

Balance Sheet of GKN plc

At 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investment in subsidiaries at cost	3	3,569	3,567
Current assets			
Amounts due from subsidiaries		10	49
Current liabilities Amounts due within one year			
Amounts owed to subsidiaries		(2,188)	(2,640)
		(2,188)	(2,640)
Net current liabilities		(2,178)	(2,591)
Total assets less current liabilities		1,391	976
Net assets		1,391	976
Capital and reserves			
Share capital	5	457	372
Share premium account	5	9	29
Profit and loss account	2, 4	925	575
		1,391	976

The financial statements on pages 120 to 122 were approved by the Board of Directors and authorised for issue on 24 February 2010. They were signed on its behalf by:

Sir Kevin Smith, William Seeger Directors

Notes to the Financial Statements of GKN plc

1 Significant accounting policies and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except where other measurement bases are required to be applied 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. 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 2009 have had no impact on the financial statements 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.

Profit and loss account

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established. Current tax is recognised in the profit and loss account unless items relate to equity.

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.

2 Profit and loss account

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The profit for the year ended 31 December 2009 was £10 million (2008 £151 million).

Auditors' remuneration for audit services to the Company was £0.7 million (2008 £0.7 million).

Notes to the Financial Statements of GKN plc

3 Fixed asset investments

	2009 £m	2008 £m
At 1 January	3,567	3,565
Additions share-based payments	2	2
Additions preference shares	403	
Redemption preference shares	(403)	
At 31 December	3,569	3,567

Principal subsidiary and joint venture companies, the investments in which are held through intermediate holding companies, are shown on pages 124 and 125.

4 Reserves

	Other reserves £m	Profit and loss account £m
At 1 January 2009		575
Rights issue	338	
Profit for the year		10
Share-based payments		2
Transfers	(338)	338
At 31 December 2009		925

5 Reconciliation of movements in shareholders funds

	£m
At 1 January 2009	976
Net proceeds from rights issue	403
Profit for the year	10
Share-based payments	2
At 31 December 2009	1,391

Details of the rights issue, share capital, share premium and dividends paid by GKN plc are disclosed in notes 9 and 23 to the Group financial statements.