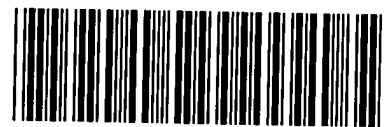


# **GKN Industries Limited**

## **Directors' Report and Financial Statements**

For the year ended 31 December 2015

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# GKN Industries Limited

## Directors' Report

For the year ended 31 December 2015

In line with special provisions relating to small companies within Part 15 of the Companies Act 2006, the Company has chosen not to prepare a Strategic Report.

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2015.

### Directors of the Company

The Directors who held office during the year and up to the date of signing the Financial Statements are as follows:

Mr M J Sclater  
Mr N M Stein  
Mr A C Walker

### Financial Results

The profit and loss account of the Company shows a profit for the year of £240,654,000 (2014: £455,123,000).

### Dividends

No interim dividend was paid for the year ended 31 December 2015 (2014: £700,000,000). The Directors have not proposed a final dividend for the year ended 31 December 2015 (2014: £nil).

### Post balance sheet event

On 21 April 2016 the Company acquired a 60% equity share in GKN (Bazhou) Metal Powder Company Ltd, a new venture with Bazhou Hongsheng Industrial Co. Ltd, for an expected consideration of CNY 158,400,000.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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 prepared the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Directors' Report (continued)**

For the year ended 31 December 2015

**Disclosure of Information to Auditors**

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 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.

**Auditors**

PricewaterhouseCoopers LLP will be replaced as auditor of GKN plc and will resign as the Company's auditor following the completion of these Financial Statements. Following the resignation of PricewaterhouseCoopers LLP the Board will appoint Deloitte LLP as auditor of the Company pursuant to section 485(3) of the Companies Act 2006.

Approved by the Board on 21 April 2016 and signed on its behalf by:



K A Watson  
Secretary  
Registration number: 32262

## **Independent Auditors' Report to the members of GKN Industries Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, GKN Industries Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit 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.

#### **What we have audited**

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **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.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

**Independent Auditors' Report to the members of GKN Industries Limited (continued)**

**What an audit of financial statements involves**


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Hammond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
25 April 2016

# GKN Industries Limited

## Income Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Sales</b>		-	-
Trading loss	2	(490)	(18,403)
Income from investments in subsidiaries		257,382	515,840
Income from investments in joint ventures		1,000	706
Impairment of investments in subsidiaries		-	(28,255)
Gains and losses on disposal of investments in subsidiaries	7	3	-
<b>Operating profit</b>		<b>257,895</b>	<b>469,888</b>
Interest payable		(12,901)	(112)
Interest receivable		32,939	3,310
Other net financing charges		(42,486)	(26,487)
<b>Net financing costs</b>	3	<b>(22,448)</b>	<b>(23,289)</b>
<b>Profit before taxation</b>		<b>235,447</b>	<b>446,599</b>
<b>Taxation</b>	4	<b>5,207</b>	<b>8,524</b>
<b>Profit after taxation for the year</b>		<b>240,654</b>	<b>455,123</b>

The Company has no other gains or losses in either year other than the results shown above and therefore no separate statement of Comprehensive Income has been presented.

**Statement of Changes in Equity**

For the year ended 31 December 2015

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2015</b>		<b>608,829</b>	<b>59,222</b>	<b>2,439,335</b>	<b>3,107,386</b>
Profit for the year		-	-	<b>240,654</b>	<b>240,654</b>
<b>At 31 December 2015</b>		<b>608,829</b>	<b>59,222</b>	<b>2,679,989</b>	<b>3,348,040</b>
<b>At 1 January 2014</b>		<b>608,829</b>	<b>59,222</b>	<b>2,684,212</b>	<b>3,352,263</b>
Profit for the year		-	-	<b>455,123</b>	<b>455,123</b>
Dividends	5	-	-	<b>(700,000)</b>	<b>(700,000)</b>
<b>At 31 December 2014</b>		<b>608,829</b>	<b>59,222</b>	<b>2,439,335</b>	<b>3,107,386</b>

