

Registration number: 56211

GKN Freight Services Limited

Strategic Report, Directors' Report and Financial Statements

for the Year Ended 31 December 2013

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GKN Freight Services Limited

Strategic Report for the Year Ended 31 December 2013

The Directors present their Strategic Report for the year ended 31 December 2013.

Fair review of the business

GKN Freight Services Limited is a freight management company providing integrated supply chain support solutions, with our service offering embracing all modes of transport by road, rail, sea and air. We operate in Europe, North and South America and India. Sales in 2013 of £37,030k were broadly in line with the prior year, but with lower sales in Americas, mainly due to de-stocking initiatives by our Americas customers offset by higher activity levels in Europe, particularly Germany.

Capital expenditure in the year was in support of further improvements to our system capability to deliver enhanced service offerings to our customer in line with our strategic objective. Our strategy shows increased sales from securing additional market share within the markets we currently operate by offering a greater range of services to our Customers at improved trading margins.

Operating profit fell by 14% in 2013 primarily due to competitive pricing with our customers in all regions although we anticipate this to be a one-off alignment specific to 2013,

Financial Results

The profit and loss account of the Company shows a profit for the year of £1,320,000 (2012: a profit of £2,011,000).

Key Performance Indicators

The Company's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of GKN Driveline, which includes the Company, is discussed on pages 32 and 33 of GKN plc's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the GKN Group and are not managed separately. Accordingly, the principal risks and uncertainties of the GKN Group, which include those of the Company, are discussed on pages 42 to 51 of GKN plc's annual report which does not form part of this report.

Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of credit risk. As a subsidiary of GKN plc all the Company's funding is provided through a fellow subsidiary via a current account. The overarching Group policies in relation to external risks, including interest rate risk, price risk, credit risk, cash flow risk, foreign exchange risk and liquidity risk, all of which are managed centrally by the GKN plc Group Treasury function, are set out in the annual report of GKN plc. The Company does not use derivative financial instruments to manage interest rate costs.

Where the Company enters into transactions with inherent external counter-party risk, exposures are assessed in line with GKN plc policies and guidance.

Approved by the Board on^{4TH JULY 2014} and signed on its behalf by:

GKN Freight Services Limited
Strategic Report for the Year Ended 31 December 2013

A handwritten signature in black ink, appearing to read 'A P Uttley', written over a dotted line.

Mr A P Uttley
Director
GKN Freight Services Limited
(Company number 56211)

GKN Freight Services Limited
Directors' Report for the Year Ended 31 December 2013

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

Directors of the Company

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Mr J M Gillam (resigned 1 August 2013)

Ms A Peszko-Keniger

Mr M D Pycroft (Resigned 22 March 2013)

Mr A P Uttley (appointed 12 February 2013)

Mr S P Smith (Resigned 12 February 2013)

Mr M Shaddick (Resigned 12 February 2013)

Mr M Anwar (appointed 4 October 2013 and resigned 20 November 2013)

Financial risk management

Information on the financial risk management objectives and policies of the Company and the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk is set out in the strategic report on page 1.

Dividends

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

Branches outside the United Kingdom

The Company has branches in Spain, Italy and Brazil.

GKN Freight Services Limited
Directors' Report for the Year Ended 31 December 2013

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

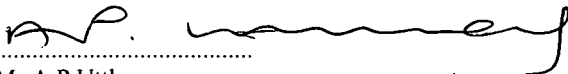
Disclosure of information to the auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 4TH JULY 2014 and signed on its behalf by:



Mr A P Uttley
Director
GKN Freight Services Limited
(Company number 56211)

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

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

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

What we have audited

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

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

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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

Other Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of directors' responsibilities set out on page 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 ISAs (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.



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

9 July 2014

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

	Note	2013 £ 000	2012 £ 000
Turnover	2	<u>37,030</u>	<u>36,569</u>
Operating profit	3	1,865	2,168
Interest receivable and similar income	7	<u>34</u>	<u>40</u>
Profit on ordinary activities before taxation		1,899	2,208
Tax on profit on ordinary activities	8	<u>(579)</u>	<u>(197)</u>
Profit for the financial year	15	<u><u>1,320</u></u>	<u><u>2,011</u></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 financial year stated above and their historical cost equivalents.

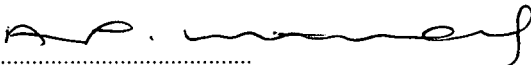
Statement of total recognised gains and losses for the year ended 31st December 2013

	2013 £ 000	2012 £ 000
Profit for the financial year	1,320	2,011
Exchange adjustments offset in reserves	<u>(23)</u>	<u>(12)</u>
Total recognised gains and losses	<u><u>1,297</u></u>	<u><u>1,999</u></u>

GKN Freight Services Limited
(Registration number: 56211)
Balance Sheet as at 31 December 2013

	Note	2013 £ 000	2012 £ 000
Fixed assets			
Tangible assets	9	351	207
Current assets			
Debtors (greater than one year £429,000 (2012 : £467,000))	10	18,068	16,687
Cash at bank and in hand		388	450
		<u>18,456</u>	<u>17,137</u>
Creditors: Amounts falling due within one year	11	<u>(7,916)</u>	<u>(7,750)</u>
Net current assets		<u>10,540</u>	<u>9,387</u>
Total assets less current liabilities		10,891	9,594
Creditors: Amounts falling due after more than one year	12	<u>(29)</u>	<u>(29)</u>
Net assets		<u>10,862</u>	<u>9,565</u>
Capital and reserves			
Called up share capital	14	100	100
Share premium account	15	4,950	4,950
Profit and loss account	15	<u>5,812</u>	<u>4,515</u>
Total shareholders' funds	16	<u>10,862</u>	<u>9,565</u>

Approved by the Board and authorised for issue on 4th JULY 2014 and signed on its behalf by:



Mr A P Uttley
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 in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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 financial statements 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 financial statements are publicly available.

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.

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.
- (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.

GKN Freight Services Limited

Notes to the Financial Statements

Depreciation

Depreciation is not provided on freehold land or assets in the course of construction. In the case of all other categories of asset, depreciation is provided on a straight line basis over the course of the financial year. Depreciation is applied to specific classes of asset so as to reduce them to their residual values over their estimated useful lives on a straight line basis.

Asset class	Depreciation method and rate
General plant, machinery, fixture, fittings and equipments	6 to 15 years
Computers/Software	3 to 5 years

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 17.

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
2013	£ 000	£ 000	£ 000	£ 000	£ 000
External turnover	4,103	1,361	712	960	7,136
Inter-company turnover	<u>7,033</u>	<u>15,023</u>	<u>7,708</u>	<u>130</u>	<u>29,894</u>
Total turnover	<u>11,136</u>	<u>16,384</u>	<u>8,420</u>	<u>1,090</u>	<u>37,030</u>

	UK	Europe	Americas	Asia	Total
2012	£ 000	£ 000	£ 000	£ 000	£ 000
External turnover	4,398	1,908	1,229	1,359	8,894
Inter-company 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>

3 Operating profit

Operating profit is stated after charging:

	2013	2012
	£ 000	£ 000
Operating leases - plant and machinery	59	65
Depreciation of owned assets	102	195
Auditors' remuneration	4	13
Staff costs	<u>2,597</u>	<u>2,660</u>

GKN Freight Services Limited
Notes to the Financial Statements

4 Auditors' remuneration

	2013 £ 000	2012 £ 000
Fees payable to the company's auditor and its associates for other services:		
Audit fees	<u>4</u>	<u>13</u>

Fees for non audit services in the year amounted to nil (2012: nil).

5 Particulars of employees

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

	2013 No.	2012 No.
Administration and support	56	56

The aggregate staff costs were as follows:

	2013 £ 000	2012 £ 000
Wages and salaries	2,141	2,201
Social security costs	308	315
Other pension costs	<u>148</u>	<u>144</u>
	<u>2,597</u>	<u>2,660</u>

GKN Freight Services Limited

Notes to the Financial Statements

6 Directors' emoluments

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

	2013 £ 000	2012 £ 000
Aggregate remuneration	176	253
Aggregate amount of Company contributions to pension scheme	15	31
Aggregate amounts receivable under long-term incentive schemes	9	-
Compensation in respect of loss of office	106	-
Total aggregate emoluments	<u>306</u>	<u>284</u>

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

	2013 No.	2012 No.
Exercised share options	2	1
Accruing benefits under defined benefit pension scheme in respect of qualifying services	6	5
Accruing benefits under money purchase pension schemes in respect of qualifying services	<u>2</u>	<u>-</u>

Two Directors are accruing benefits under a hybrid pension scheme which has both a money purchase and defined benefit element. These two Directors are shown in both the money purchase and defined benefit disclosures above.

In respect of the highest paid Director:

	2013 £ 000	2012 £ 000
Aggregate emoluments	55	80
Company contributions to pension schemes	4	7
Benefits under long-term incentive schemes (excluding shares)	9	-
Defined benefit accrued pension entitlement at the end of the period	<u>14</u>	<u>1</u>

During the year the highest paid Director exercised share options.

7 Interest receivable and similar income

	2013 £ 000	2012 £ 000
Other interest receivable	<u>34</u>	<u>40</u>

GKN Freight Services Limited
Notes to the Financial Statements

8 Tax on profit on ordinary activities

	2013 £ 000	2012 £ 000
Current tax		
Corporation tax charge	469	500
Adjustments in respect of previous years	(10)	29
Double taxation relief	(201)	(293)
UK Corporation tax	<u>258</u>	<u>236</u>
Overseas tax	283	382
Decrease in foreign tax arising from adjustment for prior years	<u>-</u>	<u>(48)</u>
Foreign tax	<u>283</u>	<u>334</u>
Total current tax	<u>541</u>	<u>570</u>
Deferred tax		
Origination and reversal of timing differences	79	(373)
Deferred tax adjustment relating to previous years	<u>(41)</u>	<u>-</u>
Total deferred tax	<u>38</u>	<u>(373)</u>
Total tax on profit on ordinary activities	<u><u>579</u></u>	<u><u>197</u></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 (2012 - higher than the standard rate of corporation tax in the UK) of 23.25% (2012 - 24.5%).

The differences are reconciled below:

	2013 £ 000	2012 £ 000
Profit on ordinary activities before tax	<u>1,899</u>	<u>2,208</u>
Corporation tax at standard rate	442	541
Fixed asset timing differences	24	48
Other timing differences	-	(92)
Non deductible and non taxable items	3	3
Overseas tax	82	89
Adjustments in respect of previous years	<u>(10)</u>	<u>(19)</u>
Total current tax	<u><u>541</u></u>	<u><u>570</u></u>

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

GKN Freight Services Limited
Notes to the Financial Statements

	2013	2012
	£ 000	£ 000
Taxation payable/(repayable)		
UK	268	207
Overseas payable/(repayable) - Italy	22	(98)
Overseas payable - Spain	34	31
Overseas payable - Brazil	-	147
	<u>324</u>	<u>287</u>

Deferred tax

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

	Deferred tax
	£ 000
At 1 January 2013	467
Change in tax rate	(61)
Origination and reversal of timing differences	<u>23</u>
At 31 December 2013	<u>429</u>

Analysis of deferred tax

	2013	2012
	£ 000	£ 000
Fixed asset timing differences	429	467
Overseas tax credits	349	295
De-recognition of deferred tax assets	<u>(349)</u>	<u>(295)</u>
Deferred tax asset recognised	<u>429</u>	<u>467</u>

In 2013 a deferred tax of £349,000 (2012: £295,000) was not recognised on the basis that the future recovery of this amount is uncertain.

GKN Freight Services Limited
Notes to the Financial Statements

9 Tangible fixed assets

	Computer Software £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2013	1,497	106	1,603
Additions	221	25	246
At 31 December 2013	1,718	131	1,849
Accumulated Depreciation			
At 1 January 2013	1,296	100	1,396
Charge for the year	92	10	102
At 31 December 2013	1,388	110	1,498
Net book value			
At 31 December 2013	330	21	351
At 31 December 2012	201	6	207

Leased assets

Included within the net book value of tangible fixed assets is £Nil (2012 - £Nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £Nil (2012 - £Nil).

10 Debtors

	2013 £ 000	2012 £ 000
Trade debtors	1,077	1,007
Amounts owed by Group undertakings	15,735	14,591
Amounts owed by associated companies	13	54
Prepayments and other Debtors	814	568
Deferred tax (greater than one year £429,000 (2012:£467,000))	429	467
	18,068	16,687

Amounts owed by group undertakings and associated companies are unsecured, interest bearing, have no fixed date of repayment and are repayable on demand.

Amounts owed by Group undertakings, are unsecured, interest free and have no fixed date of payment and are repayable on demand. Trading amount in 2013 is £3,375,000 (2012: £2,741,000) and funding amount is £11,959,000 (2012: £11,850,000).

GKN Freight Services Limited
Notes to the Financial Statements

11 Creditors: Amounts falling due within one year

	2013	2012
	£ 000	£ 000
Trade creditors	6,298	5,267
Amounts owed to group undertakings	738	1,721
Corporation tax	324	287
Other taxes and social security	27	29
Accruals and deferred income	529	446
	<u>7,916</u>	<u>7,750</u>

The amounts owed to Group undertakings, are unsecured, interest free and have no fixed date of repayment and are repayable on demand. Trading amount in 2013 is £738,000 (2012:£1,721,000) and funding amount in 2013 is nil (2012: nil).

12 Creditors: Amounts falling due after more than one year

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 2013 (2012: waived).

	2013	2012
	£ 000	£ 000
Amount payable in respect of preference shares	<u>29</u>	<u>29</u>

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

13 Obligations under leases and hire purchase contracts

Operating lease commitments

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2013	2012
	£ 000	£ 000
Land and buildings		
Within one year	41	-
Within two to five years	27	41
	<u>68</u>	<u>41</u>
Other		
Within one year	<u>4</u>	<u>4</u>

GKN Freight Services Limited
Notes to the Financial Statements

14 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2013 £ 000	No. 000	2012 £ 000
Ordinary shares of £5 each	<u>20</u>	<u>100</u>	<u>20</u>	<u>100</u>

The authorised ordinary share capital for the current year was £100,000 (2012: £100,000).

15 Reserves

	Share premium account £ 000	Profit and loss account £ 000
At 1 January 2013	4,950	4,515
Profit for the financial year	-	1,320
Other reserve movements	<u>-</u>	<u>(23)</u>
At 31 December 2013	<u>4,950</u>	<u>5,812</u>

Other reserve movements of £23,000 relates to exchange difference on consolidation of foreign branches.

16 Reconciliation of movement in shareholders' funds

	2013 £ 000	2012 £ 000
Profit for the financial year	1,320	2,011
Other recognised gains and losses relating to the year	<u>(23)</u>	<u>(12)</u>
Net addition to shareholders funds	1,297	1,999
Shareholders' funds at 1 January	<u>9,565</u>	<u>7,566</u>
Shareholders' funds at 31 December	<u>10,862</u>	<u>9,565</u>

Other reserve movements of £23,000 (2012:£12,000) relates to exchange difference on consolidation of foreign branches.

GKN Freight Services Limited

Notes to the Financial Statements

17 Pension schemes

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. It has not been possible to identify separately the Company's share of the underlying assets and liabilities within the 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'.

18 Share-based payments

The Group has granted options over shares to employees for a number of years under different schemes. Where grants were made after 7 November 2002 they have been accounted for as required by IFRS 2 "Share-based payment". Awards made before that date have not been so accounted. Details of awards made since 7 November 2002 that impact the 2013 accounting charge are:

Sustainable Earnings Plan (SEP)

Awards comprising a Core Award and a Sustainability Award were made to Directors and certain senior employees in August 2012 and March 2013. A Core Award is subject to EPS growth targets over an initial three year performance period and a Sustainability Award is subject to the highest level of EPS achieved over the initial three year period being sustained for a further two year period. Sustained EPS growth is measured independently in years four and five. 50% of the Core Award will be released at the end of the initial three year period; the balance of the Core Award and any Sustainability Award will be released at the end of year five. There is no provision for retesting performance for either the Core Award or Sustainability Award. On release, dividends are treated as having accrued on the shares from the date of grant to 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
2013 SEP awards	32,256	264.5p

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

Executive Share Option Scheme (ESOS)

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

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	2013		2012	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at 1 January	-	-	12,147	110.08
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(12,147)	110.08
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

There were no share options outstanding at 31 December 2013 or 31 December 2012.

The weighted average share price during the year for options exercised over the year was £nil (2012: 211.10p). The total charge for the year relating to employee share-based payment plans was £nil (2012: £nil) all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £nil (2012: £nil).

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

19 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 (2012 - £279,000).

20 Ultimate parent undertaking

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, 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.