

Registration number: 34104

GKN Automotive Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2013

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The Directors present the Strategic Report together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2013.

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:

Mrs M P Carter (appointed 26 June 2014)

Mr A W Curral

Mr S N Meadows (appointed 1 March 2013)

Mr W Messner (appointed 4 October 2014)

Mr A Reynolds Smith

Mr M Zameer

Mr R J Callaghan (appointed 1 March 2013, resigned 3 October 2014)

Mr M Fairbrother (resigned 3 October 2014)

Mr S R Markevich (appointed 1 March 2013, resigned 6 June 2013)

Mr A R Moss (resigned 31 December 2013)

Mr P Oberparleiter (resigned 1 March 2013)

Mr N Stein (resigned 1 March 2013)

Strategic Report**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 of GKN Driveline's senior management and functional leadership.

The profit and loss account of the Company shows a loss for the financial year of £22,285,000 (2012: loss of £5,490,000). The financial position of the Company is considered to be satisfactory and the Company continues to receive the on-going support of GKN plc.

During the year, the Company has written down its investments in joint venture and associated undertakings by £7,378,000 following a review of the Company's near term ability to realise its cost of investment in those entities.

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 pages 42 to 51 of GKN plc's annual report which does not form part of this report.

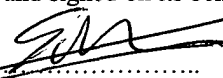
Financial risk management

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.

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 pages 32 and 33 of GKN plc's annual report which does not form part of this report.

Approved by the Board on 28 November 2014 and signed on its behalf by:


.....
Mr S N Meadows - Director
28 November 2014

Directors' Report**Directors of the Company**

The Directors of the Company who served throughout the year and up to the date of this report are set out on page 2 of this annual report.

Financial risk management

Information on the financial risk management objectives and policies of the Company and the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk is set out in the strategic report on page 2.

Dividends

No interim dividend was paid for the year ended 31 December 2013 (2012: £nil). The Directors have not proposed a final dividend for the year ended 31 December 2013 (2012: £nil).

Post Balance Sheet Events

On 21 November 2014 the Company allotted 165,000,000 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £165,000,000. On the same date, the Company increased its investment in two of its subsidiary undertakings, GKN Driveline Birmingham Limited and GKN Driveline Service Limited, by £120,000,000 and £10,000,000 respectively.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditors' responsibilities in relation to the financial statements are set out in their report on pages 4 and 5.

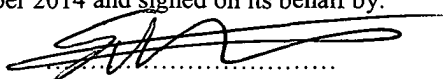
Independent Auditors and Disclosure of information to Auditors

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

In the case of each of the persons who 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 28 November 2014 and signed on its behalf by:



Mr S N Meadows - Director

28 November 2014

Independent auditors' report to the members of GKN Automotive Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

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

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

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

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

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.

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.

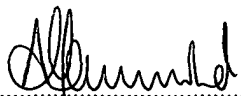
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 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.



Andrew Hammond (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

2 DECEMBER 2014

GKN Automotive Limited
Profit and Loss Account for the Year Ended 31 December 2013


	Note	2013 £'000s	2012 £'000s
TURNOVER	2	988	1,948
OPERATING LOSS	3	(19,311)	(8,219)
Income from shares in Group Undertakings		486	453
Profit on the sale of joint venture investment		-	444
Amounts written off investments	10	(7,378)	-
Interest payable and similar charges	6	(543)	(396)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(26,746)	(7,718)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	4,461	2,228
LOSS FOR THE FINANCIAL YEAR	15	(22,285)	(5,490)

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

GKN Automotive Limited
(Registration number: 34104)
Balance Sheet as at 31 December 2013

	Note	2013 £'000s	2012 £'000s
FIXED ASSETS			
Intangible assets	8	420	679
Tangible assets	9	1,645	1,776
Investments	10	73,281	80,659
		<u>75,346</u>	<u>83,114</u>
CURRENT ASSETS			
Debtors: Amounts falling due within one year	11	35,463	37,034
Creditors: Amounts falling due within one year	12	(51,739)	(39,812)
NET CURRENT LIABILITIES		<u>(16,276)</u>	<u>(2,778)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		59,070	80,336
Creditors: Amounts falling due after more than one year	13	(110)	(107)
NET ASSETS		<u>58,960</u>	<u>80,229</u>
CAPITAL AND RESERVES			
Called up share capital	14	105,500	105,500
Share premium account	15	183,621	183,621
Profit and loss account	15	(230,161)	(208,892)
TOTAL SHAREHOLDERS' FUNDS		<u>58,960</u>	<u>80,229</u>

The financial statements on pages 6 to 21 were approved by the Board of Directors on 28 November 2014 and signed on its behalf by:



.....
Mr S N Meadows
Director

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and UK applicable accounting standards.

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

As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of FRS 1 (Revised 1996) from publishing a cash flow statement and has taken advantage of the exemption within FRS 8 not to disclose transactions or balances with other wholly owned GKN plc subsidiaries.

The Directors have conducted a review of the Company's accounting policies and have confirmed that they are the most appropriate for the purposes of giving a true and fair view of the Company's results and that there have been no other changes from last year.

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 invoiced amount excluding sales taxes.

Foreign currency

Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated at the appropriate forward contract rate or if not covered, at the exchange rate ruling at the balance sheet date. Differences on revenue transactions are dealt with through the profit and loss account.

Tangible fixed assets

Costs

Tangible fixed assets are valued at cost or valuation less accumulated depreciation. Cost comprises purchase price plus costs directly incurred in bringing the asset into use but excludes interest.

Depreciation

Depreciation is provided on a straight line basis over the course of the financial year so as to reduce tangible fixed assets to their residual values over their estimated useful lives.

Asset class

Computer equipment
Motor vehicles

Depreciation method and rate

Straight line basis over 3 years
Straight line basis over 4 years

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception on the development of certain major projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over a period not longer than 8 years commencing in the year sales of the product are first made.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

1 Accounting policies (continued)

Fixed asset investments

Investments in subsidiary companies, joint ventures, associated companies and other investments are accounted for at historic cost less provision for any impairment in value. Where investments are denominated in foreign currencies, their historical cost is translated at the rate ruling at the balance sheet date. Where foreign currency investments are funded by loans in the same currency, the impact of currency variations on both the investment and the loan are taken directly to reserves.

Deferred tax

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

The Company is a participant of the GKN Group Pension Schemes. The schemes provides defined pension benefits to employees of the Company and participating companies within the GKN Group. The schemes are accounted for as defined benefit pension arrangement in accordance with International Accounting Standard 19 "Employee Benefits" in the consolidated financial statements of GKN plc, wherein, the balance sheet position and finance costs are not allocated in segmental disclosures. The Company accounts for these pension arrangements as defined contribution schemes in accordance with Financial Reporting Standard 17 "Retirement Benefits" as it is not possible for the Company to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis. The assets of the schemes are managed collectively without reference to participating companies. The liabilities of the schemes include a significant element relating to employees of participating companies which are no longer part of the Group or relate to operations which have been discontinued for many years. Similarly, there is no contractual agreement or stated policy for charging any costs except for the cash based equivalent service cost which forms the defined contribution charge in these financial statements.

Contributions payable under money-purchase schemes are charged to profit and loss account as they fall due.

Shared-based payments

As a subsidiary of GKN plc, share-based incentive arrangements are provided to certain of the Company's employees under the GKN share option incentive and other share award schemes. 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 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.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

2 Turnover

An analysis of turnover by geographical location by destination is given below:

	2013	2012
	£'000s	£'000s
Australia	126	124
Japan	20	38
Taiwan	68	110
Thailand	774	1,676
	988	1,948

All turnover and operating losses were attributable to the principal activity of the business.

3 Operating loss

Operating loss is stated after charging / (crediting):

	2013	2012
	£'000s	£'000s
Wages and salaries	8,952	7,363
Social security costs	905	756
Other pension costs	1,131	1,213
Share-based payments	1,016	80
Depreciation on owned assets	1,012	1,078
Amortisation charge on intangible assets	259	257
Auditors' remuneration	63	45
Profit on disposal of motor vehicle	(9)	-
Other external costs	6,933	5,459
Other charges / (income) to Group Companies	37	(6,084)
	20,299	10,167

Auditors' remuneration includes £59,000 (2012: £41,000) in respect of amounts borne on behalf of other subsidiaries of the GKN plc Group.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

4 Particulars of employees

The aggregate payroll costs were as follows:

	2013	2012
	£'000s	£'000s
Wages and salaries	8,952	7,363
Social security costs	905	756
Other pension costs	1,131	1,213
Share-based payments	1,016	80
	<u>12,004</u>	<u>9,412</u>

The average monthly number of persons employed during the year was:

	2013	2012
	Number	Number
Staff	<u>67</u>	<u>63</u>

5 Directors' emoluments

The Directors received no emoluments in respect of their services to the Company (2012: £nil). During the year, 6 Directors exercised options over GKN plc shares (2012: 7).

6 Interest payable and similar charges

	2013	2012
	£'000s	£'000s
Interest payable on current account with GKN (United Kingdom) plc	(540)	(392)
Preference share redemption premium	(3)	(4)
	<u>(543)</u>	<u>(396)</u>

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

7 Tax on loss on ordinary activities

	2013	2012
	£'000s	£'000s
United Kingdom taxation:		
Corporation tax at 23.25% (2012: 24.5%)	(4,228)	(2,061)
Adjustments in respect of prior years	(233)	(167)
	<u>(4,461)</u>	<u>(2,228)</u>
Overseas Tax	1,261	1,866
Double taxation relief	(1,261)	(1,866)
Current tax credit for the year	<u>(4,461)</u>	<u>(2,228)</u>

The tax assessed for the above years is different from the standard rate of corporation tax in the UK during those years. The differences are explained below:

	2013	2012
	£'000s	£'000s
Loss on ordinary activities before taxation	<u>(26,746)</u>	<u>(7,718)</u>
Tax credit calculated at standard UK tax rate 23.25% (2012: 24.5%)	(6,218)	(1,891)
Non-deductible and non-taxable items	1,810	(216)
Fixed asset timing differences	223	264
Transfer pricing adjustment - notional interest	126	87
Overseas tax	1,261	1,866
Double tax relief	(1,261)	(1,866)
Other timing differences	(169)	(305)
Adjustments in respect of prior years	(233)	(167)
Current tax credit for the year	<u>(4,461)</u>	<u>(2,228)</u>

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

7 Tax on loss on ordinary activities - (continued)

A reduction in the mainstream rate of UK corporation tax to 23% took effect from 1 April 2013 which gives rise to an effective UK tax rate of 23.25% for the year. Further reductions to the main rate have been enacted to reduce the rate by 2%, to 21% on 1 April 2014 and a further 1% to 20% on 1 April 2015. At the balance sheet date the timing differences have been measured at the rate at which they are expected to reverse.

Taxation payable/(repayable)

	2013	2012
	£'000s	£'000s
Overseas taxation payable	348	777
UK taxation repayable	(5,489)	(3,927)
	<hr/>	<hr/>

Deferred taxation

	2013	2012
	£'000s	£'000s
The deferred tax balance comprises:		
Fixed asset timing differences	(2,125)	(2,223)
Other temporary differences	-	(144)
De-recognition of deferred tax assets	2,125	2,367
Deferred tax asset	<hr/> -	<hr/> -

A deferred tax asset of £2,125,000 (2012: £2,367,000) has not been recognised on the basis that the future recovery of such amounts is uncertain and depends to a significant extent on the future generation of taxable profits within the wider UK tax group.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

8 Intangible fixed assets

	Development expenditure £'000s
Cost	
At 1 January 2013 and at 31 December 2013	2,091
Accumulated amortisation	
At 1 January 2013	1,412
Charge for the year	259
At 31 December 2013	1,671
Net book value at 31 December 2013	420
Net book value at 31 December 2012	679

Development expenditure relates to Electronic Torque Vectoring ("ETV") development costs. These costs are being amortised over 8 years, being the estimated useful economic life of the product.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

9 Tangible fixed assets

	Computer equipment	Motor Vehicles	Total
	£'000s	£'000s	£'000s
Cost			
At 1 January 2013	12,613	180	12,793
Additions	881	-	881
Disposals	-	(63)	(63)
At 31 December 2013	13,494	117	13,611
Accumulated depreciation			
At 1 January 2013	10,891	126	11,017
Charge for the year	988	24	1,012
Disposals	-	(63)	(63)
At 31 December 2013	11,879	87	11,966
Net book value at 31 December 2013	1,615	30	1,645
Net book value at 31 December 2012	1,722	54	1,776

10 Investments

	Shares in subsidiary undertakings	Investments in joint ventures	Investments in associated undertakings	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 January 2013 and at 31 December 2013	161,348	2,565	4,813	168,726
Amounts written off investments				
At January 2013	88,067	-	-	88,067
Charge during the year	-	2,565	4,813	7,378
At 31 December 2013	88,067	2,565	4,813	95,445
Net book value at 31 December 2013	73,281	-	-	73,281
Net book value at 31 December 2012	73,281	2,565	4,813	80,659

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

10 Investments - (continued)

During the year, the Company has written down its investment in joint venture and associated undertakings by £7,378,000 following a review of the Company's near term ability to realise its cost of investment in those entities.

In the opinion of the Directors, the aggregate value of the Company's investments in subsidiary undertakings, consisting of shares in or amounts owing (whether on account of a loan or otherwise), is not less than the aggregate of the amounts at which these investments are stated in the balance sheet.

Interests at 31 December 2013 are as follows:

Name of company	Country of registration or incorporation	Principal activity	Description of shares held	Proportion of nominal value of shares held
GKN do Brasil Limitada	Brazil	Automotive components manufacturer	Quotas	0.001%
GKN Driveline Birmingham Limited	England	Automotive components manufacturer	Ordinary shares	100%
GKN Driveline Service Limited	England	Automotive components manufacturer	Ordinary shares	100%
GKN Driveline Korea Limited	South Korea	Automotive components manufacturer	Ordinary shares	100%
GKN Driveline JTEKT Manufacturing Limited	Thailand	Automotive components manufacturer	Ordinary shares	91.083%
GKN Driveline Singapore Pte Limited	Singapore	Automotive components manufacturer	Ordinary shares	100%
GKN Driveline Thailand Limited	Thailand	Automotive components manufacturer	Ordinary shares	0.001%
GKN Driveline Zumaia SA	Spain	Automotive components manufacturer	Ordinary shares	0.01%
GKN Eskisehir Automotive Products Manufacture and Sales A.S.	Turkey	Automotive components manufacturer	Ordinary shares	0.033%
GKN Birfield Extrusions Ltd	England	Dormant	Ordinary shares	100%
Ball Components Limited	England	Dormant	Ordinary shares	100%
GKN Service UK Ltd	England	Dormant	Ordinary shares	100%
Automotive Group Services	France	Holding Company	Ordinary shares	100%
EVO Electric Limited	England	Automotive components manufacturer	Ordinary shares	32.292%
GKN EVO eDrive Systems Limited	England	Automotive components manufacturer	Ordinary shares	50%
Driveline Systems (RUS) LLC	Russia	Non-trading	Ordinary shares	99%
GKN Engineering (RUS) LLC	Russia	Holding Company	Ordinary shares	50%
GKN Driveline Togliatti LLC	Russia	Non-trading	Ordinary shares	99%

On 21 November 2014, the Company increased its investment in two of its subsidiary undertakings, GKN Driveline Birmingham Limited and GKN Driveline Service Limited, by £120,000,000 and £10,000,000 respectively.

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

11 Debtors: Amounts falling due within one year

	2013	2012
	£'000s	£'000s
Trade debtors	760	524
Amounts owed by GKN Group undertakings	27,765	32,077
Other debtors	965	342
Prepayments and accrued income	484	164
UK Corporation tax recoverable	5,489	3,927
	<u>35,463</u>	<u>37,034</u>

12 Creditors: Amounts falling due within one year

	2013	2012
	£'000s	£'000s
Trade creditors	1,893	444
Amounts owed to GKN Group undertakings	4,733	4,208
Current account with GKN (United Kingdom) plc	42,127	32,108
Accruals and deferred income	2,638	2,275
Overseas taxation payable	348	777
	<u>51,739</u>	<u>39,812</u>

13 Creditors: Amounts falling due after more than one year

	2013	2012
	£'000s	£'000s
Preference shares - capital redemptions	95	92
Preference shares - appropriations	15	15
	<u>110</u>	<u>107</u>

GKN Automotive Limited
Notes to the Financial Statements for the year ended 31 December 2013

13 Creditors: amounts falling due after more than one year - continued

	2013	2012
	£'000s	£'000s
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 the Retail Price Index. The dividends are currently accrued from the period 31 December 2001 and have not been paid due to the lack of distributable reserves.

The preference shareholders have priority over other shareholders on winding up. The Company shall redeem the preference shares on 29 November 2015 at par together with a premium of £0.50 per share increased by the percentage increase in the Retail Price Index between the date of issue and the date of redemption.

14 Called up share capital

Allotted, called up and fully paid shares

	2013		2012	
	No.	£	No.	£
Ordinary shares of £1 each	105,500,000	105,500,000	105,500,000	105,500,000

On 21 November 2014 the Company allotted 165,000,000 ordinary shares of £1 each to GKN (United Kingdom) plc, the Company's immediate parent undertaking, at an aggregate subscription price of £165,000,000.

15 Reserves

	Share premium account	Profit and loss account
	£'000s	£'000s
At 1 January 2013	183,621	(208,892)
Loss for the financial year	-	(22,285)
Share-based payments	-	1,016
At 31 December 2013	183,621	(230,161)

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16 Reconciliation of movements in shareholders' funds

	£'000s
1 January 2013	80,229
Losses for the financial year	(22,285)
Share-based payments	1,016
At 31 December 2013	58,960

17 Pension schemes

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. It has not been possible to identify separately the Company's share of the underlying assets and liabilities within the GKN Group pension schemes, therefore the Company's pension cost is based on contributions payable as assessed across the UK Group as a whole in accordance with the advice of professionally qualified actuaries. The disclosure of the liability arising under the GKN Group pension schemes is contained in the consolidated financial statements of GKN plc which is prepared in accordance with International Accounting Standard 19 'Employee Benefits'.

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18 Share-based payments

GKN plc has granted options over shares to GKN plc Group 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 FRS 20 "Share-based payment". Awards made before that date have not been so accounted. Details of awards made by GKN plc since 7 November 2002 that impact the Company's 2013 accounting charge are:

Sustainable Earnings Plan (SEP)

Awards comprising a Core Award and a Sustainability Award were made to GKN plc Directors and certain senior employees in August 2012 and March 2013. A Core Award is subject to EPS growth targets over an initial three year performance period and a Sustainability Award is subject to the highest level of EPS achieved over the initial three year period being sustained for a further two year period. Sustained EPS growth is measured independently in years four and five. 50% of the Core Award will be released at the end of the initial three year period; the balance of a Core Award and any Sustainability Award will be released at the end of year five. There is no provision for retesting performance for either the Core Award or Sustainability Award. On release, dividends are treated as having accrued on the shares from the date of grant to 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
2013 SEP awards	637,817	264.5p

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

Executive Share Option Scheme (ESOS)

A reconciliation of option movements over the year to 31 December 2013 is shown below:

	2013		2012	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	877,025	144.99	1,493,080	116.71
Granted	-	-	-	-
Forfeited	10,251	134.60	7,171	134.60
Exercised	276,164	123.62	608,884	110.08
Outstanding at 31 December	590,610	155.17	877,025	144.99
Exercisable at 31 December	322,149	121.58	301,694	110.08

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18 Share-based payments (continued)

For options outstanding at 31 December the range of exercise prices and weighted average contractual life is shown in the following table:

Range of exercise price	Number of shares	2013	Number of shares	2012
		Contractual weighted average remaining life (years)		Contractual weighted average remaining life (years)
110p - 120p	178,006	5.620	301,694	6.617
130p - 145p	162,706	6.352	325,433	7.35
195p - 220p	249,898	7.25	249,898	8.25

The weighted average share price for options exercised during the year was 298.62p (2012: 222.40p). The total charge for the year relating to employee share based payment plans was £1,016,000 (2012: £80,000). After deferred tax the total charge was £1,016,000 (2012: £80,000).

Liabilities in respect of share-based payments were not material at either 31 December 2013 or 31 December 2012. There were no vested rights to cash or other assets at either 31 December 2013 or 31 December 2012.

19 Related party transactions

The Company has taken advantage of the exemption within FRS 8 "Related Party Disclosures" not to disclose transactions or balances with other wholly owned subsidiaries of the GKN plc Group.

In the ordinary course of business, transactions priced on an arm's length basis take place between the Company and entities of the GKN plc Group that are not wholly owned within that Group.

Turnover includes royalty income receivable from entities not wholly owned within the GKN plc Group amounting to £194,000 (2012: £1,040,000). The amount due at the year end in respect of such royalty income was nil (2012: nil).

Charges made by the Company to entities not wholly owned within the GKN plc Group totalled £3,084,000 (2012: £3,290,000); the amount due at the year end in respect of such charges was £5,280,000 (2012: £3,169,000). In addition, a joint venture of the GKN plc Group owed the Company £2,698,000 at the year end in respect of charges made by the Company whilst that entity was a wholly owned subsidiary of the GKN plc Group.

Charges made to the Company by entities not wholly owned within the GKN plc Group totalled £226,000 (2012: £250,000); the amount payable at the year end in respect of such charges was £59,000 (2012: £40,000).

20 Control

GKN plc and GKN (United Kingdom) plc are the ultimate controlling party and immediate parent company respectively.

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

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