

Directors' report

Business review

The principal businesses of the Group are described in the review of operations on pages 10 to 27. A review of the development of those businesses in 2000, events affecting the Group since the end of the year and likely future developments are referred to in the Chief Executive's report on pages 6 to 9, in the review of operations and in the financial review on pages 36 to 40.

Annual General Meeting

The notice of the Annual General Meeting to be held on 17 May 2001, together with an explanation of the resolutions to be considered at the meeting, is contained in the AGM circular enclosed with this annual report.

Dividend

The Directors recommend a final dividend of 12.9p per 50p Ordinary Share for the year ended 31 December 2000 payable on 18 May 2001 to shareholders on the register at the close of business on 16 March 2001. This, together with the interim dividend of 6.9p paid in September 2000, brings the total dividend for the year to 19.8p per share (1999 total distribution of 18p per share including return of capital).

Key dates for the GKN Dividend Reinvestment Plan as it will operate in respect of the proposed 2000 final dividend are given on page 88.

Share capital

During 2000, 3,711,422 Ordinary Shares of 50p each were issued in connection with the exercise of options under save as you earn and executive share option schemes. The issued share capital at the end of the year was 722,002,874 Ordinary Shares of 50p each.

In May 2000 the Company made a bonus issue to Ordinary Shareholders of 720,489,725 redeemable 'B' Shares of 11.7p each, issuing one 'B' Share for each Ordinary Share held. All the 'B' Shares were redeemed during the year.

The Company has been informed of the following notifiable interests in the issued capital of the Company at 5 March 2001:

	% of issued capital
The Capital Group Companies Inc	8.8%*
CGNU plc	3.1%

*3.6% is held by Capital Group's EuroPacific Growth Fund.

Directors

The constitution of the Board and of its committees, together with biographical notes on the Directors, are shown on pages 34 and 35.

David Wright and Sarkis Kalyandjian, executive Directors, and Sir Bryan Nicholson, non-executive Director, retired from the Board on 31 December 2000. The Directors wish to record their appreciation of the considerable contribution that each has made to the Group over the years.

Directors' report continued

Seifi Ghasemi, Managing Director Powder Metallurgy, and Ian Griffiths, Managing Director Automotive Driveline, were appointed to the Board on 19 January 2001. In accordance with the articles of association, they retire from the Board at the AGM and, being eligible, offer themselves for re-election.

Dick Etches, Human Resources Director, together with Roy Brown and Dr. Klaus Murmann, non-executive Directors, retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Details of the executive Directors' service agreements are given on page 86. The non-executive Directors do not have service agreements.

Directors' interests in the shares of the Company are shown on pages 83 to 85.

Life President

Lord Brookes, who was Chairman of the Company from 1965 until 1974, is Life President.

Honours

The Directors record their great pleasure at the honour of Knighthood conferred on John Parker, non-executive Director, and the award of the MBE to Alan Vincent, Head of Engineering, Westland Helicopters, in the 2001 New Year Honours.

Donations

In 2000, donations for charitable purposes made by the Group amounted to £629,000 of which £532,000 was paid in the UK. In addition, a further £620,000 was contributed to community activities in the UK and £119,000 overseas. Further details of charitable and community contributions are given in the social responsibility review on pages 29 and 30. No political donations were made during the year.

Payments to suppliers

It is Group 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 Group's purchasing arrangements and contracts, it is not Group policy to follow any code or standard in relation to payment practice.

GKN plc, as a holding company, did not have any amounts owing to trade creditors at 31 December 2000.

Corporate governance

The Board's statement on corporate governance matters is given on pages 76 to 79, and its report on Directors' remuneration is set out on pages 80 to 86.

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 Group and of the profit or loss of the Group for that year. In preparing the accounts for the year ended 31 December 2000, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been used consistently and UK applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 Group are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities.

Auditors

Resolutions to reappoint Price waterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration will be proposed at the AGM.

On behalf of the Board

Grey Denham

Secretary

6 March 2001