

ERA Technology Limited

Directors' Report and Financial Statements
for the year ended 31 December 2007

Registered Number 4044609



ERA Technology Limited

Directors' Report and Financial Statements for the year ended 31 December 2007

Contents

Directors' report for the year ended 31 December 2007	1
Independent auditors' report to the members of ERA Technology Limited	4
Statement of accounting policies	5
Profit and loss account for the year ended 31 December 2007	8
Balance sheet as at 31 December 2007	9
Statement of total recognised gains and losses for the year ended 31 December 2007	10
Note of historical cost profits and losses for the year ended 31 December 2007	10
Notes to the financial statements for the year ended 31 December 2007	11

ERA Technology Limited

Directors' report for the year ended 31 December 2007

The directors have pleasure in submitting their report, together with the audited financial statements of the Company, for the year ended 31 December 2007

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 8 showing a profit for the financial year after tax of £3,470,000 (2006 £3,156,000) At 31 December 2007, the Company has net assets, including its pension scheme, of £21,191,000 (2006 £19,279,000)

Dividends proposed are as set out in note 9

Principal activities and business review

The Company offers design, development and assessment services, consultancy, information and training in the areas of electronics, communications, software, electrical, mechanical and materials technologies These principal activities are not expected to change in the foreseeable future

During the year total turnover amounted to £17,207,000, a decrease of £1,922,000 (10%) on 2006 Despite this reduction, however, the Company achieved an improvement of 6% in operating profit to £2,314,000 (2006 £2,174,000)

During the year cash balances increased by £3,354,000 to £16,959,000 and generated bank interest receipts of £843,000 (2006 £603,000)

The directors consider the results for the year to be satisfactory

Future developments

The directors are confident that next year will again show a strong and profitable performance

The Company acquired the trade and assets of Culham Lightning Limited and Vector Fields Limited, fellow subsidiary undertakings of Cobham plc, on 1 January 2008

Research and development

The Company is committed to research and development and has invested £213,000 (2006 £204,000) in activities during the year

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 ensuring an adequate flow of new orders, the execution of customers' contracts on time and within budget and the recruitment and retention of appropriately qualified and experienced technical staff

The acquisition of the Culham Lightning business in 2008 brings with it a lease expiring within one year This will necessitate a move to new premises but will provide the opportunity to invest in new test facilities

Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 6 and 7 of the Cobham plc 2007 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 ERA Technology Limited The development, performance and position of the Cobham Avionics and Surveillance division is discussed on pages 10, 11, 54 and 55 of the 2007 Annual Report of Cobham plc, which does not form part of this report

ERA Technology Limited

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate cash flow risk and foreign 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 implemented by the group finance department. The department has a policy and procedures manual that sets out guidelines to allow it to manage interest rate risk, credit risk and foreign currency exchange rate risk.

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

Liquidity risk

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

Interest rate cash flow risk

The Company has interest bearing assets in the form of 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.

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

Foreign exchange currency rate risk

The Company has a policy to minimise foreign exchange currency 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.

Charitable contributions

During the year the Company made various charitable donations totalling £450 (2006 £435).

Directors

Except as noted, the following directors held office during the year and up to the date of signing the financial statements.

F J Cahill	(resigned on 27 March 2008)
J E Fewtrell	
P D Long	
V J J Mifsud	(appointed on 2 January 2008)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial

ERA Technology Limited

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,
- 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.

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 234ZA of the Companies Act 1985

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting

By order of the Board



J E Fewtrell
Company Secretary

19 August 2008

ERA Technology Limited

Independent auditors' report to the members of ERA Technology Limited

We have audited the financial statements of ERA Technology Limited for the year ended 31 December 2007, which comprise the statement of accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses 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 judgements 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
Southampton

22 August 2008

ERA Technology Limited

Statement of accounting policies

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention, modified to include the revaluation of certain land and buildings, and in accordance with the Companies Act 1985 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of accounting

The financial statements contain information about ERA Technology Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertaking, are included by full consolidation in the consolidated financial statements of its ultimate parent company, Cobham plc, which are publicly available (see note 24).

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 based upon the fair value of work performed to date assessed with reference to contract milestones. Other operating income includes rental income and the provision of administrative and maintenance services to tenants on the Cleve Road site.

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.

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, other than freehold land and investment properties, 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:

Freehold buildings	50 years
Building improvements	Over 4 to 10 years
Plant and machinery	Over 3 to 4 years
Fixtures, fittings, tools and equipment	Over 3 to 4 years

Expected useful economic lives are reassessed annually to ensure they remain appropriate.

ERA Technology Limited

Investment properties

Investment properties are included in the balance sheet at open market value on the basis of valuation by the directors. In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve, and no provision is made for depreciation of freehold properties. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards.

Investments

Investments are stated at cost, less any provision for impairment in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Stocks

Stocks and work in progress are stated at the lower of cost, which includes an appropriate proportion of production overheads, and net realisable value.

Payments received and receivable on account of work in progress are deducted from the cost of the work carried out at the balance sheet date to the extent of the valuation of the work done.

Financial assets and liabilities

Financial assets and liabilities are presented in accordance with paragraphs 15-50 of FRS25 as the Company has not adopted FRS26.

Pension costs

The Company operates a defined benefit scheme. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Company adopted the December 2006 amendment to FRS17 early, with effect from 1 January 2006.

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.

ERA Technology Limited

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs

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

The Company undertakes research and development activities either on its own behalf or on behalf of customers.

Company funded expenditure on research activities is written off as incurred and charged to the profit and loss account.

Company funded expenditure on development activities is capitalised as an internally generated intangible asset if certain conditions are met as laid out in SSAP 13. The expenditure capitalised includes the cost of materials, direct labour and related overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over the expected life of the product.

Where the research and development activity is performed for customers, expenditure is written off as incurred and the revenue arising is recognised in accordance with the Company's revenue recognition policy above.

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. Examples include the calculation of degrees of obsolescence of stock or degrees of completion against long term project objectives. In these 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. 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.

The Company has taken advantage of the transitional provisions of FRS20 in respect of equity settled awards and has applied FRS20 only to equity settled awards granted after 7 November 2002.

ERA Technology Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover	1	17,125	19,129
Other operating income		1,609	1,510
		18,734	20,639
Raw materials and consumables		(3,044)	(4,396)
Other external charges		(2,482)	(2,610)
Staff costs		(10,153)	(10,554)
Depreciation		(695)	(675)
Other operating charges		(46)	(230)
		(16,420)	(18,465)
Operating profit	2	2,314	2,174
Interest receivable and similar income	3	843	603
Interest payable and similar charges	4	(14)	(20)
Other finance income	20	1,670	1,333
Profit on ordinary activities before taxation		4,813	4,090
Tax on profit on ordinary activities	5	(1,343)	(934)
Profit for the financial year	18	3,470	3,156

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

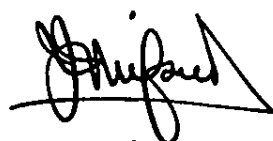
The profit on ordinary activities before taxation and the retained profit for the financial year have been computed on the historical cost basis, as modified by the revaluation of freehold property.

ERA Technology Limited

Balance sheet as at 31 December 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		13,455		13,563
Investments	11		133		-
			13,588		13,563
Current assets					
Stock	12	319		133	
Debtors	13	5,078		5,026	
Cash at bank and in hand		16,959		13,605	
		22,356		18,764	
Creditors amounts falling due within one year	14	(16,295)		(16,047)	
Net current assets			6,061		2,717
Total assets less current liabilities			19,649		16,280
Provisions for liabilities and charges	15		(136)		(115)
Net assets excluding pension asset			19,513		16,165
Pension asset	20		1,678		3,114
Net assets including pension asset			21,191		19,279
Capital and reserves					
Called up share capital	17		1,000		1,000
Share premium account	18		9,000		9,000
Revaluation reserve	18		2,097		1,847
Other reserve	18		333		165
Profit and loss account	18		8,761		7,267
Total shareholders' funds	19		21,191		19,279

The financial statements on pages 5 to 28 were approved by the board on 19 August 2008 and were signed on its behalf by



V J J Mifsud
Director

ERA Technology Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Profit for the financial year		3,470	3,156
Actuarial (loss)/gain on pension scheme	20	(2,778)	2,577
Unrealised gain on revaluation of investment property	10	250	-
Movement on deferred tax relating to pension asset (including rate change)		802	(773)
Total gains and losses relating to the year and recognised since last annual report		1,744	4,960

The notes on pages 11 to 28 form part of these financial statements

Note of historical cost profits and losses for the year ended 31 December 2007

	2007 £000	2006 £000
Profit on ordinary activities before taxation	4,813	4,090
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	(18)	(18)
Historical cost profit on ordinary activities before taxation	4,795	4,072
Historical cost profit for the year retained after taxation and dividends	3,452	3,138

ERA Technology Limited

Notes to the financial statements for the year ended 31 December 2007

1. Turnover

All sales are deemed as being attributable to one class of business and an analysis of turnover by geographical destination is given below

	2007 £000	2006 £000
United Kingdom	12,450	14,101
Other EU countries	2,047	1,696
United States of America	970	952
Australasia	74	209
Rest of the world	1,584	2,171
	17,125	19,129

2. Operating profit

	2007 £000	2006 £000
Operating profit is stated after charging/(crediting)		
Depreciation		
- owned assets	695	675
Operating lease charges		
- plant and machinery	231	211
- other	2	58
Release of provision against investment in joint venture	(133)	-
Profit on disposal of tangible fixed assets	(1)	(52)
Exchange differences	(31)	91
Auditors' remuneration		
- audit services	32	34

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 accounts since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis

3. Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	843	603

ERA Technology Limited

4. Interest payable and similar charges

	2007 £000	2006 £000
Bank charges and similar items	14	20

5. Taxation

	2007 £000	2006 £000
Current tax		
UK corporation tax on profits for the year	1,243	842
Adjustment in respect of previous years	(26)	(126)
Total current tax	1,217	716
Deferred tax		
Origination and reversal of timing differences	220	388
Change in tax rate – impact on deferred tax	12	-
Adjustment in respect of previous years	(28)	(170)
Change in tax rate – impact on pension deferred tax liability	(78)	-
Total deferred tax (note 16)	126	218
Tax on profit on ordinary activities	1,343	934
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below		
	2007 £000	2006 £000
Profit on ordinary activities before taxation	4,813	4,090
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2006 30%)	1,444	1,227
Effects of		
Expenses not deductible for tax purposes	35	37
Expenditure qualifying for additional research and development tax deduction	(83)	(112)
Capital allowances for the year in excess of depreciation	(21)	(95)
Depreciation on non-qualifying fixed assets	67	78
Share-based payments	41	22
Pension costs	(201)	(118)
Other timing differences	(39)	(197)
Adjustment to tax charge in respect of previous years	(26)	(126)
Current tax charge for the year	1,217	716

ERA Technology Limited

5. Taxation (continued)

Factors that may affect future tax charges

The standard rate of corporation tax in the UK has changed from 30% to 28% from 1 April 2008 which will reduce future tax charges. The Company's future tax charge is also likely to be lower than the standard rate of corporation tax of 30% due to significant research and development expenditure that is expected to be incurred which qualifies for additional tax relief.

6. Directors

Directors' emoluments

	2007 £000	2006 £000
Aggregate emoluments	531	495

Retirement benefits are accruing to 2 (2006: 2) directors under a defined benefit scheme.

Highest paid director

	2007 £000	2006 £000
Total emoluments including amounts accruing under long-term incentive schemes	395	372
Accrued pension at end of year under defined benefit scheme	23	18

The emoluments of P D Long were paid by Chelton Limited. His services to this Company and to a number of fellow subsidiaries are principally of a non-executive nature and the emoluments are deemed to be wholly attributable to his services to Chelton Limited. Accordingly the above details include no emoluments in respect of this director.

7. Employee costs

	2007 £000	2006 £000
Wages and salaries	7,857	8,321
Social security costs	755	797
Other pension costs (note 20)	1,373	1,334
Cost of employee share schemes (note 8)	168	102
	10,153	10,554

ERA Technology Limited

7. Employee costs (continued)

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

By activity	2007 Number	2006 Number
Engineering and consultancy	153	166
Management and administration	50	51
	203	217

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 which include both equity settled and cash-settled awards. The company participates in the following schemes

- the Cobham Performance Share Plan (PSP) which was approved at the AGM held on 6 June 2007,
- the Cobham Long Term Incentive Plan (LTIP) which expired in 2007, and
- the Cobham Executive Share Option Scheme (ESOS)

The PSP scheme allows for annual grants of conditional shares at nil cost which vest 50% based on the Group's three year Total Shareholder Return relative to that of a sector comparator group and 50% based on the growth of the Group's EPS over the same period

Under the LTIP scheme awards are made at nil cost, vesting over a three year performance period based on the group's Total Shareholder Return relative to that of a comparator group and also conditional upon the Group's EPS growth over the same period

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 EPS growth over a three year period. A new section has been added to the ESOS scheme during 2007 under which options are granted with 25% vesting each annual anniversary conditional only on continued employment within the Group

Further details of these schemes can be found on pages 36, 37 and 63 to 66 of the 2007 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 fair value of share-based payments relating to the employees of the Company for the year ended 31 December 2007, and expensed to the profit and loss account for that year, was assessed to be £168,000 (2006 £102,000). 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 18)

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

ERA Technology Limited

8. Share-based payments (continued)

Number of share options	PSP	LTIP	ESOS	ShareSave
At 1 January 2006	-	-	144,560	616,511
Awards granted	-	-	83,972	86,299
Awards forfeited	-	-	-	(37,790)
Exercised	-	-	-	(3,530)
Expired	-	-	-	(11,290)
At 1 January 2007	-	-	228,532	650,200
Awards granted	26,112	-	132,339	111,343
Awards forfeited	-	-	-	(21,467)
Exercised	-	-	-	(18,153)
Expired	-	-	-	(9,932)
At 31 December 2007	26,112	-	360,871	711,991
Exercisable at 31 December 2007	-	-	69,970	-
Exercisable at 31 December 2006	-	-	-	-

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

	PSP	LTIP	ESOS	ShareSave
Outstanding at 31 December 2007	2.23	-	8.150	2.440
Outstanding at 31 December 2006			8.530	2.984

Under the ESOS and Sharesave schemes, exercises were made at various times throughout the year. The average share price in that period was £2.036 (2006: £1.777).

ERA Technology Limited

8. Share-based payments (continued)

All awards under the PSP and LTIP schemes have a nil exercise price. The weighted average exercise prices of awards under the ESOS and ShareSave schemes are as follows

	ESOS £	ShareSave £
At 1 January 2006	1 353	1 097
Awards granted	1 853	1 530
Awards forfeited	-	1 085
Exercised	-	1 000
Expired	-	1 076
At 1 January 2007	1 537	1 156
Awards granted	2 045	1 630
Awards forfeited	-	1 212
Exercised	-	1 084
Expired	-	1 240
At 31 December 2007	1 725	1 229
Exercisable as at 31 December 2007	1 370	-
Exercisable as at 31 December 2006	-	-

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

	ESOS £	ShareSave £
Outstanding at 31 December 2007		
Lowest exercise price	1 346	1.076
Highest exercise price	2 045	1.630
Outstanding at 31 December 2006		
Lowest exercise price	1 346	1 076
Highest exercise price	1 853	1 530

ERA Technology Limited

8. Share-based payments (continued)

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

	PSP	LTIP	ESOS	ShareSave
During 2007				
Effective date of grant or commencement date	6 June	-	6 June	1 February
Fair value at date of grant or scheme commencement				
- Three-year awards	£1 530	-	£0 473	£0 560
- Five-year awards	-	-	-	£0 640
- Seven-year awards	-	-	-	£0 730
Effective date of grant	12 June	-	-	-
Fair value at date of grant	£1 498	-	-	-
During 2006				
Effective date of grant or commencement date	-	12 May	12 May	1 February
Fair value at date of grant or scheme commencement				
- Three-year awards	-	£0 903	£0 450	£0 690
- Five-year awards	-	-	-	£0 760
- Seven-year awards	-	-	-	£0 810
Effective date of grant	-	14 November	14 November	-
Fair value at date of grant	-	£0 909	£0 470	-

The fair values in the table above were calculated using the Black-Scholes option pricing model (modified by a Monte Carlo simulation for PSP and LTIP awards) to determine the likely impact of market-related performance conditions. The inputs into the model were as follows

	PSP	LTIP	ESOS	ShareSave
2007				
Weighted average share price	£2 149	-	£2 088	£1 920
Weighted average exercise price	nil	-	£2 045	£1 530
Expected volatility	24%	-	23%	24%-27%
Expected life	3 years	-	5 years	3 - 7 years
Risk free rate	4.3%	-	4.3%	4.9%
Expected dividend yield	n/a	-	1.8%	1.8%
2006				
Weighted average share price	-	£1 832	£1 833	£1 850
Weighted average exercise price	-	nil	£1 855	£1 240
Expected volatility	-	22%	25%	22%-27%
Expected life	-	3 years	5 years	3 - 7 years
Risk free rate	-	4.5%	4.5%	4.3%
Expected dividend yield	-	1.9%	1.9%	1.8%

ERA Technology Limited

8. Share-based payments (continued)

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.

Participants of the PSP scheme receive the benefit of dividend payments and therefore dividend yields are not taken into consideration in the valuation model.

9. Dividends

A final dividend for the year ended 31 December 2007 of £0.60 per share, representing a total dividend payment of £6,000,000, has been authorised and paid in January 2008. This dividend has not been accounted for within the current year financial statements as it had not been approved at the balance sheet date. No dividend was paid for the year ended 31 December 2006.

10. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery (including vehicles) £000	Total £000
Cost or valuation			
At 1 January 2007	13,151	3,971	17,122
Additions	95	242	337
Revaluation	250	-	250
Disposals	(10)	(40)	(50)
At 31 December 2007	13,486	4,173	17,659
Cost	10,486	4,173	14,659
Valuation – investment property	3,000	-	3,000
	13,486	4,173	17,659
Accumulated depreciation			
At 1 January 2007	630	2,929	3,559
Charge for the year	222	473	695
Disposals	(10)	(40)	(50)
At 31 December 2007	842	3,362	4,204
Net book amount			
At 31 December 2007	12,644	811	13,455
At 31 December 2006	12,521	1,042	13,563

A fixed charge is held over the freehold land and buildings as security against a loan owed by Lockman Electronic Holdings Limited, the parent undertaking, to a third party.

ERA Technology Limited

10. Tangible fixed assets (continued)

The investment property has been valued at £3,000,000 (2006 £2,750,000) For 2007 this is based on an estimated market price provided by external valuers, Vail Williams LLP, as at 31 December 2007 For 2006 the property was valued by the directors on the basis of the future rental stream arising from the lease on the property

The investment property would have been included in the financial statements on a historical cost basis as follows

	2007 £000	2006 £000
Cost	903	903
Accumulated depreciation	(54)	(36)
Net book amount based on historic cost	849	867

11. Investments

Investments in group undertakings comprise

	Shares at cost £000
Cost	
At 1 January and 31 December 2007	133
Provision	
At 1 January 2007	133
Release of provision	(133)
At 31 December 2007	-
Net book amount	
At 31 December 2007	133
At 31 December 2006	-

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown in the balance sheet

At 31 December 2007, the Company had the following subsidiary undertakings and joint venture operations

	Country of incorporation and operation	Class of share capital held	Proportion held	Nature of business
ERA Patents Limited	England	Ordinary	100%	Patent holding and exploitation
Telecom MODUS Limited	England	Ordinary	40% Joint venture	Development of mobile telecommunications systems

ERA Technology Limited

11. Investments (continued)

The Company holds a 40% equity interest in Telecom MODUS Limited, a joint venture arrangement with NEC Corporation of Japan established in May 1998. This investment has been accounted for as an investment in accordance with FRS 9 'Associates and Joint Ventures', as the directors are of the opinion that they have only limited influence over the joint venture and the Company is not entitled to partake of any profits, or required to fund any losses, of the joint venture. Full provision had been made against this investment prior to the current year. This provision is no longer considered necessary as the joint venture terminates on 31 March 2008 with the Company's shares being acquired by NEC Corporation at original cost.

12. Stocks

	2007 £000	2006 £000
Raw materials and consumables	319	133

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

13. Debtors

	2007 £000	2006 £000
Trade debtors	2,111	2,577
Amounts recoverable on long term contracts	1,977	1,234
Amounts owed by fellow subsidiary undertakings	309	332
Amounts owed by related parties (note 26)	7	12
Deferred tax assets (note 16)	159	165
Other debtors	261	199
Prepayments and accrued income	254	507
	5,078	5,026

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

Deferred tax assets of £159,000 (2006: £165,000) are not recoverable within one year.

The directors consider that the carrying value of debtors equates to their fair values.

ERA Technology Limited

14. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	443	430
Payments received on account	1,385	1,180
Amounts owed to fellow subsidiary undertakings	12,800	12,664
Other creditors	104	102
Payroll and other taxes, including social security	390	470
Corporate tax	467	459
Accruals and deferred income	706	742
	16,295	16,047

Amounts owed to fellow subsidiary undertakings include £12,660,000 (2006 £12,660,000) which is unsecured, interest free and has no fixed date of repayment. Amounts of £140,000 (2006 £4,000) are unsecured, interest-free and repayable on demand.

The directors consider that the carrying value of creditors equates to their fair values.

15. Provisions for liabilities and charges

	Contract provisions £000
At 1 January 2007	115
Created during the year	96
Utilised during the year	(75)
At 31 December 2007	136

Contract provisions represent management's best estimate of the amount by which the expected benefits from certain specific contracts are lower than the unavoidable cost of meeting its obligations under those contracts. The time frame within which such provisions will unwind varies by contract, but is generally within one year.

ERA Technology Limited

16. Deferred tax

The deferred tax asset comprises

	2007 £000	2006 £000
Depreciation in advance of capital allowances	67	123
Other timing differences	92	42
	159	165

The total provision for deferred tax is as follows

Depreciation in advance of capital allowances and other timing differences	159	165
Deferred tax liability on pension asset (note 20)	(653)	(1,335)
	(494)	(1,170)

Net deferred tax

At 1 January	(1,170)	(179)
Charged to profit and loss account (note 5)	(126)	(218)
Charged to the statement of total recognised gains and losses	802	(773)
At 31 December	(494)	(1,170)

17. Share capital

	2007 £000	2006 £000
Authorised		
20,000,000 ordinary shares of 10p each	2,000	2,000
Allotted, called up and fully paid		
10,000,000 ordinary shares of 10p each	1,000	1,000

ERA Technology Limited

18. Reserves

	Share premium Account £000	Revaluation reserve £000	Other reserve - capital contribution £000	Profit and loss account £000
As at 1 January 2007	9,000	1,847	165	7,267
Profit for the financial year	-	-	-	3,470
Revaluation	-	250	-	-
Capital contribution for the year	-	-	168	-
Actuanal loss on pension scheme (net of deferred tax)	-	-	-	(1,976)
As at 31 December 2007	9,000	2,097	333	8,761

The capital contribution reserve was set up during the year to 31 December 2006 and relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 8)

19. Reconciliation of movements in total shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	3,470	3,156
Actuanal (loss)/gain on pension scheme (net of deferred tax) (note 20)	(1,976)	1,804
Capital contribution from parent (FRS 20) (note 8)	168	102
Revaluation of investment property (note 10)	250	-
Net addition to shareholders' funds	1,912	5,062
Opening shareholders' funds	19,279	14,217
Closing shareholders' funds	21,191	19,279

20. Pension commitments

The Company operates defined benefit and defined contribution pension schemes with assets held in separate trustee administered funds. Since 8 August 2003, new employees have only been able to join the defined contribution scheme.

Defined contribution scheme

The Company operates a defined contribution scheme, the ERA Technology Limited Stakeholder Pension Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charged represents contributions payable by the Company to the fund and amounted to £23,000 (2006: £24,000). At 31 December 2007 there were contributions outstanding of £20,000 (2006: £29,000).

ERA Technology Limited

20. Pension commitments (continued)

Defined benefit scheme

The Company operates a defined benefit pension scheme, the ERA Technology Limited Pension Fund, to which the Company and employees contribute. The benefits payable from the scheme are defined in the scheme rules and are based on final salary and length of contributing service.

The scheme is fully funded based on the actuarial valuation at 30 June 2004 and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The contributions take account of the future funding requirement of the scheme in order to arrive at a level percentage of pensionable pay from year to year.

The most recent actuarial valuation, as at 30 June 2004, showed that the market value of the scheme's assets was £45,928,000 and that the actuarial value of those assets represented 114% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The main actuarial assumptions used were:

Return on investments	6.2% per annum
Salary increases	4.0% per annum with no allowance for promotions
Pension increases in excess of Guaranteed Minimum Pensions	2.5% per annum

The valuation was based on the attained age method.

The present funding rate (6% for the Company and 5% for the employees, increasing to 8% and 6% respectively in April 2008) is calculated to eliminate the surplus indicated in the valuation report over the estimated average remaining service lives of the members.

The valuation used for FRS 17 disclosure has been based on the most recent full actuarial valuation updated to 31 December 2007 by a qualified independent actuary. Since the scheme is now closed to new entrants, the age profile of the scheme's in-service membership will increase over time. Under the funding method described by FRS 17, the current service cost will increase as a percentage of pensionable salaries as members approach retirement. The principal assumptions made by the actuary were:

	2007	2006
Rate of increases in salaries	3.80%	3.50%
Pensions in payment increases	3.30%	3.00%
Inflation rate	3.30%	3.00%
Expected return on scheme assets	7.29%	7.46%
Discount rate	5.82%	5.10%

The mortality assumption used in 2007 is denoted by actuaries as "PA92 year of birth projections medium cohort". The mortality assumption at 31 December 2006 was "PA92 projected by individual year".

At 31 December 2007 (and in 2006) it has been assumed that members will not commute any of their pension for cash on retirement. This is based on experience of a low level of commutations in the scheme.

ERA Technology Limited

20. Pension commitments (continued)

The assets in the scheme and the expected rate of return were

	2007 £000	2006 £000
Fair value of scheme assets		
Equities	51,017	50,353
Bonds	14,901	11,585
Cash/other	105	626
	66,023	62,564
Present value of scheme liabilities	(63,692)	(58,115)
Surplus in scheme	2,331	4,449
Related deferred tax liability	(653)	(1,335)
Net pension asset	1,678	3,114

The fair values of assets in the scheme as a percentage of total plan assets are

	2007	2006
Equity instruments	77.3%	80.5%
Debt instruments	22.6%	18.5%
Other assets	0.1%	1.0%
	100.0%	100.0%

Analysis of amount charged to operating profit

	2007 £000	2006 £000
Current service cost	1,350	1,310

Analysis of amount credited to other finance income

	2007 £000	2006 £000
Expected return on pension scheme assets	4,636	4,169
Interest on pension scheme liabilities	(2,966)	(2,836)
Net return	1,670	1,333

ERA Technology Limited

20. Pension commitments (continued)

Analysis of amount recognised in the statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	(345)	864
Experience gains and losses arising on scheme liabilities	-	(52)
Changes in financial assumptions	(2,433)	1,765
Actuanal (loss)/gain recognised in the statement of total recognised gains and losses	(2,778)	2,577

It has not been possible to split out the experience gains and losses arising on scheme liabilities from changes in financial assumptions, the effect is not considered to be material

Movement in scheme assets during the year

	2007 £000	2006 £000
Scheme assets at the beginning of the year	62,564	58,302
Expected return	4,636	4,169
Actuanal (loss)/gain	(345)	864
Contributions by members	323	351
Contributions by employer	340	369
Benefits paid	(1,495)	(1,491)
Scheme assets at the end of the year	66,023	62,564

Movement in scheme liabilities during the year

	2007 £000	2006 £000
Scheme liabilities at the beginning of the year	58,115	56,822
Current service cost	1,350	1,310
Interest cost	2,966	2,836
Actuanal loss/(gain)	2,433	(1,713)
Contributions by members	323	351
Benefits paid	(1,495)	(1,491)
Scheme liabilities at the end of the year	63,692	58,115

ERA Technology Limited

20. Pension commitments (continued)

The history of the scheme for the current and previous four years is as follows

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Present value of defined benefit obligation	63,692	58,115	56,822	43,198	41,251
Fair value of scheme assets	66,023	62,564	58,302	49,249	45,600
Surplus	2,331	4,449	1,480	6,051	4,349
Experience adjustments on scheme assets	(345)	864	6,077	896	4,547
Experience adjustments on scheme liabilities	-	(52)	(1,298)	404	548

Note that historical data for 2003 is as stated under the original version of FRS 17

21. 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.

22. Capital commitments

The Company had capital commitments of £76,000 at 31 December 2007 (2006 £77,000).

23. Financial commitments

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

	Other 2007 £000	2006 £000
Within one year	44	28
Within two to five years	156	170
	200	198

24. Ultimate parent undertaking

The Company's immediate parent undertaking is Lockman Electronic Holdings 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.

ERA Technology Limited

25. Cash flow statement

As noted above, the Company is a wholly owned subsidiary of Lockman Electronic Holdings 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 cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996)

26. 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

	Purchases in year £000	2007 Creditor balance £000	Purchases in year £000	2006 Creditor balance £000
Telecom MODUS Limited	3	-	7	-

	Sales in year £000	2007 Debtor balance £000	Sales in year £000	2006 Debtor balance £000
Telecom MODUS Limited	707	7	986	12

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

Telecom MODUS Limited is a joint venture company of ERA Technology Limited as described in note 11

27. Post balance sheet events

The Company acquired the trade, assets and liabilities of Culham Lightning Limited and Vector Fields Limited, fellow subsidiary undertakings of Cobham plc, at book value on 1 January 2008