Registered number: 34104

GKN Automotive 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
GKN Automotive Limited is an intermediate holding company within the GKN plc Group which holds investments in GKN Driveline entities. The Company receives royalty income from certain entities within the GKN Driveline division and employs certain members of GKN Driveline's senior management and functional leadership.

The Company's Total Comprehensive Income Statement for the financial year shows a gain of £13,937,000 (2014: loss of £137,339,000). The financial position of the Company is considered satisfactory and the Company continues to receive the ongoing support of GKN plc.

On 16 July 2015, the Company acquired 100% of the issued share capital in GKN Driveline Mexico (UK) Limited from another wholly owned subsidiary in the GKN Group for a consideration of £100.

On 21 August 2015, the Company allotted 102,363,311 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £102,363,311. On the same date, the Company subscribed for 103,026,047 ordinary shares in GKN Driveline Mexico (UK) Limited for a total consideration of US$160,720,633.

On 21 September 2015, the Company allotted 45,075,286 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £45,075,286. On the same date, the Company subscribed for 44,930,813 ordinary shares in GKN Driveline Mexico (UK) Limited for a total consideration of US$70,092,068.

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 1st July 2016 and signed on its behalf by:

John A. Hickman

John Hickman
Director
Registration number: 34104

Directors Report
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 approval of the Financial Statements unless otherwise stated were as follows:

Mr A W Curral
Mr S N Meadows (resigned 11 June 2015)
Mr W Messner
Mr A Reynolds Smith (resigned 25 September 2015)
Mr P Swash (appointed 25 September 2015)
Mr M Zameer
Mr J A Hickman (appointed 11 June 2015)
Mrs M P Carter (resigned 1 March 2016)
Mr A Harvey (appointed 26 April 2016)

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).

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.

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

Directors Report (continued)
For the year ended 31 December 2015

Disclosure of Information to Auditors
In the case of each of the persons who were Directors of the Company at the date when this report was approved:

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

Auditors
PricewaterhouseCoopers LLP 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 1st July 2016 and signed on its behalf by:

John A. Hickman

John Hickman
Director
Registration number: 34104

Independent auditors' report to the members of GKN Automotive Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic report, directors' report and financial statements (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.

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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

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

Income Statement
For the year ended 31 December 2015

	Notes	2015 £'000	Restated 2014 £'000
Turnover	2	**56,212**	4,172
Trading profit/(Loss)	3	**12,313**	(23,208)
Income from investments in subsidiaries		**634**	502
Impairment of investments in subsidiaries	10	**(1,974)**	(130,259)
Gains and losses on disposal of investments in subsidiaries	10	**-**	10,833
Operating profit/(Loss)		**10,973**	(142,132)
Interest payable		**(271)**	(751)
Interest receivable		**140**	-
Other net financing charges		**(586)**	(494)
Net financing costs	4	**(717)**	(1,245)
Profit/(Loss) before taxation		**10,256**	(143,377)
Taxation	5	**(2,720)**	8,207
Profit/(Loss) after taxation for the year		**7,536**	(135,573)

Statement of Comprehensive Income
For the year ended 31 December 2015

	Notes	2015 £'000	Restated 2014 £'000
Profit/(Loss) after taxation for the year		**7,536**	(135,170)
Other comprehensive income		**-**	-
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**1,680**	(4,920)
Prior Year Adjustment to retained earnings		**(131)**	-
Taxation	5	**(631)**	3,154
		918	(1,766)
Total comprehensive income for the year		**8,323**	(136,936)

Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015		**270,500**	**183,621**	**(377,788)**	**76,333**
Profit for the year		-	-	**7,536**	**7,536**
Other comprehensive income/(expense)		-	-	**918**	**918**
Total comprehensive income		-	-	**8,454**	**8,454**
Share-based payments	7	-	-	**53**	**53**
Issue of Share Capital		**147,439**	-	-	**147,439**
At 31 December 2015		**417,939**	**183,621**	**(369,281)**	**232,279**
At 1 January 2014		105,500	183,621	(230,161)	58,960
Adjustments to opening balance - Pension		-	-	(10,850)	(10,850)
At 1 January 2014 Adjusted		105,500	183,621	(241,011)	48,110
Profit for the Year		-	-	(135,170)	(135,170)
Other Comprehensive Income/(Loss)		-	-	(1,766)	(1,766)
Total comprehensive income		-	-	(136,936)	(136,936)
Issue of share capital		165,000	-	-	165,000
Share-based payments	7	-	-	159	159
At 31 December 2014		270,500	183,621	(377,788)	76,333

