

GKN AEROSPACE TRANSPARENCY SYSTEMS (LUTON) LIMITED

Registered Number: 2829302

ANNUAL ACCOUNTS

31 DECEMBER 2007



Report of the Directors

Directors M J S Bryson
A Dutton
P A Harris

Secretary A Dutton

1 The Directors present their report together with the audited accounts of the Company for the year ended 31 December 2007

2 **Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing those financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, make judgements and 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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 4.

3 **Principal activities and business review**

Principal activities

In the nine months to 30th September the principal activities of the Company were the manufacture and repair of aerospace components particularly aircraft windows, canopies and de-icing systems. On 1st October the business and operating assets of the Company were transferred to GKN Aerospace Services Limited, a fellow GKN Group company.

Business review

The Company's sales for the year amounted to £25.0 million, all of which took place in the first nine months of the year. Sales for the nine months to 30th September 2006 were £20.3 million.

The underlying increase of £4.7 million was 23.2% above 2006 and arose as a consequence of overall strong markets and a number of new programmes coming into production.

Capital expenditure on tangible assets in the year was £1,277,000 (2006: £1,290,000) which represented 1.04 times (2006: 0.81 times) depreciation.

Results and dividends

The profit and loss account of the Company shows a profit for the year of £23.9 million (2006: loss of 28.1 million). No dividend is recommended for the year (2006: nil).

Report of the Directors (continued)**3 Principal activities and business review (continued)***Research and development*

The Company undertakes research and development work in support of its principal manufacturing activities. The cost of this work is accounted for in accordance with the accounting policies as set out on pages 7 - 9

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties facing the Company are considered to relate to markets and customer related issues and manufacturing and operational factors. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Business Review section of the GKN plc annual report for 2007 which does not form part of this report

Key Performance Indicators

The Company is part of the Aerospace business of the GKN Group and as such key performance indicators are measured either on a divisional or a Group basis. 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. The development, performance and position of the Aerospace business of the GKN Group, which includes the Company, is discussed in the Business Review section of the GKN plc annual report for 2007

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 30 September 2007, the amount owed to trade creditors by the Company was equivalent to 48 days' (2006 56 days') purchases from suppliers during the nine months to 30 September

5 Directors

The directors, all of whom served throughout the year, are included on page 1 of this report

Pursuant to its 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 during the financial year under review in respect of costs of defending claims against them and third party liabilities. These provisions remain 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 £606 (2006 £550) for charitable purposes to a UK registered charity and a school

7 Employees

Employees of the Company had their contracts of employment transferred to GKN Aerospace Services Limited on 1st October 2007. Prior to that date, consultation with employees or their representatives continued at all levels, with the aim of ensuring that their views were taken into account when decisions were made that were likely to affect their interests and that all employees were aware of the financial and economic performance of the Company as a whole. Communication with all employees continued through the in-house newspaper, newsletters and briefing groups

Report of the Directors (continued)**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.

9 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 Group Treasury, are set out in the GKN plc annual report and accounts. 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.

10 Auditors and disclosure of information to auditors

A resolution of the shareholders has been passed to dispense with the appointment of auditors annually and PricewaterhouseCoopers LLP will continue in office as auditors of the Company.

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 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



A Dutton

Director and Secretary



15/10/2008.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF GKN AEROSPACE TRANSPARENCY SYSTEMS (LUTON) LIMITED

We have audited the financial statements of GKN Aerospace Transparency Systems (Luton) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

20 October 2008

GKN AEROSPACE TRANSPARENCY SYSTEMS (LUTON) LIMITED

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Profit and loss account for the year ended 31 December 2007

	<u>Note</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
TURNOVER	2	25,036	28,519
OPERATING PROFIT/(LOSS)	3	4,000	(39,271)
Exceptional profit from sale of the trade and net operating assets	4	23,249	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		27,249	(39,271)
Interest payable	5	-	(141)
Interest receivable	6	681	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		27,930	(39,412)
Taxation	7	(12,032)	11,317
PROFIT/ (LOSS) FOR THE YEAR	21	15,898	(28,095)

The above results have arisen from discontinued activities in the year

There is no difference between the results for the year and their historical cost equivalent

The company has no recognised gains or losses other than the profits for both financial years

GKN AEROSPACE TRANSPARENCY SYSTEMS (LUTON) LIMITED

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Balance sheet at 31 December 2007

	<u>Note</u>	<u>2007</u> £'000	<u>2006</u> £'000
FIXED ASSETS			
Tangible assets	11	-	6,750
Intangible assets	12	-	2,285
		<u>-</u>	<u>9,035</u>
CURRENT ASSETS			
Stocks	14	-	2,886
Debtors	15	43,589	8,929
Taxation (payable)/recoverable		(138)	11,888
Cash at bank and in hand		89	397
		<u>43,540</u>	<u>24,100</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	16	-	(4,152)
		<u>-</u>	<u>(4,152)</u>
NET CURRENT ASSETS		43,540	19,948
TOTAL ASSETS LESS CURRENT LIABILITIES		43,540	28,983
PROVISIONS FOR LIABILITIES	18	-	(1,345)
NET ASSETS		<u>43,540</u>	<u>27,638</u>
CAPITAL AND RESERVES			
Called up share capital	20	24,000	24,000
Share premium	21	32,991	32,991
Capital redemption reserve fund	21	117	117
Capital contribution	21	223	223
Profit and loss reserve	21	(13,791)	(29,693)
TOTAL SHAREHOLDERS' FUNDS	22	<u>43,540</u>	<u>27,638</u>

On behalf of the Board

 15/10/2008
A Dutton
Director and Secretary

Notes to the accounts for the year ended 31 December 2007**1 Accounting policies 31 December 2007****a) Basis of accounting**

The accounts have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards

The Directors have conducted a review of the Group'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 and that, with the exception of the items noted below, there have been no other changes from last year

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

b) Turnover

Sales shown in the profit and loss account exclude value added taxes and represent the invoiced value of goods and services charged to customers. Invoices are raised when goods are despatched to the customer unless other terms have been specifically agreed

On long-term development and/or supply contracts, revenues are recognised based on the value of work done at the achievement of predetermined contractual or other milestones

c) Operating profit

Profit is taken when turnover is recognised. On aerospace contracts where volumes are not contractually fixed, net non-recurring initial costs consisting of design and development, are amortised on a straight line basis from the date on which production commences, subject to the programme remaining in existence. Current net non-recurring initial costs are being amortised over between five and fifteen years

The cost of acquiring patents and know-how is written off in the year of acquisition

d) Foreign currencies

Where practicable, transactions involving foreign currencies are protected by forward contracts. 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

e) Intangible assets**Research and development costs**

Research expenditure is written off as incurred

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight line basis over the product's life up to a maximum of 15 years starting from the date on which serial production commences. Costs are capitalised as intangible assets unless physical assets, such as tooling, exist when they are classified as property, plant and equipment

Computer software costs

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Amortisation is provided on a straight line basis over its economic useful life which is in the range of 3-5 years

Notes to the accounts for the year ended 31 December 2007 (continued)**1. Accounting policies 31 December 2007 (continued)****f) Tangible fixed assets*****Cost***

Tangible fixed assets are valued at cost or valuation less accumulated depreciation. Cost comprises purchase price plus costs directly incurred in bringing the asset into use, but excludes interest.

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 range of main rates of depreciation used are

	Straight line period (years)
Freehold Buildings	up to 50
General plant, machinery, fixtures, fittings and equipment	6 to 15
Computers and major software	3
Commercial vehicles and cars	4 to 5
Tooling	3

Leasehold properties are amortised by equal annual instalments over the period of the lease or 50 years, whichever is the shorter.

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.

g) Stocks

Stocks are valued at the lower of cost and net realisable value, due allowance being made for obsolete or slow moving items. Cost includes the relevant proportion of works overheads assuming normal levels of activity.

h) Cash flow statement

As the Company is a wholly owned subsidiary of GKN plc, and is included in the consolidated financial statements of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 (Revised) 'Cash Flow Statements', from publishing a cash flow statement.

i) Related party transactions

As in excess of 90% of the Company's voting rights are controlled within the GKN Group, the Company is not required to disclose transactions with other Group subsidiaries, joint ventures or associated companies under the exemption provided within FRS8.

The Company has not transacted with other related parties during the year.

Notes to the accounts for the year ended 31 December 2007 (continued)**1. Accounting policies 31 December 2007 (continued)****j) 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 recognised are not discounted.

k) Pension costs

Contributions paid by the Company to the GKN defined benefit schemes are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme, and thus has utilised the multi-employer exemption under FRS 17.

l) 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 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.

m) Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

2. Turnover

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
<u>Geographical analysis by ultimate destination</u>		
United Kingdom	9,751	11,539
Continental Europe	3,984	4,406
Americas	11,006	11,728
Rest of the world	295	846
	<u>25,036</u>	<u>28,519</u>

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

Notes to the accounts for the year ended 31 December 2007 (continued)**3. Operating profit/(loss)**Operating profit/(loss) is after charging

	<u>2007</u>	<u>2006</u>
	£'000	£'000
(Increase)/decrease in finished goods and work in progress	(626)	(86)
Raw materials and consumables	5,854	5,759
Wages and salaries	7,282	8,854
Social security costs	744	921
Other pension costs	464	679
Special pension charge	-	41,164
Share based payments	4	17
Depreciation on owned tangible fixed assets	1,233	1,594
Impairment of tangible fixed assets	-	88
Impairment of intangible fixed assets	-	443
Amortisation of intangible fixed assets	48	32
Rental for leased land and buildings	421	1,175
Rental for hire of plant and vehicles	53	61
Loss on sale of plant and machinery	-	26
Currency variations	(88)	57
Auditors' remuneration		
- for audit	36	15
- for audit of Grant Claim	4	-
Other external charges	5,607	6,991
	<u>21,036</u>	<u>67,790</u>

4 Exceptional profit on disposal of trade and net operating assets

On 30 September 2007 the business and net operating assets of the Company, totalling £14,206,000, were transferred to GKN Aerospace Services Limited. In consideration the Company received 17,926,471 shares in GKN Aerospace Services Limited, with a value of £37,455,000. This transaction was accounted for as a group reconstruction in accordance with the Companies Act 1985. The profit on sale was £23,249,000. Following this transfer, the Company's investment in GKN Aerospace Services Limited was sold to GKN Westland Aerospace Holdings Limited for the carrying value of £37,455,000.

5. Interest payable

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Interest payable on group loans	-	141
	<u>-</u>	<u>141</u>

6. Income from investments and interest receivable

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Interest receivable on group loans	681	-
	<u>681</u>	<u>141</u>

Notes to the accounts for the year ended 31 December 2007 (continued)**7. Taxation**

	<u>2007</u> £'000	<u>2006</u> £'000
United Kingdom taxation		
Corporation tax at 30% (2006 – 30%)	138	(11,878)
Adjustment to taxation of earlier years*	11,888	561
	<u>12,026</u>	<u>(11,317)</u>
Double taxation relief	-	(9)
	<u>12,026</u>	<u>(11,326)</u>
Overseas taxation		
Current tax on income for the period	6	9
Current tax charge/(credit) for period	<u>12,032</u>	<u>(11,317)</u>

The tax assessed for the period is different from the standard rate of corporation tax in the UK (30%) The differences are explained below

	<u>2007</u> £'000	<u>2006</u> £'000
Reconciliation of actual tax charge to expected tax charge		
Profit/(loss) on ordinary activities before tax	27,930	(39,412)
Expected tax charge/(credit) at 30% (2006 30%)	8,379	(11,824)
Expenses not deductible for tax purposes and non taxable items	(6,974)	6
Fixed asset timing differences	376	302
Other timing differences	(9,650)	(362)
Double tax relief	-	(9)
Overseas tax	6	9
Tax losses carried forward	8,007	-
Adjustment to taxation of earlier years*	11,888	561
Current tax charge /(credit) for period	<u>12,032</u>	<u>(11,317)</u>

A change to the statutory rate of corporation taxation from 30% to 28% will take effect in 2008

*The adjustment to taxation of earlier years reflects a decision to carry forward 2006 tax losses in the company rather than surrender them as group relief These losses were subsequently transferred to GKN Aerospace Services Limited on 1 October 2007 as part of the transfer of the trade and assets as described in Section 3 of the report of the Directors' Report

8. Directors' emoluments

The emoluments of the directors are paid by other group companies with no recharge to the Company, with an exception of one director The aggregate emoluments of this director were paid by the Company until 18 May 2007, when his role changed to be solely for the Aerospace division of GKN plc, and amounted to £47,248 (2006 £130,870)

During the year, one (2006 none) of the directors exercised options over GKN plc shares, and no (2006 no) director received or became entitled to receive shares under the GKN long term incentive plans Retirement benefits are accruing to two (2006 two) directors under the GKN Group's defined benefit pension schemes

Notes to the accounts for the year ended 31 December 2007 (continued)**9. Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was

	<u>9 months to</u> <u>30 Sep 2007</u>	<u>2006</u>
	Number	Number
Works	181	182
Staff	120	103
	<u>301</u>	<u>285</u>

The aggregate remuneration for the above persons is shown in note 3

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 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.

Details of awards made since 7 November 2002 for which a charge has been recognised in the year are

a) Executive 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. 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 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.

Notes to the accounts for the year ended 31 December 2007 (continued)**10. Share based payments (continued)**

Shares granted under each award were

Scheme	Date of Grant	Number of Instruments	Contractual life of option (years)
Executive Options	16/09/2004	7,484	10
	05/04/2006	9,698	10
	11/04/2007	5,205	10
Long Term Incentive Plan	19/03/2003	9,000	10
	16/09/2004	5,429	10

A reconciliation of option movements over the year to 31 December 2007, in respect of options for which a charge has been recognised, is shown below

	2007		2006	
	Number	Weighted Average Exercise Price (p)	Number	Weighted Average Exercise Price (p)
Outstanding at 1 January	50,041	243 18	74,715	231 18
Granted	-	-	5,205	334 05
Forfeited	(15,214)	224 08	(1,611)	229 00
Exercised	(19,924)	229 00	(28,268)	229 00
Outstanding at 31 December	14,903	281 63	50,041	243 18
Exercisable at 31 December	-	-	27,654	229 00

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

	2007		2006	
Range of Exercise Price	Number	Contractual Weighted Average remaining life (Yrs)	Number	Contractual Weighted Average remaining life (Yrs)
215p - 230p			35,138	1 97
240p - 260p	9,698	7 25	9,698	8 25
300p - 335p	5,205	8 25	5,205	9 25

The weighted average share price during the period for options exercised over the year was 356 2p (2006 296p) The total charge for the year relating to employee share-based payment plans was £4,000 (2006 £17,000), all of which related to equity-settled share based payment transactions After deferred tax the total charge was £4,000 (2006 £17,000)

Liabilities in respect of share based payments were not material at either 31 December 2007 or 31 December 2006 There were no vested rights to cash or other assets at either 31 December 2007 or 31 December 2006

Notes to the accounts for the year ended 31 December 2007 (continued)**11. Tangible assets**

	Land and buildings <u>leasehold</u>	Other <u>fixed assets</u>	<u>Total</u>
	£'000	£'000	£'000
Cost			
At 1 January 2007	2,123	14,392	16,515
Additions	62	1,215	1,277
Disposals	-	(10)	(10)
Group Reconstruction	(2,185)	(15,597)	(17,782)
At 31 December 2007	-	-	-
Accumulated depreciation			
At 1 January 2007	(948)	(8,817)	(9,765)
Disposals	-	7	7
Group Reconstruction	1,043	9,948	10,991
Charge for the year	(95)	(1,138)	(1,233)
At 31 December 2007	-	-	-
Net book value at 31 December 2007	-	-	-
Net book value at 31 December 2006	1,175	5,575	6,750

Other fixed assets include plant, machinery, fixtures, fittings, equipment and motor vehicles. Land and buildings represent leasehold improvements to sites based at Luton.

12. Intangible Assets

	<u>Development costs</u>
	£'000
Cost	
At 1 January 2007	4,408
Additions	744
Group Reconstruction	(5,152)
At 31 December 2007	-
Accumulated amortisation and impairment	
At 1 January 2007	(2,123)
Amortisation charge for the year	(48)
Group Reconstruction	2,171
At 31 December 2007	-
Net book value at 31 December 2007	-
Net book value at 31 December 2006	2,285

Notes to the accounts for the year ended 31 December 2007 (continued)**13. Investments**

	Shares in group companies £'000
Cost	
At 1 January 2007	-
Acquisitions	37,455
Disposals	(37,455)
At 31 December 2007	-

Investments held during the year are as follows

<u>Name of Company</u>	Country of registration or <u>incorporation</u>	Principal <u>activity</u>	Description of <u>shares held</u>	Proportion of nominal value of shares held <u>by the Company</u>
GKN Aerospace Services Limited	United Kingdom	Design, development, manufacture and sale of aerospace structures, control equipment and systems, and other engineering products (including advanced transparencies), and the provision of associated customer support services	Ordinary Shares	0%

The investment in GKN Aerospace Services Limited was acquired and sold in the year, see note 4

14. Stocks

	<u>2007</u> £'000	<u>2006</u> £'000
Raw materials and consumables	-	1,648
Work in progress	-	900
Finished goods and goods for resale	-	338
	<u>-</u>	<u>2,886</u>

The difference between the replacement value and the historical cost of stocks is not significant

Notes to the accounts for the year ended 31 December 2007 (continued)**15. Debtors**

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Due within one year		
Trade debtors	-	4,634
Current Account with parent (see note 17)	43,589	3,992
Amounts owed by group companies	-	98
Prepayments and accrued income	-	205
	<u>43,589</u>	<u>8,929</u>

16. Creditors

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Due within one year		
Trade creditors	-	2,027
Customer advances	-	521
Amounts owed to group companies	-	158
Indirect and payroll taxes	-	345
Other creditors	-	184
Accruals and deferred income	-	917
	<u>-</u>	<u>4,152</u>

17. 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.

18. Provisions for liabilities

	<u>Other</u>	<u>Total</u>
	£'000	£'000
At 1 January 2007	(1,345)	(1,345)
Released to the profit and loss account	255	255
Utilised in the year	451	451
Group Reconstruction	639	639
At 31 December 2007	<u>-</u>	<u>-</u>

Other provisions at 1 January 2007 included a potential backdated rent increase that was utilised in the year with the surplus credited to the profit and loss account and warranty and other committed costs in relation to products sold.

Notes to the accounts for the year ended 31 December 2007 (continued)

19. Deferred taxation

	<u>2007</u> £'000	<u>2006</u> £'000
The deferred tax balance comprises		
Fixed asset timing differences	1,081	(713)
Short term timing differences	-	(362)
Losses	10,301	1,075
Group reconstruction (deferred tax asset – unrecognised in GKN Aerospace Services Limited)	(11,382)	-
	<hr/>	<hr/>
Net deferred tax liability	-	-
	<hr/>	<hr/>

20 Share capital

	<u>2007</u>		<u>2006</u>	
	Issued, called up and fully		Issued, called up and fully	
	<u>Authorised</u>	<u>paid</u>	<u>Authorised</u>	<u>paid</u>
	number	£	number	£
Ordinary shares of 50p each	40,999,544	20,499,772	40,999,544	20,499,772
Preferred ordinary shares of 50p each	287,086	-	287,086	-
Preference shares of £1 each	3,500,000	3,500,000	3,500,000	3,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
	44,786,630	23,999,772	44,786,630	23,999,772

The preference shares carry no voting rights in the normal course of business and are entitled, on liquidation or reduction of capital, to be paid out of the surplus assets in priority to the ordinary shareholders up to the value of the subscription price of their shares. The preference shareholders have waived the right to dividends. On the basis of the above share rights, all share capital has been classified as equity instruments under FRS 25.

Notes to the accounts for the year ended 31 December 2007 (continued)**21. Reserves**

	Share premium £'000	Capital redemption reserve £'000	Capital contribution reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2006	4,991	117	223	(1,615)	3,716
Transfer to profit and loss account	-	-	-	(28,095)	(28,095)
Share based payments	-	-	-	17	17
Arising from ordinary shares issued	28,000	-	-	-	28,000
At 1 January 2007	32,991	117	223	(29,693)	3,638
Transfer from profit and loss account	-	-	-	15,898	15,898
Share based payments	-	-	-	4	4
At 31 December 2007	32,991	117	223	(13,791)	19,540

22. Reconciliation of movements on shareholders' funds

	<u>2007</u> £'000	<u>2006</u> £'000
At 1 January	27,638	7,716
Profit / (loss) for the year	15,898	(28,095)
Issue of ordinary shares	-	48,000
Share based payments	4	17
At 31 December	43,540	27,638

23 Financial commitments**(a) Capital expenditure**

Contracts placed against capital expenditure sanctioned by the Board at 31 December 2007 so far as not provided for in these accounts amounted to

	<u>2007</u> £'000	<u>2006</u> £'000
Contracted but not provided	-	208

Notes to the accounts for the year ended 31 December 2007 (continued)**23. Financial commitments (continued)****(b) Operating Leases**

The minimum payments to which the Company is committed at 31 December 2007 for the year to 31 December 2007 under operating leases are as follows

	2007		2006	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Commitment expiring within one year	-	-	-	-
Commitment expiring within two to five years	-	-	675	23
Commitment expiring after five years	-	-	-	-
	-	-	675	23

24. 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 the group pension schemes is contained in the group accounts of GKN plc which is calculated in accordance with International Accounting Standard 19 'Employee Benefits'.

25 Ultimate and immediate parent companies

The immediate parent undertaking is GKN Westland Aerospace Holdings Limited. The ultimate parent undertaking and controlling party is GKN plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of GKN plc consolidated financial statements may be obtained from the company secretary at PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire, B98 0TL.