

**GKN INDUSTRIES LIMITED**

**Registered Number: 32262**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2009**



**Directors' Report****Registered Number: 32262**

Directors      J M Felton  
                    N M Stein  
                    W C Seeger

- 1      The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2009
- 2      **Statement of Directors' responsibilities in respect of the Annual Report and the financial statements**

At the end of each financial year the Directors are required by UK company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements for the year ended 31 December 2009, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and UK applicable accounting standards have been followed. The Directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with UK company law. In addition, the Directors are responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities

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

- 3      **Principal activity and business review**

**Principal Activity**

The Company is an investment holding company

**Financial Results**

The profit and loss account of the Company shows a loss for the financial year of £48,197,000 (2008 profit £142,321,000).

**Business Review**

The Company is exempt from the requirement to prepare and deliver consolidated financial statements as it is a wholly owned subsidiary of GKN plc. On an individual financial statements basis it is classed as a small company and is therefore exempt from the requirement to prepare a business review

**Going Concern**

The Directors have reviewed the financial position of the Company and have confirmed that it is appropriate to prepare the financial statements on a going concern basis

**Directors' Report (continued)**

**4. Directors**

The current Directors of the Company are set out on the first page of this report.

On 7 May 2009 J M Felton was appointed as a Director of the Company. On the same day G Denham resigned as a Director of the Company. The Directors wish to record their appreciation of his services to the Company.

**5 Independent auditors and disclosure of information to auditors**

PricewaterhouseCoopers LLP are deemed to be reappointed as the Company's auditors under section 487(2) of the Companies Act 2006.

In the case of each of the persons who are 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 auditors are unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**On behalf of the Board**



Ms T Stote  
Company Secretary

29 June 2010

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN INDUSTRIES LIMITED

We have audited the financial statements of GKN Industries Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page one the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

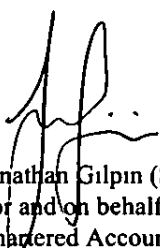
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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



Jonathan Gilpin (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
29 June 2010

**Profit and loss account for the year ended 31 December 2009**

	<u>Note</u>	<u>2009</u> £'000	<u>2008</u> £'000
OPERATING (LOSS)/PROFIT	1	(46,267)	138,686
Exceptional item Profit on group transfer of fixed asset investment	7	-	57,495
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>(46,267)</u>	<u>196,181</u>
Interest receivable and similar income	3	50,827	97,016
Amounts written off investments	2	(37,570)	(17,976)
Interest payable and similar charges	4	(19,249)	(127,419)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(52,259)</u>	<u>147,802</u>
Tax on (loss)/profit on ordinary activities	5	4,062	(5,481)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(48,197)</u>	<u>142,321</u>

The above results have arisen from continuing activities.

**Statement of total recognised gains and losses for the year ended 31 December 2009**

	<u>2009</u> £'000	<u>2008</u> £'000
(Loss)/profit for the year	<u>(48,197)</u>	<u>142,321</u>
Currency translation variations on foreign currency investments	-	4,580
Currency translation variations on foreign currency borrowings	-	(4,357)
Other recognised gains and losses relating to the year	-	223
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	<u>(48,197)</u>	<u>142,544</u>

**Balance sheet as at 31 December 2009**

	<u>Note</u>	<u>2009</u> £'000	<u>2008</u> £'000
<b>FIXED ASSETS</b>			
Investments	7	<u>3,679,989</u>	<u>3,313,156</u>
<b>CURRENT ASSETS</b>			
Debtors	8	409,024	595,163
Cash at bank and in hand		<u>-</u>	<u>1</u>
		<u>409,024</u>	<u>595,164</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(1,146,243)</u>	<u>(917,353)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(737,219)</u>	<u>(322,189)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>2,942,770</u></u>	<u><u>2,990,967</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	608,829	608,829
Share premium account	11	59,222	59,222
Profit and loss account	11	2,277,951	2,326,148
Other reserves	11	<u>(3,232)</u>	<u>(3,232)</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12	<u><u>2,942,770</u></u>	<u><u>2,990,967</u></u>

The notes on pages 6 to 12 form part of the financial statements

The financial statements were approved by the Board on 29 June 2010 and were signed on its behalf by:



W C Seeger  
Director

**Notes to the financial statements for the year ended 31 December 2009****Accounting policies for the year ended 31 December 2009**

As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cash flow statement. A summary of principal accounting policies, which have been consistently applied, is set out below

**1 Basis of accounting**

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Directors have conducted a review of the Company's accounting policies and have confirmed that they are the most appropriate for the purposes of giving a true and fair view of the Company's results and that there have been no changes from last year.

**2. Fixed asset investments**

Investments in subsidiary companies and joint ventures are valued at historic cost less provision for any impairment in value. Where foreign currency borrowings are used to fund the acquisition of foreign investments, those investments are measured at their foreign currency historical cost and are translated at the exchange rate ruling at the balance sheet date with currency variations being taken directly to reserves. Where such foreign currency borrowings are repaid in the period, the related investments are henceforth measured at their foreign currency historical cost, translated at the exchange rate ruling at the date on which the foreign currency borrowing was repaid.

As the Company is a wholly owned subsidiary of GKN plc which prepares and delivers consolidated financial statements that include the results of the Company, it is exempt under the terms of Financial Reporting Standard No 2 from the requirement to prepare and deliver consolidated financial statements.

**3 Foreign currencies**

Where practicable, transactions involving foreign currencies are protected by forward contracts. Monetary assets and liabilities in foreign currencies are translated at the appropriate forward contract rate or, if not covered, at the exchange rate ruling at the balance sheet date. Differences on foreign currency transactions are dealt with through the profit and loss account. Hedge accounting is applied in respect of foreign borrowings which are used to finance the Company's foreign currency investments with currency variations being taken directly to reserves to the extent that they are offset by currency variations in the corresponding foreign currency investments.

**4. Taxation**

Provision is made for deferred tax in so far as a liability or asset arises as a result of transactions that have occurred by the balance sheet date and give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. A deferred tax asset is only recognised to the extent that it may be considered recoverable. Deferred tax assets and liabilities are not discounted.

**5. Related party transactions**

The Company is part of the GKN Group and is therefore not required to disclose transactions with other wholly owned GKN Group subsidiaries. The Company has not transacted with other related parties during the year.

**Notes to the financial statements for the year ended 31 December 2009 (continued)****1 Operating profit**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Operating profit/(loss) is stated after charging/(crediting)		
Auditors' remuneration Audit services	5	7
Auditors' remuneration Tax services	1	-
Net exchange differences on foreign currency loans	<u>47,152</u>	<u>(133,052)</u>

**2 Amounts written off investments**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Impairment of investments in subsidiary undertakings	37,570	12,630
Impairment of investments in joint ventures	-	5,346
	<u>37,570</u>	<u>17,976</u>

**3. Interest receivable and similar income**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Dividends		
Group companies	32,602	60,301
Joint ventures	1,401	1,404
Interest income		
Interest on loans to Group companies	16,824	35,103
External interest	-	208
	<u>50,827</u>	<u>97,016</u>

**4. Interest payable and similar charges**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Interest on loans from Group companies	817	2,024
Interest on current account with parent	18,432	125,395
	<u>19,249</u>	<u>127,419</u>

**5 Tax on (loss)/profit on ordinary activities**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
<b>Tax charge on (loss)/profit on ordinary activities</b>		
United Kingdom taxation		
Corporation tax at 28% (2008 28.5%)	553	8,659
Adjustment to taxation of earlier years	(4,135)	(2,202)
	(3,582)	6,457
Double Taxation relief	(553)	(1,125)
	(4,135)	5,332
Overseas tax	73	149
Current and total tax (credit)/charge for the year	<u>(4,062)</u>	<u>5,481</u>



**Notes to the financial statements for the year ended 31 December 2009 (continued)****5 Taxation (continued)**

The tax assessed for the year is different from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
<b>Reconciliation of expected tax to actual tax</b>		
(Loss)/profit on ordinary activities before taxation	<u>(52,259)</u>	<u>147,802</u>
Expected tax (credit)/charge at 28% (2008 28.5%)	(14,633)	42,124
Non-deductible expenses and non-taxable income	1,966	(28,326)
Double taxation relief	(553)	(1,125)
Overseas taxation	73	149
Group relief surrendered without payment	2,232	-
Loss carry forward	10,988	-
Use of previously unrecognised losses	-	(5,139)
Adjustment to taxation of earlier years - UK	(4,135)	(1,688)
Adjustment to taxation of earlier years - Overseas	-	(514)
Current tax (credit)/charge for the year	<u>(4,062)</u>	<u>5,481</u>

A reduction in the standard rate of corporation tax from 30% to 28% took place on 1 April 2008. The 28.5% rate used in the 2008 proof of tax reconciliation above represents an average statutory rate for the year.

