

GKN POWDER MET. LIMITED

REPORT OF THE DIRECTORS

The Company has not traded during the year ended 31 December 2001 and there has been no income or expenditure.

The Directors of the Company are Mrs J.M. Felton, Mr R.A. Ogilvie Smals and Mr D.L. Rood. As required to be disclosed by the Companies Act 1985, the interests of the Directors in 50p ordinary shares of the parent company, GKN plc, were as set out below.

Holdings including
Family interests at (a)

<u>Name</u>	<u>Type of security</u>	<u>1.1.01</u>	<u>31.12.01</u>
J.M. Felton	50p Ordinary Shares	27,019	30,521
R.A. Ogilvie Smals	50p Ordinary Shares	144	6,824
D.L. Rood	50p Ordinary Shares	9,856	16,988

(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:

<u>Name</u>	<u>Awards held at 1.1.01 (a)</u>		<u>Awards held at 31.12.01</u>		<u>Conditional Awards made in 2001</u>	<u>Converted to deferred awards in 2001</u>	<u>Deferred awards released in 2001</u>
	<u>Conditional</u>	<u>Deferred</u>	<u>Conditional</u>	<u>Deferred</u>			
J.M. Felton	8,500	3,000	15,200	0	10,000	2,838	5,838
R.A. Ogilvie Smals	16,900	5,000	26,750	0	15,850	5,160	10,160
D.L. Rood	14,650	5,000	18,650	0	10,000	5,160	10,160

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



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:

<u>Name</u>	<u>Type of security</u>	Options over GKN Holdings plc shares surrendered in exchange for GKN plc options <u>in 2001 (a)</u>	Options granted over GKN plc shares on exchange of GKN Holdings plc options <u>in 2001 (a)</u>	Additional options over GKN plc shares granted <u>in 2001</u>	Options exercised <u>in 2001</u>	
					GKN Holdings plc	GKN plc
J.M. Felton		6,816	16,357	23,318	0	0
R.A. Ogilvie Smals	50p Ordinary	1,682	4,036	20,080	1,748	4,036
D.L. Rood	Shares	2,256	5,414	16,025	1,682	0

- (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).

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).

On behalf of the Board



J.M. Felton
Secretary
18 March 2002

BALANCE SHEET at 31 December 2001 and 31 December 2000

ASSETS	£
Debtors – Current account with GKN (United Kingdom) plc	<u>3,565,695</u>
Represented by:	
SHARE CAPITAL AUTHORISED, ISSUED AND FULLY PAID	1,000,000
RESERVES	
Non-Distributable	2,565,695
Distributable	<u>0</u> 3,565,695

Under Section 249AA(1) of the Companies Act 1985 (the 'Act'), the Company was entitled to exemption from the provisions of Part VII of the Act relating to the audit of accounts in respect of the year ended 31 December 2000. No member or members have requested an audit pursuant to Section 249B(2) of the Act. The Directors acknowledge their responsibility for ensuring that the Company keeps accounting records which comply with Section 221 of the Act and for preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year in accordance with the requirements of Section 226 of the Act and which otherwise comply with the requirements of the Act relating to accounts.

Signed



D.L. Rood
Director
18 March 2002

GKN plc and GKN (United Kingdom) plc, which are registered in England, are the ultimate and immediate parent companies respectively.