

ERA Technology Limited

Directors' Report and Financial Statements
for the year ended 31 December 2009

Registered Number 4044609



ERA Technology Limited

Directors' Report and Financial Statements for the year ended 31 December 2009

Contents

Directors' report for the year ended 31 December 2009	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 2009	9
Balance sheet as at 31 December 2009	10
Statement of total recognised gains and losses for the year ended 31 December 2009	11
Note of historical cost profits and losses for the year ended 31 December 2009	11
Notes to the financial statements for the year ended 31 December 2009	12

ERA Technology Limited

Directors' report for the year ended 31 December 2009

The directors have pleasure in submitting their report, together with the audited financial statements of ERA Technology Limited ("the Company"), for the year ended 31 December 2009. The Company trades under the name Cobham Technical Services.

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 9 showing a profit for the financial year after tax of £2,418,000 (2008 £3,633,000). At 31 December 2009, the Company has net assets, including its pension scheme, of £3,746,000 (2008 £9,546,000).

Dividends paid and proposed are as set out in note 9.

Principal activities and business review

During the year the Company continued to offer design, development and assessment services, consultancy, information and training in the areas of electronics, communications, software, electrical, mechanical and materials technologies, the provision of lightning testing and consultancy and the sale of software for modelling and analysing electromagnetic equipment and effects.

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

During the year total turnover amounted to £22,946,000, an increase of £3,670,000 (19%) on 2008. Operating profit increased by £496,000 (15%) to £3,705,000 (2008 £3,209,000).

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.

Research and development

The Company is committed to research and development and has invested £427,000 (2008 £365,000) in activities during the year. All Company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met.

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 Direct Effects lightning test facility continues to be operated from the former Culham premises whilst a new facility is commissioned at Abingdon. As a consequence of technical difficulties with certain components there remains a risk that the new facility will not be operationally complete before the lease on the Culham premises expires in 2010.

Further discussion of the risks and uncertainties, in the context of the group as a whole, is provided on pages 28 and 29 of the Cobham plc 2009 Annual Report, which does not form part of this report.

ERA Technology Limited

Directors' report for the year ended 31 December 2009 (continued)

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, which includes the Company, is discussed on pages 14 and 15 of the 2009 Annual Report of Cobham plc, which does not form part of this report. KPIs for the Group as a whole are discussed on page 11 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 effects 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 credit risk, interest rate cash flow risk and foreign currency exchange rate risk.

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 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.

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:

J E Fewtrell

P D Long - resigned 28 April 2010

V J J Mifsud

R A Pearson - appointed 28 April 2010

ERA Technology Limited

Directors' report for the year ended 31 December 2009 (continued)

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 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.

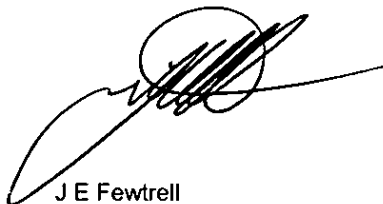
Disclosure of information to auditors

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 E Fewtrell
Company secretary

23 June 2010

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 2009, 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. 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 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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

23 June 2010

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 2006 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Changes in accounting policies

FRS 20, Share-based Payments (amendment) has been adopted during the year. This has restricted the definition of vesting conditions to service and performance conditions and confirmed that all cancellations (whether by the employee or the entity) receive the same accounting treatment. The impact of adoption of this amendment has been to accelerate charges to the profit and loss account where such cancellations occur and to restate the fair value at grant date of awards under the ShareSave scheme to take into account estimated employee cancellation rates. The adjustment in respect of prior years required on adoption of this amendment was not material and has been accounted for in the current year.

Basis of preparation

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 400 of the Companies Act 2006 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 27).

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 Cleeve Road site.

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.

As allowed under the transitional arrangements set out in FRS10, goodwill previously eliminated against reserves has not been reinstated, but will be charged to the profit and loss account on any subsequent disposal of the business to which it is related.

ERA Technology Limited

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, 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
Leasehold land and buildings	Over the term of the lease
Building improvements	4 to 10 years
Plant and machinery	3 to 4 years
Fixtures, fittings, tools and equipment	3 to 4 years

Investment properties

Investment properties are not depreciated. In accordance with SSAP 19, investment properties are held at open market value. Any aggregate surplus or deficit on revaluation is transferred to a revaluation reserve, and no provision is made for depreciation of freehold properties. This departure from the requirements of the Companies Act 2006, 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.

The depreciation (which would, had the provisions of the Act been followed, have reduced profit for the period) is only one of the factors reflected in the valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

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 and work in progress

Stocks and work in progress are stated at the lower of cost, stated 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.

Turnover and a prudent estimate of the profit attributable to work completed on long-term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

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. 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 net as other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

ERA Technology Limited

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.

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 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.

Operating lease incentives are spread on a straight line basis over the lease term or, if shorter, over the period to the first rent review.

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, costs are capitalised in work in progress and released to the profit and loss account in accordance with the Company's turnover policy as stated 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.

ERA Technology Limited

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

ERA Technology Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009		2008	
		£000	£000	£000	£000
Turnover	1		22,946		19,276
Other operating income			1,620		1,637
			24,566		20,913
Raw materials and consumables		(4,093)		(2,709)	
Other external charges		(3,543)		(3,294)	
Staff costs	7	(14,336)		(12,283)	
Depreciation		(672)		(687)	
Other operating charges		1,783		1,269	
			(20,861)		(17,704)
Operating profit	2		3,705		3,209
Interest receivable and similar income	3		69		1,634
Interest payable and similar charges	4		(446)		(16)
Profit on ordinary activities before taxation			3,328		4,827
Tax on profit on ordinary activities	5		(910)		(1,194)
Profit for the financial year	21		2,418		3,633

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

ERA Technology Limited

Balance sheet as at 31 December 2009

	Note	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		914		1,005
Tangible assets	11		10,703		10,600
Investment properties	12		1,740		2,570
			13,357		14,175
Current assets					
Stock	14	994		468	
Debtors	15	8,841		7,690	
Cash at bank and in hand		17,772		13,930	
		27,607		22,088	
Creditors amounts falling due within one year	16	(20,530)		(18,142)	
Net current assets			7,077		3,946
Total assets less current liabilities			20,434		18,121
Creditors amounts falling due after more than one year	17		(1,531)		(1,541)
Provisions for liabilities and charges	18		-		(10)
Net assets excluding pension liability			18,903		16,570
Pension liability	23		(15,157)		(7,024)
Net assets including pension liability			3,746		9,546
Capital and reserves					
Called up share capital	20		1,000		1,000
Share premium account	21		9,000		9,000
Revaluation reserve	21		837		1,667
Other reserve	21		590		453
Profit and loss account	21		(7,681)		(2,574)
Total shareholders' funds	21		3,746		9,546

The financial statements on pages 5 to 30 were approved by the board on 23 June 2010 and were signed on its behalf by



R A Pearson
Director

Registered number in England 4044609

ERA Technology Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Profit for the financial year		2,418	3,633
Actuaries loss on pension scheme	23	(10,452)	(12,456)
Unrealised loss on revaluation of investment property	12	(830)	(430)
Movement on deferred tax relating to pension asset		2,927	3,488
Total losses relating to the year and recognised since last annual report		(5,937)	(5,765)

Note of historical cost profits and losses for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Profit on ordinary activities before taxation		3,328	4,827
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	12	(18)	(18)
Historical cost profit on ordinary activities before taxation		3,310	4,809
Historical cost profit for the year retained after taxation		2,400	3,615

ERA Technology Limited

Notes to the financial statements for the year ended 31 December 2009

1. Turnover

All sales are deemed as being attributable to one class of business

An analysis of turnover by geographical destination is given below

	2009 £000	2008 £000
United Kingdom	15,567	12,808
Other EU countries	4,435	3,872
United States of America	748	842
Australasia	108	79
Rest of the world	2,088	1,675
	22,946	19,276

2. Operating profit

	2009 £000	2008 £000
Operating profit is stated after charging/(crediting)		
Depreciation – owned assets	672	687
Operating lease charges		
- plant and machinery	196	213
- other	147	199
Amortisation of goodwill	91	90
Profit on disposal of investment in joint venture (note 13)	-	(267)
Profit on disposal of tangible fixed assets	-	(3)
Exchange differences	223	(455)
Auditors' remuneration fees for the audit of the Company's annual accounts	41	46

