Registered number: 0121799

GKN Driveline Birmingham Limited

Strategic Report, Directors' Report and Financial Statements

For the year ended 31 December 2015

Strategic Report
For the year ended 31 December 2015

The Directors present the Strategic Report for the year ended 31 December 2015.

Business Review
The Company recorded sales of £166,116,000 in 2015 (2014: £181,361,000) which was lower than 2014. This represented a decline in sales volumes from all major customers of £5,442,000, adverse transactional currency £7,872,000, lower selling prices compared to 2014 by £1,806,000, lower prototype sales £159,000 and higher material surcharge recovery £34,000.

The company incurred a capital expenditure cost of £2.3m to firstly accommodate for new businesses including the Jaguar F Pace and XF X260 and secondly to expand on existing programs that will be launched in 2016.

The strategic outlook for the business over the next 5 years see a strong growth in revenues driven by continued success in winning business with our key strategic customers.

This growth coupled with the on-going culture and focus on cost control and management give rise to expected increase in trading margins. Growth over the period will be supported by a capital investment program and future cash flow's generated will be re-invested into the business.

Principal Risks and Uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the GKN Group and are not managed separately. Accordingly, the principal risks and uncertainties of the GKN Group, which include those of the Company, are discussed on page 39- 47 of the Group's annual report which does not form part of this report.

Key Performance Indicators
The Company's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of GKN Driveline, which includes this Company, is discussed on page 22-25 of the Group's annual report which does not form part of this report.

Approved by the Board on 28th June 2016 and signed on its behalf by:

Steven Westwood
Director
Registration number: 0121799

Directors' Report

For the year ended 31 December 2015

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:

Alfred William Curral
Julian Spencer Fitzsimmons (resigned 13 February 2015)
Roman Dziuba (appointed 9 October 2015)
Mark Jeremy Gabriel
Richard Thomas Heath
Kurt Gatterer (resigned 9 October 2015)
Adam Paul Nock (resigned 29 June 2015)
Wolfram Messner
Neil Geldard-Williams (resigned 13 June 2016)

Steven Westwood (appointed 25 June 2015)

Financial Results

The profit and loss account of the Company shows a loss for the financial year of £14,124,000 (2014: loss of £11,984,000).

The Company continues to receive the on-going support of GKN plc.

Dividends

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

Likely Future Developments

The Company's future development position is set out in the Business Review section of the Strategic Report on Page 1.

Research and Development

The Company undertakes research and development work in support of its principal manufacturing activities.

Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of credit risk. As a subsidiary of GKN plc all the Company's funding is provided through a fellow subsidiary via a current account. The overarching Group policies in relation to external risks, including interest rate risk, price risk, credit risk, cash flow risk, foreign exchange risk and liquidity risk, all of which are managed centrally by the GKN plc Group Treasury function, are set out in the annual report of GKN plc. The Company does not use derivative financial instruments to manage interest rate costs.

Where the Company enters into transactions with inherent external counter-party risk, exposures are assessed in line with GKN plc policies and guidance.

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with employees is promoted through a variety of means including in-house newsletters, briefing meetings and the GKN intranet which provides access to Group information, news, policies and procedures.

Disabled Persons

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

Directors' Report (continued)

For the year ended 31 December 2015

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have 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;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 accounts are set out in their report on page 4.

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 has been 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 28th June 2016 and signed on its behalf by:

Steven Westwood
Director
Registration number: 0121799

Independent Auditors' Report to the members of GKN Driveline Birmingham Limited

Report on the financial statements

Our opinion
In our opinion, GKN Driveline Birmingham 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 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.

What we have audited
The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income 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 Strategic Report and 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.

Independent auditors' report to the members of GKN Driveline Birmingham Limited (continued)

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 3, 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 parent 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 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.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 AUGUST 2016

Income Statement
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Sales	2	**166,116**	181,361
Trading loss	3	**(11,660)**	(13,540)
Change in value of derivative and other financial instruments	3	**(1,530)**	1,693
Operating loss		**(13,190)**	(11,847)
Interest payable	4	**(176)**	(233)
Interest receivable	4	**359**	-
Other net financing charges	4	**(3,492)**	(2,964)
Net financing costs		**(3,309)**	(3,197)
Profit before taxation		**(16,499)**	(15,044)
Taxation	5	**2,375**	3,060
Loss for the financial year		**(14,124)**	(11,984)

Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Loss for the financial year		**(14,124)**	(11,984)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	18	**10,003**	(29,522)
Taxation	5	**(3,767)**	5,904
		6,236	23,618
Total comprehensive income for the year		**(7,888)**	(35,602)

Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 January 2015		**166,600**	**75,900**	**(184,588)**	**73**	**57,985**
Loss for the year		**-**	**-**	**(14,124)**	**-**	**(14,124)**
Other comprehensive income		**-**	**-**	**6,236**	**-**	**6,236**
Total comprehensive income		**-**	**-**	**(7,888)**	**-**	**(7,888)**
Share-based payments	8	**-**	**-**	**4**	**-**	**4**
At 31 December 2015		**166,600**	**75,900**	**(192,472)**	**73**	**50,101**
At 1 January 2014		46,600	75,900	(148,986)	73	(26,413)
Loss for the year		-	-	(11,984)	-	(11,984)
Other comprehensive expense		-	-	(23,618)	-	(23,618)
Total comprehensive expense		-	-	(35,602)	-	(35,602)
Issue of share capital		120,000	-	-	-	120,000
At 31 December 2014		**166,600**	**75,900**	**(184,588)**	**73**	**57,985**

Balance Sheet
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**20,051**	21,155
Deferred tax assets	5	**24,404**	27,058
Derivative financial instruments	15	**40**	-
		44,495	48,213
Current assets			
Inventories	11	**9,551**	10,504
Trade and other receivables	12	**16,832**	29,422
Current tax assets	5	**1,295**	1,885
Derivative financial instruments	15	**110**	1,325
Cash and cash equivalents	14	**100,638**	96,358
		128,426	139,494
Total assets		**172,921**	187,707
Liabilities			
Current liabilities			
Derivative financial instruments	15	**(465)**	(110)
Trade and other payables	13	**(28,926)**	(30,968)
		(29,391)	(31,078)
Non-current liabilities			
Provisions	16	**(441)**	(344)
Post-employment obligations	18	**(92,988)**	(98,300)
		(93,429)	(98,644)
Total liabilities		**(122,820)**	(129,722)
Net assets		**50,101**	57,985
Shareholders' equity			
Share capital	17	**166,600**	166,600
Share premium account		**75,900**	75,900
Retained earnings		**(192,472)**	(184,588)
Other reserves		**73**	73
Total equity		**50,101**	57,985

The financial statements on pages 6 to 31 were approved by the Board of Directors and authorised for issue on 28th *June* 2016. They were signed on its behalf by:

Steven Westwood
Director
Registration number: 0121799

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, profit and comprehensive income are disclosed in note 23.

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 22)

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- 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:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment ;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets
- 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.

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 statement 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;
- changes in the fair value of derivative financial instruments and material currency translation movements arising on intra-group funding;
- 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;
- significant pension scheme curtailments and settlements.

Net financing costs are analysed to show separately interest payable, interest receivable and other net financing charges. Other net financing charges include the interest charge on net defined benefit plans, specific changes in fair value on cash flow hedges and unwind of discounts on fair value amounts established on business combinations.

Revenue recognition

Sales
Revenue from the sale of goods and services is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding sales taxes and net of allowances for returns, early settlement discounts and rebates.

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

In some instances an element of revenue is recognised via a surcharge or similar raw material cost recovery mechanism. The surcharge invoiced or credited is generally based on prior period movement in raw material price indices applied to current period deliveries. Other cost recoveries are recorded according to the customer agreement. In those instances where recovery of such increases is guaranteed, irrespective of the level of future deliveries, revenue is recognised, or due allowance made, in the same period as the cost movement takes place.

Other income
Interest income is recognised using the effective interest rate method.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

1 *Accounting policies and presentation (continued)*

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment charges.

Cost
Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Where freehold and long leasehold properties were carried at valuation on 23 March 2000, the date of implementation of FRS 15, these values have been retained as book values in accordance with the transitional arrangements of that standard with no subsequent impact of transition to FRS 101 on 1 January 2014.

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

Depreciation
Depreciation is not provided on freehold land or capital work in progress. In the case of all other categories of property, plant and equipment, depreciation is provided on a straight line basis over the course of the financial year from the date the asset is available for use.

Depreciation is applied to specific classes of asset so as to reduce them to their residual values over their estimated useful lives, which are reviewed annually.

The range of depreciation lives are:

	Years
Freehold buildings	Up to 50
General plant, machinery, fixtures and fittings	6 to 15
Computers	3 to 5
Commercial vehicles and cars	4 to 5

Property, plant and equipment is reviewed at least annually for indications of impairment. Impairments are charged to the income statement. Similarly, where property, plant and equipment has been impaired and subsequent reviews demonstrate the recoverable value is in excess of the impaired value an impairment reversal is recorded. The amount of the reversal cannot exceed the theoretical net book amount at the date of the reversal had the item not been impaired. Impairment reversals are credited to the income statement against the same line item to which the impairment was previously charged.

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

Borrowings are measured initially at fair value which usually equates to proceeds received and includes transaction costs. Borrowings are subsequently measured at amortised cost.

Cash and cash equivalents comprise cash on hand and demand deposits, and overdrafts together with highly liquid investments of less than 90 days maturity. Other financial assets comprise investments with more than 90 days until maturity. Unless an enforceable right of set-off exists and there is an intention to net settle, the components of cash and cash equivalents are reflected on a gross basis in the balance sheet.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

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

Derivative financial instruments

The Company does not trade in derivative financial instruments. Derivative financial instruments including forward foreign currency contracts and cross currency interest rate swaps are used by the Company to manage its exposure to risk associated with the variability in cash flows in relation to both recognised assets or liabilities or forecast transactions. 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.

Derivatives embedded in non-derivative host contracts are recognised at their fair value when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are taken to the income statement.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment charges.

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Amortisation is provided on a straight line basis over its useful economic life which is in the range of 3-5 years.

Research expenditure and development expenditure not qualifying for capitalisation is written off as incurred.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items. Cost is determined on a first in, first out or weighted average cost basis. Cost includes raw materials, direct labour, other direct costs and the relevant proportion of works overheads assuming normal levels of activity. Net realisable value is the estimated selling price less estimated selling costs and costs to complete.

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 consolidated 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.

Pensions and post-employment benefits

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

The Company also operates a number of defined contribution and defined benefit arrangements which provide certain employees with defined post-employment healthcare benefits.

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

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

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Share-based payments
Share options granted to employees and share-based arrangements put in place since 7 November 2002 are valued at the date of grant or award using an appropriate option pricing model and are charged to operating profit over the performance or vesting period of the scheme. The annual charge is modified to take account of shares forfeited by employees who leave during the performance or vesting period and, in the case of non-market related performance conditions, where it becomes unlikely the option will vest.

Provisions
Provisions for onerous or loss making contracts, warranty exposures, environmental matters, restructuring, employee obligations and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in provisions due to discounting, only recorded where material, is recognised as interest expense within other net financing charges.

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); and
- IFRS 15 Revenue from contracts with customers (effective from 1 January 2017).

These 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 post-employment obligations, derivative and other financial instruments, taxation, provisions 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 Sales

The Company derives its sales from the provision of goods which fall within the Company's ordinary activity, that of £166,116,000. An analysis of sales by geographical location by destination is given below:

	United Kingdom £'000	USA £'000	Europe £'000	Other countries £'000	Total £'000
2015 Sales	**142,017**	**84**	**13,713**	**10,302**	**166,116**
2014 Sales	146,488	534	22,996	11,343	181,361

3 Operating loss

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

(a) **Trading loss**

	2015 £'000	2014 £'000
Sales	**166,116**	**181,361**
Operating costs		
Change in stocks of finished goods and work in progress	**674**	696
Raw materials and consumables	**(130,186)**	(138,682)
Staff costs (note 7)	**(32,895)**	(31,107)
Share-based payments (note 8)	**(4)**	-
Depreciation of property, plant and equipment (10)	**(3,373)**	(3,449)
Operating lease rentals payable:		
Plant and equipment	**(399)**	(407)
Property	**(851)**	(843)
Net exchange differences on foreign currency transactions	**2,895**	-
Audit fees payable to the Company's auditor (iii)	**(31)**	(36)
Other costs (iv)	**(13,606)**	(21,073)
Trading loss	**(11,660)**	**(13,540)**

(i) EBITDA is subsidiary trading loss before depreciation, impairment and amortisation charges included in trading loss. EBITDA was -£8,283,000 (2014: -£9,376,000).

(ii) Reorganisation costs reflect actions in the ordinary course of business to reduce costs, improve productivity and rationalise facilities in continuing operations. This cost is included in trading profit.

(iii) *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 £nil non-audit services in 2015 (2014: nil).

(iv) Research and development expenditure in subsidiaries included in other costs above was £2,692,000 (2014: £2,785,000), net of customer and government funding.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

3 **Operating loss (continued)**

(b) **Change in value of derivative and other financial instruments**

	2015 £'000	2014 £'000
Forward currency contracts (not hedge accounted)	(1,530)	1,693
	(1,530)	1,693

IAS 39 requires derivative financial instruments to be valued at the balance sheet date and any difference between that value and the intrinsic value of the instrument to be reflected in the balance sheet as an asset or liability. Any subsequent change in value is reflected in the income statement unless hedge accounting is achieved. Such movements do not affect cash flow or the economic substance of the underlying transaction.

4 **Net financing costs**

		2015 £'000	2014 £'000
(a)	**Interest payable and fee expense**		
	Amounts owed to subsidiaries	-	(233)
	Short term bank and other borrowings	(176)	-
	Interest receivable		
	Amounts owed by subsidiaries	359	-
	Net interest payable and receivable	183	(233)

		2015 £'000	2014 £'000
(b)	**Other net financing charges**		
	Interest charge on net defined benefit plans	(3,492)	(2,964)
		(3,492)	(2,964)

5 **Taxation**

(a) **Tax expense**

Analysis of credit in year	2015 £'000	2014 £'000
Current tax credit		
Current year charge	1,295	1,885
Adjustments in respect of prior years	(33)	(172)
	1,262	1,713
Deferred tax (charge)/credit		
Origination and reversal of temporary differences		
• Current year	1,080	1,187
• Adjustments in respect of prior years	33	160
	1,113	1,347
Total tax credit for the year	2,375	3,060

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

5 **Taxation (continued)**
(a) Tax expense (continued)

Significant judgements and estimates
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: 21.5%)

Tax reconciliation	2015 £'000	2014 £'000
Profit before tax	**(16,499)**	(15,044)
Tax charge calculated at 20.25% (2014: 21.5%) standard UK corporate tax rate	**3,341**	3,234
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	**(1)**	(61)
Effect of change in corporation tax rate on deferred tax recognition	**(965)**	(101)
Adjustment to current tax charge in respect of prior periods	**(33)**	(172)
Adjustment to deferred tax charge in respect of prior periods	**33**	160
Total tax credit for the year	**2,375**	3,060

(b) **Intercompany balance**

	2015 £'000	2014 £000
Tax payable / (receivable)	**(1,295)**	(1,885)

(c) **Accounting standard FRS101**
The company adopted the accounting standard FRS101 in the current year. As a result, the Company accounts for its share of the GKN2 defined benefit scheme on its balance sheet and also accounts for derivatives on a fair value basis. At 1 January 2014, the Company recognised the following transition adjustments in equity - a pension deficit of £65,099,000 with an associated deferred tax asset of £13,020,000 and a liability of £478,000 in relation to forward contracts with an associated deferred tax asset of £96,000. During 2014 deferred tax movements in respect of pension obligations were a deferred tax credit of £736,000 recognised in the income statement and £5,904,000 recognised in the statement of comprehensive income, giving a deferred tax asset at 31 December 2014 in relation to pension obligations of £19,660,000.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

5 Taxation (continued)

(d) Recognised deferred tax (continued)

The movements in deferred tax assets and liabilities during the year are shown below:

	Post-employment obligation £'000	Fixed asset timing difference £'000	Other £'000	Total
At 1 January 2015	**19,660**	**7,575**	**(177)**	**27,058**
Included in the income statement	**844**	**29**	**240**	**1,113**
Included in other comprehensive income	**(3,767)**	**-**	**-**	**(3,767)**
At 31 December 2015	**16,737**	**7,604**	**63**	**24,404**
At 1 January 2014	13,020	6,691	96	19,807
Included in the income statement	736	950	(339)	1,347
Included in other comprehensive income	5,904	-	-	5,904
At 31 December 2014	19,660	7,641	(243)	27,058

A deferred tax asset has been recognised in full as the group intends that the deferred tax asset is utilised by other GKN plc group companies through paid for group relief.

'Other' deferred tax arises mainly in relation to items that are taxable or tax deductible in a different period than the income or expense is accrued in the accounts.

(e) Changes in UK tax rate
A reduction in the mainstream rate of UK corporation tax to 20% took effect from 1st April 2015 which gives rise to a blended UK statutory tax rate of 20.25% for the year ended 31 December 2015. A further reduction to the main rate has 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. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £1,352,000, decrease the tax credit for the period in the income statement by £469,000 and increase the tax expense recognised in other comprehensive income by £883,000.

(f) Statement of comprehensive income

	2015 £'000	2014 £'000
Taxation on actuarial pension movement	**3,767**	**5,904**

6 Dividends

No dividend was paid for the year ended 31 December 2015 (2014: £nil) as mentioned on page 2 within the Directors Report.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

7 Employees including Directors

Employee benefit expense

	2015 £'000	2014 £000
Wages and salaries	**25,095**	24,244
Social security costs	**2,250**	2,155
Other pension costs (note 18)	**4,351**	3,993
Post-employment costs	**1,199**	715
	32,895	31,107

Average monthly number of employees (including Executive Directors)

	2015 Number	2014 Number
By activity		
Production	**493**	484
Non production and apprentice	**221**	219
Administration	**62**	61
	776	764

Directors' emoluments

	2015 £'000	2014 £000
Aggregate remuneration	**224***	148
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	**-**	8
Aggregate Company contributions to pension schemes	**20**	14
	244	170

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.

* includes an aggregate amount of £17,003 paid in respect of loss of office (2014: £nil)

Number of Directors receiving benefits and share incentives

	2015 Number	2014 Number
Exercised share options	**-**	1
Accruing benefits under defined benefit pension schemes in respect of qualifying services	**3**	3
Accruing benefits under money purchase pension schemes in respect of qualifying services	**3**	3
Received/entitled to receive shares under long term incentive schemes in respect of qualifying services	**1**	-

2 Directors (2014: 2) are accruing benefits under a hybrid pension scheme which has both a money purchase and defined benefit element. These Directors are shown in both the money purchase and defined benefit disclosures above.

GKN has made contributions to this hybrid pension scheme in respect of Directors' qualifying services. For the defined contribution element, the employer pays a contribution of 2% of pensionable earnings into a defined contribution account (capped at £123,600). A cash supplement is paid on the difference between the basic salary and £123,600.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

7 Employees including Directors (continued)

GKN has also made contributions to a defined contribution scheme in respect of Directors' qualifying services. GKN pays a multiple of an individual's contribution depending on the individual's grade subject to a maximum % of the individual's salary as shown below.

Grade	Multiple	Maximum
D-E	1.5	12%
A-C	2.5	20%

In respect of the highest paid Director

	2015 £'000	2014 £000
Remuneration	**139**	92
Company contributions to pension schemes	**13**	7
Defined benefit accrued pension entitlement at the end of the year	**4**	2
	156	101

During the year the highest paid Director received or was entitled to receive shares under long term incentive plans.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

8 Share-based payments

The Group has granted options over shares to employees for a number of years under different schemes. Where grants were made after 7 November 2002 they have been accounted for as required by IFRS 2 "Share-based payment". Awards made before that date have not been so accounted. Details of awards made since 7 November 2002 that impact the 2015 accounting charge are:

Share Incentive and Retention Plan (SIRP)

Performance Awards and in some cases Restricted Awards were made to certain senior employees in October 2015. Performance Awards are subject to both a management profit before tax target over a two year performance period and a one year retention period. 50% of the Performance Awards will be measured in the first year of the performance period and 50% in the second year. There is no provision for retesting of performance for the Performance Awards. Restricted Awards will normally be released at the end of a specified deferral period provided that the participant is still employed by GKN. The Restricted Awards are not subject to any performance conditions although they will lapse in the event of resignation during the deferral period. Any awards under the SIRP will be satisfied from shares held in the Employee Share Option Plan Trust.

Details of awards granted during the year are set out below:

	Shares granted during year	Weighted average fair value at measurement date
2015 SIRP awards	10,726	2.90

The fair value of shares awarded under the SIRP is calculated as the share price on the grant date.

The total charge for the year relating to share-based payment plans was £4,000 all of which related to equity-settled *share-based payment transactions.*

Liabilities in respect of share-based payments were not material at either 31 December 2015 or 31 December 2014. There were no vested rights to cash or other assets at either 31 December 2015 or 31 December 2014.

9 Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2015	329	**329**
Disposals	(306)	**(306)**
At 31 December 2015	**23**	**23**
Accumulated amortisation		
At 1 January 2015	329	**329**
Charge for the year	(306)	**(306)**
At 31 December 2015	**23**	**23**
Net book amount at 31 December 2015	**-**	**-**
Net book amount at 31 December 2014	**-**	**-**

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

10 **Property, plant and equipment**

	Land and buildings £'000	Plant and machinery £'000	Other tangible assets £'000	Capital work in progress £'000	Total £'000
Cost					
At 1 January 2015	65	72,464	1,177	1,407	75,113
Additions	-	1263	34	937	2,234
Disposals	-	(1,663)	(571)	-	(2,234)
Transfers	-	511	-	-	511
At 31 December 2015	65	72,575	640	2,344	75,624
Accumulated depreciation					
At 1 January 2015	8	52,837	1,113	-	53,958
Charge for the year					
Depreciation	2	3,338	33	-	3,373
Disposals	-	(1,645)	(571)	-	(2,216)
Transfers		458	-	-	458
At 31 December 2015	10	54,988	575	-	55,573
Net book amount at 31 December 2015	55	17,587	65	2,344	20,051
Net book amount at 31 December 2014	57	19,627	64	1,407	21,155

Other tangible assets at net book amount are fixtures, fittings and computers £65,000 (2014: £64,000).

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

11 Inventories

	2015 **£'000**	2014 £'000
Raw materials	**6,774**	7,535
Work in progress	**1,683**	1,829
Finished goods	**1,094**	1,140
	9,551	10,504

Inventories of £9,551,000 (2014: £10,504,000) are carried at net realisable value.

12 Trade and other receivables

	2015 **£'000**	2014 £'000
Trade receivables	**16,662**	28,995
Amounts owed by subsidiaries	**123**	346
Other receivables	**6**	41
Prepayments	**41**	40
	16,832	29,422

Ageing analysis of trade receivables and amounts owed by joint ventures past due *but not impaired*	
Up to 30 days overdue	**190**
31 – 60 days overdue	**92**
61 – 90 days overdue	**277**
More than 90 days overdue	**624**

There is no provision against other receivable categories.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

13 Trade and other payables

	2015		2014	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Amounts owed to suppliers and customers	**10,176**	**818**	12,456	897
Amounts owed to subsidiaries	**8,159**	**-**	8,507	-
Accrued interest	**948**	**-**	198	-
Payroll taxes, indirect taxes and audit fees	**8,584**	**241**	8,630	280
	27,867	**1,059**	29,791	1,177

Amounts owed to subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Net Borrowings

	2015		2014	
	Current	**Non-current**	Current	Non-current
	£'000	**£'000**	£'000	£'000
Bank balances and cash	**100,638**	**-**	96,358	-
Cash and cash equivalents	**100,638**	**-**	96,358	-
Net debt	**100,638**	**-**	96,358	-

15 Derivative financial instruments

	2015					2014				
	Assets		**Liabilities**		**Total**	Assets		Liabilities		Total
	Non-current	**Current**	**Non-current**	**Current**		Non-current	Current	Non-current	Current	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000
Forward currency contracts	**40**	**110**	**-**	**(465)**	**(315)**	-	1,325	-	(110)	1,215

Significant judgement and estimates

Forward foreign currency contracts, cross currency interest rate swaps and embedded derivatives are marked to market using market observable rates and published prices together with forecast cash flow information where applicable.

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

16 Provisions

	Warranty £'000	Total £'000
At 1 January 2015	**344**	**344**
Net charge for the year:		
Additions	**209**	**209**
Unused amounts reversed	**(112)**	**(112)**
At 31 December 2015	**441**	**441**
Due within one year	95	95
Due in more than one year	346	346
	441	**441**

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

It is the GKN policy to hold 50% of the last three years warranty charges. The provisions which are due more than one year total £346,000 and represent 50% of 2014 charges which will be released in 2017 (£137,000) and 50% of 2015 charges which will be released in 2018 (£209,000)

17 Share capital

	Issued and Fully Paid	
	2015 £'000	2014 £'000
Ordinary shares of £1 each	**166,600**	166,600

	2015 Number 000s	2014 Number 000s
Ordinary shares of £1 each		
At 1 January and 31 December	**166,600**	166,600

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

18 Post-employment obligations

Post-employment obligations as at the year end comprise:	2015 £'000	2014 £'000
Pensions - funded	92,988	98,300
	92,988	98,300

The Company's pension arrangements comprise a defined benefit and defined contribution scheme. In addition, various plans operate which provide members with post-retirement medical benefits.

The Company's defined benefit pension schemes are funded, albeit in deficit in common with many other UK pension schemes, with the scheme assets held in trustee administered funds.

The Company's defined benefit pension arrangements provide benefits to members in the form of an assured level of pension payable for life. The level of benefits provided typically depends on length of service and salary levels in the years leading up to retirement. Pensions in payment are generally updated in line with inflation and are closed to new entrants.

Independent actuarial valuations of the defined benefit scheme assets and liabilities were carried out at 31 December 2015. The present value of the defined benefit obligation and the related service cost elements were measured using the projected unit credit method.

(a) Defined benefit schemes – significant judgements, assumptions and estimates

Key assumptions:

	2015 %	2014 %
Rate of increase in pensionable salaries (past/future)	4.10/4.15	4.05/4.10
Rate of increase in payment and deferred pensions	3.10	3.05
Discount rate (past/future service)	3.85/4.05	3.55/3.80
Inflation assumption (past/future service)	3.10/3.15	3.05/3.10
Rate of increase in medical costs:		
Initial/long term	5.4/5.4	5.5/5.5

The assumptions table above specifies separate assumptions for past and future service in relation to the pension scheme.

The scheme uses a duration specific discount rate derived from the Mercer pension discount yield curve, which is based on corporate bonds with two or more AA-ratings.

The key current year mortality assumptions use S1NA year of birth mortality tables with CMI 2013 improvements and a 1.25% p.a. long term improvement trend. These assumptions give the following expectations: a male aged 65 lives for a further 22.8 years and a female aged 65 lives for a further 25.2 years whilst a male aged 45 is expected to live a further 24.7 years from age 65 and a female aged 45 is expected to live a further 27.1 years from age 65.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

18 **Post-employment obligations (continued)**

(a) ***Defined benefit schemes – significant judgements, assumptions and estimates (continued)***

Assumption sensitivity analysis

The impact of a one percentage point movement in the primary assumptions (longevity: 1 year) on the defined benefit obligations as at 31 December 2015 is set out below:

	Liabilities £'000
Discount rate +1%	46,511
Discount rate -1%	(60,756)
Rate of inflation +1%	(54,036)
Rate of inflation -1%	41,258
Life expectancy +1 year	(7,742)
Life expectancy -1 year	7,742
Health cost trend +1%	0
Health cost trend -1%	0

The above sensitivity analyses are based on isolated changes in each assumption, whilst holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations. The assets, including derivatives held by the schemes, have been designed to mitigate the impact of these movements to some extent, such that the movements in the defined benefit obligations shown above would, in practice be partly offset by movements in asset valuations. However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant balance sheet values, and have not changed compared to the previous period.

Significant judgements and estimates

The Company's defined benefit pension scheme obligation arises as a result of its participation in the externally funded defined benefit Group pension arrangements of GKN plc. The share of the obligation recognised by the Company is based on the benefits accruing to current and historic members of the scheme that have been employed by the Company.

(b) **Defined benefit schemes - reporting**

The amounts included in operating profit are:

	Total £'000
2015	
Current service cost and administrative expenses	**(5,550)**
2014	
Current service cost and administrative expenses	(4,708)

The amounts recognised in the balance sheet are:

	2015 £'000	2014 £'000
Present value of unfunded obligations	**(285,430)**	(293,889)
Fair value of plan assets	**192,442**	195,589
Net obligations recognised in the balance sheet	**(92,988)**	(98,300)

Cumulative remeasurement of defined benefit plan differences recognised in equity are as follows:

	2015 £'000	2014 £'000
Remeasurement of defined benefit plans	**10,003**	29,522

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

18 **Post-employment obligations (continued)**

(b) **Defined benefit schemes – reporting (continued)**

Movement in schemes' assets and liabilities (funded and unfunded) during the year:

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2015	**195,589**	**(293,889)**	**(98,300)**
Current service cost	**-**	**(5,550)**	**(5,550)**
Interest	**6,839**	**(10,331)**	**(3,492)**
Remeasurement of defined benefit plans	**(4,534)**	**14,537**	**10,003**
Contributions by Group	**4,351**	**-**	**4,351**
Benefits paid	**(9,803)**	**9,803**	**-**
At 31 December 2015	**192,442**	**(285,430)**	**(92,988)**

Remeasurement gains and losses in relation to the scheme's obligations are as follows

	Total £'000
2015	
Changes in financial assumptions	**14,537**
	14,537
2014	
Changes in financial assumptions	(38,841)

The fair values of the assets in the scheme were:

	Total £'000
At 31 December 2015	
Equities (inc. hedge funds)	**81,715**
Diversified growth funds	**30,900**
Bonds - government	**31,128**
Bonds - corporate	**34,902**
Property	**12,487**
Cash, derivatives and net current assets	**(2,043)**
Other assets	**3,354**
	192,443
At 31 December 2014	
Equities (inc. hedge funds)	87,686
Diversified growth funds	30,033
Bonds - government	28,557
Bonds - corporate	32,720
Property	11,147
Cash, derivatives and net current assets	1,308
Other assets	4,138
	195,589

As at 31 December 2015, the equities in the Company's asset portfolio were split 25% domestic (2014: 26%); 75% foreign (2014: 74%), whilst bond holdings were 94% domestic (2014: 96%) and 6% foreign (2014: 4%).

Notes to the Financial Statements (continued)
For the year ended 31 December 2015

18 **Post-employment obligations (continued)**
(c) **Defined benefit scheme – risk factors**

Through its post-employment pension plans, the Company is exposed to a number of risks, the most significant of which are detailed below. The Company's focus is on managing the cash demands which the various pension plans place on the Company, rather than balance sheet volatility in its own right. For funded schemes cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: Plan liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit. The Company's various pension plans hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long-term, albeit at the risk of short term volatility.

As the plans mature, with a shorter time horizon to cope with volatility, the Company will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Company considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long term nature of the liabilities and the strength of the Company to withstand volatility.

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

Inflation risk: As pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation linked bonds to provide an element of protection against this risk, whilst additional protection is provided by inflation derivatives.

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

(d) **Defined benefit schemes – demographic factors**

Weighted average duration is a measurement technique designed to represent the estimated average time to payment of all cash-flows arising as a result of defined benefit obligations (i.e. pension payments and similar). The weighted average duration (years) of defined benefit obligations are as follows:

	2015	2014
UK	**17**	17

Defined benefit obligations are classified into those representing "active" members of a scheme or plan (i.e. those who are currently employed by the Company), "deferred" members (i.e. those who have accrued benefit entitlements, but who are no longer employed by the Company and are not yet drawing a pension) and "pensioner" members who are currently in receipt of a pension. Additional information regarding the average age, number of members and value of the defined benefit obligation in each of these categories in relation to the Group pension arrangements of GKN plc in which the Company participates is given below:

	Active			Deferred			Pensioner		
	Age	Number	Value (£m)	Age	Number	Value (£m)	Age	Number	Value (£m)
UK	46	5,743	738	52	6,743	718	72	7,231	915

Benefit payments are forecast to continue to rise until the mid-2030's, when they will peak, before beginning to decline.

(e) **Defined contribution schemes**

The charge to the income statement in the year from the defined contribution scheme was £4,351,000 (2014: £3,993,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

19 Operating leases

(a) Commitments: minimum lease payments

The minimum lease payments which the Company is committed to make at 31 December are:

	2015		2014	
	Property £'000	**Vehicles, plant and equipment £'000**	Property £'000	Vehicles, plant and equipment £'000
Payments under non-cancellable operating leases:				
Within one year	**851**	**285**	843	-
Later than one year and less than five years	**4,386**	**1,050**	4,342	213
After five years	**13,761**	**-**	14,656	-
	18,998	**1,335**	19,841	213

20 Capital expenditure

Contracts placed against capital expenditure sanctioned at 31 December 2015 which are not provided amounted to £524,956 property, plant and equipment (2014: £870,524 property, plant and equipment).

21 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.

22 Controlling parties

The immediate parent is GKN Automotive Limited. 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 these results are consolidated is GKN Holdings plc. Consolidated financial statements of GKN Holdings plc are available from the address above.

The registered office address is Chester Road, Erdington, Birmingham, B24 ORB.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

23 **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 both profit after taxation and comprehensive income for the year ended 31 December 2014.

(a) **Reconciliation of total equity**

	31 December 2014 £'000	1 January 2014 £'000
Total shareholders' funds/deficit under old UK GAAP	**135,665**	**26,048**
Differences increasing/(decreasing) reported shareholders' funds:		
Post-employment obligations	(98,300)	(65,099)
Derivative financial instruments	1,215	(478)
Taxation	19,405	13,116
Total equity under FRS 101	**57,985**	**(26,413)**

(b) **Reconciliation of loss after tax for the financial year**

	2014 £'000
Profit/Loss for the financial year under old UK GAAP	
Differences increasing/(decreasing) reported profit for the financial year:	(10,383)
Trading profit charge on net defined benefit plans	(715)
Interest charge on net defined benefit plans	(2,964)
Derivative financial instruments	1,693
Taxation	385
Profit/Loss after taxation under FRS 101	(11,984)

(c) **Reconciliation of total comprehensive income**

	2014 £'000
Total comprehensive gain/loss under old UK GAAP	
Differences increasing/(decreasing) reported comprehensive income/(expense):	(10,383)
Differences in net earnings	(1,601)
Post-employment obligations	(29,522)
Derivative financial instruments	-
Taxation	5,904
Total comprehensive income under FRS 101	(35,602)

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

(i) The Company's liability in relation to its participation in the externally funded defined benefit Group pension arrangements of GKN plc has been recognised in accordance with IAS 19 'Employee benefits.'

(ii) The Company has recognised the fair value of all derivative financial instruments held in accordance with IAS 39 'Financial instruments: Recognition and measurement.'

(iii) The Company's computer software previously recognised as Tangible fixed assets under FRS 15 has been reclassified to Intangible assets in accordance with IAS 38 'Intangible Assets.'

(iv) The resulting tax impact of the adjustments detailed above has been recognised in accordance with IAS 12 'Income taxes.'

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

24 **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. The applicable optional exemptions from full retrospective application elected for by the Company were as follows:

(a) **Employee benefits exemption**

All cumulative actuarial gains and losses as at 1 January 2014 have been recognised.

(b) **Revaluations as deemed cost**

Tangible fixed assets previously stated at revalued amounts have been treated as deemed cost as at 1 January 2014.

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.