GKN OFFHIGHWAY SYSTEMS LIMITED

Registered Number: 751186

ANNUAL ACCOUNTS

31 DECEMBER 2002

Report of the Directors

Directors: Mr W Hoy
Mr A Lindsay
Mr M Vaughan

1 The Directors present their report together with the audited accounts of the Company for the year ended 31 December 2002.

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 2002, 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 6.

3 **Principal activities and business review**

The Company manufactures and assembles pressings and fabrications mainly for agricultural and related industries.

On 9 December 2002, management announced the closure of the Cab manufacturing division in mid-2003. The directors expect the levels of activity in the remaining divisions will be sustained for the foreseeable future.

4 **Results and dividends**

The profit and loss account of the Company shows a loss for the year of £5,807,000. The Directors have not paid a dividend for the year ended 31 December 2002.

5 **Research and development**

The Company undertakes research and development work in support of its principal manufacturing activities.

Report of the Directors - (continued)

6 **Payment of suppliers**

It is Company policy to abide by the payment terms agreed with suppliers, provided that the supplier has performed its obligations under the contract. Given the nature and diversity of the Company's purchasing arrangements, it is not Company policy to follow any code or standard which deals with the payment of suppliers.

As an indication of the average number of days outstanding between receipt of invoices and payment of suppliers at 31 December 2002, the amount owed to trade creditors by the Company was equivalent to 101 days purchases from suppliers during the year (2001 – 106 days).

7 **Directors**

On 28 February 2002, Mr D Richardson, Mr A Rooke and Mr I Robinson resigned as Directors of the Company. The Directors wish to record their appreciation of their service to the Company.

On 28 February 2002, Mr W Hoy and Mr M Vaughan were appointed Directors of the Company.

8 **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 2002 as required to be disclosed by the Companies Act 1985, were as follows:

		Holdings including Family interests	
Name	Type of security	1.1.02 or date of appointment	31.12.02
W J Hoy	GKN plc 50p ordinary shares	988	988
A Lindsay	GKN plc 50p ordinary shares	Nil	Nil
M Vaughan	GKN plc 50p ordinary shares	Nil	Nil

Report of the Directors - (continued)

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 1.1.02 or date of appointment Conditional	Deferred	Awards held at 31.12.02 Conditional	Deferred	Conditional Awards made in 2002	Converted to deferred awards in 2002	Deferred awards released in 2002
W J Hoy	8,300	Nil	15,400	Nil	7,100	Nil	Nil
A Lindsay	Nil	Nil	7,100	Nil	7,100	Nil	Nil
M Vaughan	Nil	Nil	18,900	Nil	18,900	Nil	Nil

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 2002(a)	Options granted over GKN plc shares on exchange of GKN Holdings plc options in 2002(a)	Additional options over GKN plc shares granted in 2002	Options exercised in 2002 GKN Holdings plc	GKN plc
W J Hoy	50p ordinary shares	Nil	Nil	6,655	Nil	Nil
A Lindsay	50p ordinary shares	Nil	Nil	4,190	Nil	Nil
M Vaughan	50p ordinary shares	Nil	Nil	21,997	Nil	Nil

(a) 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. 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).

Report of the Directors - (continued)

As potential beneficiaries, the Directors are deemed to have an interest in the ordinary shares of GKN plc held by the discretionary trust established to facilitate the operation of the GKN Long Term Incentive Plans and the GKN Executive Share Option Scheme 2001. At 31 December 2002 the trust held 1,219,238 - 50p shares (2001 – 1,219,238).

As potential beneficiaries under GKN Qualifying Share Ownership Trust, the discretionary trust established to facilitate the operation of the GKN and Westland and SAYE Share Option Schemes, the Directors are deemed to have an interest in the ordinary shares of GKN plc held by the trust from time to time. At 31 December 2002 the trust held nil 50p shares (2001 – nil).

9 **Charitable donations**

During the year the Company contributed £ Nil for charitable purposes (2001 - £ Nil).

10 **Employee involvement**

The company has formal procedures for the regular provision to employees of information and the development of common awareness of financial and economic factors affecting the business.

The involvement of employees in the Company's performance is encouraged through employees' Share Option Schemes of GKN plc.

Report of the Directors - (continued)

11 Disabled persons

The Company's policy in relation to the employment of disabled persons is as follows:

- Full consideration is given to job applications received from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Where appropriate, special training is given to facilitate engagement of the disabled and modifications to the job will be considered; and

- Where an employee becomes disabled whilst employed by the Company, arrangements will be made wherever possible for re-training in order to perform a different job. Consideration for modifying jobs will be given.

12 Auditors

Following the conversion on 1 January 2003 of the Company's auditors, PricewaterhouseCoopers, to a Limited Liability Partnership, PricewaterhouseCoopers resigned as auditors on 3 February 2003. Its successor, PricewaterhouseCoopers LLP, was subsequently appointed on 3 February 2003 by the sole member of the Company by means of a written resolution under Section 381A Companies Act 1985 (the 'Act'). The Company has passed an elective resolution under Section 379A of the Act to dispense with the appointment of auditors annually and accordingly PricewaterhouseCoopers LLP will continue in office as auditors of the Company.

On Behalf of the Board

Will Hoy

Will Hoy
Director
9 May 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN OFFHIGHWAY SYSTEMS LIMITED

We have audited the accounts on pages 7 to 21 which have been prepared under the historical cost convention, including the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 1.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
9 May 2003

Accounting policies 31 December 2002

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, is set out below.

The accounting policies have been consistently applied except for the accounting policy for deferred taxation, which has been amended following the adoption of FRS 19 "Deferred Tax." The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 19 was to decrease tax on profit on ordinary activities by £1,066,000 (2001: £735,546) and to increase profit for the financial year by £1,066,000. (2001: £735,546). The adjustments to opening reserves are shown in note 19.

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 is not provided on freehold land. In the case of buildings and computers, depreciation is provided on valuation or 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 %
Freehold Buildings	2	-
Plant, machinery, fixtures, fittings & equipment	-	10 to 35
Computer hardware, major software and short life plant	20 to 33 1/3	-
Motor Vehicles	20 to 25	-

(c) Certain contract specific buildings, plant and machinery, fixtures, fittings and equipment are depreciated on a straight line basis over the periods of the contracts, which range from 3 to 7 years.

Accounting policies 31 December 2002 - (continued)

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) Revenue expenditure on research and development is written off against trading profits as incurred.

(d) Operating lease rentals are charged to the profit and loss account as incurred during the lease term.

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 in the profit and loss account, and capital, which reduces the outstanding obligation. All other leases are recognised as operating leases.

7 **Stocks**

Stocks, are valued at the lower of cost and net realisable value, due allowance being made for obsolete or slow moving items. Cost includes the relevant proportion of works overheads assuming normal levels of activity.

8 **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Accounting policies 31 December 2002 - (continued)

9 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 any other related parties during the year.

10 Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Profit and loss account for the year ended 31 December 2002

	Notes	2002	As restated 2001
		Continuing operations	
		£'000	£'000
TURNOVER	1	42,623	43,675
OPERATING PROFIT/(LOSS)	2	384	(1,780)
Costs of closure of business	3	(7,136)	-
LOSS BEFORE INTEREST AND TAXATION		(6,752)	(1,780)
Income from investments and interest receivable	4	-	855
Interest payable	5	(42)	(65)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,794)	(990)
Taxation	6	987	294
LOSS FOR THE YEAR		(5,807)	(696)
Interim dividend – paid		-	(3,877)
TRANSFER FROM RESERVES	18	(5,807)	(4,573)

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

Statement of total recognised gains and losses for the year ended 31 December 2002

	Note	2002	2001
		£'000	£'000
Loss for the year		(5,807)	(696)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		(5,807)	(696)
Prior year adjustment – FRS 19 (page 7)		(1,066)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(6,873)	

The note on pages 12 to 21 and the accounting policies on pages 7 to 9 form part of these accounts.

Auditors report page 6.

Balance sheet at 31 December 2002

	Notes		2002		As restated 2001
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		5,483		6,827
CURRENT ASSETS					
Stocks	10	3,412		3,854	
Debtors – due within one year	11	26,704		30,334	
Debtors – due after one year	11	30,098		32,819	
Cash at bank and in hand		2,730		3,626	
		62,944		70,633	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	12	(15,540)		(19,496)	
Taxation payable	13	(1)		(447)	
		(15,541)		(19,943)	
NET CURRENT ASSETS			47,403		50,690
TOTAL ASSETS LESS CURRENT LIABILITIES			52,886		57,517
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR					
Obligations under finance leases	14	-		89	
Account with GKN(United Kingdom)plc	15	17,174		18,378	
			17,174		18,467
PROVISIONS FOR LIABILITIES AND CHARGES	16		3,535		1,066
			20,709		19,533
CAPITAL AND RESERVES					
Called up share capital	17	40,482		40,482	
Profit and loss account	18	(8,305)		(2,498)	
Shareholders' funds (equity interests only)			32,177		37,984
CAPITAL EMPLOYED IN FINANCING TOTAL ASSETS LESS CURRENT LIABILITIES			52,886		57,517

Signed on behalf of the Board

Will Hoy
Director
9 May 2003

The notes on pages 12 to 21 and the accounting policies on pages 7 to 9 form part of these accounts. Auditors' report page 6.

Notes on the accounts 31 December 2002

1 Turnover

	2002 £'000	2001 £'000
Geographical analysis by ultimate destination:		
United Kingdom	29,664	32,488
Continental Europe	12,206	9,909
America	615	1,094
Rest of the World	138	185
	42,623	43,675

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

2 **Operating profit** is after charging

	2002 £'000	2001 £'000
Decrease in finished goods	357	406
Raw materials and consumables	21,539	20,979
Wages and salaries	10,172	10,942
Social security costs	930	992
Other pension costs	748	875
Exceptional reorganisation costs	32	1,492
Depreciation on assets under finance leases	90	132
Depreciation on owned assets	1,585	1,450
Impairment losses on tangible fixed assets	-	1,300
Rental for hire of plant and vehicles	289	299
Auditors' remuneration:		
for audit	32	29
Other external charges	6,465	6,557
	42,239	45,455

Research and development expenditure during the year was £247,000 (2001: £235,000).

Exceptional reorganisation costs in 2001 related to the restructuring of operations and redundancies.

Notes on the accounts 31 December 2002 - (continued)

3 Exceptional items

	2002 £'000	2001 £'000
Costs of closure of business	7,136	-
	7,136	-

On 9 December 2002, management announced the closure of the Cab manufacturing division in mid-2003. The exceptional charge of £7,136,000 includes a provision for redundancy and other costs of £3,694,000, a fixed asset impairment of £1,306,000 and the write off of the pension prepayment of £2,136,000. The tax credit associated with this item was £851,000.

4 Income from investments and interest receivable

	2002 £'000	2001 £'000
Loan interest:		
Group companies	-	855
	-	855

5 Interest payable

	2002 £'000	2001 £'000
Finance leases	42	65

6 Taxation

	2002 £'000	As restated 2001 £'000
Current United Kingdom taxation :		
Corporation tax credit/(charge) at 30% (2001 – 30%)	-	(447)
Adjustment to taxation of earlier years	(79)	5
Deferred taxation (see note 16)	1,066	736
	987	294

Notes on the accounts 31 December 2002 - (continued)

6 Taxation (continued)

The tax assessed for the period is at the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£'000	£'000
Reconciliation of actual tax charge to expected tax charge		
Loss on ordinary activities before tax	(6,794)	(990)
Expected tax credit at 30% (2001- 30%)	2,038	297
Expenses not deductible for tax purposes	13	(253)
Depreciation in excess of capital allowances	(867)	(440)
Losses carried forward	(577)	-
Other timing differences	(607)	(51)
Adjustment to taxation of earlier years	(79)	5
Current tax (charge) for period	(79)	(442)

The future tax rate is expected to be impacted by the utilisation of tax losses carried forward.

7 Employee information

The average number of persons employed during the year was:

	2002	2001
	Number	Number
Works	279	378
Staff	109	101
	388	479

Notes on the accounts 31 December 2002 - (continued)

8 Directors' emoluments

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

	2002 £	2001 £
Aggregate emoluments	268,596	254,054

An element of the emoluments of D Richardson and M Vaughan is recharged to the company, with the remainder being borne by fellow group companies.

During the year, no directors exercised options over GKN plc shares and three directors received or became entitled to receive shares under the GKN long term incentive plans. Retirement benefits are accruing to all directors under the GKN Group's defined benefit pension schemes.

Emoluments payable to the highest paid director are as follows:

	2002 £	2001 £
Aggregate emoluments	134,090	108,879
Defined benefit pension scheme: Accrued pension at year end	5,140	3,011

The highest paid director became entitled to receive GKN plc shares under the GKN long term incentive plans

Notes on the accounts 31 December 2002 - (continued)

9 Tangible assets

	Land and buildings £'000	Other fixed assets £'000	Total £'000
Cost			
At 1 January 2002	184	10,579	10,763
Capital expenditure	26	1,611	1,637
Group transfers	-	11	11
Disposals	-	(2,911)	(2,911)
At 31 December 2002	210	9,290	9,500
Accumulated depreciation			
At 1 January 2002	6	3,930	3,936
Group transfers	-	11	11
Disposals	-	(2,911)	(2,911)
Impairment losses	-	1,306	1,306
Charge for the year	20	1,655	1,675
At 31 December 2002	26	3,991	4,017
Net book values at 31 December 2002			
Owned assets	184	5,172	5,356
Leased assets	-	127	127
	184	5,299	5,483
Net book values at 31 December 2001			
Owned assets	178	6,381	6,559
Leased assets	-	268	268
	178	6,649	6,827

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

The impairment losses relate to the announcement of the closure of the Cab division, which is detailed in note 3.

Notes on the accounts 31 December 2002 - (continued)

10 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	1,476	1,049
Work in progress	1,299	1,415
Finished goods and goods for resale	637	1,390
	3,412	3,854

The difference between replacement value and historical cost of stocks is not significant.

11 Debtors

	2002 £'000	2001 £'000
Due within one year:		
Trade debtors	5,574	6,867
Amounts owed by group companies	19,519	22,136
Prepayments and accrued income	1,611	1,331
	26,704	30,334
Due after one year:		
Current account with parent	27,416	28,914
Prepayments and accrued income	2,682	3,905
	56,802	63,153

Prepayments and accrued income due after one year includes £2,682,000 in respect of Group Pension scheme (2001 £3,905,000).

The element of the pension scheme asset which relates to the Cab manufacturing division has been written off.

12 Creditors

	2002 £'000	2001 £'000
Trade creditors	7,954	9,013
Amounts owed to group companies	5,500	6,891
Indirect and payroll taxes	478	972
Short term obligations under finance leases (see note 14)	9	79
Other creditors	426	1,568
Accruals and deferred income	1,173	973
	15,540	19,496

Notes on the accounts 31 December 2002 - (continued)

13 **Taxation payable**

	2002 £'000	2001 £'000
UK Corporation tax - current year	1	447

14 **Obligations under finance leases**

The future minimum lease payments to which the Company is committed under finance leases are as follows:

	2002 £'000	2001 £'000
Amounts falling due:		
Within one year	10	79
Within two to five years	-	89
	10	168
Less: Short term obligations included in creditors (see note 12)	(10)	(79)
	-	89

15 **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.

Notes on the accounts 31 December 2002 - (continued)

16 Provisions for liabilities and charges

	Deferred taxation	Restructuring provision	Total
	£'000	£'000	£'000
At 1 January 2002	-	-	-
Prior year adjustment – FRS 19 (page 7)	1,066	-	1,066
At 1 January 2002 as restated	1,066	-	1,066
Profit and loss account	(1,066)	3,535	2,469
At 31 December 2002	-	3,535	3,535

The restructuring provision relates to the closure of the Cab manufacturing division in 2003 and comprises a provision for redundancies and future operating losses. The provision will be utilised in 2003.

Deferred taxation

	2002	2001
	£'000	£'000
Provision for deferred tax comprises		
Accelerated capital allowances	-	(80)
Short term timing differences	-	1,146
Deferred tax provision	-	1,066
At 1 January as previously reported	-	
Prior year adjustment – FRS 19 (page 7)	1,066	
At 1 January as restated	1,066	
Amount credited to profit and loss (note 6)	(1,066)	
At 31 December	-	

A deferred tax asset has not been recognised on the basis that the future recovery of the asset, by way of offset against future taxable profits, is uncertain. The amount unrecognised is £420,000, representing depreciation in excess of capital allowances of £963,000 and short term timing differences of (£543,000).

Notes on the accounts 31 December 2002 - (continued)

17 Share capital

	2002 and 2001	
	Authorised	Issued, called up and fully paid
	£	£
Ordinary shares of £1 each	43,365,083	40,481,799

18 Reserves

	Profit and loss account
	£'000
At 1 January 2002 as previously reported	(1,432)
Prior year adjustment – FRS 19 (page 7)	(1,066)
At 1 January 2002 as restated	(2,498)
Transfer to profit and loss account	(5,807)
At 31 December 2002	(8,305)

19 Reconciliation of movements on shareholders' funds

	2002	As restated 2001
	£'000	£'000
At 1 January 2002 as previously reported	39,050	44,359
Prior year adjustments – FRS 19	(1,066)	(1,802)
At 1 January 2002 as restated	37,984	42,557
Loss for the year	(5,807)	(696)
Dividends	-	(3,877)
At 31 December 2002	32,177	37,984

20 Capital expenditure

Contracts placed against capital expenditure sanctioned by the Board at 31 December 2002 so far as not provided for in these accounts amounted to £250,000 (2001: £316,000).

Notes on the accounts 31 December 2002 - (continued)

21 **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 and the accounting policies adopted are contained in the accounts of GKN plc.

22 **Ultimate and immediate parent companies**

GKN plc and GKN Sankey Limited 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.