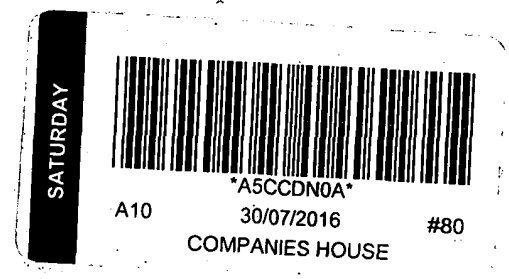


Registered number: 56211

GKN Freight Services Limited

Directors' Report and Financial Statements

For the year ended 31 December 2015



GKN Freight Services Limited

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GKN Freight Services Limited

Strategic Report

For the year ended 31 December 2015

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

Business Review

GKN Freight Services Limited is a freight management company providing integrated supply chain support solutions, with our services embracing all modes of transport by road, rail, sea and air. We operate in Europe, North and South America and India. Sales in 2015 of £37.1m were in total higher than in prior year with UK and Europe showing lower sales offset by increase in USA and Asia.

Operating profit in 2015 amounted to 2.5% of sales, a decrease of 1.4% from the previous year.

The Income statement of the Company shows a profit for the financial year before taxation of £935,000 (2014: Profit of £1,444,000).

The Company did not incur any capital expenditure during the financial year.

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 38 to 47 of the Group's annual report which does not form part of this report.

Key Performance Indicators

The Company's operations are managed on a divisional/Group 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 Plc, which includes this Company, is discussed on pages 11 to 13 of the Group's annual report which does not form part of this report.

Approved by the Board on 27 July 2016 and signed on its behalf by:



Mr R. Davies
Director
GKN Freight Services Limited
Registration number: 56211

GKN Freight Services Limited

Directors' Report

For the year ended 31 December 2015

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2015.

Directors of the Company

The Directors who held office during the year and up to the date of signing the Financial Statements are as follows:

Mr R Davies (appointed 1 March 2015)
Mr A P Buller (appointed 1 January 2016)
Mr A P Uttley (resigned 11 August 2015)
Ms A Peszko-Keniger (resigned 31 December 2015)

Financial Results

The profit and loss account of the Company shows a profit after taxation for the year of £177,000 (2014: £1,059,000).

Dividends

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

The dividend in respect of the Company's 6% cumulative preference shares were waived.

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.

Branches

The Company has branches in Spain, Italy and Brazil.

Directors' indemnities

Pursuant to the 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 in respect of costs of defending claims against them and third-party liabilities. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2015 and remains 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 is available for inspection at the group's registered office during normal business hours.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report (continued)

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 page 6.

Disclosure of Information to Auditors

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

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

Accounting records and controls

During the previous financial year ended 31 December 2014 the Company implemented a new financial accounting system. Following the implementation of the system the Company encountered a breakdown in accounting and financial controls, which resulted in adequate accounting records and reconciliations not being kept for the year ended 31 December 2014. As a result of these control issues the auditors were unable to obtain sufficient audit evidence and therefore issued a disclaimer audit opinion for the financial year ended 31 December 2014.

Subsequent to 31 December 2014 management have implemented a task force to re-establish normal financial control, rectify the breakdown in financial discipline and recreate the accounting records. At the date of the approval of these financial statements the Directors consider this exercise complete.

The accounting and control breakdown encountered during the previous financial year have meant that the auditors were unable to obtain the sufficient audit evidence over the opening shareholders' funds or in respect of certain transactions in the Income Statement contributing to the Company's profit for the year, and have therefore issued a disclaimer opinion on the profit for the year ended 31 December 2015. They have also issued a qualified opinion on the comparability of the balance sheet with the prior year.

Independent Auditors

The auditors Pricewaterhouse Coopers 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 27 July 2016 and signed on its behalf by:



Mr R Davies
Director
Ipsley House
Ipsley Church Lane
Redditch
Worcestershire
B08 0TL
Registration number: 56211

GKN Freight Services Limited

Independent auditors' report to the members of GKN Freight Services Limited

Report on the financial statements

Qualified opinion on state of affairs and disclaimer of opinion on profit for the year

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion on state of affairs and disclaimer of opinion on profit for the year paragraph below, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2015.