	2009 £'000	2008 £'000
<b>Deferred taxation</b>		
Tax losses (tax value)	18,428	10,389
Derecognition of deferred tax asset	<u>(18,428)</u>	<u>(10,389)</u>
	<u>-</u>	<u>-</u>

A deferred tax asset of £18,428,000 (2008 £10,389,000) has not been recognised as the future recovery of the associated tax losses is uncertain.

**6. Employee information and directors' emoluments**

The emoluments of directors of the Company amounted to £nil (2008: £nil). The Company has no other employees (2008: none).

**Notes to the financial statements for the year ended 31 December 2009 (continued)****7 Investments**

	Shares in group companies £'000	Shares in joint ventures £'000	Total £'000
<b>Cost</b>			
At 1 January 2009	3,326,098	15,978	3,342,076
Additions	404,403	-	404,403
At 31 December 2009	<u>3,730,501</u>	<u>15,978</u>	<u>3,746,479</u>
<b>Accumulated impairment</b>			
At 1 January 2009	23,574	5,346	28,920
Impairment during the year	37,570	-	37,570
At 31 December 2009	<u>61,144</u>	<u>5,346</u>	<u>66,490</u>
<b>Net book amount:</b>			
At 31 December 2009	<u>3,669,357</u>	<u>10,632</u>	<u>3,679,989</u>
At 31 December 2008	<u>3,302,524</u>	<u>10,632</u>	<u>3,313,156</u>

Following a review during the year of current and likely future performance, certain investments in subsidiary undertakings have been written down to their net realisable amount.

During 2008, the Company transferred an investment in a subsidiary undertaking to another of the Company's subsidiary undertakings for a value which resulted in a gain of £57,495,000 compared to its carrying value.

**Notes to the financial statements for the year ended 31 December 2009 (continued)****7 Investments (continued)**

Interests are as follows.

Name of Company	Country of registration or incorporation	Principal activity	Description of shares held	Proportion of nominal value of shares held by the Company	
				Directly	Indirectly
Principal subsidiary companies					
GKN Driveline North America Inc	USA	Manufacturer	Ordinary	-	100%
GKN Automotive Holding Inc	USA	Manufacturer	Ordinary	-	100%
GKN America Corp	USA	Holding Company	Ordinary	100%	-
GKN Aerospace Inc	USA	Manufacturer	Ordinary	-	100%
GKN Aerospace Chem-tronics Inc	USA	Manufacturer	Ordinary	-	100%
GKN Aerospace Aerostructures Ltd	USA	Manufacturer	Ordinary	-	100%
GKN Driveline Uruguay SA	Uruguay	Manufacturer	Ordinary	100%	-
GKN Aerospace Transparency Systems (Thailand) Ltd	Thailand	Manufacturer	Ordinary	100%	-
GKN Sinter Metals AB	Sweden	Manufacturer	Ordinary	100%	-
GKN Geplasmetal SA	Spain	Manufacturer	Ordinary	97%	3%
GKN Driveline Zumaia SA	Spain	Manufacturer	Ordinary	100%	-
GKN Driveline Slovenija doo	Slovenia	Manufacturer	Ordinary	100%	-
Hoeganaes Corporation Europe SA	Romania	Manufacturer	Ordinary	100%	-
GKN Service Polska Sp zoo	Poland	Manufacturer	Ordinary	100%	-
GKN Driveline Polska Sp zoo	Poland	Manufacturer	Ordinary	100%	-
GKN Driveline Villagran SA de CV	Mexico	Manufacturer	Ordinary	100%	-
GKN Driveline Mexico Trading SA de CV	Mexico	Manufacturer	Ordinary	100%	-
GKN Driveline Mexico Services SA de CV	Mexico	Manufacturer	Ordinary	100%	-
GKN Driveline Celaya SA de CV	Mexico	Manufacturer	Ordinary	100%	-
GKN Aerospace San Luis Potosi S de RL de CV	Mexico	Manufacturer	Ordinary	100%	-
GKN Driveline Japan Ltd	Japan	Manufacturer	Ordinary	-	100%
GKN Driveline Tochigi Holdings KK	Japan	Holding Company	Ordinary	100%	-
GKN Italia SpA	Italy	Holding Company	Ordinary	100%	-
Ipsley Insurance Ltd	Isle of Man	Insurance	Ordinary	100%	-
GKN Sinter Metals Holding GmbH	Germany	Holding Company	Ordinary	10%	90%
GKN Holdings Deutschland GmbH	Germany	Manufacturer	Ordinary	100%	-
GKN Driveline International GmbH	Germany	Holding Company	Ordinary	10%	90%
GKN Driveline Deutschland GmbH	Germany	Manufacturer	Ordinary	-	100%
GKN Francais d'Achats SAS	France	Purchaser	Ordinary	100%	-
GKN Driveline SA	France	Holding Company	Ordinary	-	100%
GKN Automotive SAS	France	Holding Company	Ordinary	100%	-
GKN US Manufacturing Limited	England	Dormant	Ordinary	100%	-
GKN Overseas Holdings Limited	England	Holding Company	Ordinary	100%	-
GKN Wheels Nagbol A/S	Denmark	Manufacturer	Ordinary	100%	-
GKN Zhongyuan Cylinder Liner Company Ltd	China	Manufacturer	Ordinary	59%	-
GKN Wheels (Liuzhou) Company Ltd	China	Manufacturer	Ordinary	71%	29%
GKN Driveline Torque Technology (Shanghai) Company Ltd	China	Manufacturer	Ordinary	-	100%
GKN China Holding Company Ltd	China	Holding Company	Ordinary	100%	-
GKN do Brasil Ltda	Brazil	Manufacturer	Ordinary	-	100%
Unidrive Pty Ltd	Australia	Manufacturer	Ordinary	60%	-
Principal joint ventures					
Taiway Limited	Taiwan	Manufacturer	Ordinary	36%	-
Transejes Transmisiones Homocineticas de Colombia SA	Colombia	Manufacturer	Ordinary	49%	-
Univel Transmissions (pty) Ltd	South Africa	Manufacturer	Ordinary	50%	-

Consolidated financial statements are not required as the Company is a wholly owned subsidiary of GKN plc. In the opinion of the directors, the aggregate value of the Company's investments in subsidiary companies and joint ventures, consisting of shares in or amounts owing (whether on account of a loan or otherwise), is not less than the aggregate of the amounts at which these investments are stated in the balance sheet.

**Notes to the financial statements for the year ended 31 December 2009 (continued)****8 Debtors**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Amounts owed by group companies	400,474	591,245
Other debtors	-	3,404
Corporation tax recoverable - UK	8,550	-
Tax recoverable - overseas	-	514
	<u>409,024</u>	<u>595,163</u>

**9 Creditors: Amounts falling due within one year**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Bank overdrafts	2	-
Amounts owed to group companies	85,762	7,918
Current account with parent undertaking	1,057,289	898,210
Corporation tax - UK	-	8,034
Other creditors	3,190	3,191
	<u>1,146,243</u>	<u>917,353</u>

**10 Share capital**

	<u>2009 and 2008</u>	
	<u>Authorised</u>	Issued, called up and fully paid
	£'000	£'000
Ordinary shares of £1 each	610,000	608,829
60,000,000 6 310% cumulative 'A' preference shares of £1 each	60,000	-
40,000,000 6 143% cumulative 'B' preference shares of £1 each	40,000	-
40,000,000 5 5203% cumulative 'C' preference shares of £1 each	40,000	-
60,000,000 5 4949% cumulative 'D' preference shares of £1 each	60,000	-
100,000,000 5 3991% cumulative 'F' preference shares of £1 each	100,000	-
40,000,000 5 1776p cumulative 'G' preference shares of 1p each	400	-
	<u>910,400</u>	<u>608,829</u>

**Notes to the financial statements for the year ended 31 December 2009 (continued)****11 Reserves**

	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2009	59,222	(3,232)	2,326,148	2,382,138
Transfer from profit and loss account	-	-	(48,197)	(48,197)
At 31 December 2009	<u>59,222</u>	<u>(3,232)</u>	<u>2,277,951</u>	<u>2,333,941</u>

**12 Reconciliation of movements in shareholders' funds**

	<u>2009</u> £'000	<u>2008</u> £'000
At 1 January	2,990,967	2,848,423
Profit/(loss) for the year	(48,197)	142,321
Other recognised gains and losses relating to the year	-	223
At 31 December	<u>2,942,770</u>	<u>2,990,967</u>

**13. Contingent liabilities**

The Company has guaranteed bank and other borrowings of subsidiary undertakings amounting to £6,300,000 (2008: £7,400,000)

**14. Ultimate and immediate parent companies**

The immediate parent undertaking is GKN (United Kingdom) plc. The ultimate parent undertaking and controlling party is GKN plc, a company incorporated in England. GKN plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2009. The consolidated financial statements of GKN plc are available from PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL

GKN Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of GKN Holdings plc can be obtained from the address above.