GKN HOLDINGS PLC
Registered Number: 66549

ANNUAL REPORT
31 DECEMBER 2010

Directors' Report

Directors: Sir Kevin Smith
Ms J M Felton
Mr W C Seeger, Jr
Mr N M Stein

1. The Directors present their report together with the financial statements of the Group and the Company for the year ended 31 December 2010.

2. **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, make judgements and accounting estimates that are reasonable and prudent, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditors' responsibilities in relation to the accounts are set out in their report on page 6.

3. **Business Review**

Principal Activities

The Company acts as a finance, investment and holding company. The Company is also a limited partner in GKN Investments LP. In March 2010 various group properties were transferred to GKN Investments LP on a sale and lease back basis. The Company also granted a licence to GKN Investments LP for the non-exclusive right to use and sub-licence the GKN trade marks.

The income so generated within GKN Investments LP is used to fund certain annual payments to the GKN UK Pension Scheme.

The Company is also the company within the Group through which the Group's primary external borrowings are held.

Directors' Report (Continued)

3. Business Review (Continued)

Principal Activities (Continued)

The Company is a wholly owned subsidiary of GKN plc, the ultimate holding company of the GKN plc Group. Accordingly, both the GKN plc Group and the GKN Holdings plc Group are global engineering businesses serving mainly the automotive, industrial, off-highway and aerospace markets. A review of the development of those businesses in 2010 and their position at the end of the year and likely future developments are given in the annual report of GKN plc for 2010.

Financial Results

The consolidated income statement of the Group shows a profit for the year of £316 million (2009: loss of £44 million). The Directors resolved to pay an interim dividend of £100 million (2009: nil) for the year ended 31 December 2010, which was paid on 21 December 2010. The Directors have not proposed a final dividend for the year ended 31 December 2010 (2009: nil).

Financial resources and going concern

At 31 December 2010 the GKN Holdings plc Group had net borrowings of £151 million. In addition, it had available, but undrawn committed borrowing facilities totalling £358 million. In October 2011, £43 million of the GKN plc Group's total committed borrowing facilities will expire. The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. The assessment included a review of both divisional and Group financial forecasts, financial instruments and hedging arrangements for the 16 months from the balance sheet date. The Directors have considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow, facility headroom and banking covenants. The Directors have also considered what mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this work, the Directors are of the opinion that the Group has adequate committed resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

Principal Risks and Uncertainties

The Company's risk management process includes an assessment of the likelihood and potential impact of a range of events to determine the overall risk level and to identify actions necessary to mitigate their impact. As a finance, investment and holding company within the GKN plc Group, aside from holding the Group's external term loans, its dealings are almost exclusively with intra Group transactions. No significant risks and uncertainties have been identified other than those stated below. In addition, market and customer related risk and manufacturing and operational risk which could have a material impact on the future performance of the Company's subsidiaries and cause the financial results of those subsidiaries to differ materially from expected and historical performance are given in the annual report of GKN plc for 2010. Additional risks not currently known or which are regarded as immaterial could also affect future performance.

3. **Business Review (Continued)**

Principal Risks and Uncertainties (Continued)

Financial risk management

The Company's activities form an integral part of the Group's strategy with regard to financial instruments. The Group's objectives, policies and strategies with regard to financial instruments are disclosed in the annual report and accounts of GKN plc. However, a summary of the key matters applicable to the Company are summarised below.

The Group co-ordinates all treasury activities through a central function whose purpose is to manage the financial risks of the Group as described below and to secure short and long term funding at the minimum cost to the Group. The central treasury function operates within a framework of clearly defined GKN plc Board approved policies and procedures and is not permitted to make use of financial instruments or other derivatives other than to hedge identified exposures. Speculative use of such instruments or derivatives is not permitted, and none has occurred during the year.

The Group is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. In the normal course of business, the Group also faces risks that are either non-financial or non-quantifiable, including country and credit risk. As an investment and holding company within the Group, the Company seeks to manage each of these risks as follows:

Currency risk

The Group has transactional currency exposures arising from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currency, the most significant being the US dollar and the euro. Under the Group's foreign exchange policy, transaction exposures are hedged, once they are known, mainly through the use of forward foreign exchange contracts.

Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, which include trade debtors. Credit risk relating to financial institutions is mitigated by the Group's policy of only selecting counterparties with a strong investment graded long term credit rating, normally at least A- or equivalent, and assigning financial limits to individual counterparties.

Interest rate and liquidity risk

The Company funds its operations through a mixture of retained earnings and borrowing facilities and has sought to minimise its exposure to an upward change in interest rates by using fixed rate debt instruments.

The borrowing facilities in the main relate to capital market borrowings which consist of £350 million 6.75% bonds maturing in 2019 and £176 million 7.0% bonds maturing in 2012.

3. Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Pension risk

GKN Holdings plc is the principal employer for the UK defined benefit pension scheme which was in deficit by £71 million as at 31 December 2010. Deterioration in asset values, changes to real long term interest rates or the strengthening of longevity assumptions could lead to a further increase in the deficit or give rise to additional funding requirements. The Group's pension deficit is recorded in the consolidated financial statements of GKN plc and no deficit is recorded in these company accounts.

Key Performance Indicators

Key performance indicators are measured either on a divisional or a GKN plc Group basis. The key performance indicators and the GKN's Group's performance against them in 2010 are shown in the annual report of GKN plc for 2010. As a finance, investment and holding company dealing almost exclusively with intra Group transactions, the Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Research and development

Details of the Group's research and development are contained within the GKN plc 2010 annual report.

4. Indemnities

The Company has executed a qualifying pension scheme indemnity provision as defined by section 235 of the Companies Act 2006, for the benefit of the Directors and Officers of GKN Group Pension Trustee Limited, the corporate trustee of the GKN Group Pension Scheme.

5. Directors

The current Directors of the Company are set out on the first page of this report. All Directors served throughout the year.

On 24 March 2011, Sir Kevin Smith announced that he will retire from the Board with effect from 31 December 2011. The Board recognises the very significant contribution that Sir Kevin has made to GKN during his 12 years with the Group and particularly his nine years as Chief Executive of GKN plc.

6. 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 international purchasing arrangements and contracts, it is not Group policy to follow any specific code or standard in relation to payment practice.

GKN Holdings plc, as a holding company, did not have any amounts owed to trade creditors at 31 December 2010.

7. Donations

Contributions to good causes made by the GKN Group companies around the world totalled £537,000 in 2010. This included donations to UK registered charities of £77,000.

7. Donations (Continued)

In accordance with the GKN Group's policy, no political donations were made and no political expenditure was incurred during 2010.

The Group's US Aerospace business has a Political Action Committee (PAC) which is funded entirely by employees and their spouses. No funds are provided to the PAC by the GKN Group and any administrative services provided to the PAC by the US Aerospace business are fully charged to and paid for by the PAC, and the Company does not therefore consider these to be political donations. Employee contributions are entirely voluntary and no pressure is placed on employees to participate. Under US law, an employee-funded PAC must bear the name of the employing company.

8. Corporate Governance

The Company has chosen to take advantage of the exemptions available to it from sections 7.1 and 7.2 of the Disclosure and Transparency Rules (the "DTR") of the Financial Services Authority. The exemption from DTR 7.1 is available to the Company as it is a subsidiary undertaking of a parent undertaking which itself is subject to DTR 7.1. The exemption from DTR 7.2 is available to the Company as its shares are not traded on a regulated market.

9. Auditors and Disclosure of Information to Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the annual general meeting. In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

T Stote
Secretary
29 March 2011

AUDITORS REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN HOLDINGS PLC

We have audited the Group financial statements of GKN Holdings Plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet and the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

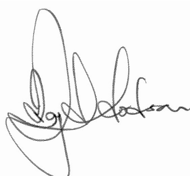
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Company financial statements of GKN Holdings Plc for the year ended 31 December 2010.



Roy Hodson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	**2010** £m	2009 Restated £m
Sales	2	**5,084**	4,223
Trading profit		***368***	*133*
Restructuring and impairment charges		***(39)***	*(144)*
Change in value of derivative and other financial instruments		***12***	*76*
Amortisation of non-operating intangible assets arising on business combinations		***(19)***	*(24)*
UK Pension scheme curtailment		***68***	-
Gains and losses on changes in Group structure		***(4)***	*(2)*
Operating profit		**386**	39
Share of post-tax earnings of joint ventures	13	**35**	21
Interest payable		**(46)**	(67)
Interest receivable		**6**	3
Other net financing charges		**(35)**	(50)
Net financing costs	5	**(75)**	(114)
Profit/(loss) before taxation		**346**	(54)
Taxation	6	**(30)**	5
Profit/(loss) from continuing operations		**316**	(49)
Profit after taxation from discontinued operations	7	**-**	5
Profit/(loss) after taxation for the year		**316**	(44)
Profit attributable to other non-controlling interests		**5**	2
Profit attributable to the pension partnership		**15**	-
Profit attributable to non-controlling interests		**20**	2
Profit/(loss) attributable to equity shareholders		**296**	(46)
		316	(44)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit/(loss) after taxation for the year		**316**	(44)
Other comprehensive income			
Currency variations			
Subsidiaries			
Arising in year		**42**	(154)
Reclassified in year	4	**(1)**	8
Joint ventures			
Arising in year	13	**9**	(12)
Reclassified in year		**-**	(2)
Derivative financial instruments			
Transactional hedging	20		
Arising in year		**1**	2
Reclassified in year		**-**	5
Actuarial gains and losses on post-employment obligations			
Subsidiaries	25	**(24)**	(190)
Joint ventures	13	**-**	-
Taxation	6	**58**	17
		85	(326)
Total comprehensive income/(expense) for the year		**401**	(370)
Total comprehensive income/(expense) for the year attributable to:			
Equity shareholders		**378**	(372)
Other non-controlling interests		**8**	2
Pension partnership		**15**	-
Non-controlling interests		**23**	2
		401	(370)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves: Exchange reserve £m	Other reserves: Hedging reserve £m	Other reserves: Other reserves £m	Share-holders' equity £m	Non-controlling interests: Pension partner-ship £m	Non-controlling interests: Other £m	Total equity £m
At 1 January 2010		**362**	**301**	**2,412**	**343**	**(197)**	**(95)**	**3,126**	**-**	**24**	**3,150**
Total comprehensive income/(expense)											
for the year		**-**	**-**	**332**	**45**	**1**	**-**	**378**	**15**	**8**	**401**
Investment in Pension partnership by											
UK Pension scheme	25	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**331**	**-**	**331**
Purchase of non-controlling interests		**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**(3)**	**(5)**
Share-based payments	10		**-**	**3**	**-**	**-**	**-**	**3**	**-**	**-**	**3**
Transfers		**-**	**-**	**38**	**-**	**-**	**(38)**	**-**	**-**	**-**	**-**
Dividends paid to equity shareholders	8	**-**	**-**	**(100)**	**-**	**-**	**-**	**(100)**	**-**	**-**	**(100)**
Dividends paid to non-controlling											
interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
At 31 December 2010		**362**	**301**	**2,683**	**388**	**(196)**	**(133)**	**3,405**	**346**	**28**	**3,779**

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves: Currency reserve £m	Other reserves: Hedging reserve £m	Other reserves: Other reserves £m	Share-holders' equity £m	Non-controlling interests £m	Total equity £m
At 1 January 2009		362	301	2,619	499	(204)	(81)	3,496	23	3,519
Total comprehensive income/(expense)										
for the year		-	-	(223)	(156)	7	-	(372)	2	(370)
Share-based payments		-	-	2	-	-	-	2	-	2
Transfers		-	-	14	-	-	(14)	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(1)	(1)
At 31 December 2009		362	301	2,412	343	(197)	(95)	3,126	24	3,150

Other reserves include accumulated reserves where distribution has been restricted due to legal or fiscal requirements and accumulated adjustments in respect of piecemeal acquisitions.

Consolidated Balance Sheet

At 31 December 2010

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Goodwill	11	**350**	338
Other intangible assets	11	**200**	187
Property, plant and equipment	12	**1,651**	1,636
Investments in joint ventures	13	**143**	112
Other receivables and investments	14	**23**	24
Derivative financial instruments	20	**19**	16
Deferred tax assets	6	**171**	71
		2,557	2,384
Current assets			
Inventories	15	**637**	563
Trade and other non-group receivables	16	**762**	644
Amounts receivable from parent undertaking		**2,100**	2,188
Current tax assets	6	**10**	13
Derivative financial instruments	20	**13**	6
Other financial assets	18	**4**	20
Cash and cash equivalents	18	**438**	316
		3,964	3,750
Total assets		**6,521**	6,134
Liabilities			
Current liabilities			
Borrowings	18	**(61)**	(72)
Derivative financial instruments	20	**(13)**	(14)
Trade and other non-group payables	17	**(1,065)**	(873)
Amounts payable to parent undertaking		**(8)**	(10)
Current tax liabilities	6	**(100)**	(79)
Provisions	21	**(57)**	(84)
		(1,304)	(1,132)
Non-current liabilities			
Borrowings	18	**(532)**	(564)
Derivative financial instruments	20	**(61)**	(51)
Deferred tax liabilities	6	**(63)**	(57)
Trade and other payables	17	**(108)**	(97)
Provisions	21	**(74)**	(87)
Post-employment obligations	25	**(600)**	(996)
		(1,438)	(1,852)
Total liabilities		**(2,742)**	(2,984)
Net assets		**3,779**	3,150
Shareholders' equity			
Share capital	22	**362**	362
Capital redemption reserve	22	**-**	-
Share premium account		**301**	301
Retained earnings		**2,683**	2,412
Other reserves		**59**	51
		3,405	3,126
Non-controlling interests		**374**	24
Total equity		**3,779**	3,150

The financial statements on pages 7 to 49 were approved by the Board of Directors and authorised for issue on 29 March 2011. They were signed on its behalf by:

William C Seeger – Director

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from operations	24	**507**	298
Special contribution to the UK Pension scheme	25	**(331)**	-
Interest received		**7**	7
Interest paid		**(53)**	(68)
Tax paid		**(43)**	(25)
Dividends received from joint ventures	13	**23**	15
		110	227
Cash flows from investing activities			
Purchase of property, plant and equipment		**(162)**	(140)
Receipt of government capital grants		**3**	1
Purchase of intangible assets		**(31)**	(14)
Receipt of government refundable advances		**10**	28
Proceeds from sale and realisation of fixed assets		**5**	35
Acquisition of subsidiaries (net of cash acquired)		**(6)**	(99)
Purchase of non-controlling interest		**(5)**	-
Proceeds from sale of businesses	4e	**5**	-
Proceeds from sale of joint venture		**1**	1
Investments in joint ventures	13	**(10)**	(2)
Investment loans and capital contributions	23	**(3)**	(11)
		(193)	(201)
Cash flows from financing activities			
Investment in Pension partnership by UK Pension scheme	25	**331**	-
Net proceeds from rights issue		**-**	403
Net proceeds from other ordinary share capital transactions	22	**-**	-
Proceeds from borrowing facilities		**38**	148
Bond buy back including buy back premium		**(26)**	(131)
Repayment of other borrowings		**(48)**	(221)
Finance lease payments		**(1)**	(1)
Amounts placed on deposit		**(4)**	(20)
Amounts returned from deposit		**20**	-
Dividends paid to shareholders	8	**(100)**	-
Dividends paid to non-controlling interests		**(1)**	(1)
		209	177
Currency variations on cash and cash equivalents		**7**	(9)
Movement in cash and cash equivalents		**133**	194
Cash and cash equivalents at 1 January		**288**	94
Cash and cash equivalents at 31 December	24	**421**	288

Notes to the Financial Statements

For the year ended 31 December 2010

1 Accounting policies and presentation

The Group's key accounting policies are summarised below.

Basis of preparation
The consolidated financial statements (the "statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use by the European Union. These statements have been prepared under the historical cost method except where other measurement bases are required to be applied under IFRS as set out below.

These statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2010. No standards or interpretations have been adopted before the required implementation date.

During the year the decision was taken to exit the Axles business of the former OffHighway segment. The trading losses of this business have been re-analysed from Trading profit to Profits and losses on sale or closure of businesses which is included within Gains and losses on changes in Group structure. There was no impact on operating profit, eps or the balance sheet arising from this restatement. The impact of this restatement is as follows:

	As previously reported £m	Restated £m
Trading profit	129	133
Gains and losses on changes in Group structure	2	(2)
Operating profit	39	39
Adjusted performance measures		
Management profit before tax	83	87
Management profit after tax	62	65

Standards, revisions and amendments to standards and interpretations
As outlined in the audited consolidated financial statements for the year ended 31 December 2009, IFRS 3 (Revised) 'Business combinations', accompanied by IAS 27 (Revised) 'Consolidated and separate financial statements' were identified as likely to impact the reporting of the Group's results, assets and liabilities. These standards were adopted on 1 January 2010. During the year there has been one business combination and a purchase of a non-controlling interest. As a consequence of the revised standards a £1 million gain on revaluation of the Group's existing shareholding has been recorded in Gains and losses on changes in Group structure arising from the business combination with a corresponding increase in goodwill and a £2 million charge to Retained earnings arising from the purchase of a non-controlling interest has been recognised which would have previously been recognised as goodwill or non-operating intangibles assets.

