

**GKN FREIGHT SERVICES LIMITED**

**Registered number: 56211**

**ANNUAL ACCOUNTS**

**31 DECEMBER 2007**

FRIDAY



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24/10/2008  
COMPANIES HOUSE

**Report of the Directors**

Directors                      Mr A J Connelly  
                                      Mr D W J Morris  
                                      Mr S P Smith  
                                      Mr M Shaddick

- 1        The Directors present their report together with the audited accounts of the Company for the year ended 31 December 2007.

2        **Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the annual 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). The financial statements are required by law to 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 those financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

3        **Principal Activities and Business Review**

**Principal Activities**

The Company is engaged in the provision of freight forwarding, distribution and warehousing services with offices in Spain and Italy as well as the UK.

**Report of the Directors (continued)****3 Principal activities and Business Review (continued)****Business Review**

The profit and loss account of the Company shows a profit for the year of £1,602,000 (2006. Profit £823,000) The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 nil).

The Directors consider that the Company is trading within expectations and envisage that the Company will continue to be profitable.

**Principal Risks and Uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties facing the company are considered to relate to markets and customer related issues and manufacturing and operational factors. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Business Review section of the GKN plc annual report for 2007 which does not form part of this report

**Key Performance Indicators**

The Company is part of the Automotive business of the GKN Group and as such key performance indicators are measured either on a divisional or a Group basis. The 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 the Automotive business of the GKN Group, which includes the Company, is discussed in the Business Review section of the GKN plc annual report for 2007 which does not form part of this report.

**4 Directors**

Pursuant to the Company's Articles of Association, the Company has executed a deed poll of indemnity for the benefit of the Directors of the Company and persons who were Directors of the Company during the financial year under review in respect of costs of defending claims against them and third party liabilities These provisions are currently in force The indemnity provision in the Company's Articles of Association also extends to provide a limited indemnity in respect of liabilities incurred as a Director, Secretary or Officer of an associated company of the Company.

A copy of the deed poll of indemnity and of the Company's Articles of Association are available for inspection at the Company's registered office during normal business hours

**Report of the Directors (continued)****5 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, foreign exchange risk and liquidity risk all of which are managed centrally by Group Treasury, are set out in the GKN plc annual report and accounts. The Company does not use derivative financial instruments to manage interest rate costs.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

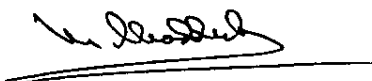
**6 Auditors and Disclosure of Information to Auditors**

A resolution of the shareholders has been passed to dispense with the appointment of auditors annually and PricewaterhouseCoopers LLP will continue in office as auditors of the Company.

In the case of each of the persons who are 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 aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Mark Shaddick  
Secretary  
9 October 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN FREIGHT SERVICES LIMITED**

We have audited the financial statements of GKN Freight Services Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities in respect of the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN FREIGHT SERVICES LIMITED (CONTINUED)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

*PricewaterhouseCoopers LLP*

*Chartered Accountants and Registered Auditors*

*Birmingham*

*Date 16 October 2008*

**Profit and loss account for the year ended 31 December 2007**

	<u>Note</u>	<u>2007</u> £000's	<u>2006</u> £000's
TURNOVER	1	28,547	26,352
Net Operating Expenses	2	(26,650)	(25,341)
OPERATING PROFIT		1,897	1,011
Net interest receivable	3	411	316
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,308	1,327
Taxation	4	(706)	(504)
PROFIT FOR THE YEAR		1,602	823

The above results have arisen from continuing activities in the year.

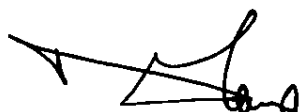
The Company has no recognised gains and losses other than the profits shown above

Profits for the year on an historical cost basis are not different from those reported above.

**Balance sheet at 31 December 2007**

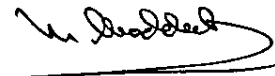
	Note	2007 £000's	2006 £000's
<b>FIXED ASSETS</b>			
Tangible assets	8	932	719
<b>CURRENT ASSETS</b>			
Debtors			
Due within one year	9	11,445	11,748
Due in more than one year	9	3,096	1,112
Cash at bank and in hand		112	67
		14,653	12,927
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(9,009)	(7,669)
<b>NET CURRENT ASSETS</b>		5,644	5,258
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,576	5,977
<b>CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR</b>			
Preference Shares	11	(29)	(29)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	13	-	(1,004)
<b>NET ASSETS</b>		6,547	4,944
<b>CAPITAL AND RESERVES</b>			
Share capital	14	100	100
Profit and loss account	15	1,497	(106)
Share premium	15	4,950	4,950
<b>SHAREHOLDERS' FUNDS</b>	16	6,547	4,944

Signed on behalf of the Board



Dennis Morris  
Director  
9 October 2008

Mark Shaddick  
Director  
9 October 2008





**Accounting policies 31 December 2007**

The accounts have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards. A summary of principal accounting policies, which have been consistently applied, is set out below.

**1 Basis of accounting**

As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement. The Directors have conducted a review of the Group'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.

**2 Turnover**

Sales shown in the profit and loss account exclude value added taxes and represent the invoiced value of goods and services charged to customers upon shipment.

**3 Foreign currencies**

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. The retranslation of such assets and liabilities are dealt with through the profit and loss account.

**4 Operating Profit**

- (a) Operating lease rentals are charged to the profit and loss account as incurred over the lease term.
- (b) The cost of acquiring patents and know-how is written off in the year of acquisition.

**5 Tangible fixed assets*****Cost***

- (a) Tangible fixed assets are valued at cost or valuation less accumulated depreciation. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use but excludes interest.
- (b) Where freehold and long leasehold properties were carried at a valuation at 23 March 2000, the date of implementation of FRS15, these values have been retained as book values in accordance with the transitional arrangements of that standard.
- (c) 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.

**Accounting policies 31 December 2007 - (continued)****5 Tangible fixed assets (continued)*****Depreciation***

Depreciation is not provided on freehold land or assets in the course of construction. In the case of all other categories of asset, depreciation is provided on a straight line basis over the course of the financial year.

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

The range of main rates of depreciation used are

	<u>Straight line</u>
Freehold buildings	up to 50 years
General plant, machinery, fixtures, fittings and equipment	6 to 15
Computers and major software	3 to 5
Commercial vehicles and cars	4 to 5

Leasehold properties are amortised by equal annual instalments over the period of the lease or 50 years whichever is the shorter.

***Leased assets***

Where fixed assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitment is shown as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital which reduces the outstanding obligation.

Where assets are financed by leasing agreements which do not give rights approximating to ownership, operating lease rentals are charged to the profit and loss account as incurred over the lease term.

**6 Taxation**

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 future. A deferred tax asset is only recognised to the extent that it may be considered recoverable. Deferred tax assets and liabilities are not discounted.

**7 Related party transactions**

As in excess of 90% of the Company's voting rights are controlled within the GKN Group, the Company is not required to disclose transactions with other Group subsidiaries, joint ventures or associated companies.

The Company has not transacted with other related parties during the year.

**Accounting policies 31 December 2007 - (continued)****8 Pension costs**

Contributions paid by the Company to the GKN defined benefit schemes are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme, and thus has utilised the multi-employer exemption under FRS 17.

**9 Share-based payments**

Share-based incentive arrangements are provided to employees under the Group's share option, incentive and other share award schemes. Share options granted to Directors and 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 Directors and 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.

**Notes on the accounts 31 December 2007****1 Turnover**

	<u>2007</u> £000's	<u>2006</u> £000's
Geographical analysis by ultimate destination		
United Kingdom	5,057	4,779
Continental Europe	15,276	14,265
Americas	7,324	6,641
Rest of the world	890	667
	<u>28,547</u>	<u>26,352</u>

All turnover and operating profit were attributable to the principal activities of the business as shown in the Report of the Directors.

**2 Operating profit is after charging**

	<u>2007</u> £000's	<u>2006</u> £000's
Wages and salaries	1,586	1,568
Social security costs	251	251
Other pension costs	78	83
Special pension contribution	-	225
Share based payments	1	2
Redundancy costs	45	5
Depreciation on owned assets	137	60
Rental for leased land and buildings	235	243
Auditors' remuneration		
for audit services	15	9
Other external charges	24,302	22,895
	<u>26,650</u>	<u>25,341</u>

The Directors have considered the nature of the Company's activities and consider that the basis of presenting operating expenses laid out above represents the most appropriate classification of costs. Other external charges represent the purchases of the Company in furtherance of its principal activities.

**Notes on the accounts 31 December 2007 - (continued)****3 Net interest receivable**

	<u>2007</u> £000's	<u>2006</u> £000's
Loan interest		
Receivable from Group Companies	411	339
Payable to Group Companies	-	(23)
	<u>411</u>	<u>316</u>

**4 Taxation**

	<u>2007</u> £000's	<u>2006</u> £000's
United Kingdom taxation		
Corporation tax at 30% (2006 – 30%)	666	329
Double tax relief	(243)	(68)
Adjustment to taxation of earlier years	(32)	69
	<u>391</u>	<u>330</u>
Overseas taxation		
Current tax on income for the period	339	97
Adjustment to taxation of earlier years	(24)	77
	<u>706</u>	<u>504</u>

The tax assessed for the period is different than the standard rate of corporation tax in the UK (30%)  
The differences are explained below

	<u>2007</u> £000's	<u>2006</u> £000's
<b>Reconciliation of actual tax charge to expected tax charge</b>		
Profit on ordinary activities before tax	<u>2,308</u>	<u>1,327</u>
Expected tax charge at 30% (2006- 30%)	692	398
Expenses not deductible / not chargeable for tax purposes	5	(16)
Depreciation in excess of capital allowances	41	18
Other timing differences	(73)	(72)
Overseas tax not at 30%	96	30
Adjustment in respect of prior years	(56)	146
Current tax charge for period	<u>706</u>	<u>504</u>

**Notes on the accounts 31 December 2007 - (continued)****5 Employee information**

The average number of persons employed during the year was

	<u>2007</u> Number	<u>2006</u> Number
Administration	<u>58</u>	<u>57</u>

The aggregate remuneration comprised

	<u>2007</u> £000's	<u>2006</u> £000's
Wages and Salaries	1,586	1,568
Social Security costs	251	251
Other Pension Costs	78	83
	<u>1,915</u>	<u>1,902</u>

**6 Directors' emoluments**

Directors' emoluments are disclosed in accordance with the Companies Act 1985

	<u>2007</u> £000's	<u>2006</u> £000's
Aggregate emoluments	<u>307</u>	<u>248</u>

The emoluments disclosed above relate to those directors who are paid wholly and exclusively in connection with their services to the company.

During the year, no director exercised options over GKN plc shares, and one director received or became entitled to receive shares under the GKN long term incentive plans. Retirement benefits are accruing to 4 directors under the GKN Group's defined benefit pension schemes.

Emoluments payable to the highest paid director are as follows:

	<u>2007</u> £000's	<u>2006</u> £000's
Aggregate emoluments	<u>124</u>	<u>98</u>
Defined benefit pension scheme		
Accrued pension at year end	<u>49</u>	<u>46</u>

The highest paid director exercised options over nil GKN plc shares during the year and became entitled during the year to receive nil GKN plc shares under the GKN long term incentive plans.

**Notes on the accounts 31 December 2007 - (continued)****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 FRS 20 "Share based payments". As permitted by the transitional arrangements of that standard, awards made before that date have not been so accounted. All options have been valued at the date of grant by an independent third party using a Monte Carlo model which uses the same principle as a binomial model.

Details of awards made since 7 November 2002 for which a charge has been recognised in the year are:

**a) Executive Share Option Scheme (ESOS)**

Awards were made to Directors and certain senior employees in April 2006 and April 2007. Options were granted with a fixed exercise price equal to the market price at the date of grant and subject to meeting performance conditions over a three year period. The condition is based on Total Shareholder Return (TSR) compared with that of comparator companies. Inputs to the valuation model were: option price 253.5p-334.05p, volatility 32%-35%, expected dividend yield 3.7%-4.6%, risk free interest rate 4.51%-4.7% and expected terms of 6.7 years.

The expected volatility is based on historical volatility over a period commensurate with the term of the awards. The risk free interest rate is the rate obtainable from government securities over the expected life of the equity incentive.

Shares granted under each award were

Scheme	Date of Grant	Number of Instruments	"Contractual life of option (years)"
Executive Options	05/04/2005	1,616	10
	11/04/2006	1,301	10

**Notes on the accounts 31 December 2007 - (continued)****Share-based payments (continued)**

A reconciliation of option movements over the year to 31 December 2007, in respect of options for which a charge has been recognised, is shown below

	Number	2007 Weighted Average Exercise Price (p)	Number	2006 Weighted Average Exercise Price (p)
Outstanding at 1 January	3,722	276 36	7,975	233 96
Granted	-	-	1,301	334 05
Forfeited	-	-	-	-
Exercised	(805)	229 00	(5,554)	229 00
Expired	-	-	-	-
Outstanding at 31 December	2,917	289 43	3,722	276 36
Exercisable at 31 December	-	-	805	229 00

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

	Number	2007 Contractual Weighted Average Remaining Life (Yrs)	Number	2006 Contractual Weighted Average Remaining Life (Yrs)
Range of Exercise Price				
215p - 230p	-	-	805	0 42
240p - 260p	1,616	7 25	1,616	8 25
300p - 335p	1,301	8 25	1,301	9 25

The weighted average share price during the period for options exercised over the year was 356 2p (2006 296p). The total charge for the year relating to employee share-based payment plans was £589 (2006 £1,799), all of which related to equity-settled share based payment transactions. The deferred taxation arising on these transactions is not material.

Liabilities in respect of share based payments were not material at either 31 December 2007 or 31 December 2006. There were no vested rights to cash or other assets at either 31 December 2007 or 31 December 2006.



**Notes on the accounts 31 December 2007 - (continued)****8 Tangible assets**

	<u>Total</u> £000's
<b>Cost or valuation</b>	
At 1 January 2007	1,337
Additions	350
At 31 December 2007	<u>1,687</u>
<b>Accumulated depreciation</b>	
At 1 January 2007	618
Charge for the year	137
At 31 December 2007	<u>755</u>
<b>Net book value at 31 December 2007</b>	
Owned assets	<u>932</u>
Net book values at 31 December 2006	
Owned assets	<u>719</u>

Fixed assets include plant, machinery, fixtures, fittings, computer software, computer equipment and capital work in progress

**9 Debtors**

	<u>2007</u> £000's	<u>2006</u> £000's
Due within one year		
Trade debtors	1,275	795
Amounts owed by group companies	4,152	2,501
Current account with parent (note 12)	5,819	8,115
Amounts owed by associated companies	83	47
Other debtors	-	29
Prepayments and accrued income	116	256
Overseas corporation tax	-	5
	<u>11,445</u>	<u>11,748</u>
Due in more than one year		
Amounts owed by group companies	3,096	1,112
	<u>3,096</u>	<u>1,112</u>

Notes on the accounts 31 December 2007 - (continued)**10 Creditors : amounts falling due within one year**

	<u>2007</u>	<u>2006</u>
	£000's	£000's
Due within one year		
Trade creditors	7,238	6,450
Amounts owed to group companies	427	268
Indirect and payroll taxes	33	31
Accruals and deferred income	732	643
UK Corporation tax	423	261
Overseas Corporation tax	156	16
	<u>9,009</u>	<u>7,669</u>

**11 Creditors: amounts falling due after one year**

	<u>2007</u>	<u>2006</u>
	£000's	£000's
Preference Shares	<u>29</u>	<u>29</u>

The 6% Cumulative Preference shares have restricted voting rights with a priority on winding up to capital and arrears of dividends. The holder of the 6% Cumulative Preference shares waived its entitlement to dividends in respect of the year ended 31 December 2007

**12 Amounts owed to GKN (United Kingdom) plc**

The account with GKN (United Kingdom) plc represents, together with the equity interest, the GKN Group interest in the Company excluding normal intra-group trading balances with fellow subsidiaries. This account represents funding both of a permanent nature and to cover short term funding of the Company's working capital. The account is interest bearing and without any repayment terms.

**Notes on the accounts 31 December 2007 - (continued)****13 Provisions for liabilities and charges**

	Legal <u>Claims</u> £000's	Deferred <u>Taxation</u> £000's	<u>Total</u> £000's
At 1 January 2007	1,004	-	1,004
Amounts paid in the year	(568)	-	(568)
Amount released in the year to profit and loss account	(436)	-	(436)
At 31 December 2007	-	-	-

The provision related to the various legal actions brought against the Company. These legal actions were settled during the year.

	<u>2007</u> £000's	<u>2006</u> £000's
<b>Provision for deferred tax comprises</b>		
Accelerated capital allowances	(162)	(95)
Short term timing differences	-	(80)
De-recognition of deferred tax asset	162	175
Deferred tax provision	-	-

A deferred tax asset has not been recognised on the basis that the future recovery of such amounts is uncertain. The amount unrecognised is £162,000 (2006 £175,000).

Notes on the accounts 31 December 2007 - (continued)

## 14 Share capital

	<u>2007 and 2006</u>	
	<u>Authorised</u>	Issued, called up and fully
	£000's	<u>Paid</u> £000's
Ordinary shares of £5 each	100	100
	<u>100</u>	<u>100</u>

## 15 Reserves

	<u>Share</u> <u>Premium</u> £000's	<u>Profit and</u> <u>Loss</u> £000's	<u>Total</u> £000's
At 1 January 2007	4,950	(106)	4,844
Transfer to profit and loss account	-	1,602	1,602
Share based payments	-	1	1
	<u>4,950</u>	<u>1,497</u>	<u>6,447</u>
At 31 December 2007	4,950	1,497	6,447

## 16 Reconciliation of movements on shareholders' equity

	<u>2007</u> £000's	<u>2006</u> £000's
At 1 January	4,944	4,119
Profit for the year	1,602	823
Share based payments	<u>1</u>	<u>2</u>
At 31 December	<u>6,547</u>	<u>4,944</u>

**Notes on the accounts 31 December 2007 - (continued)****17 Capital expenditure**

Contracts placed against capital expenditure sanctioned by the Board at 31 December 2007 so far as not provided for in these accounts amounted to £33,652 (2006 - £38,155)

**18 Contingent liabilities**

	<u>2007</u> £000's	<u>2006</u> £000's
Bank guarantees to third parties	350	343

The amount represents guarantees given by bank during the normal course of business with certain suppliers who trade on the condition that payments are guaranteed by banks in the event of default

**19 Operating leases**

The minimum payments to which the Company was committed in 2007 under operating leases are as follows -

	<u>2007</u>		<u>2006</u>	
	<u>Land and buildings</u> £000's	<u>Other</u> £000's	<u>Land and Buildings</u> £000's	<u>Other</u> £000's
Commitment expiring within one year	-	3	25	4
Commitment expiring within two to five years	49	-	159	-
Commitment expiring after five years	159	-	-	-
	<u>208</u>	<u>3</u>	<u>184</u>	<u>4</u>

**20 Pensions**

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. It has not been possible to separately identify the Company's share of the underlying assets and liabilities within the group pension schemes, therefore the Company's pension cost is based on pension 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 group pension schemes is contained in the group accounts of GKN plc which is calculated in accordance with International Accounting Standard 19 'Employee Benefits'.

**21 Ultimate and immediate parent companies**

GKN plc and GKN (United Kingdom) plc, are the ultimate and immediate parent companies respectively. Copies of their accounts may be obtained from PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL.