

Balance Sheet of GKN plc

At 31 December 2007



	Notes	2007 £m	2006 £m
Fixed assets			
Investment in subsidiaries at cost	2	3,565	3,559
Current assets			
Amounts due from subsidiaries		63	50
Current liabilities			
Amounts owed to subsidiaries		(2,709)	(2,772)
		(2,709)	(2,772)
Net current liabilities		(2,646)	(2,722)
Total assets less current liabilities		919	837
Net assets		919	837
Capital and reserves			
Called up share capital	4	372	371
Share premium account	4	29	25
Profit and loss account	1,3	518	441
		919	837

The financial statements on pages 116 to 117 were approved by the Board of Directors and authorised for issue on 27 February 2008. They were signed on its behalf by:

Roy Brown, Sir Kevin Smith, Bill Seeger, Directors

Notes on the Balance Sheet of GKN plc

Significant accounting policies and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. In accordance with FRS 1 (revised 1996) and FRS 8 the Company has taken advantage of the exemptions not to prepare a cash flow statement and not to disclose transactions with related parties. FRS 29 'Financial instruments: Disclosures' became effective from 1 January 2007. As the consolidated financial statements have been prepared in accordance with IFRS 7, the Company is exempt from the disclosure requirements of FRS 29. Other new accounting standards issued by the Accounting Standards Board and effective from 1 January 2007 have had no impact on the accounts of the Company.

The principal accounting policies are summarised below. They have been applied consistently in both years presented.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Treasury shares

GKN shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The Company has no employees.

Equity-settled share-based payments that are made available to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

Dividends

The annual final dividend is not provided for until approved at the Annual General Meeting whilst interim dividends are charged in the period they are paid.

1 Profit and loss account

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. The profit for the year ended 31 December 2007 was £162 million (2006 – £124 million).

Auditors' remuneration for audit services to the Company was £0.6 million (2006 – £0.5 million).

2 Fixed asset investments

	2007 £m	2006 £m
At 1 January	3,559	3,550
Additions	6	9
At 31 December	3,565	3,559

The addition in 2007 and 2006 represents the increase in the investment in subsidiaries attributable to the recognition of the share-based payment arrangements over the Company's shares. Principal subsidiary and joint venture companies, the investments in which are all held through intermediate holding companies, are shown on pages 120 and 121 of the Group financial statements.

3 Profit and loss account

	2007 £m	2006 £m
At 1 January	441	436
Profit for the year	162	124
Share-based payments	6	9
Purchase of treasury shares	—	(40)
Dividends	(91)	(88)
At 31 December	518	441

4 Reconciliation of movements in shareholders' funds

	2007 £m	2006 £m
At 1 January	837	829
Increase in share capital/premium	5	3
Profit for the year	162	124
Share-based payments	6	9
Purchase of treasury shares	—	(40)
Dividends	(91)	(88)
At 31 December	919	837

Details of the share capital and share premium of GKN plc are disclosed in notes 23 and 24 to the Group financial statements.