In addition, following the amendment to IAS 21 'The effects of changes in foreign exchange rates' reclassification adjustments regarding intra-group funding are no longer required with effect from 1 January 2010.

The Group also adopted the following relevant amendments to standards with no material impact on its results, assets and liabilities;

Annual improvements 2009
Amendment to IAS 39 'Financial instruments: Recognition and measurement', on Eligible hedged items
Amendment to IFRS 2'Share based payments – Group cash-settled share-based payment transactions'
IFRIC 12 'Service concession arrangements'
IFRIC 15 'Arrangements for construction of real estates'
IFRIC 16 'Hedges of a net investment in a foreign operation
IFRIC 17 'Distributions of non cash assets to owners'
IFRIC 18 'Transfer of assets from customers'

Notes to the Financial Statements (continued)

1 **Accounting policies and presentation (continued)**

Basis of consolidation

The statements incorporate the financial statements of the Company and its subsidiaries (together "the Group") and the Group's share of the results and equity of its joint ventures.

Subsidiaries are entities over which, either directly or indirectly, the Company has control through the power to govern financial and operating policies so as to obtain benefit from their activities. Except as noted below, this power is accompanied by a shareholding of more than 50% of the voting rights. The results of subsidiaries acquired or sold during the year are included in the Group's results from the date of acquisition or up to the date of disposal. All business combinations are accounted for by the purchase method. Assets, liabilities and contingent liabilities acquired in a business combination are measured at fair value.

In a single case the Company indirectly owned 100% of the voting share capital of an entity but was precluded from exercising either control or joint control by a contractual agreement with the United States Department of Defense. In accordance with IAS 27 this entity was excluded from the consolidation and treated as an investment. During 2010 this contractual agreement changed such that the Group obtained control of the entity. Further details are contained in note 23.

Intra-group balances, transactions, income and expenses are eliminated.
Other non-controlling interests represent the portion of shareholders' earnings and equity attributable to third party shareholders.

Joint ventures

Joint ventures are entities in which the Group has a long term interest and exercises joint control with its partners over their financial and operating policies. In all cases voting rights are 50% or lower. Investments in joint ventures are accounted for by the equity method. The Group's share of equity includes goodwill arising on acquisition.

The Group's share of profits and losses resulting from transactions between the Group and joint ventures are eliminated.

Foreign currencies

Subsidiaries and joint ventures account in the currency of their primary economic environment of operation, determined having regard to the currency which mainly influences sales and input costs. Transactions are translated at exchange rates approximating to the rate ruling on the date of the transaction except in the case of material transactions where actual spot rate may be used if it more accurately reflects the underlying substance of the transaction. Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated at the exchange rates ruling at the balance sheet date.

Material foreign currency movements arising on the translation of intra-group balances treated as part of the net investment in a subsidiary are recognised through equity. Movements on other intra-group balances are recognised through the income statement.

The Group's presentational currency is sterling. On consolidation, results and cash flows of foreign subsidiaries and joint ventures are translated to sterling at average exchange rates except in the case of material transactions where the actual spot rate is used if it more accurately reflects the underlying substance of the transaction. Assets and liabilities are translated at the exchange rates ruling at the balance sheet date.

Profits and losses on the realisation of currency net investments include the accumulated net exchange differences that have arisen on the retranslation of the currency net investments since 1 January 2004 up to the date of realisation.

Presentation of the income statement

IFRS is not fully prescriptive as to the format of the income statement. Line items and subtotals have been presented on the face of the income statement in addition to those required under IFRS.

Sales shown in the income statement are those of continuing subsidiaries.

Notes to the Financial Statements (continued)

1 Accounting policies and presentation (continued)

Presentation of the income statement (continued)
Operating profit is profit before discontinued operations, taxation, finance costs and the share of post-tax profit of joint ventures accounted for using the equity method. In order to achieve consistency and comparability between reporting periods, operating profit is analysed to show separately the results of normal trading performance and individually significant charges and credits. Such items arise because of their size or nature and, comprise:

- charges relating to the Group wide restructuring programme announced in 2008;
- the impact of the annual goodwill impairment review;
- asset impairment and restructuring charges which arise from events which are significant to any reportable segment;
- amortisation of the fair value of non-operating intangible assets arising on business combinations;
- changes in the fair value of derivative financial instruments and material currency translation movements arising on intra-group funding.
- profits or losses on businesses sold or closed which do not meet the definition of discontinued operations or which the Group views as capital rather than revenue in nature; profits or losses arising from business combinations including fair value adjustments to pre-combination shareholdings, changes in estimates of deferred and contingent consolidation made after the provisional fair value period and material expenses incurred on a business combination; and
- the 2010 UK pension scheme curtailment.

The Group's post-tax share of joint venture profits is shown as a separate component of profit before tax. Material restructuring and impairment charges, amortisation of the fair value of non-operating intangible assets arising on business combinations and other net financing charges and their related taxation are separately identified.

Net finance costs are analysed to show separately interest payable, interest receivable and other net financing charges. Other net financing charges include the net of interest payable on post-employment obligations and the expected return on pension scheme assets and unwind of discounts on fair value amounts established on business combinations.

Revenue recognition
Sales
Revenue from the sale of goods is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding sales taxes and net of allowances for returns, early settlement discounts and rebates.

Invoices for goods are raised when the risks and rewards of ownership have passed which, dependent upon contractual terms, may be at the point of despatch, acceptance by the customer or, in Aerospace, certification by the customer. Revenue from royalties and the rendering of services is not significant.

Many businesses in Automotive and Land Systems recognise an element of revenue via a surcharge or similar raw material cost recovery mechanism. The surcharge invoiced or credited is generally based on prior period movement in raw material price indices applied to current period deliveries. Other cost recoveries are recorded according to the customer agreement. In those instances where recovery of such increases is guaranteed, irrespective of the level of future deliveries, revenue is recognised, or due allowance made, in the same period as the cost movement takes place.

Other income
Interest income is recognised using the effective interest method. Revenue from dividends is not significant.

Sales and other income is recognised in the income statement when it can be reliably measured and its collectability is reasonably assured.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment charges.

Cost
Cost comprises the purchase price plus costs directly incurred in bringing the asset into use and borrowings costs on qualifying assets. Where freehold and long leasehold properties were carried at a valuation at 23 March 2000, these values have been retained as book values and therefore deemed cost at the date of the IFRS transition.

Notes to the Financial Statements (continued)

1 Accounting policies and presentation (continued)

Property, plant and equipment (continued)
Where assets are in the course of construction at the balance sheet date they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use.

Depreciation
Depreciation is not provided on freehold land or capital work in progress. In the case of all other categories of property, plant and equipment, depreciation is provided on a straight line basis over the course of the financial year from the date the asset is available for use.

Depreciation is applied to specific classes of asset so as to reduce them to their residual values over their estimated useful lives, which are reviewed annually.

The range of main rates of depreciation used are:

	Years
Freehold buildings	Up to 50
Steel powder production plant	18
General plant, machinery, fixtures and fittings	6 to 15
Computers	3 to 5
Commercial vehicles and cars	4 to 5

Property, plant and equipment is reviewed at least annually for indications of impairment. Impairments are charged to the income statement. Similarly, where property, plant and equipment has been impaired and subsequent reviews demonstrate the recoverable value is in excess of the impaired value an impairment reversal is recorded. The amount of the reversal cannot exceed the theoretical net book amount at the date of the reversal had the item not been impaired. Impairment reversals are credited to the income statement against the same line item to which the impairment was previously charged.

Costs attributable to leasehold properties are written off to profit by equal annual instalments over the period of the lease or 50 years, whichever is the shorter.

Leased assets
Operating lease rentals are charged to the income statement as incurred over the lease term. Finance leased assets are not significant.

Borrowing costs
Borrowing costs are capitalised as cost on qualifying tangible and intangible fixed asset expenditure. A qualifying asset is an asset or programme where the period of capitalisation is more than 12 months and the capital value is more than £10 million. For general borrowings the capitalisation rate is the weighted average of the borrowing costs outstanding during the year. For specific funding and borrowings the amount capitalised is the actual borrowing cost incurred less any investment income on the temporary investment of those borrowings.

Financial assets and liabilities
Financial liabilities are recorded in arrangements where payments, or similar transfers of financial resources, is unavoidable or guaranteed. In respect of the Group's pension partnership arrangement payments are subject to discretion and can, if certain conditions are met be avoided. In this instance, the arrangement is classified as a non-controlling interest.

Borrowings are measured initially at fair value which usually equates to proceeds received and includes transaction costs. Borrowings are subsequently measured at amortised cost.

Cash and cash equivalents comprise cash on hand and demand deposits and overdrafts together with highly liquid investments of less than 90 days maturity. Other financial assets comprise investments with more than 90 days until maturity. Unless an enforceable right of set-off exists and there is an intention to net settle, the components of cash and cash equivalents are reflected on a gross basis in the balance sheet.

The carrying value of other financial assets and liabilities, including short-term receivables and payables, are stated at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material.

Notes to the Financial Statements (continued)

1 Accounting policies and presentation (continued)

Derivative financial instruments
The Group does not trade in derivative financial instruments. Derivative financial instruments including forward foreign currency contracts are used by the Group to manage its exposure to risk associated with the variability in cash flows in relation to both recognised assets or liabilities or forecast transactions. All derivative financial instruments are measured at the balance sheet date at their fair value.

Where derivative financial instruments are not designated as or not determined to be effective hedges, any gain or loss on remeasurement is taken to the income statement. Where derivative financial instruments are designated as and are effective as cash flow hedges, any gain or loss on remeasurement is held in equity and recycled through the income statement when the designated item is transacted.

Gains or losses on derivative financial instruments no longer designated as effective hedges are taken directly to the income statement.

Derivatives embedded in non-derivative host contracts are recognised at their fair value when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are taken to the income statement.

Goodwill
Goodwill consists of the excess of the fair value of the consideration over the fair value of the identifiable intangible and tangible assets net of the fair value of the liabilities including contingencies of businesses acquired at the date of acquisition.

Goodwill in respect of business combinations of subsidiaries is recognised as an intangible asset. Goodwill arising on the acquisition of a joint venture is included in the carrying value of the investment.

Where negative goodwill arises, following reassessment of fair values, it is credited to the income statement in the year in which the acquisition is made.

Goodwill is not amortised but tested at least annually for impairment. Impairments are charged to the income statement. Goodwill is carried at cost less any recognised impairment losses that arise from the annual assessment of its carrying value. To the extent that the carrying value exceeds the recoverable amount, determined as the higher of estimated discounted future net cash flows or recoverable amount on a fair value less cost to sell basis, goodwill is written down to the recoverable amount and an impairment charge is recognised in the income statement.

Other intangible assets
Other intangible assets are stated at cost less accumulated amortisation and impairment charges.

Computer software
Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Cost comprises the purchase price plus costs directly incurred in bringing the asset into use. Amortisation is provided on a straight line basis over its economic useful life which is in the range of 3-5 years.

Development costs
Where development expenditure results in a new or substantially improved product or process and it is probable that this expenditure will be recovered it is capitalised. Cost comprises development expenditure and borrowing costs on qualifying assets. Amortisation is charged from the date the asset is available for use. In Aerospace, amortisation is charged over the asset's life up to maximum of fifteen years either on a straight line basis or, where sufficient contractual terms exist, a unit of production method is applied. In Automotive, amortisation is charged on a straight line basis over the asset's life up to a maximum of seven years.

Capitalised development costs are subject to annual impairment reviews. Impairments are charged to the income statement.

Research expenditure and development expenditure not qualifying for capitalisation is written off as incurred.

Notes to the Financial Statements (continued)

1 Accounting policies and presentation (continued)

Other intangible assets (continued)

Assets acquired on business combinations – non-operating intangible assets
Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are not transferable or separable. On initial recognition they are measured at fair value. Amortisation is charged on a straight line basis to the income statement over their expected useful lives which are:

		Years
Marketing related assets	- brands and trademarks	30-50
	- agreements not to compete	Life of agreement
Customer related assets	- order backlog	Length of backlog
	- other customer relationships	2-15
Technology based assets		5-10

Inventories
Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items. Cost is determined on a first in, first out or weighted average cost basis. Cost includes raw materials, direct labour, other direct costs and the relevant proportion of works overheads assuming normal levels of activity. Net realisable value is the estimated selling price less estimated selling costs and costs to complete.

Taxation
Current tax and deferred tax are recognised in the income statement unless they relate to items recognised directly in equity when the related tax is also recognised in equity.

Full provision is made for deferred tax on all temporary differences resulting from the difference between the carrying value of an asset or liability in the consolidated financial statements and its tax base. The amount of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are reviewed at each balance sheet date and are only recognised to the extent that it is probable that they will be recovered against future taxable profits.

Deferred tax is recognised on the unremitted profits of joint ventures. No deferred tax is recognised on the unremitted profits of overseas branches and subsidiaries except to the extent that it is probable that such earnings will be remitted to the parent in the foreseeable future.

Pensions and post-employment benefits
The Group's pension arrangements comprise various defined benefit and defined contribution schemes throughout the world. In the UK and in certain overseas companies pension arrangements are made through externally funded defined benefit schemes, the contributions to which are based on the advice of independent actuaries or in accordance with the rules of the schemes. In other overseas companies funds are retained within the business to provide for retirement obligations.

The Group also operates a number of defined contribution and defined benefit arrangements which provide certain employees with defined post-employment healthcare benefits.

The Group accounts for all post-employment defined benefit schemes through full recognition of the schemes' surpluses or deficits on the balance sheet at the end of each year. Actuarial gains and losses are included in the statement of comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating profit. Returns on scheme assets and interest on obligations are recognised in other net financing charges.

For defined contribution arrangements the cost charged to the income statement represents the Group's contributions to the relevant schemes in the year in which they fall due.

Notes to the Financial Statements (continued)

1 Accounting policies and presentation (continued)

Government refundable advances

Government refundable advances are reported in Trade and other payables in the balance sheet. Refundable advances include amounts lent by Government, accrued interest and directly attributable costs. Refundable advances are provided to the Group to part-finance expenditures on specific development programmes. The advances are provided on a risk sharing basis, i.e. repayment levels are determined subject to the success of the related programme. Interest is calculated using the effective interest rate method.

Share-based payments

Share options granted to employees and share-based arrangements put in place since 7 November 2002 are valued at the date of grant or award using an appropriate option pricing model and are charged to operating profit over the performance or vesting period of the scheme. The annual charge is modified to take account of shares forfeited by employees who leave during the performance or vesting period and, in the case of non-market related performance conditions, where it becomes unlikely the option will vest.

Standards, revisions and amendments to standards and interpretations issued but not yet adopted

The Group does not intend to adopt any standard, revision or amendment before the required implementation date. The impact of the adoption of the IFRS 9 ‘Financial Instruments’ is being assessed.

The following is a summary of revisions and amendments to standards and interpretations which the Group does not currently believe will have a material impact on the Group's results, assets or liabilities.

Annual improvements 2010
IAS 12 (Amendment) regarding deferred tax recognition on investment properties
IAS 24 (Revised) regarding government related entities
IAS 32 regarding presentation on classification of rights issues
IFRS 7 (Amendment) regarding derecognition of financial assets
IFRIC 14 (Amendment) regarding prepayments of a minimum funding requirement
IFRIC 19 extinguishing financial liabilities with equity instruments

Significant judgements, key assumptions and estimates

The Group's significant accounting policies are set out above. The preparation of financial statements, in conformity with IFRS, requires the use of estimates, subjective judgement and assumptions that may affect the amounts of assets and liabilities at the balance sheet date and reported profit and earnings for the year. The Directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

The accounting policies where the Directors consider the more complex estimates, judgements and assumptions have to be made are those in respect of acquired non-operating intangible assets - business combinations (note 23), post-employment obligations including the valuation of the pension partnership plan asset (note 25), derivative and other financial instruments (4c and 20), taxation (note 6) and impairment of non-current assets (notes 11 and 12). The details of the principle estimates, judgements and assumptions made are set out in the related notes as identified.

Notes to the Financial Statements (continued)

2 Segmental analysis

The Group's reportable segments have been determined based on reports reviewed by the Executive Committee led by the Chief Executive. The operating activities of the Group are largely structured according to the markets served; automotive, aerospace and the land systems markets. Automotive is managed according to product groups; driveline and powder metallurgy. Reportable segments derive their sales from the manufacture of product. Revenue from services, inter segment trading and royalties is not significant.

On 16 June 2010 the Group announced the formation of GKN Land Systems. Land Systems brought together the operations of GKN OffHighway (excluding Axles), GKN AutoStructures and GKN Industrial and Distribution Services. Land Systems builds on existing strengths in the agricultural, mining and construction equipment markets with a strategic focus on developing these and new markets in defence vehicles, mass transit and renewable energy. AutoStructures was included in the former Other Automotive segment and IDS was included in the Driveline segment. The remaining businesses in the former Other Automotive reportable segment, Emitec and Cylinder Liners, are no longer reportable and are included as reconciling items as Other businesses. Comparative information has been restated. Driveline, Aerospace and Land Systems are operating and reportable segments. Powder Metallurgy comprises GKN Sinter Metals and Hoeganaes Corporation.

a) Sales

	Automotive				
	Driveline £m	Powder Metallurgy £m	Aerospace £m	Land Systems £m	Total £m
2010					
Subsidiaries	**2,180**	**759**	**1,451**	**664**	
Joint ventures	**253**	**-**	**-**	**35**	
	2,433	**759**	**1,451**	**699**	**5,342**
Other businesses					**87**
Management sales					**5,429**
Businesses sold and closed – Axles					**10**
Less: Joint venture sales					**(355)**
Income statement – sales					**5,084**
2009 - restated					
Subsidiaries	1,628	512	1,486	569	
Joint ventures	175	-	-	24	
	1,803	512	1,486	593	4,394
Other businesses					60
Management sales					4,454
Businesses sold and closed – Axles					14
Less: Joint venture sales					(245)
Income statement – sales					4,223

b) Trading profit

	Automotive				
	Driveline £m	Powder Metallurgy £m	Aerospace £m	Land Systems £m	Total £m
2010					
Trading profit before depreciation, impairment and amortisation	**238**	**84**	**209**	**49**	
Depreciation and impairment of property, plant and equipment	**(107)**	**(30)**	**(39)**	**(15)**	
Amortisation of operating intangible assets	**(3)**	**-**	**(6)**	**(1)**	
Trading profit – subsidiaries	**128**	**54**	**164**	**33**	
Trading profit/(loss) – joint ventures	**41**	**-**	**(2)**	**4**	
	169	**54**	**162**	**37**	**422**
Other businesses					**3**
Corporate and unallocated costs					**(13)**
Management trading profit					**412**
Less: Joint venture trading profit					**(44)**
Income Statement – Trading profit					**368**
2009 – restated					
Trading profit before depreciation, impairment and amortisation	95	24	217	12	
Depreciation and impairment of property, plant and equipment	(107)	(30)	(41)	(15)	
Amortisation of operating intangible assets	(3)	(1)	(6)	(1)	
Trading profit/(loss) – subsidiaries	(15)	(7)	170	(4)	
Trading profit/(loss) – joint ventures	25	-	(1)	1	
	10	(7)	169	(3)	169
Other businesses					(1)
Corporate and unallocated costs					(12)
Management trading profit					156
Less: Joint venture trading profit					(23)
Income Statement – Trading profit					133

No income statement items between trading profit and profit before tax are allocated to management trading profit, which is the Group's segmental measure of profit or loss.

Credits included within trading profit in respect of changes to retiree benefit arrangements, net of expenses, arose as follows: Driveline £6 million and Corporate £2 million (2009: Driveline £3 million; Powder Metallurgy £1 million; Aerospace £5 million and Corporate £1 million). As a result of changed customer contract requirements, 2009 trading profit included a £3 million credit from the release of unutilised provisions established as an acquisition in an Aerospace business.

Restructuring and impairment disclosures, including segmental analysis, are included in note 4b.

Notes to the Financial Statements (continued)

2 Segmental analysis (continued)

(c) Goodwill, fixed assets and working capital – subsidiaries only

	Automotive				
	Driveline	Powder Metallurgy	Aerospace	Land Systems	Total
	£m	£m	£m	£m	£m
2010					
Property, plant and equipment and operating intangible fixed assets	**878**	**307**	**421**	**110**	**1,716**
Working capital	**72**	**89**	**67**	**58**	**286**
Net operating assets	**950**	**396**	**488**	**168**	
Goodwill and non-operating intangible fixed assets	**81**	**29**	**296**	**54**	
Net investment	**1,031**	**425**	**784**	**222**	
2009 - restated					
Property, plant and equipment and operating intangible fixed assets	870	313	374	120	1,677
Working capital	53	65	80	58	256
Net operating assets	923	378	454	178	
Goodwill and non-operating intangible fixed assets	78	28	294	56	
Net investment	1,001	406	748	234	

(d) Fixed asset additions, investments in joint ventures and other non-cash items

	Automotive						
	Driveline	Powder Metallurgy	Aerospace	Land Systems	Other Businesses	Corporate	Total
	£m	£m	£m	£m	£m	£m	£m
2010							
Fixed asset additions and capitalised borrowing costs							
- property, plant and equipment	**88**	**26**	**60**	**8**	**1**	**-**	**183**
- intangible assets	**4**	**-**	**26**	**1**	**-**	**-**	**31**
Investments in joint ventures	**107**	**-**	**-**	**12**	**24**	**-**	**143**
Other non-cash items – share based payment	**1**	**-**	**1**	**-**	**-**	**1**	**3**
2009 – restated							
Fixed asset additions and capitalised borrowing costs							
- property, plant and equipment	61	9	45	7	-	-	122
- intangible assets	1	-	14	-	-	-	15
Investments in joint ventures	86	-	-	10	16	-	112
Other non-cash items – share based payment	1	-	-	-	-	1	2

(e) Country analysis

	United Kingdom	USA	Germany	Other countries	Total Non-UK	Total
	£m	£m	£m	£m	£m	£m
2010						
Management sales by origin	**819**	**1,571**	**858**	**2,181**	**4,610**	**5,429**
Goodwill, other intangible assets, property, plant equipment and investments in joint ventures	**355**	**695**	**354**	**940**	**1,989**	**2,344**
2009						
Management sales by origin - restated	794	1,325	729	1,606	3,660	4,454
Goodwill, other intangible assets, property, plant equipment and investments in joint ventures	318	677	330	948	1,955	2,273

Notes to the Financial Statements (continued)

2 **Segmental analysis (continued)**

(f) **Other sales information**

Subsidiary segmental sales gross of inter segment sales are; Driveline £2,234 million (2009 restated: £1,669 million), Powder Metallurgy £765 million (2009: £515 million), Aerospace £1,451 million (2009: £1,486 million) and Land Systems £665 million (2009 restated: £571 million).

In 2010 and 2009, no customer accounted for 10% or more of subsidiary sales or management sales.

Management sales by product are: Driveline - driveshafts 76% (2009 restated: 79%), propshafts 7% (2009 restated: 7%), torque management products 15% (2009 restated: 12%) and other goods 2% (2009 restated: 2%). Powder Metallurgy - sintered components 82% (2009: 85%) and metal powders 18% (2009: 15%). Aerospace - aerostructures 64% (2009: 65%), engine components and sub-systems 28% (2009: 27%) and special products 8% (2009: 8%). Land Systems – power management devices 27% (2009 restated: 28%), wheels and structures 36% (2009 restated: 32%) and aftermarket 37% (2009 restated: 40%).

(g) **Reconciliation of segmental property, plant and equipment and operating intangible fixed assets to the Balance Sheet**

	2010	2009 Restated
	£m	£m
Segmental analysis – Property, plant and equipment and operating intangible fixed assets	**1,716**	1,677
Segmental analysis – Goodwill and non-operating intangible fixed assets	**460**	456
Goodwill	**(350)**	(338)
Other businesses	**19**	18
Businesses sold and closed – Axles	**-**	5
Corporate assets	**6**	5
Balance sheet – Property, plant and equipment and Other intangible assets	**1,851**	1,823

(h) **Reconciliation of segmental working capital to the Balance Sheet**

	2010	2009 Restated
	£m	£m
Segmental analysis – Working capital	**286**	256
Other businesses	**6**	5
Businesses sold and closed – Axles	**-**	2
Corporate items	**(47)**	(44)
Short-term joint venture financing facilities	**-**	1
Accrued net financing costs	**(19)**	(24)
Restructuring provisions	**(41)**	(59)
Deferred and contingent consideration	**(27)**	(31)
Government refundable advances	**(40)**	(28)
Investment and loan to GKN Aerospace Services Structures Corp.	**-**	12
Balance sheet – Inventories, Trade and other non-group receivables, Trade and other non-group payables and Provisions	**118**	90

Notes to the Financial Statements (continued)

3 Adjusted performance measures

3a Reconciliation of reported and management performance measures

	2010				2009 - restated			
	As reported	**Joint ventures**	**Exceptional and non-trading items**	**Management basis**	As reported	Joint ventures	Exceptional and non-trading items	Management basis
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Sales	**5,084**	**355**	**(10)**	**5,429**	4,223	245	(14)	4,454
Trading profit	**368**	**44**	**-**	**412**	133	23	-	156
Restructuring and impairment charges	***(39)***	**-**	***39***	**-**	*(144)*	-	*144*	-
Change in value of derivative and other financial instruments	***12***	**-**	***(12)***	**-**	*76*	-	*(76)*	-
Amortisation of non-operating intangible assets arising on business combinations	***(19)***	**-**	***19***	**-**	*(24)*	-	*24*	-
UK Pension scheme curtailment	***68***	**-**	***(68)***	**-**	-	-	-	-
Gains and losses on changes in Group structure	***(4)***	**-**	***4***	**-**	*(2)*	-	*2*	-
Operating profit	**386**	**44**	**(18)**	**412**	39	23	94	156
Share of post-tax earnings of joint ventures	**35**	**(44)**	**1**	**(8)**	21	(23)	(3)	(5)
Interest payable	**(46)**	**-**	**-**	**(46)**	(67)	-	-	(67)
Interest receivable	**6**	**-**	**-**	**6**	3	-	-	3
Other net financing charges	**(35)**	**-**	**35**	**-**	(50)	-	50	-
Net financing costs	**(75)**	**-**	**35**	**(40)**	(114)	-	50	(64)
Profit/(loss) before taxation	**346**	**-**	**18**	**364**	(54)	-	141	87
Taxation	**(30)**	**-**	**(17)**	**(47)**	15	-	(27)	(12)
Profit/(loss) from continuing operations	**316**	**-**	**1**	**317**	(39)	-	114	75
Profit attributable to non-controlling interests	**(30)**	**-**	**15**	**(5)**	(2)	-	-	(2)
Earnings	**296**	**-**	**16**	**312**	(41)	-	114	73

3b Summary by segment

	2010			2009 - restated		
	Sales	**Trading profit**	**Margin**	Sales	Trading profit	Margin
	£m	**£m**		£m	£m	
Driveline	**2,433**	**169**	**6.9%**	1,803	10	0.6%
Powder Metallurgy	**759**	**54**	**7.1%**	512	(7)	(1.4)%
Aerospace	**1,451**	**162**	**11.2%**	1,486	169	11.4%
Land Systems	**699**	**37**	**5.3%**	593	(3)	(0.5)%
Other businesses (Cylinder Liners and Emitec)	**87**	**3**		60	(1)	
Corporate and unallocated costs	**-**	**(13)**		-	(12)	
	5,429	**412**	**7.6%**	4,454	156	3.5%

Notes to the Financial Statements (continued)

4 **Operating profit**

The analysis of the components of operating profit is shown below:

(a) **Trading profit**

	2010 £m	2009 Restated £m
Sales by subsidiaries	**5,084**	4,223
Less: Businesses sold and closed – Axles	**(10)**	(14)
	5,074	4,209
Operating costs		
Change in stocks of finished goods and work in progress	**31**	(82)
Raw materials and consumables	**(2,157)**	(1,747)
Staff costs (note 10)	**(1,346)**	(1,219)
Reorganisation costs (ii):		
Redundancy and other employee related amounts	**(4)**	(3)
Impairment of plant and equipment	**-**	-
Depreciation of property, plant and equipment (iii)	**(191)**	(193)
Impairment of plant and equipment	**(2)**	(2)
Amortisation of intangible assets	**(10)**	(11)
Operating lease rentals payable:		
Plant and equipment	**(13)**	(13)
Property	**(32)**	(29)
Impairment of trade receivables	**(7)**	(4)
Amortisation of government capital grants	**1**	1
Net exchange differences on foreign currency transactions	**2**	7
Other costs	**(978)**	(781)
	(4,706)	(4,076)
Trading profit	**368**	133

(i) EBITDA is subsidiary trading profit before depreciation, impairment and amortisation charges included in trading profit. EBITDA in 2010 was £571 million (2009 restated - £339 million).

(ii) Reorganisation costs shown above reflect ongoing actions in the ordinary course of business to reduce costs, improve productivity and rationalise facilities in continuing operations.

(iii) Including depreciation charged on assets held under finance leases of £1 million (2009: £1 million).

(iv) Research and development expenditure in subsidiaries was £92 million (2009: £83 million).

(v) Other costs include less than £1 million in respect of directly attributable expenses on business combinations.

(vi) **Auditors' remuneration**

The analysis of auditors' remuneration is as follows:

	2010 £m	2009 £m
Fees payable to PricewaterhouseCoopers LLP for the Company's annual financial statements	**-**	-
Fees payable to PricewaterhouseCoopers LLP and their associates for other services to the Group:		
- Audit of the Company's subsidiaries pursuant to legislation	**(3.1)**	(3.2)
Total audit fees	**(3.1)**	(3.2)
- Other services pursuant to legislation	**(0.1)**	(0.1)
- Tax services	**(0.6)**	(0.6)
- Corporate finance transaction services	**-**	-
- Other services	**(0.1)**	(0.1)
Total non-audit fees	**(0.8)**	(0.8)
Fees payable to PricewaterhouseCoopers LLP and their associates in respect of associated pension schemes:		
- Audit	**-**	-
- Other services	**-**	-
Total fees payable to PricewaterhouseCoopers LLP and their associates	**(3.9)**	(4.0)

All fees payable to PricewaterhouseCoopers LLP, the Company's auditors, include amounts in respect of expenses. All fees payable to PricewaterhouseCoopers LLP have been charged to the income statement except for those which relate to directly attributable expenses on business combinations which occurred prior to 1 January 2010 which have been capitalised.

Notes to the Financial Statements (continued)

4 **Operating profit (continued)**

(b) **Restructuring and impairment charges – 2008 Restructuring programme**

The 2008 Programme restructuring actions comprise facility and operation closures, permanent headcount reductions achieved through redundancy programmes and the structured use of short-time working arrangements, available through national or state legislation, by European, Japanese and North American subsidiaries. Short-time working arrangements concluded in the year.

2008 Restructuring programme

	2010	2009
	£m	£m
Goodwill impairment	-	(7)
Fixed asset impairments/reversals	-	(2)
Other asset write-downs	-	(3)
Impairments	-	(12)
Short-time working costs	**(2)**	(24)
Redundancy and post-employment costs	**(12)**	(86)
Other reorganisation costs	**(25)**	(22)
Redundancy and other costs	**(39)**	(132)
Subsidiaries	**(39)**	(144)
Impairment reversal/impairment of joint ventures	**-**	3
Subsidiaries and joint ventures	**(39)**	(141)

2008 Restructuring programme - analysis by segment

	2010				2009 - restated			
	Impairments /reversals	**Short-time working**	**Redundancy and other costs**	**Total**	Impairments /reversals	Short-time working	Redundancy and other costs	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Driveline	**1**	**(2)**	**(28)**	**(29)**	1	(19)	(61)	(79)
Powder Metallurgy	**-**	**-**	**(1)**	**(1)**	-	(4)	(16)	(20)
Aerospace	**-**	**-**	**(4)**	**(4)**	(1)	-	(9)	(10)
Land Systems	**(1)**	**-**	**(4)**	**(5)**	-	(1)	(19)	(20)
Businesses sold and closed – Axles	**-**	**-**	**-**	**-**	(9)	-	(3)	(12)
Corporate	**-**	**-**	**-**	**-**	-	-	-	-
	-	**(2)**	**(37)**	**(39)**	(9)	(24)	(108)	(141)
Subsidiaries	**-**	**(2)**	**(37)**	**(39)**	(12)	(24)	(108)	(144)
Joint ventures	**-**	**-**	**-**	**-**	3	-	-	3

In Driveline, reorganisation costs of £16 million have been charged in respect of the announced UK and Japanese site rationalisation initiatives and redundancy and reorganisation charges of £12 million were made regarding headcount and capacity reduction actions in European operations. Short-time working arrangements concluded in the year with £2 million charged in European and Japanese operations. The impairment reversal arose in the UK following completion of the sale of one site. In Powder Metallurgy, a further £1 million of integration costs were charged in finalisation of the European rationalisation. In Aerospace, actions included the announcement of the closure of one facility in France, with a £2 million charge made in respect of redundancy costs. In Land Systems, actions initiated in the former OffHighway segment and AutoStructures and Industrial & Distribution Services businesses have continued, including rationalisation at a UK facility with associated redundancy costs of £1 million, restructuring of the European distribution network including redundancy charges of £1 million and fixed asset impairments of £1 million and reorganisation costs of £1 million associated with manufacturing concentration initiatives in North America.

Restructuring cash outflow in respect of 2008 and 2004 restructuring plans amounts to £55 million (2009: £99 million) and proceeds from sale of fixed assets put out of use as part of the restructuring programme of £2 million were recognised in the year (2009: nil).

Notes to the Financial Statements (continued)

4 **Operating profit (continued)**

(c) **Change in value of derivative and other financial instruments**

	2010 £m	2009 £m
Forward currency contracts (not hedge accounted)	**(3)**	106
Embedded derivatives	**3**	(29)
Commodity contracts (not hedge accounted)	**-**	2
	-	79
Net gains and losses on intra-group funding		
Arising in year	**12**	5
Reclassified in year	-	(8)
	12	(3)
	12	76

IAS 39 requires derivative financial instruments to be valued at the balance sheet date and any difference between that value and the intrinsic value of the instrument to be reflected in the balance sheet as an asset or liability. Any subsequent change in value is reflected in the income statement unless hedge accounting is achieved. Such movements do not affect cash flow or the economic substance of the underlying transaction. In 2010 and 2009 the Group used transactional hedge accounting in a limited number of instances.

(d) **Amortisation of non-operating intangible assets arising on business combinations**

	2010 £m	2009 £m
Marketing related	**-**	(1)
Customer related	**(16)**	(20)
Technology based	**(3)**	(3)
	(19)	(24)

(e) **Gains and losses on changes in Group structure**

	2010 £m	2009 Restated £m
Profits and losses on sale or closure of businesses		
Business sold and closed – Axles		
Trading losses	**(2)**	(4)
Tangible fixed asset impairment	**(1)**	-
Other asset write downs	**(3)**	-
Recycling of cumulative translational currency adjustments	**1**	-
Profit on sale of joint venture	**-**	2
Investment write up on acquisition of GKN Aerospace Services Structures Corp.	**1**	-
	(4)	(2)

On 1 September 2010 the Group concluded the sale of the European agricultural axles operations of the former OffHighway Axles business to Sviluppo Europa SpA, a subsidiary of La Leonessa SpA, with other operations closed during the year. Sale proceeds were £5 million.

5 **Net financing costs**

	2010 £m	2009 £m
(a) **Interest payable and fee expense**		
Short-term bank, other borrowings	**(7)**	(13)
Loans repayable within five years	**(15)**	(24)
Loans repayable after five years	**(24)**	(24)
Bond buy back premium	**(1)**	(7)
Government refundable advances	**(2)**	-
Borrowing costs capitalised	**4**	1
Finance leases	**(1)**	-
	(46)	(67)
Interest receivable		
Short-term investments, loans and deposits	**6**	3
Net interest payable and receivable	**(40)**	(64)

The capitalisation rate on specific funding was 5.6% (2009: 6.4%) and on general borrowings was 6.8% (2009: 6.1%).

	2010 £m	2009 £m
(b) **Other net financing charges**		
Expected return on scheme assets	**145**	121
Interest on post-employment obligations	**(176)**	(170)
Post-employment finance charges	**(31)**	(49)
Unwind of discounts	**(4)**	(1)
Other net financing charges	**(35)**	(50)

Notes to the Financial Statements (continued)

6 **Taxation**

(a) **Tax expense**

Analysis of charge in year	**2010 £m**	2009 £m
Current tax (charge)/credit		
Current year charge	**(74)**	(41)
Utilisation of previously unrecognised tax losses and other assets	**20**	1
Net movement on provisions for uncertain tax positions	**(27)**	5
Adjustments in respect of prior years	**(2)**	25
	(83)	(10)
Deferred tax (charge)/credit		
Origination and reversal of temporary differences	**(23)**	54
Tax on change in value of derivative financial instruments	**(2)**	(3)
Other changes in unrecognised deferred tax assets	**72**	(41)
Changes in tax rates	**(2)**	2
Adjustments in respect of prior years	**8**	3
	53	15
Total tax (charge)/credit for the year	**(30)**	5

Tax rate

The Group is required to estimate the income tax due in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of differing accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are measured using substantively enacted tax rates expected to apply when the temporary differences reverse. Recognition of deferred tax assets, and hence credits to the income statement, is based on forecast future taxable income and therefore involves the exercise of management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised.

The Group is subject to many different tax jurisdictions and tax rules as a consequence of its geographic spread. It is also subject to tax audits which, by their nature, are often complex and can require several years to conclude. The total accrual for income tax in any period requires the exercise of management judgement in respect of the interpretation of country specific tax law and the likelihood of challenge of uncertain tax positions and their subsequent settlement. Where appropriate, estimates of interest and penalties are included in these provisions for uncertain tax positions. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. As amounts set aside in any period could differ from actual tax liabilities, adjustments may be required in subsequent periods which may have a material impact on the Group's income statement and/or cash tax payments. Payments in respect of tax liabilities for an accounting period comprise payments on account and payments on the final resolution of open items with tax authorities and, as a result, there can be substantial differences between the charge in the income statement and cash tax payments.

Tax reconciliation	**2010 £m**	**%**	2009 £m	%
Profit/(loss) before tax	**346**		(54)	
Less share of post-tax earnings of joint ventures	**(35)**		(21)	
Profit/(loss) before tax excluding joint ventures	**311**		(75)	
Tax (charge)/credit calculated at 28% standard UK corporate tax rate	**(87)**	**(28)**	21	28
Differences between UK and overseas corporate tax rates	**8**	**3**	2	3
Non-deductible and non-taxable items and other permanent differences	**(20)**	**(6)**	(13)	(17)
Utilisation of previously unrecognised tax losses and other assets	**20**	**6**	1	1
Other changes in unrecognised deferred tax assets	**72**	**23**	(41)	(55)
Changes in tax rates	**(2)**	**(1)**	2	3
Current year tax (charge)/credit on ordinary activities	**(9)**	**(3)**	(28)	(37)
Net movement on provision for uncertain tax positions	**(27)**	**(9)**	25	33
Other adjustments in respect of prior years	**6**	**2**	8	11
Total tax (charge)/credit for the year	**(30)**	**(10)**	5	7

Notes to the Financial Statements (continued)

6 **Taxation (continued)**

(b) **Tax included in comprehensive income**

	2010 £m	2009 £m
Deferred tax on post-employment obligations	**46**	14
Deferred tax on non-qualifying assets	**-**	(1)
Deferred tax on foreign currency gains and losses on intra-group funding	**(3)**	(2)
Current tax on post-employment obligations	**14**	-
Current tax on foreign currency gains and losses on intra-group funding	**1**	6
	58	17

(c) **Current tax**

	2010 £m	2009 £m
Assets	**10**	13
Liabilities	**(100)**	(79)
	(90)	(66)

(d) **Recognised deferred tax**

	2010 £m	2009 £m
Deferred tax assets	**171**	71
Deferred tax liabilities	**(63)**	(57)
	108	14

There is a net £53 million deferred tax credit to the income statement in the period, primarily on account of the recognition of previously unrecognised future tax deductions in the US. In addition, a deferred tax credit of £46 million has been recorded directly in other comprehensive income in relation to the availability of future tax deductions for post-employment obligations contributions in the US and UK. The recognition of these assets has been based on management projections which indicate the availability of taxable profits to absorb the deductions in future years. In territories where there is more uncertainty regarding the availability of a sufficient level of future taxable profits, deferred tax assets have not been recognised in full.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

	Assets			**Liabilities**		**Total**
	Post employment obligations £m	**Tax losses £m**	**Other £m**	**Fixed assets £m**	**Other £m**	**£m**
At 1 January 2010	**74**	**45**	**46**	**(145)**	**(6)**	**14**
Other movements	**2**	**-**	**-**	**(2)**	**-**	**-**
Included in the income statement	**(11)**	**75**	**1**	**(12)**	**-**	**53**
Included in other comprehensive income	**46**	**-**	**-**	**-**	**(3)**	**43**
Businesses acquired	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Currency variations	**-**	**-**	**-**	**1**	**-**	**1**
At 31 December 2010	**111**	**120**	**47**	**(161)**	**(9)**	**108**
At 1 January 2009	44	27	87	(166)	(3)	(11)
Other movements	32	-	(32)	-	-	-
Included in the income statement	(9)	19	(5)	10	-	15
Included in other comprehensive income	14	-	-	(1)	(2)	11
Businesses acquired	1	-	-	-	-	1
Currency variations	(8)	(1)	(4)	12	(1)	(2)
At 31 December 2009	74	45	46	(145)	(6)	14

Deferred tax assets totalling £39 million (2009: £41 million) have been recognised relating to territories where tax losses have been incurred in the year. It is anticipated that future profitability arising from restructuring and other actions will result in their realisation.

Notes to the Financial Statements (continued)

6 **Taxation (continued)**

(e) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in relation to certain tax losses and other temporary differences on the basis that the Group's ability to utilise them in the future is uncertain. The gross and tax values of these unrecognised assets together with any expiry periods, where relevant, are shown below.

	2010			2009		
	Tax value £m	**Gross £m**	**Expiry period**	Tax value £m	Gross £m	Expiry period
Tax losses - with expiry: national	**215**	**619**	**2011-2030**	293	846	2010-2029
Tax losses - with expiry: local	**41**	**480**	**2011-2030**	41	491	2010-2029
Tax losses - without expiry	**105**	**384**		98	323	
Total tax losses	**361**	**1,483**		432	1,660	
Post employment obligations	**66**	**245**		149	518	
Other temporary differences	**38**	**136**		43	142	
Total other temporary differences	**104**	**381**		192	660	
Unrecognised deferred tax assets	**465**	**1,864**		624	2,320	

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If the earnings were remitted in full tax of £25 million (2009: £19 million) would be payable.

(f) **Pension partnership**

Note 25 refers to an asset-backed cash payment arrangement which the Group has agreed with the Trustee of the UK pension scheme. As a result of this arrangement, the Group will obtain UK tax deductions spread over 4 years for the £331 million initial cash pension contribution. Over the next 20 years, the Group is also expected to obtain tax deductions for the remaining £269 million of the total amount likely to be paid to the UK pension scheme. Where there is insufficient tax capacity to utilise these two types of tax deductions as they fall due, they will be carried forward as tax losses with the potential to be used to reduce future taxable profits in the UK.

As this arrangement has been put in place to fund a pension deficit which arose partly as a result of actuarial losses, the current tax benefits for the deductions will be reflected partly in other comprehensive income and partly in the income statement as they are utilised. Current tax benefits of £17 million (£3 million income statement; £14 million other comprehensive income) have been recognised in the year in this respect. A deferred tax asset of £26 million has been recognised on the balance sheet (£5 million income statement; £21 million other comprehensive income) in respect of the initial cash pension contribution. Further deferred tax assets may become recognisable in the future. Similar to the current tax credits referred to above, the deferred tax credits for these deferred tax assets are recognised partly in other comprehensive income and partly in the income statement.

(g) **Changes in UK tax rate**

The UK Government has announced a phased reduction in the mainstream rate of UK corporation tax from 28% to 23% over the next four years. As at 31 December 2010, a reduction to 27%, had been enacted, with the result that the recognised UK deferred tax asset was valued at 27%. As further reductions to reach the anticipated 23% rate are enacted, there will be a corresponding reduction in the value of UK deferred tax assets since deferred tax is measured at the prevailing tax rate. Since a large part of the potential UK deferred tax asset currently remains unrecognised, there is not expected to be a material impact on the tax rate.

(h) **Franked investment income - litigation**

Since 2003 the Group has been involved in litigation with HMRC in respect of various Advance Corporation Tax payments made and Corporate Tax paid on certain foreign dividend receipts which, in its view, were levied by HMRC in breach of GKN's EU community law rights. During 2009, GKN received a £4 million payment on account from HMRC in respect of the litigation, but following a Court of Appeal judgement issued on 23 February 2010 £3 million of this payment on account was repaid to HMRC. This has had no impact on the Income Statement. A further Court of Appeal hearing to decide whether the remaining payment on account should be repaid will take place in early 2011. The main case has been appealed both to the UK Supreme Court (on effective remedies) and to the European Court of Justice (for further guidance on breach of community law) and these judgements are not expected until late 2011/early 2012. The continuing complexity of the case and uncertainty over the issues raised means that it is not possible to predict the final outcome of the litigation with any reasonable degree of certainty and, as a result, no contingent asset has been recognised.

Notes to the Financial Statements (continued)

7 Discontinued operations

	2010 **£m**	2009 £m
Reversal of 2008 discontinued tax charge	**-**	5

There were no discontinued operations in 2010.

8 Dividends

An interim dividend of £100 million was paid to group undertakings on 21 December 2010 (2009: nil).

Notes to the Financial Statements (continued)

9 Employees including Directors

Employee benefit expense	2010 £m	2009 £m
Wages and salaries	**(1,128)**	(1,021)
Social security costs	**(179)**	(166)
Post-employment costs	**(40)**	(35)
Share-based payments	**(3)**	(2)
	(1,350)	(1,224)

Amounts included above relating to the former OffHighway Axles business are wages and salaries £3 million (2009: £4 million) and social security £1 million (2009: £1 million).

Short-time working expense of £2 million (2009: £24 million) included in restructuring charges comprises wages and salaries £2 million (2009: £17 million) and social security costs nil (2009: £7 million).

Average monthly number of employees (including Executive Directors)	2010 Number	2009 Restated Number
By business		
Driveline	**15,472**	15,341
Powder Metallurgy	**5,738**	5,552
Aerospace	**8,609**	8,958
Land Systems	**4,294**	4,492
Other businesses	**716**	638
Businesses sold and closed – Axles	**98**	152
Corporate	**169**	182
Total	**35,096**	35,315

Key management

The key management of the Group comprises GKN plc Board Directors and the members of the GKN plc Group's Executive Committee during the year and their aggregate compensation is shown below.

Key management compensation	2010 £m	2009 £m
Salaries and short term employee benefits	**6.0**	5.6
Post-employment benefits	**0.8**	0.7
Termination benefits	**-**	0.5
Share-based and medium term incentives and benefits	**3.2**	1.0
	10.0	7.8

The amount outstanding at 31 December 2010 in respect of annual short term variable remuneration payable in cash was £1.8 million (2009: £1.4 million). Details of the Directors' short term variable remuneration schemes are set out in the Directors' remuneration report of GKN plc. Key management participate in certain incentive arrangements where the key performance metric is management earnings per share using the cash tax rate which is discussed on page 28 of the GKN plc business review. Management eps using the cash tax rate is 20.4p (2009: 5.1p). A total of £27,100 in dividends was received by key management in 2010 (2009: nil).

Directors' emoluments	2010 £m	2009 £m
Aggregate emoluments	**3.8**	2.6
Post-employment benefits	**0.8**	0.7
Number of directors accruing benefits under:		
Defined benefit pension schemes	**2**	2
Defined contribution pension schemes	**3**	3

One director exercised GKN plc share options during the year (2009: none). Conditional awards were made to all directors under GKN plc long term incentive arrangements in 2010 and 2009.

Highest paid director	2010 £m	2009 £m
Aggregate emoluments	**1.5**	1.0
Post-employment benefits	**0.3**	0.3

Conditional awards were made during 2010 and 2009 to the highest paid director under GKN long term incentive arrangements.

Notes to the Financial Statements (continued)

10 Share-based payments

The Group has granted options over shares to employees for a number of years under different schemes. Where grants were made after 7 November 2002 they have been accounted for as required by IFRS 2 "Share-based Payment". Awards made before that date have not been so accounted. All options have been valued at the date of grant by an independent third party using a Monte Carlo model which uses the same principle as a binomial model.

Details of awards made in 2010 are set out below. Details of awards made since 7 November 2002 that impact the 2010 accounting charge are:

(a) Executive Share Option Schemes (ESOS)

Awards were made to Directors and certain senior employees in March 2003 under the 2001 scheme and in September 2004, April 2005, April 2006, August 2009 and May 2010 under the 2004 scheme. In April 2007 awards were made to Directors under the 2004 scheme. Under both schemes options were granted with a fixed exercise price equal to the market price at the date of grant and subject to meeting performance conditions over a three year period. In the case of the 2001 scheme, the performance condition was based on earnings per share (eps) growth whilst under the 2004 scheme the condition is based on Total Shareholder Return (TSR) compared with that of comparator companies. Under the 2001 scheme only, where the performance condition is not satisfied in full after the first three years, retesting is carried out each year up to six years from the date of grant. Inputs to the valuation model were: option price 110.08p to 380.3p, volatility 31% to 38%, expected dividend yield 3.3% to 6.2%, risk-free interest rate 2.80% to 5.40% and expected terms of 6.0 years to 6.7 years.

(b) Long Term Incentive Plans (LTIP)

Awards were made to Directors and certain senior employees in March 2003 under the 2001 scheme and in September 2004, April 2006, April 2007, August 2009 and August 2010 under the 2004 scheme. In April 2005 awards were made to Directors under the 2004 scheme. Under both schemes, options were granted subject to TSR performance over a three year period compared with a comparator group. There is no retest facility under either scheme. Inputs to the valuation model for awards made prior to 2009 were: option price nil, volatility 23% to 39%, expected dividend yield 3.3% to 6.2%, risk-free interest rate 4.05% to 5.40% and a term of 3 years to 4 years 9.5 months.

In respect of the 2009 and 2010 awards, the inputs to the valuation model were: option price nil, volatility nil, expected dividend yield 4.5%, and a term of 4 years. These awards were only made to main Board Directors.

(c) Profit Growth Incentive Plan (PGIP)

Awards were made in April 2007 and August 2010 under the PGIP to certain senior employees (excluding Directors). Any benefit under the PGIP will be deliverable dependent upon the extent to which profit growth targets are satisfied by the Group over a 3 year performance period. The PGIP is a cash-based incentive plan, however, for certain very senior employees the benefit is deliverable in shares; the number of shares given below will be released following the performance period if the minimum targeted profit growth is achieved. A maximum of twice the amount of shares listed below will be released on achievement of the maximum profit growth target, with one and a half times the number being released for interim performance. No shares will be released and the awards will lapse if the minimum profit growth target is not achieved. Release is also conditional upon the satisfaction of a personal shareholding requirement for certain very senior employees. Any awards deliverable under the PGIP will be satisfied from GKN ordinary shares already in issue.

The 2009 PGIP award is a 2 year award that is entirely cash based and therefore not subject to the IFRS 2 requirements. Any benefit under this scheme will be delivered dependent upon the extent to which profit growth targets are satisfied by the Group over a 2 year performance period.

The expected volatility is based on historical volatility over a period commensurate with the term of the awards. The risk-free interest rate is the rate obtainable from government securities over the expected life of the equity incentive.

Further details of the ESOS, LTIP and PGIP schemes are given in the Directors' remuneration report of GKN plc.

Notes to the Financial Statements (continued)

10 Share-based payments (continued)

A reconciliation of option movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number 000s	**Weighted average exercise price pence**	Number 000s	Weighted average Exercise price pence
Outstanding at 1 January	**17,096**	**121.32**	7,381	247.34
Granted	**5,446**	**134.70**	-	-
Forfeited	**(1,289)**	**178.28**	(3,548)	279.33
Exercised	**(636)**	**112.03**	-	-
Outstanding at 21 July			3,833	217.73
Post rights issue				
Adjustment for rights issue			1,839	146.97
Granted			12,257	110.16
Forfeited			(648)	138.04
Exercised			(185)	110.04
Outstanding at 31 December	**20,617**	**121.58**	17,096	121.32
Exercisable at 31 December	**3,666**	**138.28**	4,590	135.25

For options outstanding at 31 December the range of exercise prices and weighted average contractual life is shown in the following table:

	2010		2009	
Range of exercise price	**Number of shares 000s**	**Contractual weighted average remaining life years**	Number of shares 000s	Contractual weighted average remaining life years
110p-180p	19,613	7.95	15,492	8.16
205p-230p	1,004	1.21	1,088	2.21
240p-260p	-	-	516	7.25

The weighted average share price during the year for options exercised over the year was 146.60p (2009: 110.04p). The total charge for the year relating to share-based payment plans was £3 million (2009: £2 million) all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £3 million (2009: £2 million).

Liabilities in respect of share-based payments were not material at either 31 December 2010 or 31 December 2009. There were no vested rights to cash or other assets at either 31 December 2010 or 31 December 2009.

Notes to the Financial Statements (continued)

11 Goodwill and other intangible assets

Goodwill	2010 £m	2009 £m
Cost		
At 1 January	**507**	549
Businesses acquired	**4**	8
Currency variations	**16**	(50)
At 31 December	**527**	507
Accumulated impairment		
At 1 January	**169**	182
Impairment losses	**-**	7
Currency variations	**8**	(20)
At 31 December	**177**	169
Net book amount at 31 December	**350**	338

The carrying value of goodwill at 31 December comprised:

Reportable segment	Business	Geographical location	2010 £m	2009 £m
Driveline	Driveline	Americas	**58**	55
	Driveline	Europe	**18**	19
Powder Metallurgy	Hoeganaes	North America	**22**	21
Aerospace	Aerostructures	North America	**32**	31
	Propulsion Systems	North America	**97**	94
	Propulsion Systems	North America	**38**	37
Land Systems	Wheels & Structures	Italy	**20**	21
			285	278
Other businesses not individually significant to the carrying value of goodwill			**65**	60
			350	338

An impairment test is a comparison of the carrying value of the assets of a business or cash generating unit (CGU) to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results. During the year, all goodwill was tested for impairment with no impairment charges resulting.

For the purposes of carrying out impairment tests, the Group's total goodwill has been allocated to a number of CGUs and each of these CGUs has been separately assessed and tested. The size of a CGU varies but is never larger than a primary or secondary reportable segment. In some cases, a CGU is an individual subsidiary or operation.

All of the recoverable amounts were measured based on value in use. Detailed forecasts for the next five years have been used which are based on approved annual budgets and strategic projections representing the best estimate of future performance. In the case of an individual CGU within the Group's Aerospace (Propulsion Systems) business, value in use at 31 December 2010 was measured using operating cash flow projections covering the next ten years which incorporate the anticipated timing of volumes on current programmes. Management consider forecasting over this period to more appropriately reflect the length of business cycle of that CGU's programmes, in particular the growth of certain military programmes.

Key assumptions

In determining the recoverable amount of all CGUs it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Operating cash flows

The main assumptions within forecast operating cash flow include the achievement of future sales prices and volumes (including reference to specific customer relationships, product lines and the use of industry relevant external forecasts of global vehicle production within Driveline businesses and consideration of specific volumes on certain US military and civil programmes within Aerospace), raw material input costs, the cost structure of each CGU and the ability to realise benefits from annual productivity improvements, the impact of foreign currency rates upon selling price and cost relationships and the levels of ongoing capital expenditure required to support forecast production.

Pre-tax risk adjusted discount rates

Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long term government bonds in the territory, or territories, within which each CGU operates. A relative risk adjustment (or "beta") has been applied to risk-free rates to reflect the risk inherent in each CGU relative to all other sectors on average, determined using an average of the betas of comparable listed companies.

The range of pre-tax risk adjusted discount rates set out below have been used for impairment testing. The range of rates reflects the mix of geographical territories within CGUs within the reportable segments.

Driveline: North and South America 13%-24% (2009: 13%-24%), Europe 12%-13% (2009: 12%-13%) and Japan and Asia Pacific region countries 10%-17% (2009: 10%-17%).
Powder Metallurgy: Europe 12% (2009: 12%) and North America 13% (2009: 13%).
Aerospace: Europe 11% (2009: 11%) and North America 12% (2009: 12%).
Land Systems: Europe 12% (2009: 12%) and North America 13% (2009: 13%).

Notes to the Financial Statements (continued)

11 Goodwill and other intangible assets (continued)

Long term growth rates

To forecast beyond the five years covered by detailed forecasts into perpetuity, a long term average growth rate has been used. In each case, this is not greater than the published Oxford Economic Forecast average growth rate in gross domestic product for the next five year period in the territory or territories where the CGU is primarily based. This results in a range of nominal growth rates from 1% to 9% (2009: 1% to 9%) with most countries between 2% and 4% in both years.

Goodwill sensitivity analysis

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to likely and potential changes in key assumptions has therefore been reviewed.

At 31 December 2010, the date of the Group's annual impairment test, the estimated recoverable amount of two individual CGUs within the Group's Aerospace operations and one CGU within the Group's Driveline (Americas) operations exceeded their carrying value by £53 million, £11 million, and £74 million respectively. The table below shows the discount rate, long term growth rate and forecast operating cashflow assumptions used in the calculation of value in use and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to exceed the carrying value.

Segment	Driveline	Aerospace	
Business	Americas	Propulsion Systems	Propulsion Systems
Value in use excess over carrying value	£74m	£53m	£11m
Assumptions used in calculation of value in use:			
Pre-tax adjusted discount rate	13%	12%	12%
Long term growth rate	3%	3%	3%
Total pre-discounted forecast operating cashflow	£955m	£527m	£178m
Change required for the carrying value to exceed the recoverable amount:			
Pre-tax adjusted discount rate	2.0% pts	2.3% pts	2.6% pts
Long term growth rate	3.3% pts	5.9% pts	14.1% pts
Total pre-discounted forecast operating cashflow	15%	25%	10%

Other than as disclosed above, it is not considered that a reasonably possible change in any of the key assumptions would generate a different impairment test outcome to the one included in this annual report.

	2010				2009			
Other Intangible Assets	Development costs £m	Computer software £m	Assets arising on business combinations £m	Total £m	Development costs £m	Computer software £m	Assets arising on business combinations £m	Total £m
Cost								
At 1 January	**101**	**99**	**170**	**370**	109	104	97	310
Businesses acquired	**-**	**-**	**9**	**9**	-	-	84	84
Additions	**24**	**6**	**-**	**30**	12	3	-	15
Capitalised borrowing costs	**1**	**-**	**-**	**1**	-	-	-	-
Disposals	**-**	**(3)**	**-**	**(3)**	(19)	(1)	-	(20)
Currency variations	**-**	**2**	**3**	**5**	(1)	(7)	(11)	(19)
At 31 December	**126**	**104**	**182**	**412**	101	99	170	370
Accumulated amortisation								
At 1 January	**48**	**83**	**52**	**183**	44	82	31	157
Charge for the year								
Charged to trading profit	**3**	**7**	**-**	**10**	4	7	-	11
Non-operating intangible assets	**-**	**-**	**19**	**19**	-	-	24	24
Restructuring and impairment	**-**	**1**	**-**	**1**	-	-	-	-
Disposals	**-**	**(3)**	**-**	**(3)**	-	(1)	-	(1)
Currency variations	**-**	**1**	**1**	**2**	-	(5)	(3)	(8)
At 31 December	**51**	**89**	**72**	**212**	48	83	52	183
Net book amount at 31 December	**75**	**15**	**110**	**200**	53	16	118	187

Other intangible assets include development costs of £28 million (£11 million) which is in the course of development and £14 million (2009: £15 million) with a remaining amortisation period of up to 9 years (2009: 10 years) in respect of two aerospace programmes and £61 million (2009: £70 million) in respect of a customer relationship asset arising from one business combination with a remaining amortisation period of 7 years (2009: 8 years).

The net book amount of assets arising on business combinations includes marketing related assets of £4 million (2009: £4 million), customer related assets of £93 million (2009: £103 million) and technology based assets of £13 million (2009: £11 million).

Notes to the Financial Statements (continued)

12 **Property, plant and equipment**

	2010				2009			
	Land and buildings	**Other tangible assets**	**Capital work in progress**	**Total**	Land and buildings	Other tangible assets	Capital work in progress	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cost								
At 1 January	**660**	**3,564**	**82**	**4,306**	696	3,743	123	4,562
Businesses acquired	**1**	**1**	**1**	**3**	-	57	-	57
Additions	**20**	**97**	**63**	**180**	15	90	16	121
Capitalised borrowing costs	**1**	**2**	**-**	**3**	-	1	-	1
Disposals	**(5)**	**(93)**	**-**	**(98)**	(2)	(84)	-	(86)
Businesses sold	**-**	**(8)**	**-**	**(8)**	-	-	-	-
Transfers	**-**	**58**	**(58)**	**-**	4	43	(47)	-
Currency variations	**16**	**57**	**3**	**76**	(53)	(286)	(10)	(349)
At 31 December	**693**	**3,678**	**91**	**4,462**	660	3,564	82	4,306
Accumulated depreciation and impairment								
At 1 January	**185**	**2,485**	**-**	**2,670**	184	2,581	-	2,765
Charge for the year:								
Charged to trading profit								
Depreciation	**17**	**174**	**-**	**191**	16	177	-	193
Impairments	**1**	**1**	**-**	**2**	-	2	-	2
Restructuring and impairment	**-**	**(1)**	**-**	**(1)**	-	2	-	2
Businesses sold and closed	**-**	**1**	**-**	**1**	-	-	-	-
Disposals	**(3)**	**(91)**	**-**	**(94)**	(1)	(75)	-	(76)
Businesses sold	**-**	**(4)**	**-**	**(4)**	-	-	-	-
Currency variations	**8**	**38**	**-**	**46**	(14)	(202)	-	(216)
At 31 December	**208**	**2,603**	**-**	**2,811**	185	2,485	-	2,670
Net book amount at 31 December	**485**	**1,075**	**91**	**1,651**	475	1,079	82	1,636

Included within Other tangible assets at net book amount are general plant, machinery and steel powder production plant £1,056 million (2009: £1,055 million), fixtures, fittings and computers £17 million (2009: £22 million) and commercial vehicles and cars £2 million (2009: £2 million). The net book amount of assets under finance leases is land and buildings £2 million (2009: £2 million) and plant and equipment nil (2009: £1 million).

Notes to the Financial Statements (continued)

13 **Investments in joint ventures**

Group share of results

	2010	2009
	£m	£m
Sales	**355**	245
Operating costs	**(311)**	(222)
Trading profit	**44**	23
Net financing costs	**(1)**	(1)
Profit before taxation	**43**	22
Taxation	**(7)**	(4)
Share of post-tax earnings - before exceptional and non-trading items	**36**	18
Amortisation of non-operating intangible assets arising on business combinations and Other net financing charges, including tax of nil	**(1)**	-
Impairment reversal, including tax of nil	**-**	3
Share of post-tax earnings	**35**	21

Group share of net book amount

	2010			2009		
	Group share of equity	**Provisions for impairment**	**Net book amount**	Group share of equity	Provisions for impairment	Net book amount
	£m	**£m**	**£m**	£m	£m	£m
At 1 January	**113**	**(1)**	**112**	129	(10)	119
Share of post-tax earnings of joint ventures	**35**	**-**	**35**	18	3	21
Utilisation of provision	**(1)**	**1**	**-**	(1)	1	-
Actuarial gains on post-employment obligations, including deferred tax	**-**	**-**	**-**	-	-	-
Dividends paid	**(23)**	**-**	**(23)**	(15)	-	(15)
Additions	**10**	**-**	**10**	2	-	2
Disposals	**-**	**-**	**-**	(7)	4	(3)
Currency variations	**9**	**-**	**9**	(13)	1	(12)
At 31 December	**143**	**-**	**143**	113	(1)	112

	2010	2009
	£m	£m
Non-current assets	**117**	86
Current assets	**139**	99
Current liabilities	**(87)**	(61)
Non-current liabilities	**(26)**	(12)
	143	112

The joint ventures have no significant contingent liabilities to which the Group is exposed and nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures. The share of capital commitments of the joint ventures are shown in note 28.

On 15 September, Emitec the Group's 50% joint venture with Continental AG acquired Grundfos NoNOx Holdings A/S from Grundfos Holding A/S.

Notes to the Financial Statements (continued)

14 Other receivables and investments

	2010 £m	2009 £m
Other investments	**-**	1
Indirect taxes and amounts recoverable under employee benefit plans	**20**	19
Other receivables	**3**	4
	23	24

15 Inventories

	2010 £m	2009 £m
Raw materials	**305**	266
Work in progress	**208**	188
Finished goods	**124**	109
	637	563

Inventories of £65 million (2009: £59 million) are carried at net realisable value. The amount of any write down of inventory recognised as an expense in the year was £4 million (2009: £1 million).

16 Trade and other non-group receivables

	2010 £m	2009 £m
Trade receivables	**664**	547
Amounts owed by joint ventures	**17**	15
Loan to GKN Aerospace Services Structures Corp.	**-**	11
Other receivables	**36**	29
Prepayments	**17**	15
Indirect taxes recoverable	**28**	27
	762	644
Provisions for doubtful debts against trade receivables		
At 1 January	**(8)**	(9)
Charge for the year:		
Additions	**(7)**	(4)
Unused amounts reversed	**2**	2
Amounts used	**3**	2
Currency variations	**-**	1
At 31 December	**(10)**	(8)
Trade receivables subject to provisions for doubtful debts	**11**	13
Ageing analysis of trade receivables and amounts owed by joint ventures past due but not impaired		
Up to 30 days overdue	**36**	40
31 – 60 days overdue	**7**	8
61 – 90 days overdue	**2**	3
More than 90 days overdue	**5**	8

17 Trade and other non-group payables

	2010		2009	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Amounts owed to suppliers and customers	**(766)**	**(4)**	(600)	(2)
Amounts owed to joint ventures	**-**	**-**	-	-
Accrued interest	**(19)**	**-**	(26)	-
Government refundable advances	**-**	**(40)**	-	(28)
Deferred and contingent consideration	**(5)**	**(22)**	(5)	(27)
Payroll taxes, indirect taxes and audit fees	**(46)**	**(1)**	(43)	(1)
Amounts due to employees and employee benefit plans	**(148)**	**(31)**	(118)	(33)
Government grants	**(4)**	**(4)**	(1)	(5)
Customer advances and deferred income	**(77)**	**(6)**	(80)	(1)
	(1,065)	**(108)**	(873)	(97)

Government refundable advances are forecast to fall due for repayment between 2014 and 2031. Non-current deferred and contingent consideration falls due as follows: one-two years £5 million (2009: £5 million) and two-five years £17 million (2009: £22 million). Non-current amounts owed to suppliers and customers fall due within two years.

Notes to the Financial Statements (continued)

18 Net borrowings

(a) **Analysis of net borrowings**

	Notes	Current	Non-current				Total
		Within one year	One to two years	Two to five years	More than five years	Total	
		£m	£m	£m	£m	£m	£m
2010							
Other borrowings							
£350 million 6¾% 2019 unsecured bond	i	**-**	**-**	**-**	**(347)**	**(347)**	**(347)**
£176 million 7% 2012 unsecured bond	i	**-**	**(176)**	**-**	**-**	**(176)**	**(176)**
Other secured US$ denominated loan		**(1)**	**(2)**	**(5)**	**-**	**(7)**	**(8)**
Other long term borrowings		**(6)**	**-**	**-**	**-**	**-**	**(6)**
Finance lease obligations	iv	**(1)**	**(1)**	**(1)**	**-**	**(2)**	**(3)**
Bank overdrafts		**(17)**	**-**	**-**	**-**	**-**	**(17)**
Other short term bank borrowings		**(36)**	**-**	**-**	**-**	**-**	**(36)**
Borrowings		**(61)**	**(179)**	**(6)**	**(347)**	**(532)**	**(593)**
Bank balances and cash		**158**	**-**	**-**	**-**	**-**	**158**
Short term bank deposits	ii	**280**	**-**	**-**	**-**	**-**	**280**
Cash and cash equivalents	v	**438**	**-**	**-**	**-**	**-**	**438**
Other financial assets – bank deposits	iii	**4**	**-**	**-**	**-**	**-**	**4**
Net borrowings		**381**	**(179)**	**(6)**	**(347)**	**(532)**	**(151)**
2009							
Other borrowings							
£350 million 6¾% 2019 unsecured bond	i	-	-	-	(347)	(347)	(347)
£201 million 7% 2012 unsecured bond	i	-	-	(201)	-	(201)	(201)
Other secured US$ denominated loan		(2)	(2)	(5)	-	(7)	(9)
Other long term borrowings		(6)	(6)	-	-	(6)	(12)
Finance lease obligations	iv	(1)	(1)	(1)	(1)	(3)	(4)
Bank overdrafts		(28)	-	-	-	-	(28)
Other short term bank borrowings		(35)	-	-	-	-	(35)
Borrowings		(72)	(9)	(207)	(348)	(564)	(636)
Bank balances and cash		132	-	-	-	-	132
Short term bank deposits	ii	184	-	-	-	-	184
Cash and cash equivalents	v	316	-	-	-	-	316
Other financial assets – bank deposits	iii	20	-	-	-	-	20
Net borrowings		264	(9)	(207)	(348)	(564)	(300)

Other borrowings include: Unsecured £350 million (2009: £350 million) 6¾% bond maturing in 2019 less unamortised issue costs of £3 million (2009: £3 million); unsecured £176 million (2009: £201 million) 7% bond maturing in 2012 less unamortised issue costs of nil (2009: nil); and a secured term loan of £8 million (2009: £9 million) secured by way of a fixed and floating charge on certain Aerospace fixed assets.

Notes

(i) Denotes borrowings at fixed rates of interest until maturity. All other borrowings and cash and cash equivalents are at variable interest rates.

(ii) The average interest rate on short term bank deposits was 0.5% (2009: 0.5%). Deposits at 31 December 2010 had no fixed maturity date (2009: no fixed maturity date).

(iii) The interest rate on bank deposits was 2% (2009: 0.85%); deposits mature in 27 May 2011 (2009: 1 April 2010).

(iv) Finance lease obligations gross of finance charges fall due as follows: £1 million within one year (2009: £1 million), £3 million in one to five years (2009: £3 million) and £1 million in more than five years (2009: £1 million).

(v) £11 million (2009: £9 million) of the Group's cash and cash equivalents are held by the Group's captive insurance company to maintain solvency requirements and as collateral for Letters of Credit issued to the Group's principal external insurance providers. These funds cannot be circulated within the Group on demand.

(b) **Fair values**

	2010		2009	
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£m
Borrowings, other financial assets and cash and cash equivalents				
Other borrowings	**(537)**	**(564)**	(569)	(570)
Finance lease obligations	**(3)**	**(3)**	(4)	(4)
Bank overdrafts and other short term bank borrowings	**(53)**	**(53)**	(63)	(63)
Bank balances and cash	**158**	**158**	132	132
Short term bank deposits and other bank deposits	**284**	**284**	204	204
	(151)	**(178)**	(300)	(301)
Trade and other payables				
Government refundable advances	**(40)**	**(40)**	(28)	(28)
Deferred and contingent consideration	**(27)**	**(27)**	(32)	(32)
	(67)	**(67)**	(60)	(60)

The following methods and assumptions were used in estimating fair values for financial instruments:

Unsecured bank overdrafts, other short term bank borrowings, bank balances and cash and short term bank deposits approximate to book value due to their short maturities. For other amounts, the repayments which the Group is committed to make have been discounted at the relevant interest rates applicable at 31 December 2010. Bonds included within other borrowings have been valued using quoted closing market values.

Notes to the Financial Statements (continued)

19 **Financial risk management**

The Group's activities give rise to a number of financial risks: market risk, credit risk and liquidity risk. Market risk includes foreign currency risk, cash flow and fair value interest rate risk and commodity price risk. The Group has in place risk management policies that seek to limit the effects of financial risk on financial performance. Derivative financial instruments, mainly forward foreign currency contracts, are used to hedge risk exposures that arise in the ordinary course of business.

Risk management policies have been set by the Board and are implemented by the central Treasury Department that receives regular reports from all the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The Treasury Department has a policy and procedures manual that sets out specific guidelines to manage foreign currency risks, interest rate risk, financial credit risk and liquidity risk and the use of financial instruments to manage these.

a) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currency. These exposures are forecast on a monthly basis by operating companies and are reported to the central Treasury Department. Under the Group's foreign currency policy, such exposures are hedged on a reducing percentage basis over a number of forecast time horizons using forward foreign currency contracts.

The Group's reporting currency for its consolidated financial statements is sterling. Changes in exchange rates will affect the translation of results and net assets of operations outside of the UK The Group's largest exposures are the euro and the US dollar where a 1% movement in the average rate impacts trading profit of subsidiaries and joint ventures by £1.0 million and £1.6 million respectively.

Regarding financial instruments a 1% strengthening of sterling against the currency rates indicated below would have the following impact on operating profit:

	Trading profit: Payables and receivables	Derivative financial instruments	Intra-group funding
	£m	£m	£m
Euro	(0.4)	(0.3)	0.8
US dollar	0.3	7.2	1.1

The derivative sensitivity analysis has been prepared by reperforming the calculations used to determine the balance sheet values adjusted for the changes in the individual currency rates indicated with all other cross currency rates remaining constant. The sensitivity is a fair value change relating to derivatives for which the underlying transaction has not occurred at 31 December. The Group intends to hold all such derivatives to maturity. The analysis of other items has been prepared based on an analysis of a currency balance sheet.

Analysis of net borrowings by currency

	2010				2009			
	Borrowings	**Cash and cash equivalents**	**Other Financial assets**	**Total**	Borrowings	Cash and cash equivalents	Other Financial assets	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Sterling	**(524)**	**304**	**4**	**(216)**	(548)	187	20	(341)
US dollar	**(30)**	**18**	**-**	**(12)**	(24)	18	-	(6)
Euro	**(1)**	**19**	**-**	**18**	(17)	36	-	19
Others	**(38)**	**97**	**-**	**59**	(47)	75	-	28
	(593)	**438**	**4**	**(151)**	(636)	316	20	(300)

b) Interest rate risk

The Group is exposed to fair value interest rate risk on fixed rate borrowings and cash flow interest rate risk on variable rate net borrowings/funds. The Group's policy is to optimise interest cost in reported earnings and reduce volatility in the debt related element of the Group's cost of capital. This policy is achieved by maintaining a target range of fixed and floating rate debt for discrete annual periods, over a defined time horizon. The Group's normal policy is to require interest rates to be fixed for 30% to 70% of the level of underlying borrowings forecast to arise over a 12 month horizon. This policy remains suspended following a Board decision in December 2004 given the absence of floating rate bank debt. At 31 December 2010 88% (2009: 86%) of the Group's gross borrowings were subject to fixed interest rates.

As at 31 December 2010 £284 million (2009: £204 million) was in bank deposits of which £267 million (2009: £186 million) was on deposit with banks in the UK.

A 100 basis point increase in interest rates on deposits would result in a £2.8 million reduction in net interest expense. This sensitivity flexes the interest rate of variable deposits assuming deposits as at 31 December 2010 remain in place for 12 months.

Notes to the Financial Statements (continued)

19 Financial risk management (continued)

(c) Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. In terms of substance, and consistent with the related balance sheet presentation, the Group considers it has two types of credit risk; operational and financial. Operational credit risk relates to non-performance by customers in respect of trade receivables and by suppliers in respect of other receivables. Financial credit risk relates to non-performance by banks and similar institutions in respect of cash and deposits, facilities and financial contracts, including forward foreign currency contracts.

Operational

As tier-one suppliers to automotive, land systems and aerospace original equipment manufacturers the Group may have substantial amounts outstanding with a single customer at any one time. The credit profiles of such original equipment manufacturers are available from credit rating agencies. The failure of any such customer to honour its debts could materially impact the Group's results. However, there are many advantages in these relationships. In Land Systems there are a greater proportion of amounts receivable from small and medium sized customers.

Credit risk and customer relationships are managed at a number of levels within the Group. At a subsidiary level documented credit control reviews are required to be held at least every month. The scope of these reviews includes amounts overdue and credit limits. At a divisional level debtor ratios, overdue accounts and overall performance are reviewed regularly. Provisions for doubtful debts are determined at these levels based upon the customer's ability to pay and other factors in the Group's relationship with the customer.

At 31 December the largest 5 trade receivables as a proportion of total trade receivables analysed by major segment is as follows:

	2010	2009 Restated
	%	%
Driveline	**50**	51
Powder Metallurgy	**17**	20
Aerospace	**66**	64
Land Systems	**25**	28

The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of trade receivables at any one point during the year was £761 million (2009: £642 million).

Financial

Credit risk is mitigated by the Group’s policy of only selecting counterparties with a strong investment graded long term credit rating, normally at least AA- or equivalent, and assigning financial limits to individual counterparties.

The maximum exposure with a single bank for deposits is £56 million (2009: £61 million), whilst the maximum mark to market exposure for forward foreign currency contracts at 31 December 2010 to a single bank was £1 million (2009: nil). The amounts on deposit at year end represent the Group's maximum exposure to financial credit risk with Group indebtedness varying over the course of a year in line with normal financing and trading patterns.

(d) Capital risk management

The Group defines capital as total equity. The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure which optimises the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings.

The Group monitors borrowings on the basis of the ratio of gross borrowings to EBITDA. The Group seeks to operate at an EBITDA of subsidiaries to gross debt ratio of 2.5 times or less and the ratios at 31 December 2010 and 2009 were as follows:

	2010	2009 Restated
	£m	£m
Gross borrowings	**593**	636
EBITDA	**571**	339
Gross borrowings to EBITDA ratio	**1.0 times**	1.9 times

The Group's only external banking covenant requires an EBITDA of subsidiaries to net interest payable and receivable ratio of 3.5 times or more. The ratios at 31 December 2010 and 2009 were as follows:

	2010	2009 Restated
	£m	£m
EBITDA	**571**	339
Net interest payable and receivable (excluding borrowing costs capitalised)	**(44)**	(65)
EBITDA to net interest payable and receivable ratio	**13.0 times**	5.2 times

The Group monitors these ratios on a rolling basis and are part of the budgeting and forecasting processes.

Notes to the Financial Statements (continued)

19 **Financial risk management (continued)**

(e) Liquidity risk

The Group is exposed to liquidity risk as part of its normal financing and trading cycle at times when peak borrowings are required. Borrowings normally peak in May and September following dividend and bond coupon payments. The Group's policies are to ensure that sufficient liquidity is available to meet obligations when they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. Liquidity needs are assessed through short and long term forecasts. Committed bank facilities total £358 million of which £43 million expire in October 2011. There were no drawings on these facilities at 31 December 2010 although £10 million was utilised for Letters of Credit. Committed facilities are provided through 12 banks.

Maturity analysis of borrowings, derivatives and other financial liabilities

	Within one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
2010					
Borrowings (note 18)	**(61)**	**(179)**	**(6)**	**(347)**	**(593)**
Contractual interest payments and finance lease charges	**(37)**	**(29)**	**(72)**	**(92)**	**(230)**
Government refundable advances	**-**	**-**	**(7)**	**(60)**	**(67)**
Deferred and contingent consideration	**(6)**	**(6)**	**(18)**	**-**	**(30)**
Derivative financial instruments liabilities - receipts	**147**	**103**	**247**	**271**	**768**
Derivative financial instruments liabilities - payments	**(160)**	**(114)**	**(271)**	**(285)**	**(830)**
2009					
Borrowings (note 18)	(72)	(9)	(207)	(348)	(636)
Contractual interest payments and finance lease charges	(39)	(39)	(78)	(114)	(270)
Government refundable advances	-	-	(3)	(53)	(56)
Deferred and contingent consideration	(6)	(6)	(24)	-	(36)
Derivative financial instruments liabilities - receipts	182	91	211	145	629
Derivative financial instruments liabilities - payments	(196)	(98)	(232)	(160)	(686)

There is no significant difference in the contractual undiscounted value of other financial liabilities from the amounts stated in the balance sheet and balance sheet notes.

(f) Commodity price risk

The Group is exposed to changes in commodity prices, particularly of metals, which has a significant impact on input costs and the overall financial results. The Group seeks to mitigate this exposure in a variety of ways including medium term price agreements, surcharges and advance purchasing. In rare circumstances and only in respect of certain specified risks the Group uses derivative commodity hedging instruments. The impact of such financial instruments in respect of the overall commodity price risk is not material.

(g) Categories of financial assets and financial liabilities

	Loans and receivables	Amortised cost	Held for trading		Derivatives used for hedging	Total
			Financial assets	Financial liabilities		
	£m	£m	£m	£m	£m	£m
2010						
Other receivables and investments	**3**	**-**	**-**	**-**	**-**	**3**
Trade and other non-group receivables	**717**	**-**	**-**	**-**	**-**	**717**
Amounts receivable from parent undertaking	**2,100**	**-**	**-**	**-**	**-**	**2,100**
Derivative financial instruments	**-**	**-**	**31**	**(74)**	**1**	**(42)**
Other financial assets	**4**	**-**	**-**	**-**	**-**	**4**
Cash and cash equivalents	**438**	**-**	**-**	**-**	**-**	**438**
Borrowings	**-**	**(593)**	**-**	**-**	**-**	**(593)**
Trade and other non-group payables	**-**	**(848)**	**-**	**-**	**-**	**(848)**
Amounts payable from parent undertaking	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Provisions	**-**	**(31)**	**-**	**-**	**-**	**(31)**
	3,254	**(1,472)**	**31**	**(74)**	**1**	**1,740**
2009						
Other receivables and investments	4	-	-	-	-	4
Trade and other non-group receivables	602	-	-	-	-	602
Amounts receivable from parent undertaking	2,188	-	-	-	-	2,188
Derivative financial instruments	-	-	21	(64)	-	(43)
Other financial assets	20	-	-	-	-	20
Cash and cash equivalents	316	-	-	-	-	316
Borrowings	-	(636)	-	-	-	(636)
Trade and other non-group payables	-	(680)	-	-	-	(680)
Amounts payable from parent undertaking	(10)	-	-	-	-	(10)
Provisions	-	(35)	-	-	-	(35)
	3,120	(1,351)	21	(64)	-	1,726

For the purposes of IFRS7 derivative financial instruments are categorised as a Level 2 fair value measurement. The contingent element of deferred and contingent consideration of £8 million (2009: £8 million) is categorised as a Level 3 fair value measurement, see note 26.

Notes to the Financial Statements (continued)

20 **Derivative financial instruments**

	2010					2009				
	Assets		**Liabilities**		**Total**	Assets		Liabilities		Total
	Non-current	**Current**	**Non-current**	**Current**		Non-current	Current	Non-current	Current	
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Forward currency contract										
Not hedge accounted	**3**	**11**	**(56)**	**(13)**	**(55)**	2	5	(46)	(13)	(52)
Hedge accounted	**-**	**1**	**-**	**-**	**1**	-	1	-	(1)	-
Commodity contracts										
Not hedge accounted	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Embedded derivatives	**16**	**1**	**(5)**	**-**	**12**	14	-	(5)	-	9
	19	**13**	**(61)**	**(13)**	**(42)**	16	6	(51)	(14)	(43)

Forward foreign currency contracts, commodity contracts and embedded derivatives are marked to market using market observable rates and published prices. The amounts in respect of embedded derivatives represent commercial contracts between European Aerospace subsidiaries and suppliers outside the USA which are denominated in US dollars.