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

3. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	69	598
Net return on pension scheme assets and liabilities (note 23)	-	1,036
	69	1,634

ERA Technology Limited

Notes to the financial statements (continued)

4. Interest payable and similar charges

	2009 £000	2008 £000
Bank interest and similar charges	16	16
Net return on pension scheme assets and liabilities (note 23)	430	-
	446	16

5. Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax		
UK corporation tax on profit for the year	1,170	1,205
Adjustment in respect of previous years	(1)	(77)
Total current tax	1,169	1,128
Deferred tax		
Origination and reversal of timing differences	(259)	66
Adjustment in respect of previous years	-	-
Total deferred tax (note 19)	(259)	66
Tax on profit on ordinary activities	910	1,194

The current tax assessed for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before taxation	3,328	4,827
Profit on ordinary activities multiplied by the standard rate in the UK of 28% (2008 28.5%)	932	1,376
Effects of		
Expenses not deductible for tax purposes	53	66
Expenditure qualifying for additional R&D tax deduction	(144)	(131)
Capital allowances for the year in excess of depreciation	9	4
Depreciation on non-qualifying fixed assets	61	58
Share-based payments	23	10
Pension costs	236	(105)
Profit on disposal of investment	-	(76)
Other timing differences	-	3
Adjustment to tax charge in respect of previous years	(1)	(77)
Total current tax	1,169	1,128

ERA Technology Limited

Notes to the financial statements (continued)

5. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

The Company's future tax charge is likely to be lower than the standard rate of corporation tax due to significant research and development expenditure that is expected to be incurred which qualifies for additional tax relief

6. Directors' emoluments

	2009 £000	2008 £000
Aggregate emoluments	145	156

Retirement benefits are accruing to 1 (2008: 1) director under a defined benefit scheme

The emoluments of P D Long were paid by another group undertaking. 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 other group undertakings. Accordingly the above details include no emoluments in respect of this director.

The emoluments of V J J Mifsud were paid by another group undertaking. 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 other group undertakings. In the comparative period his services to this Company were of an executive nature for part of the year and accordingly the comparative amount included an appropriate amount recharged to the Company by another group undertaking. No emoluments are included for the current period.

7. Employee costs

	2009 £000	2008 £000
Wages and salaries	12,315	10,110
Share-based payments (note 8)	137	150
Social security costs	884	807
Other pension costs (note 23)	1,000	1,216
	14,336	12,283

Included within wages and salaries above are employee costs of £2,571,000 (2008: £1,260,000) in respect of Cobham Avionics & Surveillance divisional management. Although these individuals are not employees of the Company, they are paid through the Company and these costs have been recovered from other group companies. The associated income has been recognised within other operating charges in the profit and loss account on page 9.

Also included within employee costs above is £755,000 (2008: £720,000) in respect of personnel who are employees of another group undertaking but who are operational staff of the Company and whose payroll costs are borne by the Company.

ERA Technology Limited

Notes to the financial statements (continued)

7. Employee costs (continued)

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

By activity	2009 Number	2008 Number
Engineering and consultancy	192	181
Management and administration	58	54
	250	235

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). It does not participate in the Cobham Bonus Co-investment Plan (BCP).

Until 2008 the Company participated in the Cobham Performance Share Plan (PSP). 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 (TSR) relative to that of a sector comparator group and 50% based on the growth of the Group's earnings per share (EPS) over the same period. The Company did not participate in the PSP during 2009.

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 all schemes can be found on pages 43, 44 and 73-77 of the 2009 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 31 December 2009, and expensed to the profit and loss account for that year, was assessed to be £137,000 (2008 £150,000). 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 21). During the year Cobham plc has recharged £nil (2008 £30,000) to the Company and such recharges are deducted from the capital contribution in note 21.

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

ERA Technology Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

Number of share options	PSP	ESOS	ShareSave
At 1 January 2008	26,112	360,871	711,991
Awards granted	-	262,805	100,061
Awards forfeited	-	-	(16,836)
Exercised	-	-	(143,750)
Expired	-	-	(8,800)
Transferred	(26,112)	(78,485)	54,986
At 1 January 2009	-	545,191	697,652
Awards granted	-	369,811	143,650
Awards forfeited	-	-	(4,372)
Exercised	-	(35,882)	(50,032)
Expired	-	-	-
Transferred	-	-	-
At 31 December 2009	-	879,120	786,898
Exercisable at 31 December 2009	-	40,468	-
Exercisable at 31 December 2008	-	69,970	-

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

	PSP	ESOS	ShareSave
Outstanding at 31 December 2009	-	8 32	1 88
Outstanding at 31 December 2008	-	8 59	2 24

Under the Sharesave scheme exercises were made at various times throughout the year. The average share price in that period was £2.002 (2008: £1.987).

ERA Technology Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

All awards under the PSP scheme 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 2008	1 725	1 229
Awards granted	2 015	1 730
Awards forfeited	-	1 403
Exercised	-	1 076
Expired	-	1 076
Transferred	1 776	1 415
At 1 January 2009	2 003	1 344
Awards granted	1 840	1 690
Awards forfeited	-	1 576
Exercised	1 853	1 240
Expired	-	-
Transferred	-	-
At 31 December 2009	1 941	1 413
Exercisable as at 31 December 2009	1 853	-
Exercisable as at 31 December 2008	1 370	-

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

	ESOS £	ShareSave £
Outstanding at 31 December 2009		
Lowest exercise price	1 840	1 076
Highest exercise price	2 045	1 730
Outstanding at 31 December 2008		
Lowest exercise price	1 850	1 076
Highest exercise price	2 045	1 730

ERA Technology Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

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

	ESOS	ShareSave
During 2009		
Effective date of grant or commencement date	9 July	1 February
Fair value at date of grant or scheme commencement		
- Three-year awards	£0 333	£0 348
- Five-year awards	-	£0 387
- Seven-year awards	-	£0 412
During 2008.		
Effective date of grant or commencement date	12 May	1 February (as restated)
Fair value at date of grant or scheme commencement		
- Three-year awards	£0 587	£0 505
- Five-year awards	-	£0 546
- Seven-year awards	-	£0 599

The fair values of ShareSave awards commencing on 1 February 2008 as disclosed in the previous year were £0 54, £0 61 and £0 70 for awards with 3, 5 and 7 year lives respectively. The figures stated above have been restated following a reassessment of the fair values of these awards taking into account the impact of non-vesting conditions as required by FRS20 (amended).

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
2009		
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%
2008		
Weighted average share price	£2 205	£1 950
Weighted average exercise price	£2 016	£1 630
Expected volatility	24%	24%-26%
Expected life	5 years	3 - 7 years
Expected employee cancellation rate	-	2.2%
Risk free rate	4.3%	4.5%
Expected dividend yield	2.0%	1.9%

ERA Technology Limited

Notes to the financial statements (continued)

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. The expected employee cancellation rate is based on an assessment of historic rates of voluntary cancellations of ShareSave contracts by employees.

9. Dividends

	2009 £000	2008 £000
Final dividend for prior year of £nil (2008: £0.60) per share	-	6,000

No dividend for the year ended 31 December 2009 has been proposed, authorised or paid.

10. Intangible assets

	Goodwill £000
Cost	
At 1 January 2009	1,095
At 31 December 2009	1,095
Accumulated amortisation	
At 1 January 2009	90
Charge for the year	91
At 31 December 2009	181
Net book amount	
At 31 December 2009	914
At 31 December 2008	1,005

Goodwill which originally arose on the acquisition of a business in 2000 was transferred from Culham Lightning Limited (a fellow subsidiary of Cobham plc) at net book value on 1 January 2008. The goodwill is being amortised on a straight-line basis over the remaining 12 years (i.e. 20 years from origin). 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.

ERA Technology Limited

Notes to the financial statements (continued)

11. Tangible assets

	Freehold land and buildings £000	Leasehold land and buildings (short lease) £000	Plant and machinery (including vehicles) £000	Capital work in progress £000	Total £000
Cost					
At 1 January 2009	10,520	2	4,546	404	15,472
Additions	4	9	378	384	775
Reclassifications	-	142	59	(201)	-
Disposals	-	-	(67)	-	(67)
At 31 December 2009	10,524	153	4,916	587	16,180
Accumulated depreciation					
At 1 January 2009	1,043	2	3,827	-	4,872
Charge for the year	203	15	454	-	672
Disposals	-	-	(67)	-	(67)
At 31 December 2009	1,246	17	4,214	-	5,477
Net book amount					
At 31 December 2009	9,278	136	702	587	10,703
At 31 December 2008	9,477	-	719	404	10,600

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

12. Investment properties

	Freehold property £000
Valuation and net book amount	
At 1 January 2009	2,570
Revaluation loss	(830)
At 31 December 2009	1,740

ERA Technology Limited

Notes to the financial statements (continued)

12. Investment properties (continued)

The investment property has been valued at £1,740,000 (2008 £2,570,000), based on an estimated market price provided by external valuers, Vail Williams LLP, as at 31 December 2009

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

	2009 £000	2008 £000
Cost	903	903
Accumulated depreciation	(90)	(72)
Net book amount based on historic cost	813	831

13. Investments

Investments in group undertakings comprise

	Shares at cost £000
Cost, provision and net book amount	
At 31 December 2008 and 2009	-

At 31 December 2009, the Company had the following subsidiary undertaking, which is held at a nominal value

	Country of incorporation and operation	Class of share capital held	Proportion held	Principal activities
E R A Patents Limited	England	Ordinary	100%	Patent holding and exploitation (dormant)

ERA Technology Limited

Notes to the financial statements (continued)

14. Stock

	2009 £000	2008 £000
Raw materials and consumables	241	201
Work in progress	753	267
	994	468

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

15. Debtors

	2009 £000	2008 £000
Trade debtors	3,114	3,946
Amounts recoverable on long term contracts	2,438	1,883
Amounts owed by fellow subsidiary undertakings	2,611	1,164
Deferred tax assets (note 19)	285	262
Other debtors	18	4
Prepayments and accrued income	375	431
	8,841	7,690

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

Deferred tax assets of £285,000 (2008 £262,000) are not recoverable within one year

ERA Technology Limited

Notes to the financial statements (continued)

16. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	522	321
Payments on account	1,982	1,680
Amounts owed to fellow subsidiary undertakings	15,914	13,963
Other creditors	201	205
Other tax and social security	337	317
Corporation tax	340	557
Accruals and deferred income	1,234	1,099
	20,530	18,142

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

17. Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Amounts owed to fellow subsidiary undertakings	1,464	1,464
Other creditors	67	77
	1,531	1,541

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

18. Provisions for liabilities and charges

	Contract provisions £000
At 1 January 2009	10
Utilised during the year	(10)
At 31 December 2009	-

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

Notes to the financial statements (continued)

19. Deferred tax

The deferred tax asset comprises

	2009 £000	2008 £000
Depreciation in advance of capital allowances	109	100
Other timing differences	176	162
	285	262

The total deferred tax asset is as follows

Depreciation in advance of capital allowances and other timing differences	285	262
Deferred tax asset on pension liability (note 23)	5,895	2,732
	6,180	2,994

Net deferred tax

At 1 January	2,994	(494)
Transferred from fellow subsidiaries	-	66
Credited/(charged) to profit and loss account (note 5)	259	(66)
Credited to the statement of total recognised gains and losses	2,927	3,488
At 31 December	6,180	2,994

20. Share capital

	2009 £000	2008 £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

Notes to the financial statements (continued)

21. Reserves

	Share premium account £000	Revaluation reserve £000	Other reserve £000	Profit and loss account £000
At 1 January 2009	9,000	1,667	453	(2,574)
Profit for the financial year	-	-	-	2,418
Revaluation of investment property	-	(830)	-	-
Capital contribution for the year	-	-	137	-
Actuarial loss on pension scheme	-	-	-	(7,525)
At 31 December 2009	9,000	837	590	(7,681)

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 8)

22. Reconciliation of movements in total shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	2,418	3,633
Dividends (note 9)	-	(6,000)
	2,418	(2,367)
Capital contribution from parent (note 8)	137	120
Other recognised gains and losses relating to the year (net)	(8,355)	(9,398)
Net deduction from shareholders' funds	(5,800)	(11,645)
Opening shareholders' funds	9,546	21,191
Closing shareholders' funds	3,746	9,546

ERA Technology Limited

Notes to the financial statements (continued)

23. 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 £81,000 (2008: £145,000). At 31 December 2009 there were contributions outstanding of £21,000 (2008: £36,000).

Defined benefit scheme

The Company operates a funded 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 2007 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 2007, showed that the market value of the scheme's assets was £65,327,000 and that the actuarial value of those assets represented 106% 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	6.85% per annum (pre-retirement) 5.25% per annum (post-retirement)
Salary increases	4.5% per annum with no allowance for promotions
Pension increases in excess of Guaranteed Minimum Pensions	3.0% per annum

The valuation was based on the attained age method.

The present funding rate (10% for the Company and 7% for the employees, increasing to 12% and 8% respectively in April 2010) 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 2009 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:

	2009	2008
Rate of increases in salaries	4.13%	3.50%
Pensions in payment increases	3.63%	3.00%
Inflation rate	3.63%	3.00%
Expected return on scheme assets	7.26%	6.77%
Discount rate	5.66%	6.30%

ERA Technology Limited

Notes to the financial statements (continued)

23. Pension commitments (continued)

The mortality assumption used in 2009 and 2008 is denoted by actuaries as "PA92 year of birth projections long cohort"

At 31 December 2009 (and in 2008) 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.

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

	2009 £000	2008 £000
Fair value of scheme assets	62,785	51,697
Present value of scheme liabilities	(83,837)	(61,453)
Deficit in scheme	(21,052)	(9,756)
Related deferred tax asset	5,895	2,732
Net pension liability	(15,157)	(7,024)

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

	2009	2008
Equity instruments	78.5%	78.5%
Debt instruments	21.4%	21.4%
Other assets	0.1%	0.1%
	100.0%	100.0%

Scheme assets do not include any property occupied by the Company

Analysis of amount charged to operating profit

	2009 £000	2008 £000
Current service cost (included in staff costs)	919	1,071

Analysis of amount (charged)/credited to other finance income

	2009 £000	2008 £000
Expected return on pension scheme assets	3,463	4,776
Interest on pension scheme liabilities	(3,893)	(3,740)
Net return	(430)	1,036

ERA Technology Limited

Notes to the financial statements (continued)

23. Pension commitments (continued)

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

	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	8,654	(18,084)
Changes in financial assumptions	(19,106)	5,628
Actuarial loss recognised in the statement of total recognised gains and losses	(10,452)	(12,456)

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

The expected rates of return on individual categories of scheme assets are determined by reference to relevant indices published by, for example, the London Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the scheme's investment portfolio.

The actual return on scheme assets during the year was a gain of £12,117,000 (2008: loss of £13,308,000).

Movement in scheme assets during the year

	2009 £000	2008 £000
Scheme assets at the beginning of the year	51,697	66,023
Expected return	3,463	4,776
Actuarial gains/(losses)	8,654	(18,084)
Contributions by members	386	342
Contributions by employer	505	404
Benefits paid	(1,920)	(1,764)
Scheme assets at the end of the year	62,785	51,697

Movement in scheme liabilities during the year

	2009 £000	2008 £000
Scheme liabilities at the beginning of the year	61,453	63,692
Current service cost	919	1,071
Interest cost	3,893	3,740
Actuarial losses/(gains)	19,106	(5,628)
Contributions by members	386	342
Benefits paid	(1,920)	(1,764)
Scheme liabilities at the end of the year	83,837	61,453

The Company expects to contribute £600,000 to its defined benefit pension scheme in 2010.

ERA Technology Limited

Notes to the financial statements (continued)

23. Pension commitments (continued)

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

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligation	83,837	61,453	63,692	58,115	56,822
Fair value of scheme assets	62,785	51,697	66,023	62,564	58,302
(Deficit)/surplus	(21,052)	(9,756)	2,331	4,449	1,480
Experience adjustments on scheme assets	8,654	(18,084)	(345)	864	6,077
Experience adjustments on scheme liabilities	-	-	-	(52)	(1,298)

24. 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.

25. Capital commitments

The Company had capital commitments contracted for but not provided of £56,000 at 31 December 2009 (2008 £175,000).

26. Financial commitments

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

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Within one year	-	12	13	60
Between two and five years	56	56	82	117
After five years	73	73	72	-
	129	141	167	177

27. 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

Notes to the financial statements (continued)

28. 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 FRS 1 (revised 1996)

29. 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