Company Registration No. 469781

MBDA UAE Limited

Report and Financial Statements

For The Year Ended 31 December 2009

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 2009

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MBDA UAE Limited

Company Registration No 469781

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 2009

OFFICERS

DIRECTORS

J B Whitehead
A Hilton
A Sparkes

SECRETARY

C N Evans

REGISTERED OFFICE

PO Box 19
Six Hills Way
Stevenage
Hertfordshire
SG1 2DA

Directors' report

The directors present their report and the audited financial statements of MBDA UAE Limited for the year ended 31 December 2009

Principal activity

The principal activity of the Company is the supply, installation and commissioning of communications and military systems equipment overseas

Review of the company and future prospects

During the year under review the Company continued to discharge its obligations under a contract for the supply of precision guided munitions and equipment No new orders were received during the year (2008 £1,600,000) Turnover for the year was £8,025,000 (2008 £660,000) The Directors are confident about the future prospects of the Company

Proposed dividend

The profit for the year after taxation of £152,000 (2008 (£160,000)) has been transferred to reserves The directors do not propose a dividend payment

Directors and directors' interests

The present members of the Board are shown on page 3 No directors, or members of their immediate family, had any interests in shares or debentures, or options to purchase shares or debentures, of the Company at any point during the year

Policy and practice on payment of creditors

The Company's payment policy is to negotiate terms with its suppliers and to ensure that they know the terms on which payment will take place when business is agreed It is the Company's policy to abide by these terms

Employees

The MBDA group and the companies within it are committed to creating an environment in which all employees are encouraged to achieve the best in all that they do As a result, programmes have been created throughout the group companies that help employees to develop the skills necessary to help meet the needs of our customers and to take on the challenges of an ever changing business

In addition, a great deal of importance is placed on the need for effective communications with employees Employees are kept regularly informed of the progress of the company through the production of in-house employee newsletters, and established briefing procedures

Employment policies include a commitment to equal opportunity and are designed to attract and retain the best employees regardless of sex, marital status, nationality, or disability, subject only to considerations of national security The company recognises its legal and social responsibilities towards people with disabilities and gives full and fair consideration to applications for employment made by them, having regards to their particular aptitudes and abilities Where any employee becomes disabled, every reasonable effort is made to ensure that their employment is continued and that they receive the same opportunities for training, career development and promotion as other employees

Political and charitable contributions

The Company made no political or charitable contributions during the year (2008 none)

Financial instruments

The nature of the business means it is exposed to volatility in currency exchange rates In order to protect itself against currency fluctuations MBDA UAE Limited's policy is to remove exchange rate risk by the placing of foreign currency exchange deals MBDA UAE Limited accounts for forward currency contracts under hedge accounting as permitted by IAS 39

Going concern

The Company has net liabilities at the year end This was caused by losses incurred in 2007 and 2008, primarily due to low Company activity during those years In the period prior to 2007 and in 2009 the company has been profitable and cash generative

After making detailed enquiries, the Board is confident that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statement on a going concern basis

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

In the case of each of the persons who were directors of the Company at the date of approval of this directors' report they confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are individually unaware, and each director 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

The company is registered in the UK (Registered Company under 469781)

7.9 10

By Order of the Board

C N Evans

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law (UK Generally Accepted Accounting Practice)

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 of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgments 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MBDA UAE LIMITED

We have audited the financial statements of MBDA UAE Limited for the year ended 31 December 2009, set out on pages 8 to 25 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, 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

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

7/9/10

Stephen Cooper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square

London EC4Y 8BB

MBDA UAE Limited
Company Registration No 469781

Income statement
for the year ended 31 December 2009

	Note	Year ended 31-Dec 2009 £000	Year ended 31-Dec 2008 £000
Revenue	2	8,025 0	659 8
Raw materials & consumables used		(5,279 2)	621 3
Changes in inventories and work in progress		(1,294 9)	(978 1)
Staff costs	4	(310 0)	(255 0)
Depreciation & amortisation		(8 2)	(8 7)
Other external charges		(840 4)	(280 8)
Operating profit / (loss)		292 3	(241 5)
Finance income / (costs)	5	(10 3)	20 4
Profit / (loss) before taxation		282 0	(221 1)
Tax (charge) / credit	6	(130 0)	61 0
Profit / (loss) after taxation		152 0	(160 1)

All of the Company's activities are in respect of continuing operations

There is no difference between the reported profit and historical cost profit

The notes on pages 13 to 25 form part of the financial statements

MBDA UAE Limited
Company Registration No 469781

Condensed statement of comprehensive income

For the year ended 31 December 2009

	31-Dec 2009 £000	31-Dec 2008 £000
Profit / (Loss) for the year	152 0	(160 1)
Effective portion of changes in fair value of cash flow hedges, net of tax	238 8	(324 0)
Net change in fair value of cash flow hedges transferred to income statement	-	(49 0)
Income recognised directly in equity	238 8	(373 0)
Total recognised income and expense	390 8	(533 1)

The Notes on the Pages 13-25 form part of the financial statements

MBDA UAE Limited
Company Registration No 469781

Balance sheet at 31 December 2009

Assets	Note	2009 £000	2008 £000
Intangible assets	8	-	0 2
Property, plant & equipment	7	27 3	28 2
Deferred tax asset	13	42 9	195 6
Total non-current assets		70 2	224 0
Inventories	9	1,671 3	2,968 0
Trade and other receivables	10	5,463 4	6,208 8
Taxation		-	60 0
Cash and cash equivalents		356 2	283 5
Total current assets		7,490 9	9,520 3
Total assets		7,561 1	9,744 3
Liabilities			
Payments received on account		(1,481 0)	(2,928 0)
Trade and other payables	11	(2,954 8)	(4,982 5)
Taxation		(21 6)	-
Financial liability		(128 8)	(464 3)
Accruals and deferred income		(2,779 5)	(1,462 2)
Bank overdraft		(250 5)	(353 2)
Total current liabilities		(7,616 2)	(10,190 2)
Provisions	12	(145 0)	(145 0)
Total non-current liabilities		(145 0)	(145 0)
Total liabilities		(7,761 2)	(10,335 2)
Net Assets		(200 1)	(590 9)
Equity			
Called up share capital	14	0 1	0 1
Profit and loss account		(200 2)	(591 0)
Total equity		(200 1)	(590 9)

The notes on Page 13-25 form part of the financial statements

These financial statements were approved by the Board of Directors on and were signed on its behalf by

A.Hilton 7.9.10

A Hilton

Director

MBDA UAE Limited

Company Registration No 469781

Statement of movement in reserves

	Share Capital	Profit & loss account
	£000	£000
At 1 January 2008	0 1	(57 9)
Fair value reserve	-	(373 0)
Dividends	-	-
Retained loss for the year	-	(160 1)
At 31 December 2008	0 1	(591 0)
At 1 January 2009	0 1	(591 0)
Fair value reserve	-	238 8
Dividends	-	-
Retained Earnings for the year	-	152 0
At 31 December 2009	0 1	(200 2)

The fair value reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred

MBDA UAE Limited
Company Registration No 469781

Cash flow statement for the year ended 31st December 2009

	2009 £000	2008 £000
Cash flows from operating activities		
Profit for year	152 0	(160 1)
Adjustment for		
Depreciation & amortisation	8 2	9 3
Interest Paid	10 3	(20 4)
Movement in inventories	1,296 7	976 0
Movement in payments received on account	(1,447 0)	0 0
Movement in trade and other receivables	645 4	(2,283 7)
Movement in trade and other payables	(1,927 7)	(698 9)
Movement in financial liability	(96 7)	464 3
Movement in accruals and deferred income	1,317 2	595 3
Provisions	0 0	145 0
Taxation	234 3	(163 3)
Net cash from operating activities	**192.7**	**(1,136.5)**
Cash flows from investing activities		
Interest Paid	(10 3)	20 4
Capital expenditure	(7 6)	0 0
Net cash from investing activities	**(17.9)**	**20.4**
Net increase/(decrease) in cash and cash equivalents	**174.8**	**(1,116.1)**
Cash and cash equivalents at 1st January	**(69 6)**	**1,046.5**
Cash and cash equivalents at 31st December	**105.1**	**(69.6)**

1. Accounting policies

MBDA UAE Limited ("the Company") is a company incorporated in the UK

Standards, amendments and interpretations effective in 2009

IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The IASB issued amendments to IFRS 1 and IAS 27 to specify the accounting in separate financial statements of a newly formed entity that becomes the new parent entity of another entity in a group In addition, the amendments permit a first-time adopter of IFRSs, at the date of transition, to measure the cost of its investments in a subsidiary, jointly controlled entity or associate at a deemed cost in its separate financial statements rather than determine cost under IFRSs This does not have any impact on the Company accounts

Amendment to IFRS 2 Share-based Payment Vesting Conditions and Cancellations The IASB issued amendments to amend the definition of vesting conditions in IFRS 2 to clarify that vesting conditions are limited to service conditions and performance conditions This does not have any impact on the Company accounts

Amendments to IFRS 7 – Improving Disclosures about Financial Instruments The IASB issued amendments to enhance disclosures about fair value measurements of financial instruments and over liquidity risk This has been applied in the Company accounts

IFRS 8 Operating Segments Segment Reporting and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers This does not have any impact on the Company accounts

IAS 1 (Revised 2007) Presentation of Financial Statements The IASB issued a revised standard that requires information to be presented in a complete set of financial statements by addressing presentation and display issues This has been applied in the Company accounts

IAS 23 (Revised 2007) Borrowing Costs The IASB issued a revised standard that prohibits the immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset This does not have any impact on the Company accounts

Amendments to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation The IASB issued amendments to introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity, the amendments require certain instruments that normally would be classified as liabilities to be classified as equity if and only if they meet certain conditions This does not have any impact on the Company accounts

In 2008, the IASB issued its omnibus of amendments to standards, with a primary aim to remove inconsistencies and to clarify wording These have been applied to the Company accounts as necessary

Basis of preparation

The Company is exempt by virtue of section s228 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Basis of preparation (Continued).

The financial statements have been prepared in accordance with IFRS as adopted by the EU and under the historical cost accounting rules, modified to include financial instruments which are held at fair value

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Intangible assets and goodwill

Expenditure on research activities is recognised in the income statement as incurred

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use The estimated useful lives are as follows

Computer software	-	3 years to 5 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation Depreciation is provided on a straight line basis and is charged to the income statement over the estimated useful economic life as follows

Plant and machinery	-	10 years
Office equipment	-	10 years
Computing equipment	-	3 years to 5 years
Motor vehicles	-	4 years
Research equipment	-	8 years

Inventories

Inventories are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the moving average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

1. Accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses

Long term contracts

Contract work in progress is stated at costs incurred, less that transferred to the income statement, after deducting foreseeable losses and payments on account not matched with turnover Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits

Impairment

The carrying amounts of the companies assets, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement

Derivative financial instruments and hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the fair value reserve Any ineffective portion of the hedge is recognised immediately in the income statement

Revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers Turnover is recognised when a separately identifiable phase of a contract or development has been completed

Profit is recognised at the time of the sale in the case of a contract with extended delivery programmes it is arrived at by reference to the estimated overall profitability of the contract and appropriate provision is made for losses in the year in which they are first foreseen

1. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation

Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease

Finance income

Finance income comprises interest receivable on funds invested It is recognised in the income statement as it accrues

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

2. Revenue

Revenue represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax The turnover and pre-tax profit, all of which arises in the UK and has its destination in the Middle East, is attributable to one activity, the supply, installation and commissioning of communications and military systems equipment overseas

3. Operating profit/(loss)

	31-Dec 2009 £000	31-Dec 2008 £000
Operating profit / (loss) is stated after charging		
Depreciation of property, plant & equipment	8 2	9 3
Exchange (gain) / losses	(3 1)	-

Audit fees of £6,600 were paid by MBDA UK Limited and forms part of a broader recharge

4. Staff numbers and costs

	Year ended 31-Dec 2009 No.	Year ended 31-Dec 2008 No
Average number of employees working overseas	7	7
	£000	£000
Wages & salaries	165 0	110 0
Other post employment benefits	145 0	145 0
Gross remuneration	310 0	255 0

The Directors are full time executives of other group companies They do not receive any remuneration for their services as Directors of the Company and it is not practicable to allocate their emoluments for other services

There are no share based payments as defined in IFRS 2

5. Finance income / (costs)

	Year ended 31-Dec 2009 £000	Year ended 31-Dec 2008 £000
Bank Interest	(10 3)	20 4
	(10 3)	20 4

6. Taxation recognised in the income statement

	Year ended 31-Dec 2009 £000	Year ended 31-Dec 2008 £000
Current Tax		
Current tax charge for the period	20 0	-
Adjustment in respect of prior year	52 0	81 0
	72 0	81 0
Deferred tax (note 13)	-	-
Deferred tax credit on loss for the period	-	-
Origination and reversal of other temporary differences	58 0	(143 0)
Rate change difference	-	1 0
	130 0	(61 0)

Reconciliation of tax expense	Year ended 31-Dec 2009 £000	Year ended 31-Dec 2008 £000
Profit before tax	282 0	(221 1)
Tax charged on profit at UK rate of 28% (2008 28 5%)	79 0	(63 0)
Difference in year end rate of 28% and CY rate of 28 5%	-	1 0
Adjustments in respect of prior years Corporation Tax	52 0	-
Adjustments in respect of prior years Deferred Tax	(1 0)	-
Expense/income not effected	-	1 0
Current tax in income statement	130 0	(61 0)

7. Property, plant & equipment

	Motor Vehicles £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 January 2008	17 5	269 0	286 5
Balance at 31 December 2008	17 5	269 0	286 5
Balance at 1 January 2009	17 5	269 0	286 5
Acquisitions	-	7 6	7 6
Disposals	(17 5)	(54 8)	(72 3)
Balance at 31 December 2009	-	221 8	221 8
Depreciation and impairment			
Balance at 1 January 2008	17 0	232 0	249 0
Depreciation charge for the year	0 5	8 8	9 3
Balance at 31 December 2008	17 5	240 8	258 3
Balance at 1 January 2009	17 5	240 8	258 3
Depreciation charge for the year	-	8 2	8 2
Disposals	(17 5)	(54 5)	(72 0)
Balance at 31 December 2009	-	194 5	194 5
Net book value			
At 1 January 2008	0 5	37 0	37 5
At 31 December 2008 and 1 January 2009	-	28 2	28 2
At 31 December 2009	-	27 3	27 3

There have been no impairments of property, plant and equipment in the year (2008 none)

At December 2009 included in costs were assets with a net book value of zero

Land and Buildings – None (2008 none),

Plant and machinery - £6,300 (2008 £400),

Fixture, fittings, tools and equipment - £21,000 (2008 £27,800)

No items of property, plant & equipment are held under finance leases (2008 None)

8. Intangible assets

	£000	£000
Cost		
Balance at 1 January 2008	6 3	6 3
Balance at 31 December 2008	6 3	6 3
Balance at 1 January 2009	6 3	6 3
Disposal	2 3	2 3
Balance at 31 December 2009	4 0	4 0
Amortisation and impairment		
Balance at 1 January 2008	6 1	6 1
Balance at 31 December 2008	6 1	6 1
Balance at 1 January 2009	6 1	6 1
Disposal	2 1	2 1
Balance at 31 December 2009	4 0	4 0
Net book value		
At 1 January 2008	0 2	0 2
At 31 December 2008 and 1 January 2009	0 2	0 2
At 31 December 2009	-	-

Amortisation and impairment charges are recognised in the income statement as depreciation and amortisation

There have been no impairments in the year (2008 none)

9. Inventories

	2009 £000	2008 £000
Long term contract work in progress	1,671 3	2,968 0

10. Trade and other receivables

	2009 £000	2008 £000
Trade receivables -amounts recoverable on contracts	4,998 2	5,156 4
Other receivables	465 2	1,052 4
	5,463 4	6,208 8

11. Trade and other payables

	2009 £000	2008 £000
Due within one year:		
Amounts owed to parent and subsidiaries undertakings	2,954 8	4,982 5
	2,954 8	4,982 5

12. Provisions

Employee Provisions	2009 £000	2008 £000
At 1st January	145 0	-
Created	-	145 0
Utilised and released	-	-
As at 31st December	145 0	145 0

Provision for post employment benefits

13. Deferred tax

An analysis of the deferred tax balance is shown below

	1 January 2009 £000	Recognised in income £000	Recognised in equity £000	31 December 2009 £000
Accelerated capital allowances	2 0	4 0	-	6 0
IAS 39 fair value adjustment (hedging)	131 9	-	(95 0)	36 9
Taxable losses	62 0	(62 0)	-	-
Net tax asset / (liability)	195 9	(58 0)	(95 0)	42 9

	1 January 2008 £000	Recognised in income £000	Recognised in equity £000	31 December 2008 £000
Accelerated capital allowances	2 0	-	-	2 0
IAS 39 fair value adjustment	(19 0)	-	19 0	-
IAS 39 fair value adjustment (hedging)	-	-	131 9	131 9
Taxable losses	81 0	(19 0)	-	62 0
Net tax asset / (liability)	64 0	(19 0)	150 9	195 9

14. Called up share capital

	2009 £ £000	2008 £ £000
Authorised·		
100 Ordinary shares of £1 each	0 1	0 1
Issued:		
100 Ordinary shares of £1 each	0 1	0 1

Ordinary shares carry one vote per share

15. Contingent liabilities

The Directors are not aware of any unprovided contingent liabilities Specific claims against the company, which arise in the ordinary course of business, have been provided for, where the directors consider it probable that the claims will be settled

16. Commitments under operating leases

At 31 December 2009, the company had annual commitments under non-cancellable operating leases as follows

	31 December 2009 £000	31 December 2008 £000
Expiring within one year		
Land and buildings	258 2	271 3
Other	49 4	49 2
Expiring 2 – 5 years		
Land and buildings	-	-
Other	79 8	49 1
	387 4	369 6

The expense recognised in the income statement is £239,000 (2008 £129,000)

17. Related party disclosures

At the balance sheet date, the Company owed £2,955,000 (2008 £4,983,000) to MBDA UK Limited Total purchases made by the Company from MBDA UK Limited amounted to £6,760,000 in the year (2008 £594,000)

18. Financial instruments

Exchange risk

The global nature of the business means it is exposed to volatility in currency exchange rates In order to protect itself against currency fluctuations MBDA UAE Limited policy is to remove exchange rate risk by the placing of foreign currency exchange deals MBDA UAE Limited treats forward currency deals under hedge accounting as permitted by IAS 39

Interest risk

MBDA UAE Limited loans cash to MBDA Treasury Co on which interest is received based on LIBOR/EUROBOR The business is therefore exposed to volatility in underlying interest rates

Forward currency deals

Forward currency deals are carried at fair value as in the balance sheet

	2009		2008	
	Asset £000	Liability £000	Asset £000	Liability £000
US $ purchase	-	(0 9)	-	-
US $ sale	-	(127 9)	-	(463 0)
Total	-	(128 8)	-	(463 0)

18. Financial instruments (continued)

The fair value of the financial instrument is the price at which one party would assume the rights/and or duties of another party and reflects the future gain or loss that would have occurred should the hedge have not been in place The fair values are determined based on current market exchange rates at the balance sheet date

Maturity of the forward currency deals are as shown below.

	2009 Gain £000	2008 Gain £000	2009 Loss £000	2008 Loss £000	2009 Net £000	2008 Net £000
< 1 year	-	-	(121 8)	(339 0)	(121 8)	(339 4)
1-2 years	-	-	(7 0)	-	(7 0)	-
2-5 years	-	-	-	(124 0)	-	(124 0)
Total	-	-	(128 8)	(463 0)	(128 8)	(463 4)

The £128,800 net financial liability (2008 £463,400 liability) gives rise to a deferred tax asset of £36,900 (2008 £131,900 liability) Balance on fair value reserve in equity is therefore £95,000 (2008 £331,000)

Effective 1 January 2009, the company adopted the amendment to IFRS 7, Financial Instruments – Disclosure, for financial instruments that are measured in the balance sheet at fair value This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 Inputs for the asset or liability that are not based on observable market data (i e unobservable units)

The following table presents the company's assets and liabilities that are measured at fair value at 31 December 2009

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	(128 8)	-	(128 8)
Total liabilities	-	(128 8)	-	(128 8)

18. Financial instruments (continued)

Deposits

Deposits are carried at historic value as below

	Interest rate	2009 £000	2008 £000
£	LIBOR	(780 2)	(646 5)
US $	LIBOR	629 6	293 4
Dirham	LIBOR	256 2	283 6
		105 6	(69 5)

Deposits in £ and US$ are made with MBDA Treasury Co and are repayable on demand The amounts above are included within cash and cash equivalents on the balance sheets The remaining cash balance is held in current accounts

19. Post balance sheet events

Subsequent to the balance sheet date no events have occurred that would have a material effect on the financial statements

20. Key accounting judgements and estimates

The major activities of the Company are conducted under long term contract arrangements and are accounted for in accordance with IAS 11 Construction Contracts

Revenue is recognised on such contracts based on the achievement of performance milestones No profit is recognised on contracts until the outcome of the contract can be reliably estimated Profit is calculated by reference to reliable estimates of contract revenue and forecast costs after making suitable allowance for technical and other risks related to performance milestones yet to be achieved Material changes in one or more of these estimates whilst not anticipated, would affect the profitability of individual contracts

21. Ultimate parent undertakings

The largest and smallest group in which the results of the company are consolidated is that headed by MBDA SAS (incorporated in France) 4 Rue de Presbourg, 75116, Paris, France The statutory accounts are available at this address

MBDA SAS is owned by BAE SYSTEMS plc (incorporated in England), EADS NV (incorporated in The Netherlands), and Finmeccanica SpA (incorporated in Italy)