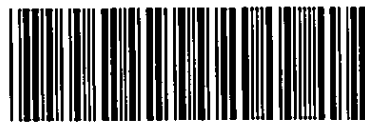


Cobham MAL Limited  
Directors' report and financial statements  
for the year ended 26 December 2010

Registered number 6632600

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# Cobham MAL Limited

## Directors' report and financial statements for the year ended 26 December 2010

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# **Cobham MAL Ltd**

## **Directors' report for the year ended 26 December 2010**

The directors have pleasure in submitting their report, together with the audited financial statements of Cobham MAL Limited ("the Company"), for the year ended 26 December 2010. Comparatives are presented for the 18 month period to 26 December 2009. The Company trades under the name Cobham Sensor Systems.

### **Results and dividends**

The Company's results for the year are set out in the profit and loss account on page 10 showing a profit for the financial year after tax of £45,000 (18 month period ended 26 December 2009: loss of £92,000). At 26 December 2010, the Company has net liabilities of £28,000 (2009: £92,000).

The ultimate parent undertaking, Cobham plc, has confirmed that it will provide financial support to the Company to enable it to both meet its liabilities as they fall due and to carry on business without a significant curtailment of operations.

No dividends were paid or proposed during the current or comparative period.

### **Principal activities and business review**

The Company's primary activity is to manufacture RF and microwave electronics, ranging from components to stand alone equipment for use within OEM systems, for the Aerospace and Defence market. The majority of products are customer specific and draw on well established technology platforms and processes, which are continually improved to sustain competitiveness.

The principal activities are not expected to change in the foreseeable future.

Turnover for 2010 reduced compared to prior year. This was very much influenced by continuing budget constraints in the European Aerospace and Defence market as well as a softening in US defence spending. The latter being a significant contributor for the Company's shortfall against its revenue target which was impacted by the delayed funding on three programs. However, operating profit exceeded target for the period through ongoing cost saving measures.

The Company's internal research and development remained heavily focused on advancing its Transmit Receive Module (TRM) capability for the growing Active Electronically Scanned Array (AESA) radar and data link market. Product enhancement through built-in digital control was possible through the collaboration with a sister Cobham company with specialist knowledge in this area. Interest from OEMs and Tier 2 companies within Europe and Asia Pacific is strong with demonstration TRM hardware being keenly sought.

Demand in India for our existing legacy products is strong and is set to grow over the next three years as our equipment is fitted into new platforms.

### **Research and development**

The Company is committed to research and development and continues to develop TRMs to provide capability demonstrators which permit teaming with Active Electronically Scanned Array (AESA) radar manufacturers. This will allow the Company's product to be included within Active Array units. Investment in activities during the year is £121,000 (2009: £354,000). All Company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met.

# Cobham MAL Ltd

## Directors' report (continued)

### 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 affecting the Company are considered to relate to budget restrictions in the Aerospace and Defence market particularly within Europe and to some extent the United States. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on page 27 of the Cobham plc 2010 Annual Report which does not form part of this report

### Key performance indicators

The directors of the ultimate parent undertaking, Cobham plc, manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of Cobham MAL Limited. The development, performance and position of the Cobham Defence Systems division of Cobham plc, which includes the Company, is discussed on pages 14 and 15 of the Cobham plc 2010 Annual Report which does not form part of this report. KPIs for the Group as a whole are discussed on page 9 of that report.

### Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse affects on the financial performance of the Company.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Cobham plc are managed by the group finance department. The Cobham plc Group has a policy and procedures manual that sets out guidelines to allow it to manage credit risk, interest rate cash flow risk and foreign currency exchange rate risk and this is applied by the Company.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

#### *Price risk*

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

#### *Credit risk*

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

#### *Liquidity risk*

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate parent undertaking if required.

# Cobham MAL Ltd

## Directors' report (continued)

### *Interest rate cash flow risk*

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a floating rate. In order to ensure stability of cash out flows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

### *Foreign currency exchange rate risk*

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with the ultimate parent undertaking.

### **Directors**

The following directors held office during the year and up to the date of signing this report

S Collier	
J Kelly	
J Wensinger	- resigned 29 March 2011
D Ashton	- appointed 29 March 2011

### **Statement of directors' responsibilities**

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 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). 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 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,
- 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 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.

# Cobham MAL Ltd

## Directors' report (continued)

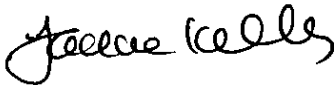
### Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

By order of the board



J Kelly  
**Company secretary**  
29 June, 2011

# **Cobham MAL Ltd**

## **Independent auditors' report to the members of Cobham MAL Limited**

We have audited the financial statements of Cobham MAL Limited for the year ended 26 December 2010 which comprise the statement of accounting policies, 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 3 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 loss for the period 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.

# Cobham MAL Limited

## Independent auditors' report (continued)

### 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



Helen Orton (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton

5 July 2011



# **Cobham MAL Limited**

## **Statement of accounting policies**

### **Accounting convention**

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 UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### **Going concern**

The Company has net liabilities at 26 December 2010. The directors have prepared the financial statements on the going concern basis as confirmation has been received from Cobham plc, the Company's ultimate parent undertaking, that they will provide financial support to Cobham MAL Limited to enable it to both meet its liabilities as they fall due and to carry on business without a significant curtailment of operations.

### **Turnover**

Turnover is measured at the fair value of the right to consideration and excludes value added tax, other sales taxes and trade discounts. Turnover is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer, normally this is on despatch.

### **Current taxation**

Corporation tax payable is provided on taxable profits at the current rate.

### **Deferred 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.

### **Intangible assets**

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of the separable net assets. It has been capitalised and is being written off in equal instalments over its estimated useful life of 20 years.

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at their purchase cost together with any directly attributable costs of acquisition, net of depreciation and provisions, where required, for any impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. The expected useful economic lives used for this purpose are:

# **Cobham MAL Limited**

## **Statement of accounting policies (continued)**

Leasehold land and buildings	Over the term of the lease
Plant and machinery	3 to 15 years
Fixtures, fittings, tools and equipment	3 to 15 years

### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost on a first-in first-out basis, which includes an appropriate proportion of production overheads, and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stock.

### **Pension costs**

The Company makes contributions into a stakeholder scheme held by its employees. Contributions are charged to the profit and loss account in the year to which they relate.

### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **Foreign currencies**

Transactions denominated in foreign currencies are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling, translated at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with in the profit and loss account.

### **Leases**

Lease arrangements are accounted for as finance leases where substantially all the risks and rewards of ownership of the leased asset are retained by the Company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### **Research and development**

Research and development expenditure not chargeable to customers is written off in the period in which it is incurred.

## **Statement of accounting policies (continued)**

### **Estimation techniques**

In certain circumstances the measurement of values cannot be made with absolute certainty either because absolute costs are unknown, or they require a degree of subjective review. An example would be the calculation of degrees of obsolescence of stock. In such instances the directors utilise the skills, knowledge and experience of suitably qualified persons to generate appropriate values. All appropriate accounting standards are adhered to in generating such values.

### **Share-based payments**

For grants made under the group's share-based payment schemes, amounts which reflect the fair value of options awarded to employees of the Company as at the time of grant are charged to the profit and loss account over the vesting period of the option and recognised as a capital contribution in equity.

The valuation of the options utilises a methodology based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria. The impacts of changes in assumptions of the number of options that are expected to vest due to non market related conditions are assessed at each balance sheet date and adjusted through the profit and loss account on a cumulative basis.

# Cobham MAL Limited

## Profit and loss account for the year ended 26 December 2010

	Note	2010 £000	2009 £000
<b>Turnover</b>	1	<b>8,318</b>	11,125
Cost of sales		(4,920)	(7,591)
<b>Gross profit</b>		<b>3,398</b>	3,534
Selling and distribution costs		(436)	(882)
Administrative expenses		(1,926)	(1,630)
<b>Operating profit</b>	2	<b>1,036</b>	1,022
Interest receivable and similar income	3	11	5
Interest payable and similar charges	4	(976)	(1,144)
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>71</b>	(117)
Tax on Profit/(Loss) on ordinary activities	5	(26)	25
<b>Profit/(Loss) for the financial year</b>	16	<b>45</b>	(92)

All the Company's activities are classed as continuing in the current year and comparative period

The profit on ordinary activities before taxation and the profit for the financial period have been calculated on the historical cost basis

The Company has no recognised gains or losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared

# Cobham MAL Limited

## Balance sheet as at 26 December 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	9	5,977	6,313
Tangible assets	10	954	847
		6,931	7,160
<b>Current assets</b>			
Stocks	11	1,530	1,498
Debtors amounts falling due within one year	12	2,383	2,337
Debtors amounts falling due after one year	12	2	22
Cash at bank and in hand		2,476	2,194
		6,391	6,051
<b>Creditors amounts falling due within one year</b>	13	(12,208)	(12,479)
<b>Net current liabilities</b>		(5,817)	(6,428)
<b>Total assets less current liabilities</b>		1,114	732
Provisions for liabilities	14	(1,142)	(824)
<b>Net liabilities</b>		(28)	(92)
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Other reserve	16	19	-
Profit and loss account	16	(47)	(92)
<b>Total shareholders' deficit</b>	17	(28)	(92)

The financial statements on pages 7 to 25 were approved by the board on 29 June, 2011 and were signed on its behalf by



Steve Collier  
Director

Registered number in England 6632600

# Cobham MAL Limited

## Notes to the financial statements for the year ended 26 December 2010

### 1. Turnover

All sales are made in the United Kingdom and are deemed as being attributable to one class of business

An analysis of turnover by geographical destination is given below

	2010 £000	2009 £000
United Kingdom	1,917	3,214
Other EU countries	1,832	2,497
United States of America	2,344	3,809
Rest of the world	2,225	1,605
	8,318	11,125

### 2. Operating profit

	2010 £000	2009 £000
<b>Operating profit is stated after charging/(crediting)</b>		
Depreciation – owned assets	212	399
Operating lease charges		
- plant and machinery	56	76
- other	208	260
Amortisation of goodwill	336	422
Loss on disposal of tangible fixed assets	-	3
Restructuring costs	338	-
Exchange differences	68	(356)
Auditors' remuneration fees for the audit of the Company's annual accounts	18	19

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 3. Interest receivable and similar income

	2010 £000	2009 £000
Bank interest receivable	11	5

### 4. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable to group undertakings	976	1,144

### 5. Tax on profit on ordinary activities

	2010 £000	2009 £000
<b>Current tax</b>		
UK corporation tax on profit/(loss) for the year	(4)	(3)
Adjustment in respect of previous periods	10	-
<b>Total current tax charge/(credit)</b>	<b>6</b>	<b>(3)</b>
<b>Deferred tax</b>		
Depreciation for the year in excess of capital allowances	-	(22)
Capital allowances for the year in excess of depreciation	31	-
Timing differences relating to share options	(8)	-
Effect of change in tax rate	(3)	-
<b>Total deferred tax charge/(credit) (note 12)</b>	<b>20</b>	<b>(22)</b>
<b>Tax on profit/(loss) on ordinary activities</b>	<b>26</b>	<b>(25)</b>

The current tax assessed for the year is lower (2009 higher) than the standard rate of corporation tax in the UK of 28.0% (2009 28.0%). The differences are explained below -

	2010 £000	2009 £000
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>71</b>	<b>(117)</b>
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK of 28.0% (2009 28.0%)	20	(33)
Effects of		
Expenses not deductible for tax purposes	7	8
Depreciation for the year in excess of capital allowances	-	22
Capital allowances for the year in excess of depreciation	(31)	-
Adjustment to tax charge in respect of previous periods	10	-
<b>Total current tax charge/(credit)</b>	<b>6</b>	<b>(3)</b>

# Cobham MAL Limited

## Notes to the financial statements (continued)

The standard rate of corporation tax reduces from 28% to 27% from 1 April 2011 under legislation already enacted. The corporation tax rate was further reduced to 26% following a substantive enactment on 29 March 2011. The government has also announced its intention to reduce this rate to 23% by 1 April 2014.

### 6. Directors' emoluments

All directors in office at the year end are employed by, and receive their emoluments from, another group undertaking. No other amounts have been paid or are owed at 26 December 2010 (2009: £nil) in respect of services supplied by these directors to the Company, since their services are incidental to their services to the group as a whole.

### 7. Employee costs

	2010 £000	2009 £000
Wages and salaries	2,856	3,617
Share based payments (note 8)	34	-
Social security costs	303	379
Other pension costs (note 18)	292	236
	3,485	4,232

Included within employee costs above is £246,464 (2009: £366,115) in respect of Cobham Defence Electronic Systems M/A COM field sales and engineering teams. Although these employees are employees of the Company, their full costs are recovered from other group companies. The associated income has been recognised within cost of sales and selling and distribution charges in the profit and loss account on page 10.

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2010	2009
Assembly and other	65	66
Production and engineering	10	12
Marketing	8	8
Management and administration	8	9
	91	95



# **Cobham MAL Limited**

## **Notes to the financial statements (continued)**

### **8. Share-based payments**

The Company's ultimate parent undertaking, Cobham plc, operates a number of incentive schemes which are open to certain senior executives employed within the Group. The Company participates in the Cobham Executive Share Option Scheme (ESOS). The Company does not participate in the Cobham Performance Share Plan (PSP) or the Cobham Bonus Co-investment Plan (BCP).

Under the ESOS, options are granted at a price not less than the market value of the Group's ordinary shares on, or shortly before, the date the options are granted. Exercise is conditional upon the Group's underlying EPS growth over a three year period, or vest 25% on each annual anniversary conditional only on continued employment within the Group.

Further details of these schemes can be found in the 2010 Annual Report of Cobham plc.

In addition, entry to the Cobham Savings Related Share Option Scheme (ShareSave) is available to all employees of the Company. Employees may purchase shares of Cobham plc at 80% of the closing market price on the date of grant during a two-week period each year, up to a maximum contribution value of £3,000 in any one year. The shares so purchased are generally placed in an employee's share savings plan and will only be released to employees who remain in the Cobham plc group's employment for a period of three years from the date of grant.

The total fair value of share-based payments relating to the employees of the Company for the year ended 26 December 2010, and expensed to the profit and loss account for that year, was assessed to be £34,000 (2009 £nil). As the schemes relate to shares of the ultimate parent undertaking, the Company has recognised a capital contribution equal to the profit and loss account charge for the year (note 16). During the year Cobham plc has recharged £15,000 (2009 £nil) to the Company and such recharges are deducted from the capital contribution in note 16.

# Cobham MAL Limited

## Notes to the financial statements (continued)

Details of the share options outstanding during the year for all schemes are as follows

Number of share options	ESOS	ShareSave
At 27 December 2009	-	102,266
Awards granted	33,651	31,762
Awards forfeited	-	(16,042)
Exercised	-	-
Expired	-	-
Transferred	46,810	-
<b>At 26 December 2010</b>	<b>80,461</b>	<b>117,986</b>
<b>Exercisable at 26 December 2010</b>	<b>-</b>	<b>5,369</b>
Exercisable at 26 December 2009	-	-

The weighted average remaining contractual life in years of awards is as follows

	ESOS	ShareSave
<b>Outstanding at 26 December 2010</b>	<b>-</b>	<b>3.06</b>
Outstanding at 26 December 2009	-	-

Under the ESOS and Sharesave schemes, exercises were made at various times throughout the year. The average share price in that period was £2.330 (2009: £2.002).

The weighted average exercise prices of awards under the ESOS and ShareSave schemes are as follows

£	ESOS	ShareSave
At 27 December 2009	-	1.690
Awards granted	2.473	1.790
Awards forfeited	-	1.690
Exercised	-	-
Expired	-	-
Transferred	1.840	-
<b>At 26 December 2010</b>	<b>2.104</b>	<b>1.717</b>
<b>Exercisable as at 26 December 2010</b>	<b>-</b>	<b>1.690</b>
Exercisable as at 26 December 2009	-	-

# Cobham MAL Limited

## Notes to the financial statements (continued)

The range of exercise prices for ESOS and ShareSave awards are as follows

£	ESOS	ShareSave
<b>Outstanding at 26 December 2010</b>		
Lowest exercise price	1 840	1 690
Highest exercise price	2 473	1 790
<b>Outstanding at 26 December 2009</b>		
Lowest exercise price	-	-
Highest exercise price	-	-

Awards granted or commencing during the current and comparative year are as follows

	ESOS	ShareSave
<b>During 2010</b>		
<b>Effective date of grant or commencement date</b>	<b>26 March</b>	<b>1 February</b>
<b>Average fair value at date of grant</b>	<b>0 618</b>	<b>0 508</b>
<b>During 2009</b>		
<b>Effective date of grant or commencement date</b>	<b>9 July</b>	<b>1 February</b>
<b>Average fair value at date of grant</b>	<b>0 333</b>	<b>0 363</b>

# Cobham MAL Limited

## Notes to the financial statements (continued)

The fair values in the table above were calculated using the Black-Scholes option pricing model to determine the likely impact of market-related performance conditions. The inputs into the model were as follows:

	ESOS	ShareSave
<b>2010</b>		
Weighted average share price	£2 626	£2 155
Weighted average exercise price	£2 473	£1 690
Expected volatility	28%	21%-25%
Expected life	5 years	3-7 years
Expected employee cancellation rate	8.0%	2.2%
Risk free rate	2.8%	2.1%
Expected dividend yield	2.1%	2.3%
<b>2009</b>		
Weighted average share price	£1 788	£1 829
Weighted average exercise price	£1 841	£1 730
Expected volatility	28%	24%-26%
Expected life	5 years	3 - 7 years
Expected employee cancellation rate	2.0%	2.2%
Risk free rate	2.7%	3.8%
Expected dividend yield	2.8%	2.5%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected employee cancellation rate is based on an assessment of historic rates of voluntary cancellations of contracts by employees.

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 9. Intangible assets

	Goodwill £000
<b>Cost</b>	
At 27 December 2009	6,735
<b>At 26 December 2010</b>	<b>6,735</b>
<b>Accumulated amortisation</b>	
At 27 December 2009	422
Charge for the year	336
<b>At 26 December 2010</b>	<b>758</b>
<b>Net book amount</b>	
<b>At 26 December 2010</b>	<b>5,977</b>
At 26 December 2009	6,313

Goodwill arose on the acquisition of the M/A COM UK business from Tyco Electronics UK Ltd in September 2008. The goodwill is being amortised on a straight-line basis over 20 years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 10. Tangible assets

	Leasehold land and buildings (long lease) £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Total £000
<b>Cost</b>				
At 27 December 2009	108	1,044	81	1,233
Additions	56	216	47	319
<b>At 26 December 2010</b>	<b>164</b>	<b>1,260</b>	<b>128</b>	<b>1,552</b>
<b>Accumulated depreciation</b>				
At 27 December 2009	98	263	25	386
Charge for the year	61	123	28	212
<b>At 26 December 2010</b>	<b>159</b>	<b>386</b>	<b>53</b>	<b>598</b>
<b>Net book amount</b>				
<b>At 26 December 2010</b>	<b>5</b>	<b>874</b>	<b>75</b>	<b>954</b>
At 26 December 2009	10	781	56	847

### 11. Stocks

	2010 £000	2009 £000
Raw materials and consumables	419	346
Work in progress	1,064	1,131
Finished goods and goods for resale	47	21
	<b>1,530</b>	<b>1,498</b>

There is no significant difference between the replacement cost and the value of stocks shown

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 12. Debtors

Amounts falling due within one year

	2010 £000	2009 £000
Trade debtors	2,002	2,075
Amounts owed by fellow subsidiary undertakings	109	97
Other debtors	100	4
Prepayments and accrued income	172	161
	<b>2,383</b>	<b>2,337</b>

Amounts falling due after one year

	2010 £000	2009 £000
Deferred tax asset	2	22
	<b>2</b>	<b>22</b>

#### Deferred taxation

Deferred tax asset represents

	2010 £000	2009 £000
Accelerated capital allowances	(6)	22
Timing differences relating to share options	8	-
	<b>2</b>	<b>22</b>

Net deferred tax	£000
At 27 June 2008	-
Credited to the profit & loss account (note 5)	22
At 27 December 2009	22
Charged to the profit & loss account (note 5)	(20)
At 26 December 2010	2

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 13. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	446	349
Amounts owed to fellow subsidiary undertakings	422	916
Other creditors	63	56
Corporation tax	152	68
Other tax and social security	95	119
Amounts owed to fellow subsidiary undertakings (loan)	10,847	10,847
Accruals and deferred income	183	124
	12,208	12,479

Amounts owed to fellow subsidiary undertakings (loan) is unsecured, attracts interest at a rate of 9% and is repayable on demand

### 14. Provisions for liabilities

	Restruct- uring £000	Dilapidation provisions £000	Warranty provisions £000	Total £000
At 27 December 2009	-	745	79	824
Unused amounts reversed in the year	-	-	(20)	(20)
Charged to the profit and loss account	338	-	-	338
At 26 December 2010	338	745	59	1,142

### 15. Called up share capital

	2010	2009
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1



# Cobham MAL Limited

## Notes to the financial statements (continued)

### 16. Reserves

	Other Reserve £000	Profit and loss account £000
At 27 December 2009	-	(92)
Profit for the financial year	-	45
Capital contribution for the year	19	-
<b>At 26 December 2010</b>	<b>19</b>	<b>(47)</b>

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc

### 17. Reconciliation of movements in total shareholders' deficit

	2010 £000	2009 £000
Profit for the period	45	(92)
Capital contribution for the year	19	-
Net addition to shareholder funds	64	-
Opening shareholders' deficit	(92)	-
<b>Closing shareholders' deficit</b>	<b>(28)</b>	<b>(92)</b>

### 18. Pension commitments

#### Stakeholder scheme

The Company contributes into a stakeholder scheme for its employees. The pension cost charged represents contributions payable by the company to the fund and amounted to £292,000 (2009 £227,000). At 26 December 2010 there were contributions outstanding of £24,000 (2009 £25,000).

### 19. Contingent liabilities

The Company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued an unlimited guarantee to support these group facilities.

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 20. Capital commitments

The Company had capital commitments contracted for but not provided of £6,000 at 26 December 2010 (2009 £173,000)

### 21. Financial commitments

The following annual operating lease commitments existed at the period end expiring as follows

	Land and buildings		Other	
	2010 £000	2009 £000	2010 £000	2009 £000
Within one year	208	208	12	33
Between two and five years	-	-	1	14
After five years	-	-	-	1
	208	208	13	48

The property lease has been extended for one year until 31 December 2011

### 22. Ultimate parent undertaking

The Company's immediate parent undertaking is Cobham Defence Communications Limited

The ultimate parent undertaking and controlling party is Cobham plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham plc consolidated financial statements can be obtained from the Company Secretary at Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ

### 23. Cash flow statement

As noted above, the Company is a wholly owned subsidiary of Cobham Defence Communications Limited and is included in the consolidated financial statements of Cobham plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 (revised 1996)

# Cobham MAL Limited

## Notes to the financial statements (continued)

### 24. Related party disclosures

The Company has taken the exemption under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Cobham plc group or investees of the Cobham plc group

The Company has undertaken transactions, with the following related parties, on an arm's length basis. Activity during the year and balances at the year end were as follows

	<b>2010 Purchases in year £000</b>	<b>2010 Creditor balances £000</b>	<b>2009 Purchases in year £000</b>	<b>2009 Creditor balances £000</b>
M/A Com Tech	76	-	343	15

No amounts have been written off during the period, nor any doubtful debt provisions considered necessary