Balance Sheet
At 31 December 2015

	Notes	2015 £'000	Restated 2014 £'000
Assets			
Non-current assets			
Intangible assets	8	**2,785**	3,424
Property, plant and equipment	9	**84**	73
Investments in subsidiaries	10	**206,504**	59,065
Investments in joint ventures and associated undertakings	10	**-**	-
Deferred tax assets	5	**5,643**	6,116
		215,016	68,678
Current assets			
Trade and other receivables	11	**45,674**	27,868
Current tax assets	5	**-**	7,284
		45,674	35,152
Total assets		**260,690**	103,830
Liabilities			
Current liabilities			
Trade and other payables	12	**(12,439)**	(11,068)
Current tax liabilities	5	**(363)**	-
		(12,802)	(11,068)
Non-current liabilities			
Post-employment obligations	14	**(15,609)**	(16,429)
Total liabilities		**(28,411)**	(27,497)
Net assets		**232,279**	76,333
Shareholders' equity			
Share capital	13	**417,939**	270,500
Share premium account		**183,621**	183,621
Retained earnings		**(369,281)**	(377,788)
Total equity		**232,279**	76,333

The Financial Statements on pages 5 to 27 were approved by the Board of Directors and authorised for issue on 1st July 2016. They were signed on its behalf by:

John A. Hickman

John Hickman
Director
Registration number: 34104

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 18

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 19):
- 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.

Exemption from preparing group accounts
The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

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 turnover 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. 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

Turnover
Turnover represents royalty income receivable from other GKN Group Companies and is measured at the fair value of the consideration receivable which generally equates to the invoices amount excluding sales taxes.

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 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 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
Computer Equipment	3
Commercial vehicles and cars	4

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.

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.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Taxation

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

Full provision is made for deferred tax on all temporary differences resulting from the difference between the carrying value of an asset or liability in the 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

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.

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 Turnover

An analysis of Turnover by geographical location is given below:

	Sweden £'000	Italy £'000	USA £'000	Australia £'000	China £'000	Japan £'000	Taiwan £'000	Thailand £'000	Total £'000
2015									
Turnover	**10,812**	**2,985**	**24,936**	**134**	**6,282**	**8,041**	**95**	**2,927**	**56,212**
2014									
Turnover	-	-	-	97	3,188	128	77	682	4,172

3 Trading profit

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

(a)

Trading Profit	2015 £'000	2014 £'000
Turnover	**56,212**	4,172
Other Operating Income		
Material Rebates	**1,212**	-
Operating Costs		
Staff costs (note 6)	**(11,767)**	(11,371)
Reorganisation costs (ii)	**-**	-
Depreciation of property, plant and equipment (iii)	**(26)**	(1,247)
Amortisation of operating intangible assets	**(1,759)**	(259)
Operating lease rentals payable:		
Plant and equipment	**(61)**	(24)
Property	**(431)**	(366)
Net exchange differences on foreign currency transactions	**844**	-
Audit fees payable to the Company's auditor (iv)	**(84)**	(70)
Other Charges to Group Subsidiaries	**(20,176)**	(7,286)
Other costs	**(11,651)**	(6,757)
Trading Profit	**12,313**	(23,208)

(i) EBITDA is subsidiary trading profit before depreciation, impairment and amortisation charges included in trading profit. EBITDA was £14,124,000 (2014: (£21,371,000)).

(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) Including depreciation charged on assets held under finance leases of £Nil (2014: £Nil).

(iv) 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 £82,000 non-audit services in 2015 (2014: £68,000) in respect of amounts borne on behalf of other subsidiaries of the GKN Group

(v) Research and development expenditure in subsidiaries included in other costs above was £2,443,000 (2014: £2,519,000), net of customer and government funding.

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

4 **Net financing costs**

		2015 £'000	2014 £'000
(a)	**Interest payable and fee expense**		
	Interest payable on current account with GKN (United Kingdom) plc	**(268)**	(748)
	Preference Share Redemption Premium	**(3)**	(3)
		(271)	(751)
	Interest receivable		
	Amounts owed by associated undertakings	**140**	-
	Net interest payable and receivable	**(131)**	(751)

		2015 £'000	2014 £'000
(b)	**Other net financing charges**		
	Interest charge on net defined benefit plans	**(586)**	(494)
		(586)	(494)

5 **Taxation**

(a) **Tax expense**

Analysis of charge/(credit) in year	2015 £'000	2014 £'000
Current tax		
Current year charge	**2,871**	(4,555)
Adjustments in respect of prior years	**7**	(690)
	2,878	(5,245)
Deferred tax		
Origination and reversal of temporary differences	**(145)**	(2,962)
Adjustments in respect of prior years	**(13)**	-
	(158)	(2,962)
Total tax charge for the year	**2,720**	(8,207)

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%)

(b) **Tax reconciliation**	2015 £'000	2014 £'000
Profit/(Loss) on ordinary activities before tax	**10,282**	(143,377)
Tax charge calculated at 20.25% (2014: 21.5%) standard UK corporate tax rate	**2,082**	(30,826)
Non-deductible and non-taxable items	**339**	25,819
Overseas taxation	**2,327**	2,729
Double taxation relief	**(2,327)**	(2,729)
Other movements in deferred taxation	**(27)**	-
Recognition of previously unrecognised deferred tax assets	**-**	(2,542)
Effect of change in corporation tax rate on deferred tax recognition	**332**	32
Adjustment to current tax charge in respect of prior periods	**7**	(690)
Adjustment to deferred tax charge in respect of prior periods	**(13)**	-
Total tax charge for the year	**2,720**	(8,207)

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. The 2016 Budget on the 16 March 2016 announced a further reduction of the corporation tax rate to 17% from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

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

5 **Taxation (continued)**

The company adopted the accounting standard FRS101 in the current year. The application of FRS101 has resulted in removal of the multi-employer exemption relating to pensions and, as a result, the company now accounts for its share of the group's defined benefit pension arrangements as a defined benefit scheme instead of a defined contribution scheme. The Company's share of the pension deficit at at 31 December 2013 of £10,850,000 was recognised in the Company's accounts on 1 January 2014. The Company recognised deferred taxation during 2014 which resulted in the following deferred tax credits in respect of the pension - £132,000 credited to the profit and loss account, £984,000 credited to the statement of comprehensive income in relation to the 2014 actuarial pension movement and £2,170,000 credited to the statement of comprehensive income in relation to the pension deficit at transition to IFRS101. In total a deferred tax asset of £3,286,000 was recognised on the balance sheet at 31 December 2014 in respect of the Company's pension obligations. Under FRS101 the company also recognised a deferred tax asset of £403,000 at December 2014 in relation to future tax deductions for share based payments.

(c) **Intercompany balance**	**2015** **£'000**	2014 £'000
Tax (payable)/receivable	**(363)**	7,284

(d) **Recognised deferred tax**

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

	Post-employment obligations £'000	**Fixed assets £'000**	**Other £'000**	**Total £'000**
At 1 January 2015	**3,286**	**474**	**2,356**	**6,116**
Included in the income statement	**155**	**(35)**	**38**	**158**
Included in other comprehensive income	**(631)**	**-**	**-**	**(631)**
At 31 December 2015	**2,810**	**439**	**2,394**	**5,643**

Deferred tax assets are recognised where management projections indicate the future availability of taxable profits to absorb the deductions.

'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.

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

6 Employees including Directors

Employee benefit expense

	2015 £'000	2014 £000
Wages and salaries	**9,072**	8,955
Social security costs	**1,129**	983
Post-employment costs	**1,513**	1,274
Share-based payments	**53**	159
	11,767	11,371

Average monthly number of employees (including Executive Directors)

	2015 Number	2014 Number
By activity		
Administration	**80**	75
	80	75

The Directors' emoluments for the year are disclosed in accordance with the Companies Act 2006. Emoluments are apportioned for the services provided by the Directors to the Company. The emoluments of the Directors of the Company for their services to the Company amounted to £nil (2014: £nil).

One Director exercised options over shares in the ultimate parent undertaking, GKN plc, during the year (2014:1). Retirement benefits accruing to the Directors of the Company for their services to the Company amounted to £nil (2014: £nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

7 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:

Sustainable Earnings Plan (SEP)

Awards comprising Core and Sustainability Awards were made to Directors and certain senior employees in August 2012, March 2013, March 2014 and March 2015. Core and Sustainability Awards are subject to performance targets with Core Awards subject to achievement of EPS growth targets over an initial three year performance period and Sustainability Awards subject to the highest level of EPS attained in any year during the core performance period being achieved or exceeded in years four and five. Sustainability Awards will be reduced to the extent that the target in the core performance period has not been met. Sustainability Awards are measured independently in years four and five. 50% of Core Awards will be released at the end of year three; the balance of Core Awards and any Sustainability Awards will be released at the end of year five. There is no provision for retesting performance for either the Core or Sustainability Awards. On vesting, dividends are treated as having accrued on the shares from the date of grant to the date of release with the value delivered in either shares or cash.

Details of SEP awards (Core Award and Sustainability Awards) granted during the year are set out below:

	Shares granted during year	Weighted average fair value at measurement date
2015 SEP awards	417,575	3.60

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

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	273,147	2.90

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

7 **Share-based payments (Continued)**

	2015		2014	
Range of exercise price	**Number of shares 000s**	**Contractual weighted average remaining life years**	Number of shares 000s	Contractual weighted average remaining life years
110p-120p	**133,139**	**3.62**	158,237	4.62
130p-145p	**114,403**	**4.35**	124,654	5.35
180p-200p	**249,898**	**5.25**	249,898	6.25

The weighted average share price during the year for options exercised over the year was 292.10p (2014: 379.45p). The total charge for the year relating to share-based payment plans was £53,000 (2014: £159,000) all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £53,000 (2014: £159,000).

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.

8 **Intangible assets**

	Development costs £'000	**Computer software £'000**	**Total £'000**
Cost			
At 1 January 2015	2,091	12,806	15,707
Additions	-	1,120	1,120
Disposals	(2,091)	(8,232)	(10,323)
At 31 December 2015	**-**	**5,694**	**5,694**
Accumulated amortisation			
At 1 January 2015	1,930	9,543	11,473
Charge for the year	161	1,598	1,759
Disposals	(2,091)	(8,232)	(10,323)
At 31 December 2015	**-**	**2,909**	**2,909**
Net book amount at 31 December 2015	**-**	**2,785**	**2,785**
Net book amount at 31 December 2014 – as Per 2014 Stat Accounts	161	-	161
Reclassified from tangible assets	-	3,263	3,263
Net Book amount at 31 December 2014 – Restated (FRS 101)	**161**	**3,263**	**3,424**

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.'

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

9 Property, plant and equipment

	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 January 2015	3,556	169	3,725
Additions	-	37	37
Disposals	(3,556)	(99)	(3,655)
Transfers	-	-	-
At 31 December 2015	**-**	**107**	**107**
Accumulated depreciation			
At 1 January 2015	3,556	96	3,652
Charge for the year			
Depreciation	-	26	26
Impairments	-	-	-
Disposals	(3,556)	(99)	(3,655)
At 31 December 2015	**-**	**23**	**23**
Net book amount at 31 December 2015	**-**	**84**	**84**
Net book amount at 31 December 2014 – as Per 2014 Stat Accounts	3,263	73	3,336
Reclassified to Intangible Assets	(3,263)	-	(3,263)
Net book amount at 31 December 2014	**-**	**73**	**73**

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.'

10 Investments in subsidiaries and other undertakings

	Investment in subsidiaries £'000	Investment in joint ventures £'000	Investment in Associated Undertakings £'000	Total £'000
Cost				
At 1 January 2015	277,391	2,565	4,813	284,769
Additions	150,267	-	-	150,267
Transfers	2,565	(2,565)	-	-
Return of Invested Funds	-	-	(854)	(854)
At 31 December 2015	**430,223**	**-**	**3,959**	**434,182**
Accumulated impairment				
At 1 January 2015	218,326	2,565	4,813	225,704
Transfers	2,565	(2,565)	-	-
Impairment charges	2,828	-	-	2,828
Reversal of Impairment	-	-	(854)	(854)
At 31 December 2015	**223,719**	**-**	**3,959**	**227,678**
Net book amount at 31 December 2015	**206,504**	**-**	**-**	**206,504**
Net book amount at 31 December 2014	**59,065**	**-**	**-**	**59,065**

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

10 Investments in subsidiaries and other undertakings (continued)

The Subsidiary and other undertakings in which the Company held 20% or more of the nominal value in any class of share at 31 December 2015 are disclosed in note 17

On 5 June 2015, the Company acquired an additional 50% interest in GKN EVO eDrive Systems Limited ("EVO") for a total consideration of £2,828,000 making EVO a wholly owned subsidiary of the Company.

On 5 June 2015, the Company received a repayment of investment in EVO Electric Ltd which had previously been impaired amounting to £854,000

On 16 July 2015, the Company acquired 100% of the issued share capital in GKN Driveline Mexico (UK) Limited from another wholly owned subsidiary in the GKN Group for a consideration of £100.

On 21 August 2015, the Company allotted 102,363,311 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £102,363,311. On the same date, the Company subscribed for 103,026,047 ordinary shares in GKN Driveline Mexico (UK) Limited for a total consideration of US$160,720,633.

On 21 September 2015, the Company allotted 45,075,286 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £45,075,286. On the same date, the Company subscribed for 44,930,813 ordinary shares in GKN Driveline Mexico (UK) Limited for a total consideration of US$70,092,068.

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

11 Trade and other receivables

	2015	2014
	£'000	£'000
Trade receivables	**526**	576
Amounts owed by Group subsidiaries	**26,633**	21,793
Amounts owed by joint ventures	**2,382**	3,585
Current Account with GKN (United Kingdom) plc	**12,760**	-
Prepayments	**3,067**	1,662
Indirect taxes recoverable	**306**	252
	45,674	27,868

There is no provision against other receivable categories.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

12 *Trade and other payables*

	2015 £'000	2014 £'000
Preference Shares – Capital Redemptions	**101**	98
Preference Shares – Appropriations	**15**	15
Amounts owed to suppliers and customers	**883**	851
Amounts owed to subsidiaries	**7,892**	5,480
Current Account with GKN (United Kingdom) plc	**-**	2,371
Accruals and deferred income	**3,548**	2,253
	12,439	11,068

Preference shares

	2015 £'000	2014 £'000
Issued, called up and fully paid:		
Cumulative redeemable preference shares of £1	**50**	50

The cumulative redeemable preference shares, which do not carry voting rights, were issued at par for cash consideration. Shareholders are entitled to receive dividends, based upon the redemption yield on the 2.5% Index Linked Gilt 2016 and increased each year in line with the movement in Retail Price Index. The dividends are currently accrued from the period of 31 December 2001 and have not been paid due to the lack of distributable reserves.

The preference shareholders have priority over the other shareholders on winding up. The Preference shares will be redeemed at par together with a premium of 50p per share increased by the percentage increase in the Retail Price Index between the date of issue and the date of redemption.

13 Share capital

	Issued and Fully Paid	
	2015 £'000	2014 £'000
Ordinary shares of £1 each	**417,939**	270,500

	2015 Number 000s	2014 Number 000s
Ordinary shares of £1 each	**417,939**	270,500

On 21 of August 2015 the Company allotted 102,363,311 Ordinary Shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £102,343,311

On 21 September the company allotted 45,075,286 Ordinary Shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £45,075,286

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

14 Post-employment obligations

Post-employment obligations as at the yearend comprise:	2015 £'000	2014 £'000
Pensions - funded	**(15,609)**	(16,429)

The Company's pension arrangements comprise a defined benefit and defined contribution scheme.

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 21.8 years and a female aged 65 lives for a further 23.9 years whilst a male aged 45 is expected to live a further 25.8 years from age 65 and a female aged 45 is expected to live a further 25.8 years from age 65.

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

14 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%	7,876
Discount rate -1%	(10,289)
Rate of inflation +1%	(9,151)
Rate of inflation -1%	6,987
Life expectancy +1 year	(1,331)
Life expectancy -1 year	1,313
Health cost trend +1%	-
Health cost trend -1%	-

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	**1,268**
2014	
Current service cost and administrative expenses	1,086

The amounts recognised in the balance sheet are:

	2015 £'000	2014 £'000
Present value of funded obligations	**(48,198)**	(49,283)
Fair value of plan assets	**32,588**	32,854
Net obligations recognised in the balance sheet	**(15,609)**	(16,429)

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

	2015 £'000	2014 £'000
At 1 January	**(1,766)**	-
Remeasurement of defined benefit plans	**1,680**	(1,766)
At 31 December	**(86)**	(1,766)

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

14 **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	**32,854**	**(49,283)**	**(16,429)**
Current service cost	-	(1,268)	(1,268)
Settlements and curtailments	(1,647)	1,647	-
Administrative expenses	-	-	-
Interest	1,149	(1,735)	(586)
Remeasurement of defined benefit plans	(762)	2,442	1,680
Contributions by Group	-	-	-
Benefits and administrative expenses paid	994	-	994
At 31 December 2015	**32,588**	**(48,198)**	**(15,609)**
At 1 January 2014	31,248	(42,098)	(10,850)
Current service cost	-	(1,086)	(1,086)
Settlements and curtailments	(1,584)	1,584	-
Administrative expenses	-	-	-
Interest	1,382	(1,876)	(494)
Remeasurement of defined benefit plans	887	(5,807)	(4,920)
Contributions by Group	-	-	-
Benefits and administrative expenses paid	921	-	921
At 31 December 2014	**32,854**	**(49,283)**	**(16,429)**

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

	Total £'000
2015	
Experience gains and losses	-
Changes in financial assumptions	**2,442**
Change in demographic assumptions	-
	2,442
2014	
Experience gains and losses	-
Changes in financial assumptions	(5,807)
Change in demographic assumptions	-
	(5,807)

The fair values of the assets in the scheme were:

	Total £'000
At 31 December 2015	
Equities (inc. hedge funds)	**13,838**
Diversified growth funds	**5,233**
Bonds - government	**5,271**
Bonds - corporate	**5,910**
Property	**2,115**
Cash, derivatives and net current assets	**(346)**
Other assets	**568**
	32,588
At 31 December 2014	
Equities (inc. hedge funds)	14,729
Diversified Growth Funds	5,045
Bonds - government	4,797
Bonds - corporate	5,496
Property	1,872
Cash, derivatives and net current assets	220
Other assets	695
	32,854

As at 31 December 2014, 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

14 **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	5743	738	52	6,743	718	72	7,231	915

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15 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.

16 Controlling parties

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

The parent of the largest group in which these Financial Statements are consolidated is GKN plc. Consolidated financial statements of GKN plc are available from its registered office:

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.

17 Subsidiaries and other undertakings

Set out below are the subsidiaries and other undertakings in which the Company held 20% or more of the nominal value in any class of share as at 31 December 2015. These undertakings were included in the consolidation of GKN plc. All undertakings operate principally in the country of incorporation. GKN Driveline Mexico (UK) Limited operates principally in Mexico

Name	Country of incorporation	Interest	Proportion of nominal value
GKN Driveline Birmingham Limited*	England	Ordinary Shares	100%
GKN Driveline Service Limited*	England	Ordinary Shares	100%
GKN Driveline Korea Limited*	Korea, Republic of	Ordinary Shares	100%
GKN Driveline Singapore Pte Limited*	Singapore	Ordinary Shares	100%
GKN Birfield Extrusions Ltd*	England	Ordinary Shares	100%
Ball Components Limited[1]	England	Ordinary Shares	100%
GKN Service UK Ltd*	England	Ordinary Shares	100%
Automotive Group Services*	France	Ordinary Shares	100%
Ryovan Limited* (formerly known as - EVO Electric Limited)	England	Ordinary Shares	32.292%
GKN EVO eDrive Systems Limited	England	Ordinary Shares	100%
Driveline Systems (RUS) LLC*	Russia	Ordinary Shares	99%
GKN Engineering (RUS) LLC*	Russia	Ordinary Shares	50%
GKN Driveline Togliatti LLC*	Russia	Ordinary Shares	99%
GKN Driveline Mexico (UK) Limited*	England	Ordinary Shares	100%

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

1 The Company has a direct interest in 0.10% of the issued share capital. The balance is held indirectly.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

18 **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
Shareholders' funds/deficit under old UK GAAP	**89,073**	**58,960**
Differences increasing/(decreasing) reported shareholders' funds:		
Post-employment obligations	(16,429)	(10,850)
Derivative financial instruments	-	-
Taxation	3,286	-
Total equity under FRS 101	**75,930**	**48,110**

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

	2014 £'000
Profit/Loss for the financial year under old UK GAAP	**(135,046)**
Differences increasing/(decreasing) reported profit for the financial year:	
Trading profit charge on net defined benefit plans	(165)
Interest charge on net defined benefit plans	(494)
Derivative financial instruments	-
Taxation	132
Profit/Loss after taxation under FRS 101	(135,573)

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

	2014 £'000
Total comprehensive gain/loss under old UK GAAP	**(135,046)**
Differences increasing/(decreasing) reported comprehensive income/(expense):	
Differences in profit after taxation	(527)
Post-employment obligations	(4,920)
Derivative financial instruments	-
Taxation	3,154
Total comprehensive income under FRS 101	(137,339)

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 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

19 **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.