benefits for the life of the member, increases in life expectancy will generally result in an increase in plan liabilities (and vice versa).

Notes *(continued)*

21 Capital and reserves

Share capital

	2023	2022
	£000	£000
Allotted, called up and fully paid		
300,202,941 (2020: 300,202,941) ordinary shares of £1 each	**300,203**	300,203

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account

The share premium account represents shareholder contributions above the nominal value of the shares purchased.

Merger reserve

The merger reserve was established following group re-constructions in which the Company acquired the trade and assets of the Luton and former Kings Norton operations in 2007 and 2006 from fellow group undertakings. The reserve is the difference between the book value of the net assets acquired and the consideration.

Other reserve

The other reserve is a non-distributable reserve created in 1995 following a capital restructuring.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2023	2022
	£000	£000
Less than one year	**9,690**	9,429
Between one and five years	**26,074**	26,648
More than five years	**37,723**	43,416
	73,487	79,493

23 Guarantees and capital commitments

At 31 December 2023 the Company is a guarantor in respect of the payment obligations owed by Melrose plc under its committed bank facilities which consists of a multi-currency term loan denominated US$300 million and €100 million, and a revolving credit facility of US$250 million, both of which mature in April 2026 and multi-currency revolving credit facilities totalling US$690 million, £300 million and €300 million, that initially mature in April 2026, but with the potential to be extended by up to two additional one year periods at the option of Melrose plc.

As at 31 December 2023, the Company was also a guarantor in respect of the payment obligations owed under £10 million of notes issued by GKN Holdings Limited, an intermediary holding company. The outstanding notes, maturing in May 2032, are listed on the Professional Securities Market, which is operated by the London Stock Exchange.

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £10,662,000 (2022: £12,253,000).

Notes *(continued)*

24 Related parties

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102 Section 33, 'Related Party Disclosures', as it is a wholly owned subsidiary of a group headed by Melrose Industries plc.

25 Post balance sheet events

On 1 March 2024 the Company completed the disposal of its Fuel Systems Portsmouth business for £41,055,000 before costs and other deductions.

26 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Westland Group plc. The ultimate parent undertaking and controlling party is Melrose Industries plc, a company incorporated in England. The consolidated financial statements of Melrose Industries plc for year ended 31 December 2023, are available from the registered office, 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT or at www.melroseplc.net. Melrose Industries plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2023.