Hedge accounting – cash flow hedges

The Group manages exposure to foreign currency fluctuations on forecast and outstanding purchase and sale transactions using forward foreign currency contracts. The Group has adopted transactional foreign currency hedge accounting for a limited number of contracts. The net value of forward foreign currency contracts subject to hedge accounting was £1 million (2009: nil). The cash flows and profit impact will occur in 2011 and 2012 (2009: 2010 to 2012). A £1 million gain was recognised in equity during the year (2009: £2 million gain) in respect of contracts outstanding at 31 December 2010. No accumulated gain or loss was recycled through cost of sales in the year (2009: £5 million loss). Cash flow hedging was 100% effective during 2010 and 2009.

Notes to the Financial Statements (continued)

21 **Provisions**

	Restructuring	Warranty	Legal and environmental	Other	Total
	£m	£m	£m	£m	£m
At 1 January 2010	**(59)**	**(30)**	**(24)**	**(58)**	**(171)**
Net charge for the year:					
Additions	**(38)**	**(9)**	**-**	**(6)**	**(53)**
Unused amounts reversed	**1**	**7**	**1**	**3**	**12**
Unwind of discounts	**-**	**-**	**-**	**(3)**	**(3)**
Businesses acquired	**-**	**-**	**-**	**(1)**	**(1)**
Amounts used	**55**	**10**	**14**	**7**	**86**
Currency variations	**-**	**(1)**	**-**	**-**	**(1)**
At 31 December 2010	**(41)**	**(23)**	**(9)**	**(58)**	**(131)**
Due within one year	(31)	(11)	(5)	(10)	(57)
Due in more than one year	(10)	(12)	(4)	(48)	(74)
	(41)	**(23)**	**(9)**	**(58)**	**(131)**

Restructuring

Restructuring provisions outstanding at 31 December 2010 relate primarily to the estimated future cash outflows in respect of redundancies and onerous contracts (predominantly leases) arising from Group strategic restructuring programmes, details of the charges in respect of which are included in note 4b. Amounts are only set aside when irrevocable commitments exist at the balance sheet date and these invariably reflect actual or constructive contractual arrangements which indicate the amount and most likely timing of flows. Utilisation of the provision due in more than one year is expected as follows: £5 million in 2012 and £5 million from 2013.

Warranty

Provisions set aside for warranty exposures either relate to amounts provided systematically based on historical experience under contractual warranty obligations attaching to the supply of goods or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. In the event of a claim, settlement will be negotiated with the customer based on supply of replacement products and compensation for the customer's associated costs. Amounts set aside represent management's best estimate of the likely settlement and the timing of any resolution with the relevant customer. Utilisation of the provision due in more than one year is estimated as £9 million in 2012 and £3 million from 2013.

Legal and environmental

Legal provisions amounting to £5 million relate to management estimates of amounts required to settle or remove litigation actions that have arisen in the normal course of business. Further details are not provided to avoid the potential of seriously prejudicing the Group's stance in law. Amounts unused and reversed only arise when the matter is formally settled or when a material change in the litigation action occurs where legal advice confirms lower amounts need to be retained to cover the exposure.

As a consequence of primarily legacy activities a small number of sites in the Group are subject to environmental remediation actions, which in all cases are either agreed formally with relevant local and national authorities and agencies or represent management's view of the likely outcome having taken appropriate expert advice and following consultation with appropriate authorities and agencies. Amounts used includes £12 million of environmental remediation expenditure.

Utilisation of the provision due in more than one year is estimated as £3 million in 2012 and £1 million from 2013.

Other

Other provisions include claims provisions held within the Group's captive insurance company £13 million, provisions held in respect of onerous contracts and leases £2 million and long service non-pension and other employee related obligations arising primarily in the Group's continental European subsidiaries £13 million. Claims provisions and charges are established in accordance with external insurance and actuarial advice. Non-beneficial lease provisions arising on prior year business combinations were £30 million (2009: £32 million). The movement on this provision included a reversal of £2 million following a rental reassessment, utilisation of £3 million and discount unwind of £3 million. Utilisation of other provisions due in more than one year is expected as follows: £8 million in 2012; £3 million in 2013; £5 million in 2014 and £32 million from 2015.

Vacant leasehold property provisions and non-beneficial lease rentals included in Restructuring and Other provisions above amount to £31 million (2009: £35 million).

Notes to the Financial Statements (continued)

22 Share capital

	Authorised		Issued	
	2010	2009	**2010**	2009
	£m	£m	**£m**	£m
Ordinary Shares of 50p each	**450**	450	**362**	362

	Authorised		Issued	
	2010	2009	**2010**	2009
	Number	Number	**Number**	Number
	000s	000s	**000s**	000s
Ordinary Shares of 50p each	**900,000**	900,000	**724,632**	724,632

23 Business combinations

GKN Aerospace Services Structures Corp. ("GASS") is an entity in which the Group has, since 2003, had a 100% share in the equity. GASS operated under a Proxy Agreement with the United States Department of Defense developing high technology, classified products for the United States Airforce. The Proxy Agreement placed significant restrictions on the Group's management and control of the business so that, in accordance with IAS 27, it was excluded from consolidation and treated as an investment. In January 2010 clearance was obtained to commence the process to remove the significant restrictions on the Group's management and control of GASS and on 1 April 2010 all significant restrictions were removed. The assumption of control by the Group has been accounted for as a business combination.

The values stated below are provisional as the review of acquired assets and liabilities remains ongoing.

	£m
Intangible fixed assets	
- customer related	5
- technology based	4
Property, plant and equipment	3
Inventories	5
Trade and other payables	(2)
Deferred tax	(3)
Provisional goodwill	4
	16
Satisfied by:	
Investment – cost	10
Investment – fair value write up	1
Loan	5
	16

Since acquisition GASS contributed sales of £15 million and trading profit of £2 million. If the acquisition had occurred on 1 January 2010 sales and trading profit are estimated at £18 million and £1 million. Acquisition related expenses of less than £1 million were incurred. Goodwill is attributable to the value of the assembled workforce and the application of the technology into new products with new and existing customers.

Notes to the Financial Statements (continued)

24 Cash flow reconciliations

Cash generated from operations	2010 £m	2009 £m
Operating profit	**386**	39
Adjustments for:		
Depreciation, impairment and amortisation of fixed assets		
Charged to trading profit		
Depreciation	**191**	193
Impairment	**2**	2
Amortisation	**10**	11
Amortisation of non-operating intangible assets arising on business combinations	**19**	24
Restructuring and impairment charges	**-**	9
Changes in fair value of derivative and other financial instruments	**(12)**	(71)
Amortisation of government capital grants	**(1)**	(1)
Net profits on sale and realisation of fixed assets	**(1)**	(6)
Gains and losses on changes in Group structure	**(1)**	(2)
Charge for share-based payments	**3**	2
Movement in post-employment obligations	**(116)**	(45)
Changes in current accounts with parent undertakings	**86**	10
Change in inventories	**(63)**	133
Change in receivables	**(117)**	(36)
Change in payables and provisions	**121**	36
	507	298

Movement in net debt	2010 £m	2009 £m
Movement in cash and cash equivalents	**133**	194
Net movement in other borrowings and deposits	**(6)**	93
Bond buy back	**25**	124
Finance leases	**1**	1
Currency variations	**(4)**	(4)
Businesses acquired and sold	**-**	-
Movement in year	**149**	408
Net debt at beginning of year	**(300)**	(708)
Net debt at end of year	**(151)**	(300)

Reconciliation of cash and cash equivalents	2010 £m	2009 £m
Cash and cash equivalents per balance sheet	**438**	316
Bank overdrafts included within "current liabilities - borrowings"	**(17)**	(28)
Cash and cash equivalents per cashflow	**421**	288

Notes to the Financial Statements (continued)

25 **Post-employment obligations**

Post-employment obligations as at the year end comprise:		2010 £m	2009 £m
Pensions	- funded	**(176)**	(597)
	- unfunded	**(363)**	(345)
Medical	- funded	**(17)**	(13)
	- unfunded	**(44)**	(41)
		(600)	(996)

The Group's pension arrangements comprise various defined benefit and defined contribution schemes throughout the world. The main externally funded defined benefit pension schemes operate in the UK, US and Japan. In Europe, funds are retained within certain businesses to provide defined benefit pension benefits. In addition, in the US and UK a number of retirement plans are operated which provide certain employees with post-employment medical benefits.

(a) **Defined benefit schemes - measurement and assumptions**

Independent actuarial valuations of all major defined benefit scheme assets and liabilities were carried out at 31 December 2010. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Key assumptions were:

	UK %	Americas %	Europe %	ROW %
2010				
Rate of increase in pensionable salaries	**4.35**	**3.5**	**2.50**	**-**
Rate of increase in payment and deferred pensions	**2.90**	**2.0**	**1.75**	**n/a**
Discount rate	**5.40**	**5.5**	**5.00**	**1.75**
Inflation assumption	**3.35**	**2.5**	**1.75**	**0.75**
Rate of increases in medical costs:				
Initial/long term	**6.5/6.0**	**9.0/5.0**	**n/a**	**n/a**
2009				
Rate of increase in pensionable salaries	4.25	3.5	2.50	3.5
Rate of increase in payment and deferred pensions	3.40	2.0	1.75	n/a
Discount rate	5.70	6.0	5.40	2.0
Inflation assumption	3.25	2.5	1.75	1.0
Rate of increases in medical costs:				
Initial/long term	7.0/4.5	9.0/5.0	n/a	n/a

The discount rates in the table above for the UK and Europe were referenced against specific iBoxx indices, whilst the Citigroup liability index was the reference point for the USA discount rate. The reference for the UK discount rate was the yield as at 31 December on the iBoxx GBP Corporate rated AA bonds with a maturity of 15 years plus. The reference for the European discount rate was the yield as at 31 December on the iBoxx Euro Corporate rated AA bonds with a maturity of 10 years plus of 4.7%, adjusted to reflect the duration of liabilities. For the USA, the discount rate matched the Citigroup liability index as at 31 December 2010 of 5.5%.

The underlying mortality assumptions for the major schemes are as follows:

United Kingdom

Such is the size and profile of the UK scheme that data on the scheme's mortality experience is collected and reviewed annually. The key current year mortality assumptions for the scheme use S1NA (year of birth) mortality tables allowing for medium cohort projections with a minimum improvement of 1% and a +0.5 age rating for male members and a +0.7 year age rating for female members. Using these assumptions a male aged 65 lives for a further 20.6 years and a female aged 65 lives for a further 23.2 years. A male aged 45 is expected to live a further 22.5 years from age 65 and a female aged 45 is expected to live a further 25.1 years from age 65. The prior period valuation used PA92 (year of birth) tables allowing for medium cohort but without a minimum improvement. The prior period age adjustments to PA92 (year of birth tables) were equivalent to that of the age rating adjustment to S1NA (year of birth) tables.

Overseas

In the USA, PPA2010 tables have been used whilst in Germany the RT2005-G tables have again been used. In the USA the longevity assumption for a male aged 65 is that he lives a further 19 years (female 21 years) whilst in Germany a male aged 65 lives for a further 18.1 years (female 22.4 years). The longevity assumption for a USA male currently aged 45 is that he also lives for a further 19 years once attaining 65 years (females 21 years), with the German equivalent assumption for a male being 18.2 years (female 23.6 years). These assumptions are based solely on the prescribed tables not on actual GKN experience.

Assumption sensitivity analysis

The impact of a one percentage point movement in the primary assumptions on the defined benefit net obligations as at 31 December 2010 is set out below:

	UK		Americas		Europe		ROW	
	Liabilities £m	Income statement £m	Liabilities £m	Income statement £m	Liabilities £m	Income statement £m	Liabilities £m	Income statement £m
Discount rate +1%	314	2.8	45	(0.2)	49	0.4	6	(0.3)
Discount rate -1%	(391)	(1.8)	(56)	0.2	(58)	-	(6)	0.3
Rate of inflation +1%	(298)	(21.3)	-	-	(33)	(2.2)	-	-
Rate of inflation -1%	246	18.2	-	-	30	2.0	-	-
Rate of increase in medical costs +1%	(1)	-	(1)	(0.2)	-	-	-	-
Rate of increase in medical costs -1%	1	-	1	0.2	-	-	-	-

Notes to the Financial Statements (continued)

25 **Post-employment obligations (continued)**

(b) **Defined benefit schemes - reporting**

The amounts included in operating profit are:

	Trading Profit				
	Employee benefit expense	Redundancy and other employment amounts	Restructuring and impairment charges	UK Pension scheme curtailment	Total
	£m	£m	£m	£m	£m
2010					
Current service cost	**(35)**	**-**	**-**	**-**	**(35)**
Past service cost	**1**	**(1)**	**-**	**-**	**-**
Settlement/curtailments	**9**	**-**	**-**	**68**	**77**
	(25)	**(1)**	**-**	**68**	**42**
2009					
Current service cost	(34)	-	-	-	(34)
Past service cost	5	-	(1)	-	4
Settlement/curtailments	7	-	-	-	7
	(22)	-	(1)	-	(23)

The benefits from an enhanced transfer value exercise in the UK together with scheme design changes in Japan resulted in a £9 million settlement/curtailment credit to Trading profit. A number of scheme design changes introduced in UK pension arrangements that included a move from final salary basis to that of career average resulted in a curtailment credit of £68 million.

The amounts recognised in the balance sheet are:

	2010					
	UK	**Americas**	**Europe**	**ROW**	**Total**	2009
	£m	**£m**	**£m**	**£m**	**£m**	£m
Present value of unfunded obligations	**(13)**	**(39)**	**(347)**	**(8)**	**(407)**	(386)
Present value of funded obligations	**(2,435)**	**(360)**	**(22)**	**(36)**	**(2,853)**	(2,800)
Fair value of plan assets	**2,364**	**245**	**28**	**23**	**2,660**	2,190
Net obligations recognised in the balance sheet	**(84)**	**(154)**	**(341)**	**(21)**	**(600)**	(996)

The contributions expected to be paid by the Group during 2011 to the UK scheme is £28 million and to overseas schemes £38 million. Section d) of this note describes the Pension partnership interest created on 31 March 2010 under which the first distribution of £23 million is expected to be made in the second quarter of 2011.

Cumulative actuarial gains and losses recognised in equity are as follows:

	2010	2009
	£m	£m
At 1 January	**(334)**	(144)
Net actuarial losses in year	**(24)**	(190)
At 31 December	**(358)**	(334)

Post-employment obligations

Movement in schemes' obligations (funded and unfunded) during the year

	UK	**Americas**	**Europe**	**ROW**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 January 2010	**(2,440)**	**(355)**	**(352)**	**(39)**	**(3,186)**
Businesses acquired	**-**	**-**	**-**	**-**	**-**
Current service cost	**(22)**	**(4)**	**(6)**	**(3)**	**(35)**
Interest	**(135)**	**(22)**	**(18)**	**(1)**	**(176)**
Contributions by participants	**(4)**	**-**	**(1)**	**-**	**(5)**
Actuarial gains and losses	**(61)**	**(26)**	**(20)**	**(2)**	**(109)**
Benefits paid	**129**	**17**	**17**	**3**	**166**
Past service cost	**(1)**	**1**	**-**	**-**	**-**
Settlements/Curtailments	**86**	**-**	**-**	**6**	**92**
Currency variations	**-**	**(10)**	**11**	**(8)**	**(7)**
At 31 December 2010	**(2,448)**	**(399)**	**(369)**	**(44)**	**(3,260)**
At 1 January 2009	(2,043)	(401)	(353)	(46)	(2,843)
Businesses acquired	(20)	-	-	-	(20)
Current service cost	(20)	(5)	(6)	(3)	(34)
Interest	(129)	(21)	(19)	(1)	(170)
Contributions by participants	(4)	-	-	-	(4)
Actuarial gains and losses	(346)	5	(22)	1	(362)
Benefits paid	123	15	17	3	158
Past service cost	(1)	6	(1)	-	4
Settlements/Curtailments	-	6	-	1	7
Currency variations	-	40	32	6	78
At 31 December 2009	(2,440)	(355)	(352)	(39)	(3,186)

Notes to the Financial Statements (continued)

25 **Post-employment obligations (continued)**

(b) **Defined benefit schemes – reporting (cont'd)**

Movement in schemes' assets during the year

	UK £m	Americas £m	Europe £m	ROW £m	Total £m
At 1 January 2010	**1,930**	**215**	**27**	**18**	**2,190**
Businesses acquired	**-**	**-**	**-**	**-**	**-**
Expected return on assets	**128**	**16**	**1**	**-**	**145**
Actuarial gains and losses	**76**	**10**	**-**	**(1)**	**85**
Contributions by Group	**39**	**16**	**-**	**2**	**57**
Special contribution	**331**	**-**	**-**	**-**	**331**
Contributions by participants	**4**	**-**	**1**	**-**	**5**
Settlements/Curtailments	**(15)**	**-**	**-**	**-**	**(15)**
Benefits paid	**(129)**	**(18)**	**(1)**	**(1)**	**(149)**
Currency variations	**-**	**6**	**-**	**5**	**11**
At 31 December 2010	**2,364**	**245**	**28**	**23**	**2,660**
At 1 January 2009	1,759	202	29	19	2,009
Businesses acquired	-	-	-	-	-
Expected return on assets	106	13	2	-	121
Actuarial gains and losses	152	21	(1)	-	172
Contributions by Group	32	15	1	3	51
Contributions by participants	4	-	-	-	4
Benefits paid	(123)	(15)	(1)	(2)	(141)
Currency variations	-	(21)	(3)	(2)	(26)
At 31 December 2009	1,930	215	27	18	2,190

The defined benefit obligation is analysed between funded and unfunded schemes as follows:

	2010					
	UK £m	**Americas £m**	**Europe £m**	**ROW £m**	**Total £m**	2009 £m
Funded	**(2,435)**	**(360)**	**(22)**	**(36)**	**(2,853)**	(2,800)
Unfunded	**(13)**	**(39)**	**(347)**	**(8)**	**(407)**	(386)
	(2,448)	**(399)**	**(369)**	**(44)**	**(3,260)**	(3,186)

The fair value of the assets in the schemes and the expected rates of return were:

	UK		Americas		Europe		ROW	
	Long term rate of return expected %	Value £m	Long term rate of return expected %	Value £m	Long term rate of return expected %	Value £m	Long term rate of return expected %	Value £m
At 31 December 2010								
Equities (inc. Hedge Funds)	**7.8**	**741**	**8.5**	**171**	**-**	**-**	**5.5**	**11**
Bonds	**5.0**	**1,115**	**3.6**	**69**	**-**	**-**	**1.0**	**8**
Property	**6.6**	**90**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and net current assets	**0.5**	**39**	**2.8**	**5**	**-**	**-**	**-**	**-**
Partnership plan asset	**6.1**	**346**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**5.5**	**33**	**-**	**-**	**4.8**	**28**	**1.25**	**4**
		2,364		**245**		**28**		**23**
At 31 December 2009								
Equities (inc. Hedge Funds)	7.8	696	8.5	143	-	-	5.70	8
Bonds	5.3	1,054	4.2	67	-	-	1.35	7
Property	6.6	82	-	-	-	-	-	-
Cash/short term mandate	0.5	67	3.2	5	-	-	-	2
Other assets	5.7	31	-	-	5.1	27	1.25	1
		1,930		215		27		18

The expected return on plan assets is a blended average of projected long term returns for the various asset classes. Equity returns are developed based on the selection of the equity risk premium above the risk-free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt, as appropriate to the plan's holdings of these instruments, all other asset classes returns are determined by reference to current experience.

The pension partnership interest has been valued on a discounted cash flow basis. The valuation considered separately the profiles of the originating royalty and rental income streams using the Group's current budget and forecast data with other factors considered being related expenses including taxation, timing of the distributions, exchange rates, bond yields and the Group's weighted average cost of capital.

The actual return on plan assets was £230 million (2009: £293 million).

Notes to the Financial Statements (continued)

25 **Post-employment obligations (continued)**

History of experience gains and losses

2010

	UK	Americas	Europe	ROW
Experience adjustments arising on scheme assets:				
Amount - £m	**77**	**10**	**-**	**(1)**
Percentage of scheme assets	**3.3%**	**4.1%**	**-**	**(4.3%)**
Experience gains/(losses) on scheme liabilities:				
Amount - £m	**71**	**(5)**	**(1)**	**-**
Percentage of the present value of scheme liabilities	**2.9%**	**(1.3%)**	**(0.3%)**	
Present value of scheme liabilities - £m	**(2,448)**	**(398)**	**(369)**	**(45)**
Fair value of scheme assets - £m	**2,364**	**245**	**28**	**23**
Deficit - £m	**(84)**	**(153)**	**(341)**	**(22)**

2009	UK	Americas	Europe	ROW
Experience adjustments arising on scheme assets:				
Amount - £m	152	21	(1)	-
Percentage of scheme assets	7.9%	9.8%	(3.7%)	-
Experience gains/(losses) on scheme liabilities:				
Amount - £m	-	1	6	-
Percentage of the present value of scheme liabilities	-	0.3%	1.7%	-
Present value of scheme liabilities - £m	(2,440)	(355)	(352)	(39)
Fair value of scheme assets - £m	1,930	215	27	18
Deficit - £m	(510)	(140)	(325)	(21)

2008	UK	Americas	Europe	ROW
Experience adjustments arising on scheme assets:				
Amount - £m	(539)	(86)	-	(4)
Percentage of scheme assets	(30.6%)	(43.1%)	-	(21.0%)
Experience gains/(losses) on scheme liabilities:				
Amount - £m	7	2	(5)	-
Percentage of the present value of scheme liabilities	0.3%	0.5%	(1.4%)	-
Present value of scheme liabilities - £m	(2,043)	(401)	(353)	(46)
Fair value of scheme assets - £m	1,759	202	29	19
Deficit - £m	(284)	(199)	(324)	(27)

2007	UK	Americas	Europe	ROW
Experience adjustments arising on scheme assets:				
Amount - £m	21	-	(1)	(1)
Percentage of scheme assets	0.9%	-	(4.8%)	(7.1%)
Experience gains/(losses) on scheme liabilities:				
Amount - £m	(7)	4	(3)	-
Percentage of the present value of scheme liabilities	(0.3%)	1.6%	(1.4%)	-
Present value of scheme liabilities - £m	(2,264)	(270)	(268)	(24)
Fair value of scheme assets - £m	2,248	212	21	14
Deficit - £m	(16)	(58)	(247)	(10)

2006	UK	Americas	Europe	ROW
Experience adjustments arising on scheme assets:				
Amount - £m	35	15	(1)	-
Percentage of scheme assets	1.6%	7.6%	(4.5%)	-
Experience gains/(losses) on scheme liabilities:				
Amount - £m	15	-	-	(1)
Percentage of the present value of scheme liabilities	0.6%	-	-	(6.7%)
Present value of scheme liabilities - £m	(2,375)	(301)	(277)	(23)
Fair value of scheme assets - £m	2,187	196	19	13
Deficit - £m	(188)	(105)	(258)	(10)

(c) **Defined contribution schemes**

The Group operates a number of defined contribution schemes outside the United Kingdom. The charge to the income statement in the year was £15 million (2009: £13 million).

(d) **Pension partnership interest**

On 31 March 2010 the Group agreed an asset-backed cash payment arrangement with the Trustee of the UK Pension scheme to help address the UK pension funding deficit. In connection with the arrangement certain UK freehold properties and a non-exclusive licence over the GKN trade marks, together with associated rental and royalty rights, were transferred to a limited partnership established by the Group. The partnership is controlled by and its results are consolidated by the Group. The fair value of the assets transferred was £535 million. On 31 March 2010, the Group made a special contribution to the UK Pension scheme of £331 million and on the same date the UK Pension scheme used this contribution to acquire a nominal limited interest in the partnership for its fair value of £331 million. The UK Pension scheme's nominal partnership interest entitles it to a distribution from the income of the partnership of £30 million per annum for 20 years subject to a discretion exercisable by the Group in certain circumstances. At inception the discounted value of the cash distributions was assessed at £331 million which was recognised as a pension plan asset and as a non-controlling interest in equity. The first distribution of £23 million for the period from 31 March to 31 December 2010 is expected to be made in the second quarter of 2011.

Notes to the Financial Statements (continued)

26 Contingent assets and liabilities

Aside from the unrecognised contingent asset referred to in note 6 in respect of Franked Investment Income, there were no other material contingent assets at 31 December 2010.

In the case of certain businesses performance bonds and customer finance obligations have been entered into in the normal course of business.

Contingent consideration of £9 million is payable and provided upon Filton achieving certain levels of sales in 2013, 2014 and 2015. The range of contingent consideration payable is nil to £9 million.

27 Operating lease commitments - minimum lease payments

The minimum lease payments which the Group is committed to make at 31 December are:

	2010		2009	
	Property	**Vehicles, plant and equipment**	Property	Vehicles, plant and equipment
	£m	**£m**	£m	£m
Payments under non-cancellable operating leases:				
Within one year	**26**	**10**	30	10
Later than one year and less than five years	**75**	**17**	82	18
After five years	**105**	**2**	118	2
	206	**29**	230	30

28 Capital expenditure

Contracts placed against capital expenditure sanctioned at 31 December 2010 so far as not provided by subsidiaries amounted to £96 million (2009: £84 million) and the Group's share not provided by joint ventures amounted to less than £1 million (2009: £1 million).

29 Related party transactions

In the ordinary course of business, sales and purchases of goods take place between subsidiaries and joint venture companies priced on an 'arm's length' basis. Sales by subsidiaries to joint ventures in 2010 totalled £89 million (2009: £62 million). The amount due at the year end in respect of such sales was £17 million (2009: £14 million). Purchases by subsidiaries from joint ventures in 2010 totalled £2 million (2009: £4 million). The amount due at the year end in respect of such purchases was nil (2009: nil).

At 31 December 2009 a Group subsidiary had £1 million receivable from a joint venture in respect of an unsecured financing facility bearing interest at six month LIBOR plus 1%. The facility was repaid in 2010.

The Group obtained control of GKN Aerospace Services Structures Corp. (GASS) on 1 April 2010. The Group provided services to GASS during the first quarter of 2010 amounting to less than £1 million (2009 full year: £1 million). No goods were supplied to the Group by GASS during the first quarter of 2010 (2009 full year: £1 million). Transactions between the Group and GASS were priced on an 'arm's length' basis. At 31 December 2009 a Group subsidiary had £11 million receivable from GASS in respect of a loan bearing interest at US Prime Rate minus 2%.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN HOLDINGS PLC

We have audited the Company financial statements of GKN Holdings Plc for the year ended 31 December 2010 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page1, the directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

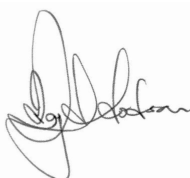
Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the Company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Company financial statements are prepared is consistent with the Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of GKN Holdings Plc for the year ended 31 December 2010.



Roy Hodson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 March 2011

Balance Sheet at 31 December 2010

	Notes	**2010 £m**	2009 £m
Fixed assets			
Investment in subsidiaries at cost	4	**849**	1,025
Current assets			
Debtors	5	**21**	2
Amounts due from subsidiaries		**1,237**	864
UK current corporation tax		**10**	-
		1,268	866
Current liabilities			
Creditors: amounts falling due in less than one year	6	**(13)**	(16)
UK current corporation tax		**-**	(10)
		(13)	(26)
Net current assets		**1,255**	840
Total assets less current liabilities		**2,104**	1,865
Non-current liabilities			
Borrowings	7	**(523)**	(548)
Net assets		**1,581**	1,317
Capital and reserves			
Share capital	10	**362**	362
Share premium account	10	**301**	301
Other non-distributable reserves	9	**288**	288
Profit and loss account	2, 9	**630**	366
		1,581	1,317

Signed on behalf of the Board

William C Seeger
Director

29 March 2011

Notes to the Financial Statements of GKN Holdings plc
For the year ended 31 December 2010

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 wholly owned subsidiary undertakings. 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 2011 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. Fixed asset investments are reviewed at least annually for indications of impairment with any resulting impairment charges taken to the profit and loss account. When events or circumstances arise that indicate that previously charged impairments may have reversed; recoverable amounts are reassessed and any impairment reversal is taken to the profit and loss account.

Profit and loss account
Turnover represents revenue receivable in respect of trademark fees charged to GKN Group companies for using the GKN trademark and logo and is measured at the fair value of the consideration receivable which equates to the invoiced amount excluding sales taxes. 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.

Foreign currencies
Where practicable, transactions involving foreign currencies are protected by forward contracts. Asset and liabilities in foreign currencies are translated 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.

Taxation
Provision is made for deferred tax in so far as a liability or asset arises as a result of transactions that have occurred by the balance sheet date and give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. A deferred tax asset is only recognised to the extent that it may be considered recoverable. Deferred tax assets and liabilities are not discounted.

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 2010 was £364 million (2009: loss of £53 million).

Auditors' remuneration for audit services to the Company was less than £0.1 million (2009: less than £0.1 million).

3 Taxation

At 31 December 2010 a deferred tax asset of £71 million (2009: £27 million) in respect of tax losses has not been recognised on the basis that the future recovery of the asset is uncertain.

4 Fixed asset investments

Investments in subsidiary undertakings	Cost £m	Accumulated impairment £m	Carrying value £m
At 1 January 2010	1,028	(3)	1,025
Additions	204	-	204
Return of capital from investment	(383)	2	(381)
Impairment:			
Charge for the year	-	-	-
Amounts reversed	-	1	1
At 31 December 2010	**849**	**-**	**849**

Interests are as follows:
The principal subsidiary companies at 31 December 2010 are listed below:

Name of company	Country of registration or incorporation	Principal activity	Description of shares held	Proportion of nominal value of shares held by the Company
GKN (United Kingdom) plc	England	Investment holding company	£1 ordinary	100%
GKN Group Services Limited	England	Group procurement and service providing company	£1 preference shares	100%

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary companies consisting of shares in or amounts owing (whether on account of a loan or otherwise), is not less than the aggregate of the amounts at which these investments are stated.

Notes to the Financial Statements of GKN Holdings plc (continued)
For the year ended 31 December 2010

5 **Debtors**

	2010 £m	2009 £m
Other debtors	**21**	2

6 **Creditors**

	2010 £m	2009 £m
Other creditors	**(1)**	(1)
Accruals	**(12)**	(15)
	(13)	(16)

7 **Borrowings**

	Notes	**2010 £m**	2009 £m
Amounts repayable:			
Within one to two years	i	**-**	-
Within two to five years	ii	**(176)**	(201)
After more than five years	iii	**(350)**	(350)
		(526)	(551)
Unamortised issue costs		**3**	3
		(523)	(548)

(i) Unsecured borrowings at variable rates of interest.
(ii) Unsecured 7% bond maturing in May 2012. During 2010 the Company repurchased £25 million of the bond.
(iii) Unsecured 6.75% bond maturing in October 2019.

8 **Analysis of financial liabilities**

The Company's activities from an integral part of the GKN plc Group's strategy with regard to financial instruments. The GKN plc Group's objectives, policies and strategies with regard to financial instruments are disclosed in full in the accounts of GKN plc.

Short term debtors and creditors arising directly from the Company's operations are excluded from the following disclosures.

The currency and interest rate of the Company's borrowings were as follows:

				Fixed rate borrowings	
	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
At 31 December 2010:					
Sterling	-	(523)	(523)	6.8	6.4
At 31 December 2009:					
Sterling	-	(548)	(548)	6.8	7.1

The comparison of the fair and book values of the Company's financial liabilities at 31 December 2010 is set out below:

		2010		2009	
	Notes	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Amounts repayable:					
Within one to two years		**-**	**-**	-	-
Within two to five years	i	**176**	**186**	201	212
After more than five years	i	**350**	**364**	350	337
		526	**550**	551	549
Unamortised issue costs		**(3)**		(3)	
		523		548	

(i) Fair value reflects the quoted closing market value at 31 December.

Committed bank facilities at 31 December 2010 total £358 million of which £43 million expire in October 2010. There were no drawings on these facilities at 31 December 2010 although £10 million was utilised for Letters of Credit.

9 **Reserves**

	Other non-distributable reserves £m	**Profit and loss account £m**
At 1 January 2010	**288**	**366**
Dividends paid to group undertakings	**-**	**(100)**
Profit for the year	**-**	**364**
At 31 December 2010	**288**	**630**

An interim dividend of £100 million was paid to group undertakings on 21 December 2010 (2009: nil).

Notes to the Financial Statements of GKN Holdings plc (continued)
For the year ended 31 December 2010

10 Reconciliation of movements in shareholders' funds

	£m
At 1 January 2010	**1,317**
Dividends paid to group undertakings	**(100)**
Profit for the year	**364**
At 31 December 2010	**1,581**

Details of the share capital of GKN Holdings plc are contained within note 22 to the consolidated financial statements.

11 Contingent liabilities

At 31 December 2010 the Company had no contingent liabilities in respect of bank and other guarantees (2009: nil). In the case of certain businesses, performance bonds and customer finance obligations have been entered into in the normal course of business.

12 Related party transactions

During the year, trademark fees amounting to £0.3 million (2009: £0.9 million) were charged to GKN Driveline (India) Ltd, a subsidiary in which the Company ultimately owns 97% of the share capital.

13 Ultimate and immediate parent company

GKN plc is the ultimate and immediate parent company. Copies of its accounts may be obtained from PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL.