

GKN CEDU LIMITED

Registered Number: 352162

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2010

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GKN CEDU LIMITED

Registered Number: 352162

Director's report for the year ended 31 December 2010

Directors Mr M I S Bryson
 Mr C A Jones
 Mr E Peake

- 1 The Directors present their report together with the audited financial statements of 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 elected to prepare 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 Principal Activities and Business Review

Principal Activities

The principal activities of the company are to provide high quality technical and people services to customers within a wide variety of industries. These include the aerospace, defence and marine sectors.

Financial Results

The profit and loss account of the Company shows a profit for the year of £1,772,000 (2009: Loss of £110,000). No dividend is recommended for the year (2009: £nil).

Going Concern

The Directors have reviewed the financial position of the Company and have confirmed that it is appropriate to prepare the financial statements on a going concern basis.

GKN CEDU LIMITED

Business Review

The first three quarters of the year saw a continuation of the relatively low level of demand experienced in 2009. In general terms the aerospace market saw an upturn in confidence and activity towards the end of the year, and this business was no exception with a combination of increased overall activity from its major customers and a small number of stand alone packages being won. Albeit the fourth quarter saw an increase in headcount, cost control remains high on the agenda of the business.

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. The following risks have been identified as ones which could have a material impact on the future financial performance of the Company and cause results to differ materially from expected and historical results. Additional risks not currently known or which are regarded as immaterial could also affect future performance.

Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of credit risk. As a subsidiary of GKN plc all the Company's funding is provided through a fellow subsidiary via a current account. The overarching Group policies in relation to external risks, including interest rate risk, foreign exchange risk and liquidity risk all of which are managed centrally by the GKN plc Group Treasury function, are set out in the annual report of GKN plc. The Company does not use derivative financial instruments to manage interest rate costs.

Where the Company enters into transactions with inherent external counter-party risk, exposures are assessed in line with GKN plc policies and guidance.

Market and customer related risk

The Company supplies to the aerospace industry, the military aircraft element of which is affected by political considerations particularly in the US, whilst civil demand is affected by the number of passenger miles which in turn is a function of economic growth and personal spending power and perceived security risk.

The Company mitigates these risks by seeking to reduce its cost base when demand for its products falls and monitoring its credit exposures.

Key performance indicators

The Company's performance is measured against a number of key performance indicators (KPIs).

Financial key performance indicators

The key KPIs relate to growth in sales and trading margins.

We aim to achieve growth in sales in excess of that seen in our markets both in absolute terms and on a like-for-like basis that is excluding the effects of currency translation, acquisitions or divestments. Due to the global economic climate as detailed in the business review, in 2010 our sales declined by 17% to £16,490,000.

With regard to trading margins our target is to operate with a margin of 10% or above. During 2010 the trading margin increased to 5.8% from 4.7%.

GKN CEDU LIMITED

4 Payments to suppliers

It is Company 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 Company's purchasing arrangements and contracts, it is not Company policy to follow any code or standard which deals with the payment of suppliers.

As an indication of the average number of days outstanding between receipt of invoices and payment of suppliers at 31 December 2010, the amount owed to trade creditors by the Company was equivalent to 2 days' (2009: 2 days') purchases from suppliers during the year.

5 Directors

The current Directors of the Company are set out on page one of this report. All Directors served throughout the year. Pursuant to the Company's Articles of Association, the company has executed a deed poll of indemnity for the benefit of the Directors of the Company and persons who were Directors of the Company in respect of costs of defending claims against them and third party liabilities. These provisions are currently in force. The indemnity provision in the company's Articles of Association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the Company.

A copy of the deed poll of indemnity and of the Company's Articles of Association are available for inspection at the Company's registered office during normal business hours.

6 Charitable donations

During the year the company contributed £500 (2009: £800) for charitable purposes.

7. Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with employees is promoted through a variety of means including in-house newsletters, briefing meetings and the GKN intranet which provides access to Group information, news, policies and procedures.

8 Disabled persons

The Company's policy in relation to the employment of disabled persons is as follows:

Full consideration is given to job applications received from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the duties of the job. Where appropriate, special training is given to facilitate engagement of the disabled and modifications to the job will be considered. Where an employee becomes disabled whilst employed by the company, arrangements will be made wherever possible for re-training in order to perform a different job. Consideration for modifying jobs will be given.

GKN CEDU LIMITED

9 Independent Auditors and Disclosure of Information to Auditors

PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006

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 the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



C A Jones
Director

16th May 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GKN CEDU LIMITED

We have audited the financial statements of GKN Cedu Limited for the year ended 31 December 2010 which comprise the profit and loss account, 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 set out on page 2, 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 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 financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- 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 financial statements are prepared is consistent with the financial statements.

GKN CEDU LIMITED

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



David Reeman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16th May 2011

GKN CEDU LIMITED

Profit and loss account for the year ended 31 December 2010

	<u>Note</u>	<u>2010</u> £'000	<u>2009</u> £ 000
TURNOVER	2	16,490	19 290
OPERATING PROFIT		<u>697</u>	<u>616</u>
Income from shares in group undertakings		1,439	-
Other interest receivable and similar income	5	14	-
Amounts written off investments		-	(159)
Interest payable and similar charges	5	(3)	(131)
		<u>2,147</u>	<u>326</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax charge on profit on ordinary activities	6	(375)	(436)
PROFIT / (LOSS) FOR THE YEAR	15	<u>1,772</u>	<u>(110)</u>

The above results have arisen from continuing activities in the year

The company has no recognised gains and losses other than the profit/(loss) for the years shown above
Therefore, no separate statement of total recognised gains and losses has been presented

Results for the year on an historical cost basis are not materially different from those reported above

GKN CEDU LIMITED

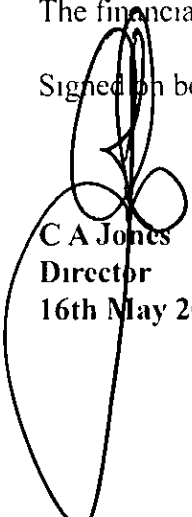
Registered Number: 352162

Balance sheet as at 31 December 2010

	Note	<u>2010</u> £'000	<u>2009</u> £'000
FIXED ASSETS			
Tangible assets	9	757	1,119
Investments	10	4,316	4,316
		<u>5,073</u>	<u>5,435</u>
CURRENT ASSETS			
Stocks	11	387	582
Debtors	12	9,159	5,430
Cash at bank and in hand		-	391
		<u>9,546</u>	<u>6,403</u>
CREDITORS : amounts falling due within one year	13	<u>(2,741)</u>	<u>(1,732)</u>
NET CURRENT ASSETS		<u>6,805</u>	<u>4,671</u>
NET ASSETS		<u>11,878</u>	<u>10,106</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,000	1,000
Share premium	15	29,042	29,042
Profit and loss account	15	(18,164)	(19,936)
TOTAL SHAREHOLDERS' FUNDS	16	<u>11,878</u>	<u>10,106</u>

The financial statements on pages 8 to 22 were approved by the Board

Signed on behalf of the Board


C A Jones
Director
16th May 2011

GKN CEDU LIMITED

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The Company has taken advantage of the exemption, under the Companies Act 2006, Section 400, not to prepare consolidated accounts, as it is itself an intermediate holding company wholly owned by another UK company

The Directors have conducted a review of the Company's accounting policies and have confirmed that they are the most appropriate for the purposes of giving a true and fair view of the Company's results

A summary of principal accounting policies which have been applied correctly are set out below

Turnover

Turnover shown in the profit and loss account exclude value added taxes and represent the invoiced value of services charged to customers. Invoices are raised when services have been performed or milestones reached unless other terms have been specifically agreed

In Aerospace, on long-term development and/or supply contracts, turnover is recognised based on the value of work done at the achievement of predetermined contractual or other milestones

Operating profit

- (a) Profit is taken when turnover is recognised
- (b) The cost of acquiring patents and know-how is written off in the year of acquisition
- (c) Operating lease rentals are charged to the profit and loss account as incurred over the lease term

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Differences on revenue transactions are dealt with through the profit and loss account. Differences related to foreign currency borrowings which are used to finance foreign currency investments are dealt with through reserves

Research and development

Revenue expenditure on research and development is written off as incurred

GKN CEDU LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Cost

- (a) Tangible fixed assets are valued at historic cost less accumulated depreciation. Cost comprises the purchase price plus any costs directly incurred in bringing the asset into use but excludes interest.
- (b) 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 assets in the course of construction. In the case of all other categories of asset, depreciation is provided on a straight line basis over the course of the financial year.

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

The rates of depreciation used are

	Straight line <u>period</u> (years)
General plant, machinery, fixtures, fittings and equipment	7
PC's & Laptops	3
Other computer equipment and major software	5

Leased assets

Where fixed assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitment is shown as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital which reduces the outstanding obligation. Operating lease rentals are charged to the profit and loss account as incurred over the lease term.

Fixed asset investments

Investments in subsidiary companies are accounted for at historic cost less provision for any impairment. The basis for any impairment is by reference to the net asset value of the investment.

Work in progress

- (a) Long term work in progress is valued at the lower of cost and net realisable value. Cost includes a relevant proportion of general overheads assuming normal levels of activity.
- (b) Payments received from customers are deducted from work in progress to the extent of the cost of the work carried out and any excess is shown as customer advances.

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Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

Reorganisation costs

Costs of reorganisation and redundancy, which are not part of a fundamental restructuring, are charged against operating profit in the period when the announcement is made

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Cash flow statement

As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cash flow statement

Related party transactions

As the Company is a wholly owned subsidiary of GKN plc, the Company is not required to disclose transactions with other Group subsidiaries, joint ventures and associated companies

The Company has not transacted with other related parties during either year

Pension costs

As it has not been possible to separately identify the Company's share of the underlying assets and liabilities within the group pension schemes, the Company's pension cost is based upon the contributions paid into the scheme during the year (see note 20)

Share-based payments

As a subsidiary of GKN plc, share based incentive arrangements are provided to employees under the Group's share option, incentive and other share award schemes. Share options granted to Directors and 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 Directors and 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

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Notes to the financial statements for the year ended 31 December 2010 (continued)

2 Turnover

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Geographical analysis by destination		
United Kingdom	16,211	18,861
Outside United Kingdom	279	429
	<u>16,490</u>	<u>19,290</u>

All turnover and operating profits were attributable to the principal activity of the business as shown in the Directors' report

3 Operating profit

Operating profit is stated after charging

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Changes in work in progress	(195)	278
Staff costs		
Wages & salaries	(6,648)	(8,001)
Social security costs	(653)	(737)
Other pension costs	(979)	(529)
Share-based payments charge	-	-
Depreciation written off owned tangible assets	(582)	(941)
Impairment of tangible assets	(23)	-
Impairment of investments	-	(159)
Operating lease rentals charged on		
Land and Buildings	(178)	(134)
Plant and machinery	(48)	(77)
Services provided by the Company's auditor		
Fees payable for the audit	(18)	(23)
Restructuring		
Redundancy charges	(6)	(120)
Other external charges	(6,463)	(8,231)
	<u>(15,793)</u>	<u>(18,674)</u>

4 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 FRS 20 "Share based payments". As permitted by the transitional arrangements of that standard, 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.

No awards were made in 2010 that impacted the Company's accounting charge. Details of past awards are:

a) Employee Share Option Scheme (ESOS)

Awards were made to Directors and certain senior employees in September 2004, April 2005 and April 2006. 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. The condition is based on Total Shareholder Return (TSR) compared with that of comparator companies. Inputs to the valuation model were: option price 219p-334.05p, volatility 32%-38%, expected dividend yield 3.7%-6.2%, risk free interest rate 4.28%-4.92% and expected terms of 6.4 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 and April 2006 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 were: option price nil, volatility 23%-39%, expected dividend yield 3.7%-6.2%, risk free interest rate 4.05%-4.94% and a term of 3 years to 4 years 9.5 months.

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.

GKN CEDU LIMITED**Notes to the financial statements for the year ended 31 December 2010 (continued)****4 Share based payments (continued)**

A reconciliation of option movements, in respect of options for which a charge has been recognised, is shown below

	2010		2009	
	Number	Weighted Average Exercise Price (p)	Number	Weighted Average Exercise Price (p)
Outstanding at 1 January	-	-	5,205	334.05
Granted	-	-	-	-
Forfeited	-	-	(5,205)	334.05
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

GKN CEDU LIMITED**Notes to the financial statements for the year ended 31 December 2010 (continued)****5 Other interest receivable and similar income**

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Interest on current account	14	-
	<u>14</u>	<u>-</u>

Interest payable and similar charges

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Interest on group loans	-	(123)
Interest to supplier for deferred payments	(3)	(8)
	<u>(3)</u>	<u>(131)</u>

6 Tax charge on profit on ordinary activities

United Kingdom taxation	<u>2010</u>	<u>2009</u>
	£'000	£'000
Corporation tax at 28% (2009 – 28%)	(375)	(124)
Adjustment to taxation of earlier years	-	1
Current tax charge for the period	<u>(375)</u>	<u>(123)</u>
	-	(313)
Deferred tax credit	<u>(375)</u>	<u>(436)</u>
Total tax charge on ordinary activities		

The tax charge assessed for the year is different from the standard rate of corporation tax in the UK (28%)
The differences are explained below

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Profit on ordinary activities before taxation	<u>2,147</u>	<u>326</u>
Tax charge calculated at standard UK tax rate 28% (2009 – 28%)	(601)	(91)
Non deductible and non taxable items	395	(88)
Fixed asset timing differences	(169)	(258)
Other timing differences	-	313
Adjustment to taxation of earlier years	-	1
Current tax charge for year	<u>(375)</u>	<u>(123)</u>

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Notes to the financial statements for the year ended 31 December 2010 (continued)

Tax charge on profit on ordinary activities (continued)

The rate of corporation tax will change from 28% to 26% on 1 April 2011. Please note that whilst the reduction to 27% was substantively enacted as at the balance sheet date the further reduction to 26% became substantively enacted subsequent to the balance sheet date.

Taxation payable

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Taxation payable	(375)	(124)

Deferred taxation

	<u>2010</u>	<u>2009</u>
	£'000	£'000
The deferred tax balance comprises:		
Fixed asset timing differences	2,834	2,763
Other temporary differences	-	-
De-recognition of deferred tax assets	(2,834)	(2,763)
Deferred tax asset	-	-
At 1 January 2010	-	313
Amount charged to profit and loss	-	(313)
At 31 December 2010	-	-

A deferred tax asset of £2,834,000 (2009 £2,763,000) has not been recognised on the basis that the future recovery of such amounts is uncertain.

7 Employee information

The average monthly number of persons employed (including Director's) during the year was

	<u>2010</u>	<u>2009</u>
	Number	Number
Number of engineering staff	146	162
Number of administrative staff	31	39
	177	201

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Notes to the financial statements for the year ended 31 December 2010 (continued)

8 Directors' emoluments

Directors' emoluments are disclosed in accordance with the Companies Act 2006

	<u>2010</u> £'000	<u>2009</u> £'000
Aggregate emoluments	<u>138</u>	<u>123</u>

The emoluments above are in relation to one of the Directors. The other two Directors are remunerated by other companies in the GKN Group.

During the year, one of the Directors (2009: none) exercised options over GKN plc shares (details are given in the report and accounts of GKN plc). None of the Directors (2009: 0 Directors) received or became entitled to receive shares under the GKN long term incentive plans. Retirement benefits are accruing to 3 Directors (2009: 3 directors) under the GKN Group's defined benefit pension schemes.

9 Tangible assets

	Fixtures, fittings, and equipment £'000	Total £'000
Cost		
At 1 January 2010	14,575	14,575
Additions	243	243
Disposals	(1,518)	(1,518)
At 31 December 2010	<u>13,300</u>	<u>13,300</u>
Accumulated depreciation		
At 1 January 2010	(13,456)	(13,456)
Disposals	1,518	1,518
Charge for the year	(582)	(582)
Impairment	(23)	(23)
At 31 December 2010	<u>12,543</u>	<u>12,543</u>
Net book value at 31 December 2010	<u>757</u>	<u>757</u>
Net book value at 31 December 2009	1,119	1,119

Fixtures, fittings, tools and equipment includes fixtures, fittings, computer equipment and software licences.

GKN CEDU LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

10 Investments

Shares in group undertakings	2010	2009
	£'000	£'000
Cost		
At 1 January	<u>4,475</u>	<u>4,475</u>
At 31 December	<u>4,475</u>	<u>4,475</u>
Impairment		
At 1 January	<u>(159)</u>	<u>-</u>
Charge for the year	<u>-</u>	<u>(159)</u>
At 31 December	<u>(159)</u>	<u>(159)</u>
Net book value at 31 December	<u>4,316</u>	<u>4,316</u>
Net book value at 31 December	<u>4,316</u>	<u>4,475</u>

Interests are as follows

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 Westland Design Services Ltd	UK	Dormant	Ordinary £1	100%
Westland System Assessment Limited	UK	Dormant	Ordinary £1	100%
GKN Aerospace Engineering Services PTY Ltd	Australia	Engineering Design	Ordinary Aus \$ 1	100%

As the Company is a wholly owned subsidiary of GKN plc which is established under the law of a member state of the European Economic Area, consolidated accounts are not required (and associated companies have not been accounted for on an equity basis). In the opinion of the Directors, the aggregate value of the Company's investments in subsidiary, joint ventures and associated 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 in the balance sheet

11 Stocks

	2010	2009
	£'000	£'000
Work in progress	<u>387</u>	<u>582</u>

There is not material difference between the replacement value of stock and their carrying value

GKN CEDU LIMITED**Notes to the financial statements for the year ended 31 December 2010 (continued)****12 Debtors: amounts falling due within one year**

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Trade debtors	3,657	1,904
Amounts owed by group undertakings	859	913
Current account with GKN (United Kingdom) plc	4,464	2,273
Prepayments and accrued income	179	340
	<u>9,159</u>	<u>5,430</u>

Account with GKN (United Kingdom) plc

The account with GKN (United Kingdom) plc represents, together with the equity interest, the GKN Group interest in the Company excluding normal intra-group trading balances with fellow subsidiaries. This account represents funding both of a permanent nature and to cover short term funding of the Company's working capital. The account is interest bearing and without any repayment terms.

13 Creditors: amounts falling due within one year

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Bank loans and overdraft	(16)	-
Trade creditors	(62)	(75)
Amounts owed to group undertakings	(397)	(414)
Corporation tax payable	(375)	(437)
Accruals and deferred income	(1,891)	(806)
	<u>(2,741)</u>	<u>(1,732)</u>

GKN CEDU LIMITED**Notes to the financial statements for the year ended 31 December 2010 (continued)****14 Called up share capital**

	<u>2010</u> <u>Authorised</u> £'000	<u>2009</u> <u>Authorised</u> £ 000
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>2010</u> <u>Issued, called up</u> <u>and fully paid</u> £'000	<u>2009</u> <u>Issued, called up</u> <u>and fully paid</u> £'000
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

15 Reserves

	<u>Share</u> <u>Premium</u> £'000	<u>Profit and loss</u> <u>account</u> £'000	<u>Total</u> £'000
At 1 January 2010	29,042	(19,936)	9,106
Profit for the financial year	-	1,772	1,772
At 31 December 2010	<u>29,042</u>	<u>(18,164)</u>	<u>10,878</u>

16 Reconciliation of movements in total shareholders' funds

	<u>2010</u> £'000	<u>2009</u> £ 000
At 1 January	10,106	10,216
Profit / (loss) for the year	<u>1,772</u>	<u>(110)</u>
At 31 December	<u>11,878</u>	<u>10,106</u>

17 Capital commitments

Contracts placed against capital expenditure sanctioned by the Board at 31 December 2010 so far as not provided for in these accounts amounted to £nil (2009 £nil)

GKN CEDU LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

18 Operating lease commitments

The minimum payments to which the Company is committed in the next year under non cancellable operating leases are as follows

	<u>2010</u>		<u>2009</u>	
	<u>Land and buildings</u> £'000	<u>Other</u> £'000	<u>Land and buildings</u> £'000	<u>Other</u> £'000
Commitment expiring within one year	-	(4)	-	(25)
Commitment expiring within two to five years	(55)	(30)	(24)	(30)
Commitment expiring after five years	(130)	-	(130)	-
	<u>(185)</u>	<u>(34)</u>	<u>(154)</u>	<u>(55)</u>

19 Pensions

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. It has not been possible to separately identify the Company's share of the underlying assets and liabilities within the group pension schemes. Therefore the Company's pension cost is based on pension contributions payable as assessed across the UK Group as a whole in accordance with the advice of professionally qualified actuaries. The disclosure of the liability arising under FRS 17 and the accounting policy adopted are contained in the financial statements of GKN plc, which is calculated in accordance with International Accounting Standard 19 'Employee Benefits'. Please refer to note 7 for details of amounts paid. There are no amounts prepaid or accrued.

20 Ultimate parent undertaking

GKN plc and Westland Group plc are the ultimate and immediate parent companies respectively. GKN plc is the parent company of the smallest and largest group which consolidates the financial statements of the Company. Copies of GKN plc's accounts may be obtained from PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL.