

Report of the Directors

Directors: M K Bryant
G J Croydon

(Chairman)

- 1 The Directors present their report, together with the audited accounts of the Company for the year ended 31st December 1994.

2 **Principal activities**

The Company is engaged in exporting goods on behalf of certain GKN Group companies. The contractual relationship between the Company and its suppliers is such that the Company is not responsible in the event of a customer failing to meet any of its contractual commitments. It is also not responsible for any provision which may be necessary against slow moving or obsolete stock.

3 **Directors' responsibilities for 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 31st December 1994, 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 3.

4 **Results**

The profit and loss account of the Company shows a profit of £17,854.

5 **Dividends and reserves**

The Directors have declared an interim dividend of £17,854 for the year ended 31st December 1994, payable on 24th March 1995 and no further dividend is recommended for the period.



Report of the Directors - (continued)**6 Directors**

On 1st July 1994 Mr M G Foster retired as a Director of the Company. The Directors wish to record their appreciation of his service to the Company.

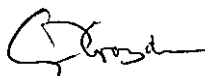
Interests in shares or debentures of GKN plc and its subsidiaries of persons who were Directors of the Company on 31st December 1994 as required to be disclosed by the Companies Act 1985, were as follows:

<u>Name</u>	<u>Type of security</u>	<u>Holdings including family interests at</u>		<u>Employees' Share Option Schemes</u>	
		<u>1.1.94 or date appointment</u>	<u>31.12.94</u>	<u>Options Granted in 1994</u>	<u>Options Exercised in 1994</u>
G J Croydon	GKN plc £1 ordinary shares	-	336	541	332
M K Bryant	GKN plc £1 ordinary shares	-	-	13,094	-

7 Auditors

A resolution to reappoint Coopers & Lybrand as Auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board



Director
3rd February 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF
GKN EXPORT SERVICES LIMITED

We have audited the accounts on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 1 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 31st December 1994 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham
3rd February 1995

Accounting policies 31st December 1994

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard No 4 (FRS4) - "Capital Instruments" and Financial Reporting Standard No 5 (FRS5) "Reporting the substance of transactions". Prior year figures have been restated wherever practicable and appropriate. As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement. A summary of principal accounting policies 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 Foreign currencies

Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated to sterling 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.

4 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. The liability is reduced by any tax losses available for set off against future profits. The intention of the parent company to surrender advance corporation tax, without consideration, so long as the Company remains a subsidiary, is also taken into account in arriving at the amount provided.

GKN EXPORT SERVICES LIMITED**Profit and loss account for the year ended 31st December 1994**

	<u>Notes</u>	<u>1993</u>	
		<u>Continuing operations</u>	
		<u>£</u>	<u>£</u>
TURNOVER	1	<u>274,640,584</u>	<u>258,401,278</u>
OPERATING PROFIT	2	<u>27,031</u>	<u>61,141</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,031	61,141
Taxation	3	<u>(9,177)</u>	<u>(20,821)</u>
PROFIT FOR THE YEAR		17,854	40,320
Interim dividends - proposed		<u>(17,854)</u>	<u>(40,320)</u>
TRANSFER TO RESERVES	9	<u>-</u>	<u>-</u>

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 materially different from those reported above.

The notes on pages 7 to 9 and the accounting policies on page 4 form part of these accounts.

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GKN EXPORT SERVICES LIMITED**Balance sheet at 31st December 1994**

	Notes	£	£	1993 £	£
CURRENT ASSETS					
Debtors	5	29,843,642		23,662,514	
Cash at bank and in hand		48,235		4,336	
			29,891,877		23,666,850
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	6	29,664,023		23,405,530	
Taxation payable	7	10,000		21,000	
Dividend payable		17,854		40,320	
			29,691,877		23,466,850
TOTAL ASSETS LESS CURRENT LIABILITIES			200,000		200,000
CAPITAL AND RESERVES					
Called up share capital	8		200,000		200,000
Profit and loss account	9		-		-
CAPITAL EMPLOYED IN FINANCING TOTAL ASSETS LESS CURRENT LIABILITIES			200,000		200,000

Signed on behalf of the Board



Director

The notes on pages 7 to 9 and the accounting policies
on page 4 form part of these accounts.

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GKN EXPORT SERVICES LIMITED

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Notes on the accounts 31st December 1994

1 Turnover

	£	<u>1993</u> £
Geographical analysis by ultimate destination:		
Continental Europe	77,222,928	62,660,284
America	16,624,412	13,817,870
Rest of the world	180,793,244	181,923,124
	<u>274,640,584</u>	<u>258,401,278</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)

Decrease in finished goods and work in progress	-	31,558
Raw materials and consumables	274,640,584	258,369,720
Auditors' remuneration:		
for audit	4,003	3,886
Other external charges	40,400	40,400
Other operating income	(71,434)	(105,427)
	<u>274,613,553</u>	<u>258,340,137</u>

3 Taxation

	£	<u>1993</u> £
United Kingdom taxation :		
Corporation tax at 33% (1993 - 33%) payable by way of group relief	10,000	21,000
Adjustment to taxation of earlier years	(823)	(179)
	<u>9,177</u>	<u>20,821</u>

The charge for deferred taxation on the full liability basis would have been £Nil (1993 - £Nil).

4 Directors' emoluments

The emoluments of directors of the Company amounted to £Nil (1993 - £Nil). The company has no other employees.

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Notes on the accounts 31st December 1994 (continued)**5 Debtors**

	£	<u>1993</u> £
Receivable within one year:		
Trade debtors	13,558,682	9,486,531
Amounts owed by group companies:		
Parent and fellow subsidiary companies	3,112,186	3,222,868
Other debtors	13,172,774	10,953,115
	<u>29,843,642</u>	<u>23,662,514</u>

6 Creditors

	£	<u>1993</u> £
Amounts owed to group companies:		
Parent and fellow subsidiary companies	29,615,794	23,396,224
Accruals	48,229	9,306
	<u>29,664,023</u>	<u>23,405,530</u>

7 Taxation payable

	£	<u>1993</u> £
UK corporation tax - current year	<u>10,000</u>	<u>21,000</u>

8 Share capital

	<u>Authorised</u> £	<u>1994 and 1993</u> Issued, called up and fully paid £
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

GKN EXPORT SERVICES LIMITED**Notes on the accounts 31st December 1994 - (continued)****9 Reserves**Profit
and loss
account
£

At 1st January 1994 and 31st December 1994

-

10 Reconciliation of movements on shareholders' funds

	£	<u>1993</u> £
At 1st January 1994	200,000	200,000
Total recognised gains and losses for the year	17,854	40,320
Dividends	(17,854)	(40,320)
At 31st December 1994	<u>200,000</u>	<u>200,000</u>

11 Ultimate and immediate parent companies

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