

Registration number 56211

GKN Freight Services Limited

Directors' Report and Financial Statements
for the Year Ended 31 December 2012

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GKN Freight Services Limited
Directors' Report for the Year Ended 31 December 2012

The Directors present their report and the audited financial statements for the year ended 31 December 2012

Directors of the company

The directors who held office during the year were as follows

Mr J M Gillam

Ms A Peszko-Keniger

Mr M D Pycroft (Resigned 22 March 2013)

Mr S P Smith (Resigned 12 February 2013)

Mr M Shaddick - Company secretary and director (Resigned 12 February 2013)

The following director was appointed after the year end

Mr A P Uttley - Company secretary and director (appointed 12 February 2013)

Principal activity

The principal activity of the company is the provision of freight forwarding, distribution and warehousing services with offices in Spain, Italy and Brazil as well as the UK

Financial Results

The profit and loss of the Company shows a profit for the financial year of £2,011,000 (2011 £1,586,000)

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

Dividends

No interim dividend was paid for the year ended 31 December 2012 (2011 £nil) The Directors have not proposed a final dividend for the year ended 31 December 2012 (2011 £nil)

Business review

Fair review of the business

Financial Results

The profit and loss account of the Company shows a profit for the year of £2,011,000 (2011 £1,586,000) The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 £nil)

The company's key financial and other performance indicators during the year were as follows

GKN Freight Services Limited
Directors' Report for the Year Ended 31 December 2012

(Continued)

Key Performance Indicators

Financial key performance indicators

Financial KPIs relate to growth in sales and trading margins

We aim to achieve growth in sales in excess of that seen in our markets both in absolute terms and on an underlying basis that is excluding the effects of currency translation, acquisitions or divestments relative to the prior year. In 2012 our sales fell by 7.9% to £36.6m.

With regard to trading margins, our target is to operate with margins in the range of 5-6%. During 2012, the trading margin fell by 0.9% to 5.3%.

Non-financial key performance indicators

The non-financial KPIs relate to health, safety and environmental performance.

With regard to health and safety, GKN measures accident frequency rate (AFR) which is the number of lost time accidents per 1,000 employees and accident severity rate (ASR) which is the number of days/shifts lost due to accidents and occupational ill health per 1,000 employees. GKN's ultimate goal is zero preventable accidents.

In terms of environmental performance GKN measures energy consumption and associated CO2 emissions, waste generation, waste recycled and water usage. Performance is measured in relation to production.

As the Company's operations are managed on a divisional and Group wide basis, the Directors believe that analysis using non-financial key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The environmental performance of GKN Driveline, which includes this Company, is discussed on page 43 of the GKN Group's annual report and the health and safety performance of the GKN Group, which includes this Company, is discussed on page 44 of the GKN Group's annual report.

Employees at the end of 2012 totalled 56 compared with 61 at the end of 2011.

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 36 of the Group'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.

GKN Freight Services Limited
Directors' Report for the Year Ended 31 December 2012

(Continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The auditors' responsibilities in relation to the accounts are set out in their report on page 4.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

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

Approved by the Board on 10/06/13 and signed on its behalf by



Mr A P Uttley
Company secretary and director

GKN Freight Services Limited
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 2012, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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.

Scope of the audit of the financial statements

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 Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

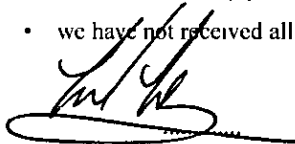
GKN Freight Services Limited
Independent Auditors' Report to the members of GKN Freight Services Limited

(Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Edward Lunt (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date 10/6/2013

GKN Freight Services Limited
Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Turnover	2	<u>36,569</u>	<u>39,704</u>
Operating profit	3	2,168	2,323
Other interest receivable and similar income	6	<u>40</u>	<u>20</u>
Profit on ordinary activities before taxation		2,208	2,343
Tax on profit on ordinary activities	7	<u>(197)</u>	<u>(757)</u>
Profit for the financial year	14	<u>2,011</u>	<u>1 586</u>

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


Statement of total recognised gains and losses for the year ended 31st December 2012

	2012 £ 000	2011 £ 000
Profit for the financial year	2,011	1 586
Exchange adjustments offset in reserves	(12)	-
Total recognised gains and losses	<u>1 999</u>	<u>1,586</u>

GKN Freight Services Limited
(Registration number: 56211)
Balance Sheet as at 31 December 2012

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Tangible assets	8	207	402
Current assets			
Debtors	9	16,687	14,921
Cash at bank and in hand		<u>450</u>	<u>361</u>
		17,137	15,282
Creditors Amounts falling due within one year	10	<u>(7,750)</u>	<u>(8,089)</u>
Net current assets		<u>9,387</u>	<u>7,193</u>
Total assets less current liabilities		9,594	7,595
Creditors Amounts falling due after more than one year	11	<u>(29)</u>	<u>(29)</u>
Net assets		<u>9,565</u>	<u>7,566</u>
Capital and reserves			
Called up share capital	13	100	100
Share premium account	14	4,950	4,950
Profit and loss account	14	<u>4,515</u>	<u>2,516</u>
Total shareholders' funds		<u>9,565</u>	<u>7,566</u>

Approved by the Board on 10/04/13 and signed on its behalf by


Mr A P Uttley
Company secretary and director

GKN Freight Services Limited

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention

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

Cash flow statement and related party transactions

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

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

Going concern

The financial statements have been prepared on a going concern basis

Turnover

Sales shown in the profit and loss account exclude value added taxes and represent the invoiced value of services charged to customers. For exports, revenue is recognised once cargo has departed from the port or airport and for imports, once cargo has arrived at the port or airport destination

Profit

Profit is taken when turnover is recognised. The cost of acquiring patents and know-how is written off in the year of acquisition

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. Differences related to foreign currency borrowings which are used to finance foreign currency investments are dealt with through reserves

Tangible fixed assets

Costs

- (a) 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
- (b) 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

GKN Freight Services Limited

Notes to the Financial Statements

- (c) Where freehold and long leasehold properties were carried at a valuation at 23 March 2000, the date of implementation of FRS 15, these values have been retained as book values in accordance with the transitional arrangements of that standard

Hire purchase and leasing

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. Operating lease rentals are charged to the profit and loss account as incurred over the lease term.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date except as required by FRS19.

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

Deferred tax assets are only recognised when there is sufficient certainty over future taxable profits.

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

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 (Revised) - refer to note 16.

Restructuring costs

Costs of restructuring and redundancy, which are not part of a fundamental restructuring, are charged against operating profit in the period when the announcement is made.

GKN Freight Services Limited
Notes to the Financial Statements

2 Turnover

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

	UK	Europe	Americas	Asia	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
2012					
External turnover	4,398	1,908	1,229	1,359	8,894
Inter-segment turnover	<u>5,231</u>	<u>12,872</u>	<u>9,427</u>	<u>145</u>	<u>27,675</u>
Total turnover	<u>9,629</u>	<u>14,780</u>	<u>10,656</u>	<u>1,504</u>	<u>36,569</u>

	UK	Europe	Americas	Asia	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
2011					
External turnover	2,925	2,359	1,560	841	7,685
Inter-segment turnover	<u>6,441</u>	<u>14,676</u>	<u>10,477</u>	<u>425</u>	<u>32,019</u>
Total turnover	<u>9,366</u>	<u>17,035</u>	<u>12,037</u>	<u>1,266</u>	<u>39,704</u>

3 Operating profit

Operating profit is stated after charging

	2012	2011
	£ 000	£ 000
Operating leases - plant and machinery	65	64
Depreciation of owned assets	195	276
Auditors' remuneration	13	7
Staff costs	<u>2,660</u>	<u>2,305</u>

4 Particulars of employees

The average number of persons providing services to the Company (including directors) during the year, analysed by category was as follows

	2012	2011
	No	No
Administration and support	56	61

The aggregate staff costs were as follows

	2012	2011
	£ 000	£ 000
Wages and salaries	2,201	1,853
Social security costs	315	333
Other pension costs	<u>144</u>	<u>119</u>
	<u>2,660</u>	<u>2,305</u>

GKN Freight Services Limited
Notes to the Financial Statements

5 Directors' emoluments

The Directors' emoluments for the year included within staff costs are disclosed in accordance with the Companies Act 2006. Emoluments are apportioned for the services provided by the Directors to the Company. The amounts below represent the re-charge from a fellow GKN entity in respect of services delivered to the Company.

	2012 £ 000	2011 £ 000
Aggregate emoluments	<u>284</u>	<u>189</u>

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2012 No	2011 No
Exercised share options	<u>1</u>	<u>-</u>
Accruing benefits under defined benefit pension scheme in respect of qualifying services	<u>5</u>	<u>5</u>

In respect of the highest paid Director:

	2012 £ 000	2011 £ 000
Aggregate emoluments	80	59
Defined benefit accrued pension entitlement at the end of the period	1	1
Defined benefit accrued lump sum at the end of the period	<u>2</u>	<u>-</u>

6 Interest receivable and similar income

	2012 £ 000	2011 £ 000
Other interest receivable	<u>40</u>	<u>20</u>

GKN Freight Services Limited
Notes to the Financial Statements

7 Tax on profit on ordinary activities

	2012	2011
	£ 000	£ 000
Current tax		
Corporation tax charge	500	603
Adjustments in respect of previous years	29	(21)
Double taxation relief	(293)	(318)
UK Corporation tax	<u>236</u>	<u>264</u>
Overseas tax	382	388
Decrease in foreign tax arising from adjustment for prior periods	(48)	(3)
Foreign tax	<u>334</u>	<u>385</u>
Total current tax	570	649
Deferred tax		
Origination and reversal of timing differences	(373)	108
Total tax on profit on ordinary activities	<u>197</u>	<u>757</u>

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2011 - higher than the standard rate of corporation tax in the UK) of 24.5% (2011 - 26.5%)

The differences are reconciled below

	2012	2011
	£ 000	£ 000
Profit on ordinary activities before tax	<u>2,208</u>	<u>2,343</u>
Corporation tax at standard rate	541	621
Non deductible and non taxable items	3	8
Fixed asset timing differences	48	73
Other timing differences	(92)	(99)
Differences between UK and overseas tax rates	89	70
Adjustment to taxation in respect of earlier years	(19)	(24)
Total current tax	<u>570</u>	<u>649</u>

A reduction in the mainstream rate of UK corporation tax to 24% took effect from 1st April 2012 which gives rise to an effective UK tax rate of 24.5% for the year. A further reduction to the main rate to 23% took effect from 1 April 2013, further reductions to the main rate are proposed 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 a reduction to 23% had been substantively enacted, so deferred tax is measured at 23%.

GKN Freight Services Limited
Notes to the Financial Statements

	2012	2011
	£ 000	£ 000
Taxation payable/(repayable)		
UK	207	285
Overseas payable/(repayable) - Italy	(98)	2
Overseas payable/(repayable) - Spain	31	46
Overseas payable/(repayable) - Brazil	147	-
	<u>287</u>	<u>333</u>

Deferred tax

The movement in the deferred tax asset in the year is as follows

	Deferred tax
	£ 000
At 1 January 2012	94
Origination and reversal of timing differences	<u>373</u>
At 31 December 2012	<u>467</u>

Analysis of deferred tax

	2012	2011
	£ 000	£ 000
Fixed asset timing differences	467	453
Other timing differences	-	94
Overseas tax credits	295	225
De-recognition of deferred tax assets	<u>(295)</u>	<u>(678)</u>
Deferred tax asset recognised	<u>467</u>	<u>94</u>

In 2011 a deferred tax asset of £678,000 was not recognised on the basis that the future recovery of this amount was uncertain - the deferred tax asset in respect of the Fixed Asset Timing differences has been recognised in 2012 due to revised profit expectations in future years

GKN Freight Services Limited
Notes to the Financial Statements

8 Tangible fixed assets

	Total £ 000
Cost	
At 1 January 2012	1,603
Accumulated Depreciation	
At 1 January 2012	1 201
Charge for the year	<u>195</u>
At 31 December 2012	<u>1 396</u>
Net book value	
At 31 December 2012	<u>207</u>
At 31 December 2011	<u>402</u>

Fixed Assets include plant, machinery, fixtures, fittings, computer software, computer equipment and capital work in progress. Of the total fixed assets with net book value £207,000 (2011 £402,000), £201,000 (2011 £393,000) is in respect of computer software and computer equipment.

Leased assets

Included within the net book value of tangible fixed assets is £Nil (2011 - £Nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £Nil (2011 - £Nil).

9 Debtors

	2012 £ 000	2011 £ 000
Trade debtors	1,007	1,519
Amounts owed by Group undertakings	14,591	12,880
Amounts owed by associated companies	54	15
Other debtors	518	370
Deferred tax (greater than one year £467,000 (2011 nil))	467	94
Prepayments and accrued income	<u>50</u>	<u>43</u>
	<u>16,687</u>	<u>14,921</u>

Amounts owed by Group undertakings, trading and funding are unsecured, interest free and have no fixed date of payment and are repayable on demand. Trading amount in 2012 is £2,741,000 (2011 £2,928,000) and funding amount is £11,850,000 (2011 £9,952,000).

GKN Freight Services Limited
Notes to the Financial Statements

10 Creditors: Amounts falling due within one year

	2012 £ 000	2011 £ 000
Trade creditors	5,267	6,525
Amounts owed to Group companies	1 721	576
Corporation tax	287	333
Other taxation and social security	29	30
Other creditors	446	625
	<u>7,750</u>	<u>8,089</u>

The amounts owed to Group undertakings, trading and funding, are unsecured, interest free and have no fixed date of repayment and are repayable on demand. Trading amount in 2012 is £1,721,000 (2011 £576,000) and funding amount in 2012 is nil (2011 nil)

11 Creditors: Amounts falling due after more than one year

	2012 £ 000	2011 £ 000
Amount payable in respect of 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 dividends. The holder of the 6% Cumulative Preference shares waived its entitlement to dividends in respect of the year ended 31st December 2012 (2011 waived)

12 Obligations under leases and hire purchase contracts

Operating lease commitments

As at 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2012 £ 000	2011 £ 000
Land and buildings		
Within two to five years	<u>41</u>	<u>24</u>
	<u>41</u>	<u>24</u>
Other		
Within one year	4	-
Within two to five years	<u>-</u>	<u>4</u>
	<u>4</u>	<u>4</u>

GKN Freight Services Limited
Notes to the Financial Statements

13 Called up share capital

Allotted, called up and fully paid shares

	No 000	2012 £ 000	No 000	2011 £ 000
Ordinary of £5 each	20	100	20	100

Redeemable preference shares

The Preference Shares are redeemable. They are redeemable at £1 per share and carry no voting rights.

14 Reserves

	Share premium account £ 000	Other reserves £ 000	Profit and loss account £ 000
At 1 January 2012	4,950	-	2,516
Profit for the year	-	-	2,011
Other reserve movements	-	(12)	(12)
At 31 December 2012	4,950	(12)	4,515

Other reserve movements of £12,000 relates to exchange difference on consolidation of foreign branches

15 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit attributable to the members of the Company	2,011	1,586
Other recognised gains and losses relating to the year	(12)	-
Net addition to shareholders funds	1,999	1,586
Shareholders' funds at 1 January	7,566	5,980
Shareholders' funds at 31 December	9,565	7,566

Other reserve movements of £12,000 relates to exchange difference on consolidation of foreign branches

GKN Freight Services Limited Notes to the Financial Statements

16 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 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 group pension schemes is contained in the group financial statements of GKN plc which is calculated in accordance with International Accounting Standard 19 'Employee Benefits'.

17 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 payment". Awards made before that date have not been so accounted.

Details of awards made in 2012 are set out below. Details of awards made since 7 November 2002 that impact the 2012 accounting charge are:

Executive Share Option Scheme (ESOS)

Awards were made to Directors and certain senior employees in March 2003 under the 2001 scheme and in August 2009, May 2010 and April 2011 under the 2004 scheme. Under both schemes options were granted with a fixed exercise price based on the average share price for the five dealing days immediately before the date of grant and subject to meeting performance conditions over a three year period. In the case of the 2001 scheme, the performance condition was based on earnings per share (eps) growth whilst under the 2004 scheme the condition was based on Total Shareholder Return (TSR) compared with that of comparator companies. Under the 2001 scheme only, where the performance condition is not satisfied in full after the first three years, retesting is carried out each year up to six years from the date of grant. Release is subject to the satisfaction of a personal shareholding requirement for certain very senior employees. No ESOS awards were granted during the period.

A reconciliation of option movements over the year to 31 December 2012 is shown below:

	2012		2011	
	Numbers	Weighted average exercise price (pence)	Numbers	Weighted average exercise price (pence)
Outstanding at 1 January	12,147	110.08	12,147	110.08
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	12,147	110.08	-	-
Outstanding at 31 December	-	-	12,147	110.08
Exercisable at 31 December	-	-	-	-

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

GKN Freight Services Limited
Notes to the Financial Statements

Range of Exercise Price	Number of shares	2012	Number of shares	2011
		Contractual weighted average remaining life (years)		Contractual weighted average remaining life (years)
110p - 120p	-	-	12,147	7,614
130p - 145p	-	-	-	-

The weighted average share price for options exercised during the year was 211 10p (2011 nil). The total charge for the year relating to employee share based payment plans was nil (2011 nil). After deferred tax the total charge was nil (2011 nil).

Liabilities in respect of share-based payments were not material at either 31 December 2012 or 31 December 2011. There were no vested rights to cash or other assets at either 31 December 2012 or 31 December 2011.

Profit Growth Incentive Plan (PGIP)

Awards were made in August 2010 and April 2011 under the PGIP to certain senior employees. Any benefit under the PGIP will be delivered dependent upon the extent to which profit growth targets are satisfied by the Group over a three year performance period. The PGIP is a cash-based incentive plan, however, for certain very senior employees the benefit is delivered in shares, the number of shares will be released following the performance period if the minimum targeted profit growth is achieved. A maximum of twice the amount of shares will be released on achievement of the maximum profit growth target, with one and a half times the number being released for medium performance. No shares will be released and the awards will lapse if the minimum profit growth target is not achieved. Release is also conditional upon the satisfaction of a personal shareholding requirement for certain very senior employees. Any awards delivered under the PGIP will be satisfied from GKN ordinary shares held in the employee share ownership plan trust. No PGIP awards were granted during the period.

Deferred Bonus Plan (DBP)

No DBP awards were granted during the period.

Sustainable Earnings Plan (SEP)

Awards comprising a Core Award and a Sustainability Award were made to certain senior employees in August 2012. 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 a Core Award will be released at the end of the initial three year period, the balance of a Core Award together with the 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 (both a Core Award and a Sustainability Award) granted during the period are set out below.

	Shares granted during period	Weighted average fair value at measurement date
2012 SEP Awards	24,691	214.00p

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

GKN Freight Services Limited

Notes to the Financial Statements

Further details of the ESOS PGIP, DBP and SEP schemes are given in the Directors' remuneration report of GKN plc

18 Contingent liabilities

The amount represents guarantees given by the bank during the normal course of business with certain suppliers who trade on the condition that payments are guaranteed by the banks in the event of default. The amount guaranteed is £279,000 (2011 - £259,000)

19 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2011 - £Nil)

20 Control

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

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

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