**Balance Sheet**

At 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	7	3,269,257	3,160,463
Investments in joint ventures	7	9,249	9,249
Deferred tax assets		490	-
		<b>3,278,996</b>	<b>3,169,712</b>
<b>Current assets</b>			
Trade and other receivables	8	1,383,044	887,152
Current tax assets	4	594	3,020
		<b>1,383,638</b>	<b>890,172</b>
<b>Total assets</b>		<b>4,662,634</b>	<b>4,059,884</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	(1,245,386)	(921,991)
		<b>(1,245,386)</b>	<b>(921,991)</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	10	(69,208)	(26,291)
Deferred tax liabilities	4	-	(4,216)
		<b>(69,208)</b>	<b>(30,507)</b>
<b>Total liabilities</b>		<b>(1,314,594)</b>	<b>(952,498)</b>
<b>Net assets</b>		<b>3,348,040</b>	<b>3,107,386</b>
<b>Shareholders' equity</b>			
Share capital	11	608,829	608,829
Share premium account		59,222	59,222
Retained earnings		2,679,989	2,439,335
<b>Total equity</b>		<b>3,348,040</b>	<b>3,107,386</b>

The Financial Statements on pages 5 to 19 were approved by the Board of Directors and authorised for issue on 21 April 2016. They were signed on its behalf by:



A C Walker  
Director  
Registration number: 32262



## **Notes to the Financial Statements**

For the year ended 31 December 2015

### **1 Accounting policies and presentation**

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

#### **Basis of preparation**

The financial statements (the "statements") of the Company, incorporated and domiciled in the UK, have been prepared in accordance with International Financial Reporting Standards (IFRS) under Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). These statements have been prepared on a going concern basis under the historical cost method except where other measurement bases are required to be applied under IFRS as set out below, and in accordance with the Companies Act 2006.

The impact of the conversion from old UK GAAP to FRS 101 on equity and profit are disclosed in note 17.

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2015. No standards or interpretations have been adopted before the required implementation date.

Exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

The following exemptions have been applied in accordance with FRS 101, as the relevant disclosure is contained in the Group Financial Statements of GKN plc (details can be obtained as disclosed in note 17):

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

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for a minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third balance sheet)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)  
The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

#### **Exemption from preparing group financial statements**

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group financial statements.

## **Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

### **1 Accounting policies and presentation (continued)**

#### **Foreign currencies**

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

Transactions are translated at exchange rates approximating to the rate ruling on the date of the transaction except in the case of material transactions when actual spot rate may be used where it more accurately reflects the underlying substance of the transaction. Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Such transactional exchange differences are taken into account in determining profit before tax.

#### **Presentation of the income statement**

IFRS is not fully prescriptive as to the format of the income statement. Line items and subtotals have been presented on the face of the income statement in addition to those required under IFRS.

Operating profit is profit before discontinued operations, taxation and finance costs. In order to achieve consistency and comparability between reporting periods, operating profit is analysed to show separately the results of normal trading performance and individually significant charges and credits. Such items arise because of their size or nature and comprise:

- asset impairment and restructuring charges which arise from events that are significant to the Company;
- income from investments in subsidiaries;
- income from investments in joint ventures;
- the impact of annual impairment review of investments;
- gains or losses on disposal of investments in subsidiaries;

Net financing costs are analysed to show separately interest payable, interest receivable and other net financing charges. Other net financing charges include specific changes in fair value on cross currency interest rate swaps. The total fair value movement of cross currency interest rate swap instruments is included in net finance costs as hedge accounting has not been applied and this presentation more closely matches certain of the risks being managed.

#### **Financial assets and liabilities**

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

Other financial assets and liabilities, including short term receivables and payables, are initially recognised at fair value and subsequently measured at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material.

#### **Derivative financial instruments**

The Company does not trade in derivative financial instruments. Cross currency interest rate swaps are used by the Company to manage its exposure to risk associated with foreign currency in its foreign investments. All derivative financial instruments are measured at the balance sheet date at their fair value.

Where derivative financial instruments are not designated as or not determined to be effective hedges, any gain or loss on remeasurement is taken to the income statement. Where derivative financial instruments are designated as and are effective as cash flow hedges, any gain or loss on remeasurement is held in equity and recycled through the income statement when the designated item is transacted, unless related to the purchase of a business, when recycled against consideration.

Gains or losses on derivative financial instruments no longer designated as effective hedges are taken directly to the income statement.

#### **Investments in subsidiaries and other undertakings**

Investments in subsidiaries and other undertakings are held at cost less accumulated impairment losses.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

### 1 Accounting policies and presentation (continued)

#### Taxation

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

Full provision is made for deferred tax on all temporary differences resulting from the difference between the carrying value of an asset or liability in the financial statements and its tax base. The amount of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are reviewed at each balance sheet date and are only recognised to the extent that it is probable that they will be recovered against future taxable profits.

#### ***Standards, revisions and amendments to standards and interpretations issued but not yet adopted***

The Company does not intend to adopt any standard, revision or amendment before the required implementation date. At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments (effective from 1 January 2018);

Standards and other revisions to standards and interpretations which have an implementation date in 2016 or thereafter are still being assessed.

#### **Significant judgements, key assumptions and estimates**

The Company's significant accounting policies are set out above. The preparation of financial statements, in conformity with IFRS, requires the use of estimates, subjective judgement and assumptions that may affect the amounts of assets and liabilities at the balance sheet date and reported profit and earnings for the year. The Directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

The accounting policies where the Directors consider the more complex estimates, judgements and assumptions have to be made are those in respect of derivative and other financial instruments and impairment of non-current assets. Details of the principal estimates, judgements and assumptions made are set out in the related notes.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**2 Operating profit**

The analysis of the additional components of operating profit is shown below:

**Trading loss**

	2015 £'000	2014 £'000
<b>Sales</b>	-	-
<b>Operating costs</b>		
Net exchange differences on foreign currency transactions	10,075	(18,434)
Acquisition related charges	(10,504)	-
Audit fees payable to the Company's auditor	(5)	(5)
Other (costs)/income	(56)	36
<b>Trading loss</b>	<b>(490)</b>	<b>(18,403)</b>

All fees payable to the Company's auditors include amounts in respect of expenses. All fees payable have been charged to the income statement. There were no non-audit services in 2015 (2014: none).

**3 Net financing costs**

	2015 £'000	2014 £'000
<b>(a) Net interest receivable/(payable)</b>		
Interest payable		
Amounts owed to Group undertakings	(11,850)	(112)
Fair value changes on cross currency interest rate swaps	(1,051)	-
	<b>(12,901)</b>	<b>(112)</b>
Interest receivable		
Amounts owed by Group undertakings	31,974	3,114
Tax case net interest recovery	965	-
Fair value changes on cross currency interest rate swaps	-	196
	<b>32,939</b>	<b>3,310</b>
<b>Net interest receivable</b>	<b>20,038</b>	<b>3,198</b>
	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>(b) Other net financing charges</b>		
Fair value changes on cross currency interest rate swaps	(42,486)	(26,487)
	<b>(42,486)</b>	<b>(26,487)</b>

**4 Taxation****(a) Analysis of credit in year**

	2015 £'000	2014 £'000
<b>Current tax credit/(charge)</b>		
Current year UK corporation tax	594	3,020
Overseas tax	(89)	(71)
Adjustments in respect of prior years	(4)	-
	<b>501</b>	<b>2,949</b>
<b>Deferred tax credit/(charge)</b>		
Origination and reversal of temporary differences	4,706	5,575
<b>Total tax credit for the year</b>	<b>5,207</b>	<b>8,524</b>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**4 Taxation (continued)****(b) Factors affecting the tax credit in the year**

The tax assessed for the year is different to (2014: different to) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)

	2015 £'000	2014 £'000
Profit before tax	235,447	446,599
Profit before tax multiplied by the standard UK corporation rate of 20.25% (2014: 21.50%)	(47,678)	(96,019)
Tax effect of income not taxable/(expenditure not deductible) in determining taxable profits	53,600	104,691
Effect of change in corporation tax rate on deferred tax recognition	(120)	(394)
Other movements in deferred taxation	(502)	317
Overseas taxation	(89)	(71)
Adjustment to current tax charge in respect of prior periods	(4)	-
<b>Total tax credit for the year</b>	<b>5,207</b>	<b>8,524</b>

A reduction in the mainstream rate of UK corporation tax to 20% took effect from 1 April 2015 which gives rise to a blended UK statutory tax rate of 20.25% for the year ended 31 December 2015. Further reductions to the main rate have been enacted to reduce the rate by 1% to 19% on 1 April 2017 and by a further 1% to 18% on 1 April 2020. The 2016 Budget on the 16 March 2016 announced a further reduction of the corporation tax rate to 17% from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

**(c) FRS 101 transition**

The Company adopted the accounting standard FRS101 in the current year. On transition, the Company recognised a deferred tax liability of £9,791,000 in respect of unremitted profits from joint ventures which had reduced to £9,474,000 at December 2014. During 2014 the Company entered into a series of cross currency interest rate swaps which gave rise to further deferred tax assets of £5,258,000 on transition.

**(d) Recognised deferred tax**

	£'000
At 1 January 2015	(4,216)
Included in the income statement	4,706
At 31 December 2015	<b>490</b>

The Company has an unrecognised deferred tax asset of £13,582,000 in respect of losses (2014: £15,091,000). Deferred tax is not provided on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £11,800,000 would be payable (2014: £10,400,000).

**5 Dividends**

	Paid or proposed in respect of		Recognised	
	2015 pence	2014 pence	2015 £'000	2014 £'000
2014 interim dividend paid	-	115	-	700,000
	-	115	-	700,000

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**6 Employees including Directors**

There were no employees of the Company during the year (2014: none)

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 the Directors of the Company for their services to the Company amounted to £nil (2014: £nil).

One Director exercised options over shares in the ultimate parent undertaking, GKN plc, during the year (2014: 2). Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £nil (2014: £nil).

**7 Investments in subsidiaries and other undertakings**

	Investment in subsidiaries £'000	Investment in joint ventures £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	3,270,184	14,595	3,284,779
Additions	108,794	-	108,794
Disposal	(300)	-	(300)
<b>At 31 December 2015</b>	<b>3,378,678</b>	<b>14,595</b>	<b>3,393,273</b>
<b>Accumulated impairment</b>			
At 1 January 2015	109,721	5,346	115,067
Disposal	(300)	-	(300)
<b>At 31 December 2015</b>	<b>109,421</b>	<b>5,346</b>	<b>114,767</b>
<b>Net book amount at 31 December 2015</b>	<b>3,269,257</b>	<b>9,249</b>	<b>3,278,506</b>
<b>Net book amount at 31 December 2014</b>	<b>3,160,463</b>	<b>9,249</b>	<b>3,169,712</b>

The Subsidiary and other undertakings of the Company at 31 December 2015 are disclosed in note 16.

On 28 October 2015, the Company acquired the entire equity share capital of Stork Topco B.V. which owns Fokker Technologies Group B.V. for consideration of £108,794,000.

On 30 January 2015, the Company sold its share of GKN Sinter Metals Argentina SA for cash consideration of £3,000. The carrying value of the investment at disposal was £nil (2014: £nil) resulting in a profit on disposal of £3,000.

**Significant judgement and estimates**

Following an annual impairment review, management believe each of the Company's investments is supported by its underlying net assets.

**8 Trade and other receivables**

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	1,383,044	887,152
	<b>1,383,044</b>	<b>887,152</b>

Amounts owed by Group undertakings are unsecured, accumulate interest in a range between 0% and 9.75%, have no fixed date of repayment and are repayable on demand.

**9 Trade and other payables**

	2015 £'000	2014 £'000
Amounts owed to suppliers and customers	(2,644)	(2)
Amounts owed to Group undertakings	(1,239,400)	(921,983)
Accrued interest	(3,336)	-
Payroll taxes, indirect taxes and audit fees	(6)	(6)
	<b>(1,245,386)</b>	<b>(921,991)</b>

Amounts owed to Group undertakings are unsecured, accumulate interest in a range between 0% and 2%, have no fixed date of repayment and are repayable on demand.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**10 Derivative financial instruments**

	2015			2014		
	Liabilities		Total	Liabilities		Total
	Non-current	Current		Non-current	Current	
	£'000	£'000	£'000	£'000	£'000	£'000
Cross currency interest rate swaps	(69,208)	-	(69,208)	(26,291)	-	(26,291)
	(69,208)	-	(69,208)	(26,291)	-	(26,291)

On 3 September 2014 the Company entered into a series of cross currency interest rate swap instruments with a fellow GKN Group subsidiary company. The derivative instruments were entered into on behalf of the GKN Group and in substance convert two sterling denominated bonds with a total nominal value of £800 million, held in a third GKN Group subsidiary company, into US dollars (\$951 million) and Euros (€284 million). The intra-group back-to-back arrangement has been put into place with the Company as it owns the majority of the GKN Group's investments in Europe and the USA. The gross fair values for the external and intra-group cross currency interest rate swap contract are included above.

**Significant judgement and estimates**

Cross currency interest rate swaps are marked to market using market observable rates and published prices together with forecast cash flow information where applicable.

**11 Share capital**

	Issued and Fully Paid	
	2015 £'000	2014 £'000
Ordinary shares of £1 each	608,829	608,829
	2015 Number 000s	2014 Number 000s
	608,829	608,829

The authorised share capital for the year was £910,400,000 (2014: £910,400,000).

**12 Related party transactions**

In accordance with FRS 101 the Company has taken advantage of the exemption not to disclose the transactions with other Group undertakings. There were no other related party transactions during the year.

**13 Contingent assets and liabilities**

The GKN Group continues to pursue Franked Investment Income litigation with HMRC. The continuing complexity of the case and uncertainty over the issues raised (and in particular which points HMRC may seek to appeal) means that it is not possible to predict the final outcome of the litigation with any reasonable degree of certainty.

**14 Contingent liabilities**

The Company has guaranteed bank and other borrowing of subsidiary undertakings. The amount guaranteed is £1,008,000 (2014: £2,059,000).

**15 Controlling parties**

The immediate parent is GKN (United Kingdom) plc. The ultimate parent undertaking and controlling party is GKN plc.

The parent of the largest group in which these financial statements are consolidated is GKN plc. Consolidated financial statements of GKN plc are available from PO BOX 55, Ipsley House, Ipsley Church Lane, Redditch, B98 0TL, which is also the registered office of the Company.

The parent of the smallest group in which these results are consolidated is GKN Holdings plc. Consolidated financial statements of GKN Holdings plc are available from the address above.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2015

## 16 Subsidiaries and other undertakings

Set out below are the subsidiaries and other undertakings in which the Company held 20% or more of the nominal value of any class of share as at 31 December 2015. These undertakings were included in the consolidation of GKN plc. The undertakings located overseas operate principally in the country of incorporation. The Company had a 100% interest in the investments listed below unless indicated otherwise.

Name	Country of incorporation	Interest
Transmisiones Homocineticas Argentinas SA*	Argentina	Ordinary B <sup>1</sup>
Unidrive Pty Ltd (60%)*	Australia	Ordinary
GKN Service Austria GmbH	Austria	Ordinary
Société Anonyme Belge de Constructions Aéronautiques (43.57%)	Belgium	Ordinary
GKN do Brasil Limitada	Brazil	Quota capital
GKN Stromag Brasil Equipamentos Ltda	Brazil	Quota capital
Fokker Elmo Canada Inc	Canada	Common stock
GKN Sinter Metals St Thomas Ltd*	Canada	Common stock
Fokker Elmo (Langfang) Electrical Systems Co. Ltd	China	Registered investment
GKN China Holding Co Ltd*	China	Registered investment
GKN Danyang Industries Company Limited	China	Registered investment
GKN Power Solutions (Liuzhou) Company Limited <sup>2</sup>	China	Registered investment
GKN Sinter Metals Yizheng Co Ltd*	China	Registered investment
GKN (Taicang) Co Ltd*	China	Registered investment
GKN Zhongyuan Cylinder Liner Company Limited (59%)*	China	Registered investment
Lianyungang GKN Hua Ding Wheels Co Ltd (80%)*	China	Registered investment
Shanghai GKN Driveline Sales Co Ltd (49%)	China	Registered investment
Shanghai GKN HUAYU Driveline Systems Company Limited (50%) <sup>3</sup>	China	Registered investment
Transejes Transmisiones Homocineticas de Colombia SA (49%)*	Colombia	Ordinary
GKN Stromag Brno s.r.o	Czech Republic	Ordinary
GKN Walterscheid Service & Distribution A/S	Denmark	Ordinary
GKN Wheels Nagbol A/S*	Denmark	Ordinary
GKN Automotive SAS*	France	Ordinary
GKN Driveline Ribemont SARL	France	Ordinary
GKN Driveline SA (99.99%)	France	Ordinary
GKN Freight Services EURL	France	Ordinary
GKN Land Systems SAS	France	Ordinary
GKN Service France SAS	France	Ordinary
GKN Stromag France S.A.S	France	Ordinary
GKN Aerospace Deutschland GmbH	Germany	Ordinary
GKN Driveline Deutschland GmbH	Germany	Ordinary
GKN Driveline International GmbH	Germany	Ordinary
GKN Driveline Trier GmbH	Germany	Ordinary
GKN Freight Services GmbH	Germany	Ordinary
GKN Gelenkwellenwerk Kaiserslautern GmbH	Germany	Ordinary
GKN Holdings Deutschland GmbH*	Germany	Ordinary
GKN Service International GmbH	Germany	Ordinary
GKN Sinter Metals Components GmbH	Germany	Ordinary
GKN Sinter Metals Engineering GmbH	Germany	Ordinary
GKN Sinter Metals Filters GmbH Radevormwald	Germany	Ordinary
GKN Sinter Metals GmbH Radevormwald	Germany	Ordinary



**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**16 Subsidiaries and other undertakings (continued)**

<b>Name</b>	<b>Country of incorporation</b>	<b>Interest</b>
GKN Sinter Metals GmbH, Bad Bruckenuau	Germany	Ordinary
GKN Sinter Metals GmbH, Bad Langensalza	Germany	Ordinary
GKN Sinter Metals Holding GmbH*	Germany	Ordinary
GKN Stromag AG	Germany	Ordinary
GKN Stromag Dessau GmbH	Germany	Ordinary
GKN Stromag Holding GmbH*	Germany	Ordinary
GKN Walterscheid Getriebe GmbH	Germany	Ordinary
GKN Walterscheid GmbH	Germany	Ordinary
Hoeganaes Corporation Europe GmbH	Germany	Ordinary
Drivetech Accessories Limited	India	Ordinary
Fokker Elmo SASMOS Interconnection Systems Limited (49%) <sup>4</sup>	India	Ordinary
GKN Driveline (India) Limited (97.03%)	India	Ordinary
GKN Land Systems India Private Limited	India	Ordinary
GKN Driveline Beshel Private Joint Stock Company (59.99%)	Iran, Islamic Republic of	Ordinary
Ipsley Insurance Limited*	Isle of Man	Ordinary
GKN Driveline Brunico SpA	Italy	Ordinary
GKN Driveline Firenze SpA	Italy	Ordinary
GKN Italia SpA*	Italy	Ordinary
GKN Service Italia SpA	Italy	Ordinary
GKN Sinter Metals SpA	Italy	Ordinary
GKN Wheels Carpenedolo SpA	Italy	Ordinary
GKN Driveline Japan Ltd	Japan	Ordinary
GKN Driveline Tochigi Holdings KK*	Japan	Ordinary
Matsui-Walterscheid Ltd (40%) <sup>5</sup>	Japan	Common stock
GKN Driveline Malaysia Sdn Bhd (68.42%)	Malaysia	Ordinary
FAE Aerostructures SA de CV	Mexico	Ordinary
GKN Aerospace San Luis Potosi S. de R.L. de C.V. (99.99%) <sup>6</sup>	Mexico	Fixed equity
GKN Driveline Celaya SA de CV (99.85%)*	Mexico	Ordinary
GKN Driveline Mexico Services SA de CV (98%)*	Mexico	Ordinary
GKN Driveline Mexico Trading SA de CV (98%)*	Mexico	Ordinary
GKN Driveline Villagran SA de CV (98%)*	Mexico	Ordinary
Business Park Aviolanda B.V. (20%)	Netherlands	Ordinary
Cooperative Delivery of Retrokits (CDR) V.O.F. (50%) <sup>7</sup>	Netherlands	Registered investment
Fabriek Slobbengors Beheer B.V. (49%) <sup>8</sup>	Netherlands	Ordinary
Fabriek Slobbengors C.V. (49%) <sup>9</sup>	Netherlands	Registered investment
Fokker Aerospace B.V.	Netherlands	Ordinary
Fokker Aerostructures B.V.	Netherlands	Ordinary
Fokker Aircraft Services B.V.	Netherlands	Ordinary
Fokker (CDR) B.V.	Netherlands	Ordinary
Fokker Elmo B.V.	Netherlands	Ordinary
Fokker Engineers & Contractors B.V.	Netherlands	Ordinary
Fokker Landing Gear B.V.	Netherlands	Ordinary
Fokker Procurement Combination B.V.	Netherlands	Ordinary
Fokker Services B.V.	Netherlands	Ordinary
Fokker Technologies Group B.V.	Netherlands	Ordinary
Fokker Technologies Holding B.V.	Netherlands	Ordinary
Fokker Technology B.V.	Netherlands	Ordinary
GKN Aerospace Netherlands B.V.*	Netherlands	Ordinary

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**16 Subsidiaries and other undertakings (continued)**

<b>Name</b>	<b>Country of incorporation</b>	<b>Interest</b>
GKN Service Benelux BV	Netherlands	Ordinary
GKN UK Holdings BV	Netherlands	Ordinary
Structural Laminates Industries B.V.	Netherlands	Ordinary
GKN Aerospace Norway AS	Norway	Ordinary
Kongsberg Technology Training Centre AS (50%) <sup>10</sup>	Norway	Ordinary
Kongsberg Terotech AS (33.33%) <sup>11</sup>	Norway	Ordinary
GKN Driveline Polska Sp z o o*	Poland	Ordinary
GKN Service Polska Sp. z o.o.*	Poland	Ordinary
FOAR S.R.L. (49%) <sup>12</sup>	Romania	Ordinary
Fokker Engineering Romania S.R.L.	Romania	Ordinary
Hoeganaes Corporation Europe SA (99.99%)* <sup>13</sup>	Romania	Ordinary
Fokker Services Asia Pte Ltd	Singapore	Ordinary
GKN Driveline Slovenija d o o*	Slovenia	Ordinary
GKN Sinter Metals Cape Town (Pty) Limited	South Africa	Ordinary
GKN Ayra Servicio, SA	Spain	Ordinary
GKN Driveline Vigo, SA	Spain	Ordinary
GKN Driveline Zumaia, SA (99.99%)* <sup>14</sup>	Spain	Ordinary
Stork Prints Iberia SA	Spain	Ordinary
GKN Aerospace Applied Composites AB	Sweden	Ordinary
GKN Aerospace Sweden AB	Sweden	Ordinary
GKN Driveline Köping AB	Sweden	Ordinary
GKN Driveline Service Scandinavia AB*	Sweden	Ordinary
GKN Sinter Metals AB*	Sweden	Ordinary
GKN Stromag Scandinavia AB	Sweden	Ordinary
GKN Sweden Holdings AB*	Sweden	Ordinary
Industrigruppen "IG" JAS AB (20%)	Sweden	Ordinary
Taiway Limited (36.25%)*	Taiwan	Common stock
GKN Aerospace Transparency Systems (Thailand) Limited (99.99%)* <sup>15</sup>	Thailand	Ordinary
GKN Driveline (Thailand) Limited	Thailand	Ordinary
GKN Driveline Manufacturing Ltd	Thailand	Ordinary
Fokker Elmo Havacilik Sanayi Ve Ticaret Limited Sirketi	Turkey	Ordinary
GKN Eskisehir Automotive Products Manufacture and Sales A.S.	Turkey	Ordinary
A. P. Newall & Company Limited*	United Kingdom	Ordinary
FAD (UK) Limited*	United Kingdom	Ordinary
GKN Investments LP <sup>16</sup>	United Kingdom	Registered investment
GKN Overseas Holdings Limited*	United Kingdom	Ordinary
GKN Stromag UK Limited*	United Kingdom	Ordinary
GKN UK Investments Limited	United Kingdom	Ordinary
GKN U.S. Investments Limited*	United Kingdom	Ordinary
GKN USD Investments Limited*	United Kingdom	Ordinary
Aerotron AirPower Inc	United States	Common stock
Fokker Aerostructures Inc	United States	Common stock
Fokker Elmo Inc	United States	Common stock
Fokker Services Inc	United States	Common stock
GENIL, Inc	United States	Ordinary
GKN Aerospace Aerostructures, Inc	United States	Ordinary
GKN Aerospace Bandy Machining, Inc	United States	Ordinary
GKN Aerospace Camarillo, Inc.	United States	Ordinary
GKN Aerospace Chem-tronics Inc	United States	Ordinary
GKN Aerospace Cincinnati, Inc.	United States	Ordinary

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**16 Subsidiaries and other undertakings (continued)**

<b>Name</b>	<b>Country of incorporation</b>	<b>Interest</b>
GKN Aerospace Monitor, Inc	United States	Ordinary
GKN Aerospace Muncie, Inc	United States	Ordinary
GKN Aerospace New England, Inc	United States	Ordinary
GKN Aerospace Newton LLC <sup>17</sup>	United States	Ordinary
GKN Aerospace North America, Inc	United States	Common stock
GKN Aerospace Precision Machining, Inc	United States	Ordinary
GKN Aerospace Services Structures Corporation	United States	Common stock
GKN Aerospace South Carolina, Inc	United States	Common stock
GKN Aerospace Transparency Systems Inc	United States	Common stock
GKN Aerospace US Holdings LLC <sup>18</sup>	United States	Membership interest (no share capital)
GKN Aerospace, Inc	United States	Common stock
GKN America Corp*	United States	Common stock
GKN Armstrong Wheels, Inc	United States	Ordinary
GKN Driveline Bowling Green, Inc	United States	Common stock
GKN Driveline Newton LLC <sup>19</sup>	United States	Membership interest (no share capital)
GKN Driveline North America, Inc	United States	Common stock
GKN Freight Services, Inc	United States	Common stock
GKN North America Investments Inc	United States	Ordinary
GKN North America Services, Inc	United States	Common stock
GKN Rockford Inc	United States	Ordinary
GKN Sinter Metals, LLC <sup>20</sup>	United States	Membership interest (no share capital)
GKN Stromag Inc	United States	Common stock
GKN Walterscheid, Inc	United States	Ordinary
GKN Westland Aerospace, Inc	United States	Common stock
Hoeganaes Corporation	United States	Common stock
XIK LLC <sup>21</sup>	United States	Membership interest (no share capital)
GKN Driveline Uruguay SA*	Uruguay	Ordinary

\*indicates undertakings held directly by the Company, other undertakings are held indirectly through intermediate companies.

- The Company has a direct interest in 100% of the Ordinary B Shares in Transmisiones Homocineticas Argentinas SA and has a 49% overall interest in that company
- The Company has a direct interest in 71% of the registered investment in GKN Power Solutions (Liuzhou) Company Limited. The balance registered investment is held by the Company indirectly through intermediate companies
- Principal place of business is No. 900 KangShen Road, KangQiao Industrial Zone, Pudong, Shanghai 201315, China
- Company's last financial year ended 31 March 2015
- Company's last financial year ended 31 March 2015
- The Company has a direct interest in 99.99% of the issued share capital. The balance is held by other wholly owned subsidiaries of GKN plc.
- Principal place of business is Industrieweg 4, 3351 LB, Papendrecht, Netherlands
- Principal place of business is Markt 22, 3351 PB, Papendrecht, Netherlands
- Principal place of business is Markt 22, 3351 PB, Papendrecht, Netherlands
- Principal place of business is Kirkegårdsveien 45, 3616 Kongsberg, Norway
- Principal place of business is Kirkegårdsveien 45, 3616 Kongsberg, Norway
- Principal place of business is Str. Condorilor 9, 600302, Bacau, Romania
- The Company has a direct interest in 99.99% of the issued share capital. The balance is held by other wholly owned subsidiaries of GKN plc.
- The Company has a direct interest in 99.99% of the issued share capital. The balance is held by other wholly owned subsidiaries of GKN plc.
- The Company has a direct interest in 99.99% of the issued share capital. The balance is held by other wholly owned subsidiaries of GKN plc.
- Registered office address is 15 Atholl Crescent, Edinburgh, EH3 8HA, Scotland. The partnership is controlled by and its results are consolidated in the Group financial statements of GKN plc, as such advantage has been taken of the exemption set out in regulation 7 of the Partnerships (Accounts) Regulations 2008

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2015

**16 Subsidiaries and other undertakings (continued)**

17. Principal place of business is 179 Louis Street , Newington CT 06111, USA
18. Principal place of business is PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL, England
19. Principal place of business is 1848 GKN Way, Newton NC 28658, USA
20. Principal place of business is 2200 North Opdyke Road, Auburn Hills MI 48326, USA
21. Principal place of business is 2715 Davey Road, Suite 300, Woodridge, Illinois , 60517-5064, USA

**17 Impact of transition to FRS 101**

This is the first year the financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The last financial statements under "old" UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2014. Set out below are the overall FRS 101 transition reconciliations which reconcile total equity positions as at 1 January 2014 and 31 December 2014 and profit after taxation for the year ended 31 December 2014.

**(a) Reconciliation of total equity**

	31 December 2014 £'000	1 January 2014 £'000
<b>Shareholders' funds under old UK GAAP</b>	<b>3,137,893</b>	<b>3,362,054</b>
Differences increasing/(decreasing) reported shareholders' funds:		
Derivative financial instruments	(26,291)	-
Taxation	(4,216)	(9,791)
<b>Total equity under FRS 101</b>	<b>3,107,386</b>	<b>3,352,263</b>

**(b) Reconciliation of profit after tax**

	2014 £'000
<b>Profit for the financial year under old UK GAAP</b>	<b>475,839</b>
Differences increasing/(decreasing) reported profit for the financial year:	
Derivative financial instruments	(26,291)
Taxation	5,575
<b>Profit after taxation for the financial year under FRS 101</b>	<b>455,123</b>

Preparation of the financial statement in accordance with FRS 101 has resulted in the following adjustments on transition:

- (i) The Company has recognised the fair value of all derivative financial instruments held in accordance with IAS 39 'Financial instruments: Recognition and measurement.'
- (ii) The resulting tax impact of the adjustment detailed above has been recognised in accordance with IAS 12 'Income taxes.'
- (iii) The Company has recognised a deferred tax liability in respect of unremitted profits from joint ventures in accordance with IAS 12 'income taxes.'

**18 Notes to FRS 101 transition statements**

In preparing these financial statements in accordance with FRS 101, the Company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS. There were no applicable optional exemptions from full retrospective application elected for by the Company. The mandatory exception from full retrospective application has been applied by the Company related to estimates where under IFRS estimates at 1 January 2014 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No changes to estimates have been made.

**19 Post balance sheet event**

On 21 April 2016 the Company acquired a 60% equity share in GKN (Bazhou) Metal Powder Company Ltd, a new venture with Bazhou Hongsheng Industrial Co. Ltd, for an expected consideration of CNY 158,400,000.