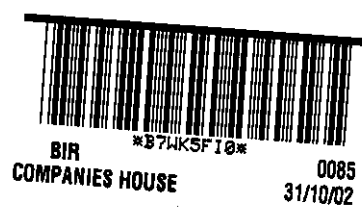


**GKN FREIGHT SERVICES LIMITED**

**Registered number: 56211**

**ANNUAL ACCOUNTS**

**31 DECEMBER 2001**



**Report of the Directors**

Directors: Mr J Puga Pereira (Chairman)  
Mr P G Byrne  
Mr D W J Morris  
Mr S P Smith  
Mr M Shaddick  
Mr L J Owen

1 The Directors present their report together with the audited accounts of the Company for the year ended 31 December 2001.

2 **Directors' responsibility for the preparation of the accounts**

At the end of each financial year the Directors are required by the Companies Act 1985 to prepare accounts which 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 year. In preparing the accounts for the year ended 31 December 2001, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and UK applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. In addition, the Directors are responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities.

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

3 **Principal activities**

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

4 **Results**

The profit and loss account of the Company shows a loss for the year of £170,743. The Directors declared an interim dividend of £346,644 for the year ended 31 December 2001 which was paid on 23 March 2001. No further dividend is recommended for the year.

**Report of the Directors - (continued)****5 Interests in shares**

Interests in shares and debentures of GKN plc and its subsidiaries of persons who were Directors of the Company on 31 December 2001 as required to be disclosed by the Companies Act 1985, were as follows:

Name	Type of security	Holdings including family interests at (a)	
		1.1.01 or as at date of appointment	31.12.01
P G Byrne	GKN plc 50p ordinary shares	1,158	2,016
D W J Morris	GKN plc 50p ordinary shares	-	739
J Puga Pereira	GKN plc 50p ordinary shares	-	-
S P Smith	GKN plc 50p ordinary shares	564	1,168
M Shaddick	GKN plc 50p ordinary shares	1,566	3,608
L J Owen	GKN plc 50p ordinary shares	4,608	11,275

- (a) Holdings as at 1 January 2001 are GKN Holdings plc 50p ordinary shares and at 31 December 2001 are GKN plc 50p ordinary shares. Pursuant to a scheme of arrangement sanctioned by the High Court of Justice on 30 July 2001, each GKN Holdings plc ordinary share held as at 31 July 2001 was exchanged for one GKN plc ordinary share on 1 August 2001.

Conditional and deferred rights to acquire GKN plc 50p ordinary shares held by Directors under the GKN long term incentive plans were as follows:

Name	Awards held at 1.1.01(a) or date of appointment		Awards held at 31.12.01		Conditional awards made in 2001	Converted to deferred awards in 2001	Deferred awards released in 2001
	Conditional	Deferred	Conditional	Deferred			
J Puga Pereira	14,650	5,000	8,650	-	-	5,160	10,160

- (a) Rights to GKN Holdings plc 50p ordinary shares

**Report of the Directors – (continued)****5 Interests in shares (continued)**

Details of options over ordinary shares of GKN plc and its subsidiaries granted to and exercised by Directors under employees' share option schemes were as follows:

Name	Type of security	Options over GKN Holdings plc shares surrendered in exchange for GKN plc options in 2001 (a)	Options granted over GKN plc shares on exchange of GKN Holdings plc options in 2001 (a)	Additional options Over GKN plc shares granted in 2001	Options exercised in 2001 GKN Holdings plc	GKN plc
P G Byrne	GKN plc 50p ordinary shares	2,319	5,565	2,288	-	2,016
D W J Morris	GKN plc 50p ordinary shares	-	-	-	478	-
J Puga Pereira	GKN plc 50p ordinary shares	-	-	-	-	28,800
S P Smith	GKN plc 50p ordinary shares	204	489	-	252	-
M Shaddick	GKN plc 50p ordinary shares	-	-	1,525	656	-
L J Owen	GKN plc 50p ordinary shares	-	-	3,313	3,134	-

- (a) Pursuant to the scheme of arrangement referred to above, persons holding options over GKN Holdings plc ordinary shares prior to the scheme of arrangement could elect, by 29 January 2002, to exchange such options for options over GKN plc ordinary shares in the ratio of 2.4 GKN plc shares for every GKN Holdings plc share under option (with a corresponding adjustment to the option price).

Other than as disclosed below the Directors have no notifiable interests in shares and debentures of GKN plc and its subsidiaries as required to be disclosed under the Companies Act 1985.

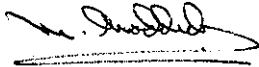
As potential beneficiaries, the Directors are deemed to have an interest in the ordinary shares of GKN plc held from time to time by the discretionary trusts established to facilitate the operation of the GKN long term incentive plans and the GKN Executive Share Option Scheme 2001. At 31 December 2001 these trusts held 1,219,238 50p shares (2000 – 3,215,689 GKN Holdings plc 50p ordinary shares).

As potential beneficiaries under the discretionary trusts established to facilitate the operation of the GKN SAYE Share Option Schemes, the Directors are deemed to have an interest in the ordinary shares of GKN plc held by the trusts from time to time. At 31 December 2001 the trust held nil 50p shares (2000 – 999,424 GKN Holdings plc 50p ordinary shares).

**6 Auditors**

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

**On behalf of the Board**

A handwritten signature in dark ink, appearing to read 'M. Shaddick', is written over a horizontal line.

M Shaddick  
Secretary  
28 October 2002

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

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Birmingham  
28 October 2002

**Accounting policies 31 December 2001**

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement. A summary of principal accounting policies, which have been consistently applied, is set out below.

**1 Basis of accounting**

These accounts are prepared under the historical cost convention.

**2 Turnover**

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

**3 Depreciation**

- (a) Depreciation on computers is provided on original cost. For all other categories of asset, depreciation is provided on the written down value at the beginning of the financial year.
- (b) Depreciation is applied to specific classes of asset by reference to their useful lives. The rates of depreciation used are :

	Straight line %	Reducing balance %
Plant, machinery, fixtures, fittings & equipment	-	22 to 27
Computer hardware and major software	20 to 33 <sup>1/3</sup>	-
Non commercial motor vehicles	-	44

**4 Operating profit**

- (a) Profit is taken when turnover is recognised.
- (b) Costs of reorganisation and redundancy which are not part of a fundamental restructuring are charged against operating profit in the period when the announcement is made.
- (c) Operating lease rentals are charged to the profit and loss account as incurred over the lease term.

**Accounting policies 31 December 2001 - (continued)****5 Foreign currencies**

Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated at the appropriate forward contract rate or,

if not covered, at the exchange rate ruling at the balance sheet date. 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.

**6 Tangible fixed assets**

(a) Capital work in progress is expenditure on fixed assets in the course of construction. Transfers are made to other fixed asset categories when assets are available for use.

(b) 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 commitments 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. All other leases are recognised as operating leases.

**7 Deferred taxation**

Provision is made for deferred taxation to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future, calculated at the rate of corporation tax expected to apply for the period when the tax is forecast to become payable. Where there are tax losses available for set off against future taxable profits any deferred taxation liability is reduced accordingly.

**8 Related party transactions**

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

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



**Profit and loss account for the year ended 31 December 2001**

	Note	2001 Continuing Operations	2000 £
TURNOVER	1	27,673,287	30,715,304
OPERATING PROFIT	2	(201,814)	473,145
Net interest	3	26,385	24,643
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(175,429)	497,788
Taxation	4	4,686	(151,144)
PROFIT FOR THE YEAR		(170,743)	346,644
Interim dividend – paid		(346,644)	-
TRANSFER FROM RESERVES	14	(517,387)	346,644

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

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

The notes on pages 10 to 16 and the accounting policies on pages 6 to 7 form part of these accounts.

Auditors' report page 5.

**Balance sheet at 31 December 2001**

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	189,758	302,331
<b>CURRENT ASSETS</b>			
Debtors	8	5,596,750	6,876,914
Group Loans		4,691,415	5,211,719
Taxation recoverable	10	10,000	-
Cash at bank and in hand		675,556	1,557,689
		<u>10,973,721</u>	<u>13,646,322</u>
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors	9	7,645,740	9,979,345
Group Loans		-	126,825
Taxation payable	10	-	154,000
		<u>7,645,740</u>	<u>10,260,170</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<b>3,327,981</b>	<b>3,386,152</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>3,517,739</b></u>	<u><b>3,688,483</b></u>
<b>CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR</b>			
Account with GKN (United Kingdom) plc	11	3,609,507	3,262,864
<b>CAPITAL AND RESERVES</b>			
Equity interest:			
Called up share capital	13	50,000	50,000
Non-equity interest:			
Called up share capital	13	28,975	28,975
Profit and loss account	14	(170,743)	346,644
Shareholders' funds	15	(91,768)	425,619
<b>CAPITAL EMPLOYED IN FINANCING</b>		<u><b>3,517,739</b></u>	<u><b>3,688,483</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>3,517,739</b></u>	<u><b>3,688,483</b></u>

Signed on behalf of the Board

  
 DWJ Morris

28 October 2002

  
 Director

The notes on pages 10 to 16 and the accounting policies on pages 6 to 7 form part of these accounts.  
Auditors' report page 5.

Notes on the accounts 31 December 2001**1 Turnover**

	<u>2001</u>	<u>2000</u>
	£	£
Geographical analysis by ultimate destination:		
United Kingdom	13,998,221	15,375,427
Continental Europe	7,308,221	7,490,225
Americas	5,906,717	7,194,328
Rest of the world	460,128	655,324
	<u>27,673,287</u>	<u>30,715,304</u>

All turnover and operating profit were attributable to the principal activity of the business as shown in the Directors' report.

**2 Operating profit is after charging/(crediting)**

	<u>2001</u>	<u>2000</u>
	£	£
Wages and salaries	1,463,860	1,437,352
Social security costs	169,467	142,513
Other pension costs	102,273	94,353
Redundancy costs	32,665	-
Depreciation on owned assets	138,755	137,654
Rental for leased land and buildings	166,281	160,154
Rental for hire of plant and vehicles	60,355	54,581
Profit on sale of plant and machinery	(124)	(2,070)
Auditors' remuneration:		
for audit	9,000	9,000
Other external charges	25,732,569	28,208,622
	<u>27,875,101</u>	<u>30,242,159</u>

Notes on the accounts 31 December 2001 - (continued)**3 Net interest**

	<u>2001</u>	<u>2000</u>
	£	£
Loan Interest:		
Group companies	100,349	141,986
Group finance charge	(73,964)	(117,343)
	<u>26,385</u>	<u>24,643</u>

**4 Taxation**

	<u>2001</u>	<u>2000</u>
	£	£
United Kingdom taxation:		
Corporation tax at 30% (2000 – 30%)	(10,000)	154,000
Adjustment to taxation of earlier years	5,314	(2,856)
	<u>(4,686)</u>	<u>151,144</u>

The credit for deferred taxation on the full liability basis would have been £37,255 (2000 – charge :£5,240).

**5 Employee information**

The average number of persons employed during the year was:

	<u>2001</u>	<u>2000</u>
	Number	Number
Staff	<u>72</u>	<u>63</u>

**6 Directors' emoluments**

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

	<u>2001</u>	<u>2000</u>
	£	£
Aggregate emoluments	<u>273,748</u>	<u>187,695</u>

Notes on the accounts 31 December 2001 - (continued)**6 Directors' emoluments (continued)**

During the year, 4 directors exercised options over GKN plc shares, and 1 director received or became entitled to receive shares under the GKN long term incentive plans. Retirement benefits are accruing to 4 directors under the GKN Group's defined benefit pension schemes.

Emoluments payable to the highest paid director are as follows:

	2001 £	2000 £
Aggregate emoluments	74,995	72,748
Defined benefit pension scheme:		
Accrued pension at year end	30,055	26,383

The highest paid director exercised options over 478 GKN plc shares during the year.

**7 Tangible assets**

	Total £
<b>Cost or valuation</b>	
At 1 January 2001	651,675
Capital expenditure	26,458
Disposals	(12,200)
At 31 December 2001	665,933
<b>Accumulated depreciation</b>	
At 1 January 2001	349,344
Disposals	(11,924)
Charge for the year	138,755
At 31 December 2001	476,175
<b>Net book values at 31 December 2001</b>	
Owned assets	189,758
Net book values at 31 December 2000	
Owned assets	302,331

Fixed assets include plant, machinery, fixtures, fittings, equipment and motor vehicles.

Notes on the accounts 31 December 2001 - (continued)**8 Debtors**

	<u>2001</u>	<u>2000</u>
	£	£
Due within one year:		
Trade debtors	1,812,418	3,528,680
Amounts owed by group companies	2,994,054	2,528,888
Amounts owed by associated companies	113,425	74,511
Other debtors	282,773	410,108
Prepayments and accrued income	69,875	49,557
	<u>5,272,545</u>	<u>6,591,744</u>
Due after one year:		
Prepayments and accrued income	324,205	285,170
	<u>5,596,750</u>	<u>6,876,914</u>

Prepayments and accrued income recoverable after one year includes £324,205 (2000 - £285,170) in respect of the Group pension scheme.

**9 Creditors**

	<u>2001</u>	<u>2000</u>
	£	£
Trade creditors	5,501,931	6,454,855
Amounts owed to group companies	1,855,019	493,618
Current account with parent (see note 11)	-	2,665,914
Indirect and payroll taxes	16,157	15,769
Other creditors	86,431	122,347
Accruals and deferred income	186,202	226,842
	<u>7,645,740</u>	<u>9,979,345</u>

Notes on the accounts 31 December 2001 - (continued)**10 Taxation (recoverable)/payable**

	<u>2001</u>	<u>2000</u>
	£	£
UK Corporation tax - current year	(10,000)	154,000

**11 Account with GKN (United Kingdom) plc**

The account with GKN (United Kingdom) plc represents, together with the equity interest, the GKN Group interest in the Company excluding normal intra-group trading balances with fellow subsidiaries. This account represents funding of a permanent nature and is interest free and without any repayment terms.

**12 Provisions for liabilities and charges**

No provision has been made for deferred taxation as at 31 December 2001 (2000 - £Nil). The full potential liability is calculated at 30% (2000- 30%) and is set out below:

	<u>2001</u>	<u>2000</u>
	£	£
Fixed asset and other timing differences	42,229	79,484

**13 Share capital**

	<u>2001 and 2000</u>	
	<u>Authorised</u>	Issued, called up and fully <u>Paid</u>
	£	£
Ordinary shares of £5 each	50,000	50,000
Preference shares of £5 each	50,000	28,975
	<u>100,000</u>	<u>78,975</u>

The preference shares have been disclosed as non-equity interest in accordance with FRS4. The shares are 6% Cumulative Preference shares and have restricted voting rights with a priority on winding up to capital and arrears of dividends. The holder of the 6% Cumulative Preference shares waived its entitlement to dividends in respect of the year ended 31 December 2001.

Notes on the accounts 31 December 2001 - (continued)**14 Reserves**

	Profit and Loss Account £
At 1 January 2001	346,644
Dividend	(346,644)
Transfer to profit and loss account	(170,743)
At 31 December 2001	<u>(170,743)</u>

**15 Reconciliation of movements on shareholders' equity**

	2001 £	2000 £
At 1 January 2001	425,619	78,975
Total recognised gains and losses for the year	(170,743)	346,644
Dividends	(346,644)	-
At 31 December 2001	<u>(91,768)</u>	<u>425,619</u>

**16 Capital expenditure**

Contracts placed against capital expenditure sanctioned by the Board at 31 December 2001 so far as not provided for in these accounts amounted to £nil (2000 - £nil).

**17 Contingent liabilities**

	2001 £	2000 £
Bank guarantees to third parties	<u>260,402</u>	<u>251,178</u>



Notes on the accounts 31 December 2001 - (continued)**18 Operating leases**

The minimum payments to which the Company is committed in 2002 under operating leases are as follows:-

	2001		2000	
	Land and buildings	Other	Land and Buildings	Other
	£	£	£	£
Commitment expiring within one year	-	5,110	-	30,199
Commitment expiring within two to five years	-	5,501	-	8,717
Commitment expiring after five years	127,300	-	120,967	-
	<u>127,300</u>	<u>10,611</u>	<u>120,967</u>	<u>38,916</u>

**19 Pensions**

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. It has not been possible to separately identify the Company's share of the underlying assets and liabilities within the group pension schemes, therefore the Company's pension cost is based on pension contributions payable as assessed across the UK Group as a whole in accordance with the advice of professionally qualified actuaries. The latest actuarial assessment was carried out at April 2000 and particulars of the valuation are contained in the accounts of GKN plc.

**20 Ultimate and immediate parent companies**

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