

GKN QUEST TRUSTEE (NO.2) LIMITED

Registered Number: 3968609

ANNUAL ACCOUNTS

31 DECEMBER 2002



Report of the Directors

Directors: Mr D G Pavey
Mr D L Rood
Mr K G Thompson

- 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 4.

3 **Principal activities and results**

The Company acts as the trustee company of the GKN Qualifying Employee Share Ownership Trust No. 2. The Company did not trade during the year and has made neither a profit nor a loss. No dividend is recommended for the year.

Report of the Directors (continued)**4 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:

Name	Type of security	Holdings including family interests at	
		1.1.02	31.12.02
D G Pavey	GKN plc 50p ordinary shares	250	9,100
D L Rood	GKN plc 50p ordinary shares	12,952	21,178
K G Thompson	GKN plc 50p ordinary shares	-	-

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		Awards held at 31.12.02		Conditional awards made in 2002	Converted to deferred awards in 2002	Deferred awards released in 2002
	Conditional	Deferred	Conditional	Deferred			
D G Pavey	-	-	-	-	-	-	-
D L Rood	18,650	-	25,750	-	11,900	-	-
K G Thompson	-	-	-	-	-	-	-

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
D G Pavey	GKN plc 50p ordinary shares	-	-	7,177	-	6,288
D L Rood	GKN plc 50p ordinary shares	-	-	13,552	-	4,190
K G Thompson	GKN plc 50p ordinary shares	-	-	-	-	-

- (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)

4 Interests in shares (continued)

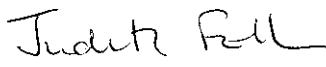
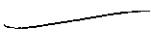
As potential beneficiaries, Mr D G Pavey and Mr D L Rood are deemed to have an interest in the ordinary shares of GKN plc held from time to time by the discretionary trusts established to facilitate the operation of the GKN long term incentive plans and the GKN Executive Share Option Scheme 2001. At 31 December 2002 these trusts held 1,219,238 50p ordinary shares (2001 – 1,219,238).

As potential beneficiaries under the discretionary trusts established to facilitate the operation of the GKN SAYE Share Option Schemes, Mr D G Pavey and Mr D L Rood are deemed to have an interest in the ordinary shares of GKN plc held by the trusts from time to time. At 31 December 2002 the trust held no 50p ordinary shares (2001 – Nil).

5 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


J M Felton
Secretary
28 February 2003


INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
GKN QUEST TRUSTEE (No. 2) LIMITED

We have audited the accounts on pages 5 to 7, which have been prepared under the historical cost convention, including the accounting policies set out on page 5.

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 to whom this report is shown or into 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 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
28 February 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. The effect of the change in accounting policy to adopt FRS 19 had no impact on the brought forward retained earnings figure as at 1 January 2001.

1 Basis of accounting

These accounts are prepared under the historical cost convention.

2 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.

3 Related party transactions

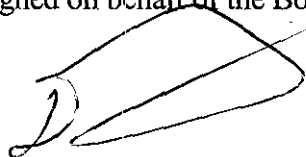
As in excess of 90% of the Company's voting rights are controlled within the GKN Group, the Company is not required to disclose transactions with other Group subsidiaries, joint ventures or associated companies.

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

Balance sheet at 31 December 2002

	Note	£	2002 £	£	2001 £
CURRENT ASSETS					
Debtors	3	<u>1</u>		<u>1</u>	
NET CURRENT ASSETS			1		1
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1</u>		<u>1</u>
CAPITAL AND RESERVES					
Called up share capital	4	<u>1</u>		<u>1</u>	
Shareholder's Funds			1		1
CAPITAL EMPLOYED IN FINANCING			<u>1</u>		<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1</u>		<u>1</u>

Signed on behalf of the Board


D L Rood
Director

28 February 2003

The notes on page 7, and the accounting policies
on pages 5 form part of these accounts.

Auditors' report page 4.

Notes on the accounts 31 December 2002

- 1 No profit and loss account has been prepared for the year ended 31 December 2002, as the Company has not traded during the year.

2 **Employee information and directors' emoluments**

The emoluments of directors of the Company amounted to £Nil (2001 - £Nil). The Company has no other employees.

3 **Debtors**

	2002	2001
	£	£
Due within one year:		
Current account with parent	<u>1</u>	<u>1</u>

4 **Share capital**

	2002 and 2001	
	Authorised	Issued, called up and fully Paid
	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1</u>

5 **Ultimate and immediate parent company**

GKN plc is the ultimate and immediate parent company. Copies of its accounts may be obtained from PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL.