

## Notes to the financial statements of GKN plc

### 1 Significant accounting policies and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except where other measurement bases are required to be applied and in accordance with applicable United Kingdom Accounting Standards and law. In accordance with FRS 1 (revised 1996) and FRS 8 the Company has taken advantage of the exemptions not to prepare a cash flow statement and not to disclose transactions with related parties. As the consolidated financial statements have been prepared in accordance with IFRS 7, the Company is exempt from the disclosure requirements of FRS 29.

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

#### Investments

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

#### Treasury shares

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

#### Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The Company has no employees. Equity-settled share-based payments that are made available to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

#### Profit and loss account

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

#### Dividends

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

### 2 Profit and loss account

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The profit for the year ended 31 December 2011 was £9 million (2010: £110 million).

Auditors' remuneration for audit services to the Company was £0.3 million (2010: £0.6 million).

### 3 Fixed asset investments

	£m
At 1 January 2011	3,572
Additions – share-based payments	6
<b>At 31 December 2011</b>	<b>3,578</b>

Principal subsidiary and joint venture companies, the investments in which are held through intermediate holding companies, are shown on pages 126 and 127.

### 4 Share capital and capital redemption reserve

Share capital disclosure and details of the cancellation of deferred ordinary shares in the prior year are shown in note 23 of the notes to the consolidated financial statements.

### 5 Reserves

	Capital redemption reserve £m	Share premium account £m	Profit and loss account £m
At 1 January 2011	298	9	1,015
Profit for the year	–	–	9
Share-based payments	–	–	6
Dividends paid to equity shareholders	–	–	(85)
<b>At 31 December 2011</b>	<b>298</b>	<b>9</b>	<b>945</b>

**Notes to the financial statements of GKN plc**

Continued

**6 Reconciliation of movements in shareholders' funds**

	£m
At 1 January 2011	1,481
Profit for the year	9
Share-based payments	6
Dividends paid to equity shareholders	(85)
<b>At 31 December 2011</b>	<b>1,411</b>