

Coopers
& Lybrand

GKN EXPORT SERVICES LIMITED

Registered Number: 447272

ANNUAL ACCOUNTS

31ST DECEMBER 1995



Report of the Directors

Directors: M K Bryant (Chairman)
A S Chitty
D S Butler

- 1 The Directors present their report, together with the audited accounts of the Company for the year ended 31st December 1995.

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' responsibility 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 1995, 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 £7,523,736.

5 **Dividends and reserves**

The Directors have declared an interim dividend of £7,523,736 for the year ended 31st December 1995, payable on 22nd March 1996. The amount transferred to reserves is £Nil. No further dividend is recommended for the period.

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

On 23rd October 1995 Mr A S Chitty was appointed a Director of the Company. On 2nd February 1996 Mr D S Butler was appointed a Director of the Company. They retire at the forthcoming Annual General Meeting under the provisions of the Articles of Association and, being eligible, offer themselves for re-election.

On 31st December 1995, Mr G J Croydon resigned as a Director of the Company. The Directors wish to record their appreciation of his services to the Company.

Interests in shares of GKN plc and its subsidiaries of persons who were Directors of the Company on 31st December 1995 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>1.1.95 or date of appointment</u>	<u>31.12.95</u>	<u>Options Granted in 1995</u>	<u>Options Exercised in 1995</u>
M K Bryant	GKN plc £1 ordinary shares	-	-	10,000	-

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



A S Chitty
Secretary
2nd February 1996

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

We have audited the accounts on pages 4 to 10.

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.

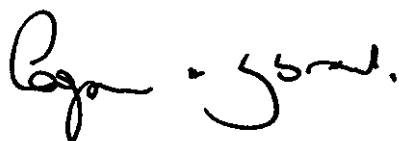
Basis of opinion

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 1995 and of its profit 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
2nd February 1996

Accounting policies 31st December 1995

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 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.

Profit and loss account for the year ended 31st December 1995

	Notes	<u>1994</u>	
		<u>Continuing operations</u>	
		£	£
TURNOVER	1	275,048,134	274,640,584
OPERATING PROFIT/(LOSS)	2	11,271,806	(6,156)
Income from investments and interest receivable	3	12,930	33,187
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,284,736	27,031
Taxation	4	(3,761,000)	(9,177)
PROFIT FOR THE YEAR		7,523,736	17,854
Interim dividend - proposed		(7,523,736)	(17,854)
TRANSFER TO RESERVES	11	-	-

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.

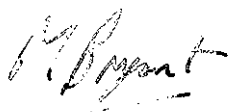
The notes on pages 7 to 10 and the accounting policies on page 4 form part of these accounts.

Auditors' report page 3.

Balance sheet at 31st December 1995

	Notes	£	£	<u>1994</u> £	£
CURRENT ASSETS					
Debtors	6	25,429,570		30,112,565	
Cash at bank and in hand		-		48,235	
			25,429,570		3,160,800
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	7	13,943,754		29,664,023	
Taxation payable	8	3,762,080		10,000	
Dividend payable		7,523,736		17,854	
			25,229,570		29,691,877
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>200,000</u>		<u>468,923</u>
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR					
ACCOUNT WITH GKN (UNITED KINGDOM) PLC	9		-		268,923
CAPITAL AND RESERVES					
Called up share capital	10		200,000		200,000
CAPITAL EMPLOYED IN FINANCING TOTAL ASSETS LESS CURRENT LIABILITIES			<u>200,000</u>		<u>468,923</u>

Signed on behalf of the Board



M K Bryant

Director

The notes on pages 7 to 10 and the accounting policies on page 4 form part of these accounts.

Auditors' report page 3.

Notes on the accounts 31st December 1995**1 Turnover**

	£	<u>1994</u> £
Geographical analysis by ultimate destination:		
Continental Europe	61,834,418	77,222,928
America	6,392,604	16,624,412
Rest of the world	206,821,112	180,793,244
	<u>275,048,134</u>	<u>274,640,584</u>

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

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

	£	<u>1994</u> £
Raw materials and consumables	275,048,134	274,640,584
Auditors' remuneration:		
for audit	3,603	4,003
Other external charges	40,400	40,400
Other operating income	(11,315,809)	(38,247)
	<u>263,776,328</u>	<u>274,646,740</u>

3 Income from investments and interest receivable

	£	<u>1994</u> £
Loan interest:		
Group Companies	12,930	33,187
	<u>12,930</u>	<u>33,187</u>

As more fully described in note 9, certain comparative figures have been reclassified.

4 Taxation

	£	<u>1994</u> £
United Kingdom taxation :		
Corporation tax at 33% (1994 - 33%) payable by way of group relief	3,762,080	10,000
Adjustment to taxation of earlier years	(1,080)	(823)
	<u>3,761,000</u>	<u>9,177</u>

The charge for deferred taxation on the full liability basis would have been £Nil (1994 - £Nil).

Notes on the accounts 31st December 1995 (continued)

5 Directors' emoluments

The emoluments of directors of the Company amounted to £Nil (1994 - £Nil). The company has no other employees.

6 Debtors

	£	<u>1994</u> £
Receivable within one year:		
Trade debtors	8,638,937	13,558,682
Amounts owed by group companies:		
Current account with parent	11,484,742	496,771
Fellow subsidiary companies	2,984,576	2,884,338
Other debtors	2,316,638	13,172,774
Prepayments and accrued income	4,677	-
	<u>25,429,570</u>	<u>30,112,565</u>

As more fully described in note 9, certain comparatives have been reclassified.

7 Creditors

	£	<u>1994</u> £
Amounts owed to group companies:		
Fellow subsidiary companies	13,940,151	29,615,794
Accruals	3,603	48,229
	<u>13,943,754</u>	<u>29,664,023</u>

8 Taxation payable

	£	<u>1994</u> £
UK corporation tax - current year	<u>3,762,080</u>	<u>10,000</u>

Notes on the accounts 31st December 1995 - (continued)**9 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.

The interest bearing element of the balance with the parent company is shown within debtors: 'Current account with parent'. In previous years this balance was shown within 'Amounts owed by group companies; parent and fellow subsidiary companies'. The effect of this reclassification, the purpose of which is to show separately the interest bearing account, is to increase the 'Current account with parent' in 1994 by £496,771, increase the 'Account with GKN (UK) plc' in 1994 by £268,923 and decrease 'parent and fellow subsidiary companies' in 1994 by £227,848.

As a result of the reclassification the group finance credit receivable on the above is shown in the profit and loss account within 'income from investments and interest receivable' rather than shown in arriving at operating profit. This has no impact on profit before tax for the year.

10 Share capital

	<u>1995 and 1994</u>
	Issued, called up and fully paid
<u>Authorised</u>	<u>paid</u>
£	£
Ordinary shares of £1 each	
200,000	200,000

11 Reserves

	Profit and loss account £
At 1st January 1995 and 31st December 1995	Nil

Notes on the accounts 31st December 1995 - (continued)**12 Reconciliation of movements on shareholders' funds**

	£	<u>1994</u> £
At 1st January 1995	200,000	200,000
Total recognised gains and losses for the year	7,523,736	17,854
Dividends	(7,523,736)	(17,854)
At 31st December 1995	<u>200,000</u>	<u>200,000</u>

13 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.