

Registration number: 32262

GKN Industries Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2014

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GKN Industries Limited

Directors' Report for the Year Ended 31 December 2014

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 their report and the audited financial statements for the year ended 31 December 2014.

Directors

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

J M Felton (resigned 20 June 2014)

M J Sclater (appointed 21 June 2014)

W C Seeger (resigned 25 February 2014)

N M Stein

A C Walker (appointed 26 February 2014)

Financial Results

The profit and loss account of the Company shows a profit for the financial year of £475,839,000 (2013: profit of £187,145,000).

Financial risk management

On 3 September 2014 the Company entered 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.

Dividends

The Directors resolved to pay an interim dividend of 115p (2013: £nil) per ordinary share, amounting to £700,000,000 (2013: £nil) for the year ended 31 December 2014 which was paid on 19 November 2014 to its sole shareholder, GKN (United Kingdom) plc. The Directors have not proposed a final dividend for the year ended 31 December 2014 (2013: £nil).

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

GKN Industries Limited
Directors' Report for the Year Ended 31 December 2014

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 4.


Disclosure of information to the auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of auditors

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

Approved by the Board on 30 April 2015 and signed on its behalf by:


.....
K A Watson
Company secretary
GKN Industries Limited
Registration number: 32262

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, which are prepared by GKN Industries Limited, comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

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

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 Director's 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 Statement of Directors Responsibilities (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). Those standards require us to comply with the Auditing Practices Board's (APB'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.

What an audit of financial statements involves

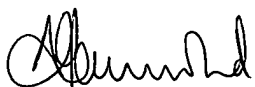
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from 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 Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. 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

Date: 30 April 2015

GKN Industries Limited
Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Turnover		-	-
Operating (loss)/profit	2	(18,403)	7,342
Income from shares in group undertakings		515,840	177,524
Income from participating interests		706	691
Other interest receivable and similar income	5	3,114	781
Amounts written off investments	8	(28,255)	(878)
Interest payable and similar charges	6	(112)	(184)
Profit on ordinary activities before taxation		472,890	185,276
Tax on profit on ordinary activities	7	2,949	1,869
Profit for the financial year	13	475,839	187,145

The above results have arisen from continuing activities in the year. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The Company has no recognised gains or losses for either year other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

GKN Industries Limited
(Registration number: 32262)
Balance Sheet as at 31 December 2014

	Note	2014 £ 000	2013 £ 000
Fixed assets			
Investments	8	3,169,712	2,819,225
Current assets			
Debtors	9	890,172	640,170
Creditors: Amounts falling due within one year	10	<u>(921,991)</u>	<u>(97,341)</u>
Net current (liabilities)/assets		<u>(31,819)</u>	<u>542,829</u>
Total assets less current liabilities		<u>3,137,893</u>	<u>3,362,054</u>
Net assets		<u>3,137,893</u>	<u>3,362,054</u>
Capital and reserves			
Called up share capital	11	608,829	608,829
Share premium account	13	59,222	59,222
Profit and loss account	13	<u>2,469,842</u>	<u>2,694,003</u>
Total shareholders' funds		<u>3,137,893</u>	<u>3,362,054</u>

Approved by the Board and authorised for issue on 30 April 2015 and signed on its behalf by:



.....
A C Walker
Director

GKN Industries Limited

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the 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 other changes from last year.

Cash flow statement and related party transactions

The Company is a wholly owned subsidiary company of a group headed by GKN plc, and is included in the consolidated financial statements of that Company, which are publicly available. Consequently, the Company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by GKN plc, whose financial statements are publicly available.

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.

Foreign currency

Where practicable, transactions involving foreign currencies are protected by forward contracts. 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 revenue transactions are dealt with through the profit and loss account.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any impairment.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS 19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

GKN Industries Limited

Notes to the Financial Statements

Financial instruments

The Company's accounting policy for derivatives is to recognise in the profit and loss account, gains and losses on hedges of revenues or payments only as they crystallise.

The Company uses cross currency interest rate swaps to manage its exposure to the foreign exchange risks associated with its foreign investments. Interest differentials resulting from the use of financial instruments to hedge these exposures are dealt with in the profit and loss account.

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2014 £ 000	2013 £ 000
Foreign currency losses/(gains)	18,434	(6,870)
Auditors' remuneration	<u>5</u>	<u>5</u>

3 Particulars of employees

There were no employees of the Company during the year (2013: none).

4 Directors' emoluments

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 for their services to the Company amounted to £nil (2013: £nil). During the year two Directors exercised options over GKN plc shares (2013: two).

Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £nil (2013: £nil).

5 Other interest receivable and similar income

	2014 £ 000	2013 £ 000
Other interest receivable	-	1
Interest on loans to group undertakings	<u>3,114</u>	<u>780</u>
	<u>3,114</u>	<u>781</u>

6 Interest payable and similar charges

	2014 £ 000	2013 £ 000
Interest on loans from group undertakings	<u>112</u>	<u>184</u>

GKN Industries Limited
Notes to the Financial Statements

7 Taxation

Tax on profit on ordinary activities

	2014 £ 000	2013 £ 000
Current tax		
Corporation tax	(3,020)	-
Adjustments in respect of previous years	<u>-</u>	<u>(1,971)</u>
UK Corporation tax (credit)/charge	(3,020)	(1,971)
Overseas tax	<u>71</u>	<u>102</u>
Total tax (credit)/charge on profit on ordinary activities	<u><u>(2,949)</u></u>	<u><u>(1,869)</u></u>

Factors affecting current tax credit for the year

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2013 - lower than the standard rate of corporation tax in the UK) of 21.5% (2013 - 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Profit on ordinary activities before tax	<u>472,890</u>	<u>185,276</u>
Corporation tax at standard rate	101,671	43,077
Non deductible and non taxable items	(104,691)	(41,240)
Overseas tax	71	102
Use of previously unrecognised losses	-	(1,837)
Adjustments in respect of previous years	<u>-</u>	<u>(1,971)</u>
Total current tax (credit)/charge	<u><u>(2,949)</u></u>	<u><u>(1,869)</u></u>

Factors that may affect future tax charges

A reduction in the mainstream rate of UK corporation tax to 21% took effect from 1st April 2014 which gives rise to an effective UK tax rate of 21.5% for the year. A further reduction to the main rate has been enacted to reduce the rate by 1% to 20% on 1 April 2015. At the balance sheet date the timing differences have been measured at the rate at which they are expected to reverse.

GKN Industries Limited
Notes to the Financial Statements

Deferred Taxation

Analysis of deferred tax

	2014	2013
	£ 000	£ 000
Tax losses	15,091	15,094
De-recognition of deferred tax assets	<u>(15,091)</u>	<u>(15,094)</u>
	<u>-</u>	<u>-</u>

A deferred tax asset of £15,091,000 (2013: £15,094,000) has not been recognised on the basis that the future recovery of such amounts is uncertain.

8 Investments

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Joint ventures and associates £ 000	Total £ 000
Cost			
At 1 January 2014	2,891,727	14,310	2,906,037
Additions	378,469	285	378,754
Disposals	<u>(12)</u>	<u>-</u>	<u>(12)</u>
At 31 December 2014	<u>3,270,184</u>	<u>14,595</u>	<u>3,284,779</u>
Provision for impairment			
At 1 January 2014	81,466	5,346	86,812
Charge for year	<u>28,255</u>	<u>-</u>	<u>28,255</u>
At 31 December 2014	<u>109,721</u>	<u>5,346</u>	<u>115,067</u>
Net book value			
At 31 December 2014	<u>3,160,463</u>	<u>9,249</u>	<u>3,169,712</u>
At 31 December 2013	<u>2,810,261</u>	<u>8,964</u>	<u>2,819,225</u>

GKN Industries Limited

Notes to the Financial Statements

On 7 January 2014 the Company contributed RMB 2,835,000 into the registered share capital of GKN Driveshaft (ChongQing) Limited (now known as GKN HUAYU Driveline Systems (Chongqing) Co. Ltd).

On 7 July 2014 the Company made a capital contribution to GKN Italia SpA in the amount of €22,000,000. No shares were issued for the contribution and the Company continues to own all outstanding shares in GKN Italia SpA.

On 21 August 2014 the Company acquired an additional 15% equity share in Lianyungang GKN Hua Ding Wheels Co Ltd for a consideration of RMB 11,069,980.

On 9 October 2014 the Company sold its interest in the share capital of GKN Stromag Benelux NV for an aggregate consideration of €13,647.

On 17 December 2014 the Company subscribed for 360,000,000 ordinary shares of £1 each in the share capital of GKN USD Investments Limited at an aggregate price of £360,000,000.

On 30 January 2015 the Company sold its interest in GKN Sinter Metals de Argentina SA for a consideration of US \$4,744.40.

Following a review of current and likely future performance in addition to the underlying net assets of subsidiary companies, investments in certain subsidiaries were written down to their net recoverable amount. The 2014 provision for impairment relates to the Company's investment in GKN Automotive SAS and GKN Stromag UK Limited.

Details of undertakings

The subsidiaries below represent the principal subsidiary undertakings of the Company at 31 December 2014. These subsidiaries were included in the consolidation of GKN plc. The subsidiaries listed below are held indirectly by the Company through intermediate holding companies, with the exception of GKN Driveline Polska Sp. Z.o.o. and GKN Driveline Celaya SA de CV which are held directly by the Company. The undertakings operate principally in the country of incorporation.

GKN Industries Limited

Notes to the Financial Statements

A full list of subsidiaries, joint ventures and associated companies will be attached to the next annual return of the Company.

Undertaking	Country of incorporation	Holding	Equity held	Principal activity
Subsidiary undertakings				
GKN Aerospace Chem-tronics, Inc	USA	Common Stock	100%	Aerospace
GKN Aerospace North America, Inc	USA	Common Stock	100%	Aerospace
GKN do Brasil Ltda	Brazil	Quota Capital	100%	Automotive
GKN Driveline Deutschland GmbH	Germany	Ordinary Shares	100%	Automotive
GKN Driveline Japan Ltd	Japan	Ordinary Shares	100%	Automotive
GKN Driveline Köping AB	Sweden	Ordinary Shares	100%	Automotive
GKN Driveline Newton LLC	USA	Membership Interest (no share capital)	100%	Automotive
GKN Driveline North America, Inc	USA	Common Stock	100%	Automotive
GKN Driveline Polska Sp. Z.o.o.	Poland	Ordinary Shares	100%	Automotive
GKN Sinter Metals, LLC	USA	Membership Interest (no share capital)	100%	Powder Metallurgy
GKN Sinter Metals SpA	Italy	Ordinary Shares	100%	Powder Metallurgy
GKN Westland Aerospace, Inc	USA	Common Stock	100%	Aerospace
Hoeganaes Corporation	USA	Common Stock	100%	Powder Metallurgy
GKN Aerospace Sweden AB	Sweden	Ordinary Shares	100%	Aerospace
GKN Driveline Celaya SA de CV	Mexico	Ordinary Shares	100%	Automotive
GKN Driveline Bowling Green, Inc	USA	Common Stock	100%	Automotive
GKN Aerospace Norway AS	Norway	Ordinary Shares	100%	Aerospace

The principal place of business of GKN Driveline Newton LLC is 1848 GKN Way, Newton, North Carolina, USA. The principal place of business of GKN Sinter Metals LLC is 2200 North Opdyke Road, Auburn Hills, Michigan, USA.

The Directors believe that the carrying value of investments is supported by underlying net assets.

GKN Industries Limited
Notes to the Financial Statements

9 Debtors

	2014 £ 000	2013 £ 000
Amounts owed by group undertakings	887,152	640,167
Other debtors	-	3
Corporation tax receivable	3,020	-
	<u>890,172</u>	<u>640,170</u>

Amounts owed by group undertakings are unsecured, accumulate interest in a range between 0% and 9.0%, have no fixed date of repayment and are repayable on demand.

10 Creditors: Amounts falling due within one year

	2014 £ 000	2013 £ 000
Amounts owed to group undertakings	921,983	97,338
Other creditors	8	3
	<u>921,991</u>	<u>97,341</u>

Amounts owed to group undertakings are unsecured, accumulate interest in a range between 0% and 2.0%, have no fixed date of repayment and are repayable on demand.

11 Called up share capital

The authorised share capital for the current year was £910,400,000 (2013: £910,400,000).

Allotted, called up and fully paid shares

	2014 No. 000	£ 000	2013 No. 000	£ 000
Ordinary shares of £1 each	<u>608,829</u>	<u>608,829</u>	<u>608,829</u>	<u>608,829</u>

12 Dividends

	2014 £ 000	2013 £ 000
Dividends paid		
Current year interim dividend paid	<u>700,000</u>	<u>-</u>

GKN Industries Limited
Notes to the Financial Statements

13 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	59,222	2,694,003	2,753,225
Profit for the financial year	-	475,839	475,839
Dividends	-	(700,000)	(700,000)
At 31 December 2014	<u>59,222</u>	<u>2,469,842</u>	<u>2,529,064</u>

14 Reconciliation of movements in shareholders' funds

	2014 £ 000	2013 £ 000
Profit for the financial year	475,839	187,145
Dividends	(700,000)	-
Net (reduction)/addition to shareholders funds	(224,161)	187,145
Shareholders' funds at 1 January	<u>3,362,054</u>	<u>3,174,909</u>
Shareholders' funds at 31 December	<u>3,137,893</u>	<u>3,362,054</u>

GKN Industries Limited

Notes to the Financial Statements

15 Derivative financial instruments

The fair value of outstanding derivative financial instruments at the year end is as follows:

2014	Assets £ 000	Liabilities £ 000
Current	-	-
Non current	7,838	34,129
	<u>7,838</u>	<u>34,129</u>
2013	Assets £ 000	Liabilities £ 000
Current	-	-
Non current	-	-
	<u>-</u>	<u>-</u>

On 3 September 2014 the Company entered 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.

16 Contingent assets

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.

17 Contingent liabilities

The Company has guaranteed bank and other borrowing of subsidiary undertakings. The amount guaranteed is £2,059,000 (2013: £2,002,000).

GKN Industries Limited
Notes to the Financial Statements

18 Ultimate parent undertaking

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.

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