Because of the significance of the matter described in the paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the company's profit for the year ended 31 December 2015. Accordingly, we do not express an opinion on:

- the company's profit for the year ended 31 December 2015;
- whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion on state of affairs and disclaimer of opinion on profit for the year

As explained in note 1 to the financial statements, we were unable to obtain sufficient appropriate audit evidence in relation to the opening balances as at 1 January 2015 because of an accounting and control breakdown encountered during the previous financial year, which has resulted in a disclaimer of opinion being issued in the prior year financial statements and in adequate accounting records not being kept throughout the current financial year.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion on the profit for the year ended 31 December 2015. In addition, our opinion on the state of affairs of the company is qualified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

What we have audited

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

- the Balance Sheet as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of opinion on profit for the year, described above, 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

In respect solely of the limitation on our work relating to the opening balances, described in the Basis for our qualified opinion on state of affairs and disclaimer of opinion on profit for the year paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

- 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.

GKN Freight Services Limited

Independent auditors' report to the members of GKN Freight Services Limited (continued)

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 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

28 July 2016

GKN Freight Services Limited

Income Statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Sales	2	37,137	36,659
Trading profit		509	1,232
Change in value of derivative and other financial instruments		(45)	4
Gains on foreign currency transactions		465	179
Operating profit	3	929	1,415
Interest payable and similar charges		(20)	-
Interest receivable and similar income		26	29
Net financing Income	4	6	29
Profit before taxation		935	1,444
Taxation	5	(758)	(385)
Profit for the financial year		177	1,059

Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 £'000	2014 £'000
Profit for the financial year	177	1,059
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Exchange adjustments in reserve	34	(79)
Actuarial gains	8	-
Taxation on actuarial pension movement	(2)	-
Total comprehensive income for the year	217	980

Statement of Changes in Equity

For the year ended 31 December 2015

	Called up Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	100	4,950	6,833	11,883
Profit for the financial year	-	-	177	177
Other comprehensive income	-	-	40	40
Total comprehensive income for the year	-	-	217	217
At 31 December 2015	100	4,950	7,050	12,100
At 1 January 2014	100	4,950	5,853	10,903
Profit for the financial year	-	-	1,059	1,059
Other comprehensive income	-	-	(79)	(79)
Total comprehensive income for the year	-	-	980	980
At 31 December 2014	100	4,950	6,833	11,883

GKN Freight Services Limited

Balance Sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	8	282	457
Property, plant and equipment	9	2	10
Deferred tax assets	5	386	465
		670	932
Current assets			
Trade and other receivables	10	19,314	24,557
Current tax assets	5	-	-
Derivative financial instruments	13	-	160
Cash at bank and in hand	12	96	464
		19,410	25,181
Total assets		20,080	26,113
Current liabilities			
Trade and other payables	11	7,648	13,880
Current tax liabilities	5	243	180
Derivative financial instruments	13	-	115
		7,891	14,175
Non-current liabilities			
Post-employment obligations	15	60	26
Trade and other payables	11	29	29
		89	55
Total liabilities		7,980	14,230
Net assets		12,100	11,883
Shareholders' equity			
Called up share capital	14	100	100
Share premium account		4,950	4,950
Retained earnings		7,050	6,833
Total equity		12,100	11,883

The financial statements on pages 2 to 24 were approved by the Board of Directors and authorised for issue on 27 July 2016. They were signed on its behalf by:



Mr R Davies
Director
Registration number: 56211

Notes to the Financial Statements

For the year ended 31 December 2015

1 Accounting policies and presentation

The Company's significant accounting policies, which have been consistently applied, are summarised below.

Basis of preparation

The financial statements (the "statements") of the Company (private Company limited by shares), incorporated and domiciled in the UK, have been prepared in accordance with International Financial Reporting Standards (IFRS) under Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). These statements have been prepared on a going concern basis under the historical cost method except where other measurement bases are required to be applied under IFRS as set out below, and in accordance with the Companies Act 2006.

The impact of the conversion from old UK GAAP to FRS 101 on equity, profit and comprehensive income are disclosed in note 21.

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2015. No standards or interpretations have been adopted before the required implementation date.

Exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

The following exemptions have been applied in accordance with FRS 101, as the relevant disclosure is contained in the Group Financial Statements of GKN plc (details can be obtained as disclosed in note 22)

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

The following exemptions have been applied in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment ;
 - paragraph 118(e) of IAS 38 Intangible assets
 - The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for a minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third balance sheet),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
 - IAS 7, 'Statement of cash flows'
 - Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
 - Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Accounting records and controls

During the previous financial year ended 31 December 2014 the Company implemented a new financial accounting system. Following the implementation of the system the Company encountered a breakdown in accounting and financial controls, which resulted in adequate accounting records and reconciliations not being kept for the year ended 31 December 2014. As a result of these control issues the auditors were unable to obtain sufficient audit evidence and therefore issued a disclaimer audit opinion for the financial year ended 31 December 2014.

Subsequent to 31 December 2014 management have implemented a task force to re-establish normal financial control, rectify the breakdown in financial discipline and recreate the accounting records. At the date of the approval of these financial statements the Directors consider this exercise complete.

The accounting and control breakdown encountered during the previous financial year have meant that the auditors were unable to obtain the sufficient audit evidence over the opening shareholders' funds or in respect of certain transactions in the Income statement contributing to the company's profit for the year, and have therefore issued a qualified opinion on the profit for the year ended 31 December 2015. They have also issued a qualified opinion on the comparability of the balance sheet with prior year.

Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment of operation, determined having regard to the currency which mainly influences sales and input costs. The financial statement are presented in "Pounds Sterling" (£), which is also the Company's functional currency.

Transactions are translated at exchange rates approximating to the rate ruling on the date of the transaction except in the case of material transactions when actual spot rate may be used where it more accurately reflects the underlying substance of the transaction. Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Such transactional exchange differences are taken into account in determining profit before tax.

Presentation of the income statement

IFRS is not fully prescriptive as to the format of the income statement. Line items and subtotals have been presented on the face of the income statement in addition to those required under IFRS.

Operating profit is profit before discontinued operations, taxation and finance costs. In order to achieve consistency and comparability between reporting periods, operating profit is analysed to show separately the results of normal trading performance and individually significant charges and credits. Such items arise because of their size or nature and comprise:

- asset impairment and restructuring charges which arise from events that are significant to the Company;
- changes in the fair value of derivative financial instruments and material currency translation movements arising on intra-group funding;
- income from investments in subsidiaries;
- *income from investments in joint ventures*;
- the impact of annual impairment review of investments;
- gains or losses on disposal of investments in subsidiaries;
- significant pension scheme curtailments and settlements.

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

Revenue recognition

Sales

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

For exports, revenue is recognised once the cargo has departed from origin country and for Imports once the cargo has arrived at the destination country.

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

Other income

Interest income is recognised using the effective interest rate method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Property, Plant and Equipment

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

Cost

Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Where assets are in the course of construction at the balance sheet date they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use.

Depreciation

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

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

The range of depreciation lives are:

	Years
Plant and Equipment	6 to 15

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

Financial assets and liabilities

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

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

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

Other financial assets and liabilities, including short term receivables and payables, are initially recognised at fair value and subsequently measured at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material.

Derivative financial instruments

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

Where derivative financial instruments are not designated as or not determined to be effective hedges, any gain or loss on remeasurement is taken to the income statement. Where derivative financial instruments are designated as and are effective as cash flow hedges, any gain or loss on remeasurement is held in equity and recycled through the income statement when the designated item is transacted, unless related to the purchase of a business, when recycled against consideration.

Gains or losses on derivative financial instruments no longer designated as effective hedges are taken directly to the income statement. Derivatives embedded in non-derivative host contracts are recognised at their fair value when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are taken to the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Intangible assets

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

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

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

Investments in subsidiaries and other undertakings

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

Taxation

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

Full provision is made for deferred tax on all temporary differences resulting from the difference between the carrying value of an asset or liability in the consolidated financial statements and its tax base. The amount of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are reviewed at each balance sheet date and are only recognised to the extent that it is probable that they will be recovered against future taxable profits.

Pensions and post-employment benefits

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

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

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

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

Share-based payments

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

Standards, revisions and amendments to standards and interpretations issued but not yet adopted

The Company does not intend to adopt any standard, revision or amendment before the required implementation date. At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments (effective from 1 January 2018); and
IFRS 15 Revenue from contracts with customers (effective from 1 January 2017).

These standards and other revisions to standards and interpretations which have an implementation date in 2016 or thereafter are still being assessed.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

1 Accounting policies and presentation (continued)

Significant judgements, key assumptions and estimates

The Company's significant accounting policies are set out above. The preparation of financial statements, in conformity with IFRS, requires the use of estimates, subjective judgement and assumptions that may affect the amounts of assets and liabilities at the balance sheet date and reported profit and earnings for the year. The Directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

The accounting policies where the Directors consider the more complex estimates, judgements and assumptions have to be made are those in respect of post-employment obligations, derivative and other financial instruments, taxation, provisions and impairment of non-current assets. Details of the principal estimates, judgements and assumptions made are set out in the related notes.

2 Sales

The Company derives its sales from the provision of services which fall within the Company's ordinary activity, that of providing integrated supply chain support solutions in freight forwarding. An analysis of sales by geographical location by destination is given below:

	United Kingdom £'000	USA £'000	Europe £'000	Other countries £'000	Total non-UK £'000	Total £'000
2015						
Sales	15,632	11,972	7,064	2,469	21,505	37,137
2014						
Sales	15,660	7,539	13,246	214	20,999	36,659

3 Operating profit

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

(a) Trading profit

	2015 £'000	2014 £'000
Sales	37,137	36,659
Operating costs		
Staff costs (note 6)	2,668	2,303
Change in value of derivative financial instruments	45	(4)
Reorganisation costs (ii):		
Redundancy and other employee related amounts	179	-
Depreciation of property, plant and equipment (iii)	8	11
Amortisation of operating intangible assets	175	175
Operating lease rentals payable:		
Plant and equipment	25	59
Property	70	97
Net exchange gain on foreign currency transactions	(465)	(179)
Audit fees payable to the Company's auditors (iv)	219	102
Other costs	33,284	32,680
Operating profit	929	1,415
Trading profit	509	1,232

- (i) EBITDA is Company's trading profit before depreciation, impairment and amortisation charges included in trading profit. EBITDA was £1,157,000 (2014: £1,597,000).
- (ii) Reorganisation costs reflect actions in the ordinary course of business to reduce costs, improve productivity and rationalise facilities in continuing operations. This cost is included in trading profit.
- (iii) Including depreciation charged on assets held under finance leases of £Nil (2014: £Nil).
- (iv) All fees payable to the Company's auditors include amounts in respect of expenses. All fees payable have been charged to the income statement.

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

3 Operating profit (continued)

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

	2015 £'000	2014 £'000
Forward currency contracts (not hedge accounted)	-	-

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

4 Net financing income

	2015 £'000	2014 £'000
(a) Interest payable and fee expense		
Short term bank and other borrowings	(20)	-
	(20)	-
(b) Interest receivable		
Short term investments, loans and deposits	26	29
Net interest payable and receivable	6	29

5 Taxation

(a) Analysis of tax charge/(credit) in year

	2015 £'000	2014 £'000
Current tax		
UK corporation tax		
- current year UK corporation tax	129	359
- overseas tax	386	290
- double tax relief	(129)	(251)
- adjustments to current tax charge in respect of prior years	295	32
Total current tax	681	430
Deferred tax		
Origination and reversal of temporary differences		
- current year	102	(45)
- adjustments to current tax charge in respect of prior years	(25)	-
Total deferred tax	77	(45)
Tax on profit on ordinary activities	758	385

(b) Factors affecting the tax charge/(credit) in the year

The tax assessed for the year is different to (2014: different to) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	935	1,444
Profit on ordinary activities multiplied by the standard UK corporation rate of 20.25% (2014: 21.5%)	189	310
Tax effect of expenditure not deductible/(income not taxable) in determining taxable profits	-	1
Overseas tax suffered	386	290
Double taxation relief	(129)	(251)
Effect of change in corporation tax rate on deferred tax recognition	42	3
Adjustment to current tax charge in respect of prior periods	295	32
Adjustment to deferred tax charge in respect of prior periods	(25)	-
Total tax charge/(credit) for the year	758	385

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

5 Taxation (continued)

(b) Factors affecting the tax charge/(credit) in the year (continued)

A reduction in the mainstream rate of UK corporation tax to 20% took effect from 1st April 2015 which gives rise to a blended UK statutory tax rate of 20.25% for the year ended 31 December 2015. A further reduction to the main rate has been enacted to reduce the rate by 1% to 19% on 1 April 2017 and by a further 1% to 18% on 1 April 2020. The 2016 Budget on the 16 March 2016 announced a further reduction of the corporation tax rate to 17% from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

	2015 £'000	2014 £'000
(c) Intercompany balance - tax payable UK	25	82
Overseas payable - Italy	9	(19)
Overseas payable - Spain	209	117
	243	180

- (d) The Company adopted FRS101 during the year. As a result an opening balance adjustment was made at 1 January 2014 to recognise an asset of £41,000 in relation to the fair value of derivatives and a deferred tax liability of £8,000 was recognised in respect of this. During 2014 the fair value of derivatives increased by £4,000 with a corresponding movement in deferred tax. As part of the transition, the multi-employer exemption in respect of the defined benefit pension scheme was removed and at 31st December 2014 the Company recognised a pension deficit of £26,000 with a corresponding deferred tax asset of £5,000.

(e) Recognised deferred tax

£'000	Post- employment obligations	Fixed asset timing differences	Other	Total
At 1 January 2015	5	156	304	465
Included in the income statement	8	(95)	10	(77)
Included in other comprehensive income	(2)	-	-	(2)
At 31 December 2015	11	61	314	386

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

6 Employees including Directors

(a) Employee benefit expense

	2015 £'000	2014 £'000
Wages and salaries	2,231	1,864
Social security costs	294	294
Other pension costs	142	143
Share-based payments	1	2
	2,668	2,303

Average monthly number of employees (including Executive Directors)

	2015 Number	2014 Number
Administration and support	36	50

(b) Directors' emoluments

	2015 £'000	2014 £'000
Aggregate remuneration	156	108
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	18
Aggregate Company contributions to pension schemes	13	12
	169	138

The Directors emoluments for the year are disclosed in accordance with the Companies Act 2006. Emoluments are apportioned for the services provided by the Directors to the Company. Included in the Aggregate remuneration is an amount of £36,044 (2014 : £ Nil) paid in respect of loss of office.

Number of Directors receiving benefits and share incentives

	2015 Number	2014 Number
Exercised share options	-	1
Accruing benefits under defined benefit pension schemes in respect of qualifying services	2	2
Accruing benefits under money purchase pension schemes in respect of qualifying services	1	-
Received/entitled to receive shares under long term incentive scheme in respect of qualifying services	1	-

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

Management		
Grade	Multiple	Maximum
D-E	1.5	12 %

7 Share-based payments

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

7 Share-based payments (continued)

Sustainable Earnings Plan (SEP)

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

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

	Shares granted during year	Weighted average fair value at measurement date
2015 SEP awards	12,271	3.60

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

8 Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2015	2,020	2,020
At 31 December 2015	2,020	2,020
Accumulated amortisation		
At 1 January 2015	1,563	1,563
Charge for the year	175	175
At 31 December 2015	1,738	1,738
Net book amount at 31 December 2015	282	282
Net book amount at 31 December 2014	457	457

9 Property, Plant and equipment

	Plant and Equipment £'000	Total £'000
Cost		
At 1 January 2015	131	131
At 31 December 2015	131	131
Accumulated depreciation		
At 1 January 2015	121	121
Charge for the year	8	8
At 31 December 2015	129	129
Net book amount at 31 December 2015	2	2
Net book amount at 31 December 2014	10	10

Included within Plant and Equipment at net book amount are fixtures, fittings and computers £2,000 (2014: £10,000)

10 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,811	3,194
Amounts owed by Group - Trade	6,267	14,563
Amounts owed by Group - Loan	10,907	6,264
Prepayments	103	536
Indirect taxes recoverable	226	-
	19,314	24,557

GKN Freight Services Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

10 Trade and other receivables (continued)	2015 £'000	2014 £'000
Provision for doubtful debt against trade receivable		
At 1 January 2015	-	-
Charge for the year		
Additions	424	-
At 31 December 2015	424	-

Ageing analysis of trade receivables and amounts owed by joint ventures past due but not impaired		
Up to 30 days overdue	518	933
31 – 60 days overdue	544	145
61 – 90 days overdue	295	173
More than 90 days overdue	454	1,943

There is no provision against other receivable categories.

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

11 Trade and other payables	2015		2014	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Amounts owed to suppliers and customers	1,068	-	5,888	-
Amounts owed to Group - Trade	3,189	-	4,347	-
Accruals and deferred income	3,344	-	3,582	-
Other taxes and social security	47	-	63	-
Amounts payable – Preference Shares	-	29	-	29
	7,648	29	13,880	29

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

12 Net Borrowings	2015		2014	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Bank balances and cash	96	-	464	-
Cash and cash equivalents	96	-	464	-

13 Derivative financial instruments

	2015					2014				
	Assets		Liabilities		Total	Assets		Liabilities		Total
	Non-current	Current	Non-current	Current		Non-current	Current	Non-current	Current	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Forward currency contracts	-	-	-	-	-	-	160	-	(115)	45
Not hedge accounted	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	160	-	(115)	45

14 Share capital

	Allotted, Issued and Fully Paid	
	2015 £'000	2014 £'000
Ordinary shares of £5 each	100	100

	2015 Number 000s	2014 Number 000s
Ordinary shares of £5 each		
At 1 January and 31 December	20	20

The authorised ordinary share capital for the current year was £100,000 (2014: £100,000)

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15 Post-employment obligations

	2015	2014
	£'000	£'000
Post-employment obligations as at the year end comprise:		
Pensions - funded	(60)	(26)

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

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

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

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

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

Key assumptions:

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

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

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

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

(b) Assumption sensitivity analysis

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

	Liabilities
	£'000
Discount rate +1%	68
Discount rate -1%	(89)
Rate of inflation +1%	(79)
Rate of inflation -1%	60
Life expectancy +1 year	(11)
Life expectancy -1 year	11
Health cost trend +1%	-
Health cost trend -1%	-

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15 Post-employment obligations (continued)

(b) Assumption sensitivity analysis (continued)

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

Significant judgements and estimates

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

(c) Defined benefit schemes - reporting

The amounts included in operating profit are:

	Total £'000
2015	
Current service cost and administrative expenses	(182)
2014	
Current service cost and administrative expenses	(169)

The amounts recognised in the balance sheet are:

	2015 £'000	2014 £'000
Present value of unfunded obligations	-	-
Present value of funded obligations	(341)	(169)
Fair value of plan assets	281	143
Net obligations recognised in the balance sheet	(60)	(26)

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

	2015 £'000	2014 £'000
At 1 January	-	-
Remeasurement of defined benefit plans	8	-
At 31 December	8	-

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

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2015	143	(169)	(26)
Current service cost	-	(182)	(182)
Interest	5	(8)	(3)
Remeasurement of defined benefit plans	(3)	11	8
Contributions by Group	143	-	143
Benefits and administrative expenses paid	(7)	7	-
At 31 December 2015	281	(341)	(60)
At 1 January 2014	-	-	-
Current service cost	-	(169)	(169)
Contributions by Group	143	-	143
At 31 December 2014	143	(169)	(26)

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15 Post-employment obligations (continued)

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

The fair values of the assets in the scheme were:

	Total £'000
At 31 December 2015	
Equities (inc. hedge funds)	120
Diversified growth funds	45
Bonds - government	45
Bonds - corporate	51
Property	18
Cash, derivatives and net current assets	(3)
Other assets	5
	281
At 31 December 2014	
Equities (inc. hedge funds)	64
Diversified growth funds	22
Bonds - government	21
Bonds - corporate	24
Property	8
Cash, derivatives and net current assets	1
Other assets	3
	143

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

(e) Defined benefit scheme – risk factors

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

15 Post-employment obligations(continued)

(f) Defined benefit schemes – demographic factors

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

	2015	2014
UK	17	17

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

	Active			Deferred			Pensioner		
	Age	Number	Value (£'000)	Age	Number	Value (£'000)	Age	Number	Value (£'000)
UK	46	5,743	738	52	6,743	718	72	7,231	915

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

(g) Defined benefit schemes

The charge to the income statement in the year from the defined scheme was £142,000 (2014: £143,000).

16 Operating leases

Commitments: minimum lease payments

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

	2015		2014	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Payments under non-cancellable operating leases:				
Not later than one year	-	3	33	3
Later than one year and not later than five years	110	3	-	-
Later than five years	155	-	-	-
	265	6	33	3

17 Capital expenditure

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

18 Related party transactions

In accordance with FRS 101 the Company has taken advantage of the exemption not to disclose the transactions with other Group undertakings. There were no other related party transactions during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

19 Controlling parties

The immediate parent is GKN (United Kingdom) Plc. The ultimate parent undertaking and controlling party is GKN plc. The parent of the largest group in which these financial statements are consolidated is GKN plc. Consolidated financial statements of GKN plc are available from PO BOX 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL, which is also the registered address of this Company. The parent of the smallest group in which these results are consolidated is GKN Holdings plc. Consolidated financial statements of GKN Holdings plc are available from the address above.

20 Post balance sheet events

There were no material events after the reporting year that give rise to an adjustment in the financial statements.

21 Impact of transition to FRS 101

This is the first year the financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The last financial statements under "old" UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2014. Set out below are the overall FRS 101 transition reconciliations which reconcile total equity positions as at 1 January 2014 and 31 December 2014 and both profit after taxation and comprehensive income for the year ended 31 December 2014. The Company's computer software previously recognised as Tangible fixed assets under FRS 15 has been reclassified to Intangible assets in accordance with IAS 38 'Intangible Assets'.

(a) Reconciliation of total equity

	31 December 2014 £'000	1 January 2014 £'000
Shareholders' funds under old UK GAAP	11,859	10,862
Differences increasing/(decreasing) reported shareholders' funds:		
Movement on retained earnings-pension obligations	(26)	-
Movement on retained earnings-derivative financial instruments	45	41
Taxation	5	-
Total equity under FRS 101	11,883	10,903

(b) Reconciliation of profit after tax

	2014 £'000
Profit for the financial year under old UK GAAP	1,076
Differences increasing/(decreasing) reported profit for the financial year:	
Trading profit charge on net defined benefit plans	(26)
Derivative financial instruments	4
Taxation	5
Profit after taxation for the year under FRS 101	1,059

(c) Reconciliation of total comprehensive income

	2014 £'000
Total comprehensive gain under old UK GAAP	997
Differences decreasing reported comprehensive income:	
Differences in net earnings	(17)
Total comprehensive income for the year under FRS 101	980

Notes to the Financial Statements (continued)

For the year ended 31 December 2015

21 Impact of transition to FRS 101 (continued)

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

- (i) The Company's liability in relation to its participation in the externally funded defined benefit Group pension arrangements of GKN plc has been recognised in accordance with IAS 19 'Employee benefits.'
- (ii) The Company has recognised the fair value of all derivative financial instruments held in accordance with IAS 39 'Financial instruments: Recognition and measurement.'
- (iii) The resulting tax impact of the adjustments detailed above has been recognised in accordance with IAS 12 'Income taxes.'

22 Notes to FRS 101 transition statements

In preparing these financial statements in accordance with FRS 101, the Company has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS. The applicable optional exemptions from full retrospective application elected for by the Company were as follows:

(a) Employee benefits exemption

All cumulative actuarial gains and losses as at 31 December 2015 have been recognised.

(b) Revaluations as deemed cost

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

The mandatory exception from full retrospective application has been applied by the Company related to estimates where under IFRS estimates at 1 January 2014 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No changes to estimates have been made.