

Airbus Operations Limited

Directors' report and financial statements

Registered number 3468788

31 December 2010

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Contents

Directors report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	6
Independent auditor's report to the members of Airbus Operations Limited	7
Profit and loss account	9
Balance sheet	10
Reconciliation of movements in shareholders' funds	11
Notes	12

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The company undertakes commercial aerospace activities comprising the design and production of wings and associated equipment for the Airbus range of aircraft and the manufacture of parts for the Hawker Executive Jet

Business review

Airbus Operations Limited made a loss in 2010, but is supported by the ultimate parent company, EADS N V. The performance of Airbus Operations Limited should be taken in context with the performance of the Airbus business as a whole, the key results of which are detailed below

The Airbus group delivered a new record of 510 aircraft in 2010 (2009: 498), consisting of 401 A320 family, 91 A330/340/350 family, and 18 A380. Airbus military, the military aircraft division of Airbus, delivered 20 light and medium transport aircraft.

In 2010, the Airbus group achieved 574 net orders. The new commercial orders include 416 A320 Family aircraft, 126 A330/A340/A350 XWB Family aircraft, and 32 new orders for the A380. At 2010 year end, Airbus' commercial order book backlog was 3,552 aircraft valued at over US\$480 billion at list prices, or equalling six years of full production. The military backlog stood at 247 aircraft.

In 2010, Airbus launched the A320neo (new engine option), offering 15 per cent less fuel burn. This is equivalent to a saving of up to 3,600 tonnes of CO₂ emissions per aircraft per year.

The A350 XWB continued winning key strategic campaigns during 2010, boosting the total orders for the family to 583 and number of customers to 36 by year end. On the industrial side, 2010 saw the start of manufacturing of the first A350 XWB components and sub assemblies at section level. The systems test rig (Iron Bird) for the A350 XWB started operations in December.

The A400M programme is delivering results with four development aircraft flying. It accomplished more than 1,000 flight hours in over 300 test flights. Start of A400M series production is imminent and civil certification is planned to be obtained before the end of 2011.

The A330-based Multi-Role Tanker Transport (MRTT) aircraft achieved civil and military certification in 2010. Five are flying with a further four undergoing conversion. Delivery of the first two MRTTs to the Royal Australian Air Force (RAAF) is in the final stages.

Airbus' cost reduction programme "Power8" exceeded both its EBIT and cash saving targets. Power8+ will continue this momentum.

Airbus has regained its competitiveness largely thanks to Power8, the improved programme performance and the growth in its markets. In addition, progress in the A380 programme has allowed the company to reduce the temporary workforce considerably. However, hundreds of temporary positions were turned into full-time Airbus contracts creating a large number of new jobs in particular in Engineering and Production.

Airbus operates an Advanced Pricing Agreement which eliminates the majority of risk factors for Airbus Operations Limited such as exchange rate fluctuations. The only significant remaining risk relates to interest rates on the outstanding EADS funding balance.

Directors' report *(continued)*

Every day Airbus seeks ways to embed responsible practices deeper into core business decisions. We do this for example by delivering higher standards of environmental performance at our sites and through the products we design, we make safety our number one priority, we work closely with our suppliers, we value our employees and work to ensure ethical conduct. We give back to the local communities and we add significant value to the UK economy. We aim to be seen by all our stakeholders as a trusted and responsible company, and we take pride in our reputation for excellence.

The most relevant corporate responsibility issues identified by our stakeholders and the company follow, with responses covered in the paragraphs below:

- Climate change and sustainable aviation
- Local and regional socio economic impacts
- The ability to inspire and attract engineering talent
- The impact of our local operations on the environment
- Occupational health and safety (see health and safety section on page 4)
- Employee engagement (see employee section on page 4)
- Ethics and compliance
- Community engagement

Recognising aviation's 2% contribution to manmade CO₂¹, we are working hard to reduce this impact and have positioned the environment at the heart of everything we do, with more than 80% of our overall R&T budget focused on bringing environmental benefits.

Aviation continues to play a vital role in the UK economy, supporting 200,000 direct jobs and 500,000 indirectly. It is estimated that Airbus in the UK secures 135,000 jobs through an extended supply chain of more than 400 UK companies.

Attracting a steady flow of talent into our business is crucial. As such many of our employees and senior managers are involved in various initiatives aimed at inspiring young people and influencing policy and strategy in education, as well as championing the need for investment to foster and grow engineering talent.

During 2010, we continued our efforts to integrate eco-efficiency throughout our business and continued to develop our position on greenhouse gas reduction. In 2010 we achieved recertification to the ISO 14001 environmental management standard covering all our sites and products throughout their lifecycle.

Airbus is committed to the highest ethical standards of integrity, transparency and professionalism. The Airbus Code, available to all employees, outlines the guiding principles for conducting the day-to-day business of the company, as well as for relationships with business partners, fellow employees, shareholders and governmental authorities. Airbus also regularly conducts training for managers in this important area.

Airbus recognises the importance of its local communities to its business. Every year we support many community activities focused in the areas of youth, education and the environment, as well as encouraging our employees involvement in the Airbus Charity Challenge employee fundraising initiative. During 2010 we were heavily involved in the celebrations of 100 years of flight in the South West of England.

¹ Intergovernmental Panel on Climate Change

Directors' report *(continued)*

Key Performance Indicators

Key performance indicators against which Airbus Operations Limited measures the success of its strategy are turnover per employee £300,173 (2009 £306,048), R&D expenditure per employee £33,556 (2009 £44,903) and Capital expenditure per employee £18,958 (2009 £15,339)

Research and development

The Research & Technology programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by our customers

The technology strategy and programme content is developed as part of a holistic approach consistent with Airbus group, and currently covers metallics, composites, advanced wing engineering and systems. The work programme is developed to facilitate full co-operation with our research partners in government, industry, laboratories and universities

Proposed dividend

The directors do not recommend the payment of a dividend (2009 nil)

Policy and practice on payment of creditors

The company's supplier payment policy incorporates the requirements of the CBI Prompt Payment Code and supplier payments comply with this policy. This policy is universally applied to all of the company's suppliers

As at 31 December 2010, the company's trade creditors were equivalent to 51 days' purchases (2009 45)

Directors and directors' interests

The directors who held office during the year were as follows

Harald Wilhelm
Fabrice Bregier
Patrick Gavin (Resigned 31 March 2010)
Charles Champion (Appointed 1 April 2010)
Tom Williams
Thierry Baril
Klaus Richter

Directors' report *(continued)*

Employees

The company has a programme in place to assist employees to achieve their full potential and to develop the skills necessary to meet the current and future expectations of our customers. The programme focuses on both personal and technological development within the company.

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin or disability, subject only to considerations of national security. The company's policy is to provide, wherever possible, employment opportunities for disabled people and ensure that disabled people joining the company and employees who become disabled whilst in our employment benefit from training and career development opportunities.

Airbus annually asks its employees to express their expectations and concerns. Our surveys help us to understand the quality of our employee engagement and labour relations across the business and what to do in response. Over 84% of Airbus employees in the UK responded to the 2010 survey.

Employees are actively encouraged to become shareholders in EADS N V by way of an employee share ownership plan. In 2010, all Airbus employees were offered 10 free shares to celebrate 10 years of EADS N V.

Health and safety

We work hard to protect our employees. The Environment, Health and Safety (EHS) management system enables employees to work safely, by providing relevant training and procedures. Regular performance reports are provided to senior management. Our injury rates are reducing steadily and we are confident that all injuries are being reported and appropriately investigated.

Our occupational health management system was a finalist in the 'Occupational Health Magazine' awards for 2010. In particular our mental ill health management is seen as at best practice in the UK. It provides a range of staff support and was a finalist in the Orange award for Health and Safety.

We are working in close partnership with our Trade Union colleagues on health and safety. Trade Union Safety Representatives attend plant health and safety review meetings, while operational and EHS managers attend Trade Union safety meetings.

Political and charitable contributions

The company made no political contributions during the year (2009: £nil). Donations to UK charities amounted to £63,332 (2009: £51,663).

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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

By order of the board

A handwritten signature in black ink, appearing to read 'H. Wilhelm', is written over a horizontal line.

H. Wilhelm
Director

New Filton House
Filton
Bristol
BS99 7AR
18 March 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRBUS OPERATIONS LIMITED

We have audited the financial statements of Airbus Operations Limited for the year ended 31 December 2010 set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRBUS OPERATIONS LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

P Cotton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street, Bristol, BS1 6AG
7 April 2011

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £m	£m	2009 £m	£m
Turnover					
Continuing operations	2		2,394		2,502
Change in stocks of finished goods and work in progress		(41)		9	
Raw materials and consumables		1,760		1,797	
Other external charges		61		182	
Staff costs	6	342		353	
Depreciation and other amounts written off tangible fixed assets	3	126		103	
Other operating charges		336		344	
			<u>(2,584)</u>		<u>(2,788)</u>
Operating loss	2-3		(190)		(286)
Profit on sale of fixed assets	7		2		36
Interest payable and similar charges	4		(18)		(20)
Loss on ordinary activities before taxation	3		(206)		(270)
Tax on loss on ordinary activities	8		56		-
Loss for the financial year			<u>(150)</u>		<u>(270)</u>

There is no difference between the results as reported above and those which would be reported on an unmodified historical cost basis. Accordingly, no separate note of historical cost profit has been presented.

There are no recognised gains or losses other than those reported above.


The results for the current and preceding financial year all arise from continuing operations.

Balance sheet

At 31 December 2010

	Note	2010 £m	2009 £m
Fixed assets			
Intangible assets	9	530	530
Tangible assets	10	1,010	959
Investments	11	1	1
		1,541	1,490
Current assets			
Stocks	12	266	237
Debtors (including £32m (2009 £42m) due after more than one year)	13	405	320
Cash at bank and in hand		4	3
		675	560
Creditors amounts falling due within one year	14	(1,645)	(1,472)
Net current liabilities		(970)	(912)
Total assets less current liabilities		571	578
Creditors: amounts falling due after more than one year	15	(754)	(607)
Provisions for liabilities and charges	16	(17)	(21)
Net liabilities		(200)	(50)
Capital and reserves			
Called up share capital	17	225	225
Share premium account	18	534	534
Capital contribution reserve	18	572	572
Profit and loss account	18	(1,531)	(1,381)
Equity shareholders' deficit		(200)	(50)

These financial statements were approved by the board of directors on 18 March 2011 and were signed on its behalf by


H. Wilhelm
Director

Reconciliation of movements in shareholders' (deficit)/funds
for the year ended 31 December 2010

	2010 £m	2009 £m
Loss for the financial year and net reduction in shareholders' funds	(150)	(270)
Opening shareholders' (deficit)/funds	(50)	220
Closing shareholders' deficit	<u>(200)</u>	<u>(50)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

In the current year financial statements, the company has taken advantage of the exemption within FRS1 not to prepare a cash flow statement as the parent undertaking includes the company in its own published consolidated financial statements.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £970m and net liabilities of £200m (included within these amounts is £1,215m (gross) owed to group undertakings), which the directors believe to be appropriate for the following reason. The Directors have received a signed letter from Airbus SAS to confirm that they will continue to provide the necessary support for 12 months from the date that the Directors sign the company's accounts to enable Airbus Operations Limited to pay its debts as and when they fall due.

At the balance sheet date, the company is dependent on the ultimate parent company, EADS N V for ongoing funding. Accordingly, due to the current net liabilities situation, the Directors have obtained a signed letter from EADS N V, to acknowledge that they will not request repayment of the £1,147m loan to Airbus Operations Limited for 12 months from the date of the directors signing the company's accounts.

At the date of approval of these financial statements, the directors have no reason to believe that the Group will not both be able to support, and will support, the company for the foreseeable future.

Turnover and profit

Airbus has an inter-company trading process which involves the company invoicing, and being paid for, its Airbus costs each month and receiving an annual share of the total Airbus result. At the end of 2010, Airbus Operations Limited issued a credit note to Airbus SAS for its share of the group loss.

Turnover for activities outside the inter-company process are derived from the net value of deliveries made, work completed or services rendered during the period. These amounts are recognised on an accruals basis.

Fixed assets and depreciation

Depreciation is provided on a straight-line basis to write off the cost of tangible fixed assets over their estimated useful economic lives using the following rates:

Buildings	- 33 years, or the remaining lease term if shorter
Computing equipment, motor vehicles and short life works equipment	- 3 to 5 years
Other equipment (including jigs and tools)	- 10 to 15 years, or the project life if shorter

A full year's depreciation has been charged in the year relevant to when the jigs and tools are brought into use.

A380 jigs and tools - Over 400 wing sets

No depreciation is provided on assets in the course of construction.

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research is written off to the profit and loss account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed. The amounts capitalised are held as intangible assets and are amortised on a sum of units basis with reference to the requirement to pay levies to the government.

The cost of wing sets that are used on test aircraft in the A380 and A400M testing programme that will be retained by Airbus for the life of the aircraft are included in fixed assets as plant and machinery and depreciated over 10 years.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, where forward cover contracts have been arranged (generally with or via EADS N V), at the contracted rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, or at a contracted rate if applicable, and any exchange differences arising are taken to the profit and loss account. No hedge accounting was applied.

Leases

Assets obtained under finance leases are included in tangible fixed assets at cost and are depreciated over their useful economic lives, or the term of their lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rental payments are apportioned between the finance element, which is charged as interest to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments, so as to give a constant rate of charge on the outstanding obligation.

Rental payments under operating leases are charged to the profit and loss account on a straight-line basis in arriving at operating profit.

Stocks

Stocks are stated at lower of cost, including all relevant overhead expenditure, and net realisable value.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Post-retirement benefits

Employees of the company are members of several pension schemes operated in the United Kingdom and overseas by BAE SYSTEMS plc and EADS Astrium Ltd. Under FRS 17, the company has taken advantage of the multi-employer exemption and the amounts charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period. Up until July 2011, the employer's contribution is capped at 12.5% for the BAE SYSTEMS plc scheme.

Notes (continued)

1 Accounting policies (continued)

Externally funded launch investment

Externally funded launch investment has been provided for various Airbus projects from HM Government. Repayment of the investment and the return thereon is made by way of levies on aircraft sales, with any outstanding amounts included in creditors.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Segmental analysis

	By geographical market			
	2010 Europe £m	2009 £m	2010 United States of America £m	2009 £m
Turnover	2,347	2,450	47	52
(Loss)/profit before interest and taxation	(191)	(251)	3	1
Net (liabilities)/assets	(228)	(87)	28	37

All turnover originated in the UK and relates to the company's one principal activity.

3 Loss on ordinary activities before taxation

	2010 £m	2009 £m
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	126	103
Hire of plant and machinery – rentals payable under operating leases	6	6
Hire of other assets – operating leases	18	16
Research and development expenditure	268	367
Exchange losses	343	187
<i>Auditor remuneration</i>		
	2010 £'000	2009 £'000
Audit of these financial statements	189	187
Amounts receivable by the auditors in respect of		
- other services	68	44
- taxation services	132	48
	389	279

Notes (continued)

4 Interest payable and similar charges

	2010 £m	2009 £m
<i>Interest payable and other charges:</i>		
On funding accounts with EADS N V	8	10
Other interest payable	10	10
	<u>18</u>	<u>20</u>

5 Remuneration of directors

	2010 £'000	2009 £'000
Directors' emoluments for services to the company	-	-

There are no directors under a defined benefit scheme, and therefore no accrued pension at the year end (2009 £nil) There are no UK based directors The remuneration of directors is borne by other group companies

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of staff	
	2010	2009
Manufacturing	4,511	4,788
Engineering	1,774	1,770
Administration and support	1,689	1,617
	<u>7,974</u>	<u>8,175</u>

The aggregate payroll costs of these persons were as follows

	2010	2009
	£m	£m
Wages and salaries	282	293
Social security costs	29	29
Other pension costs (see note 20)	31	31
	<u>342</u>	<u>353</u>

Share based payments

No amount has been recognised in the profit and loss account on the grounds that the FRS 20 charge is immaterial to the accounts. Share options in the ultimate parent group EADS NV are granted by EADS NV on an ad hoc basis.

Notes (continued)

7 Profit on sale of fixed assets

	2010	2009
	£m	£m
Profit on sale of fixed assets	2	36

GKN Aerospace Services Ltd, a wholly owned subsidiary of GKN Plc, purchased the wing component and assemblies manufacturing activities based at the Airbus UK site at Filton, near Bristol on 5 January 2009

The assets sold as part of this transaction included fixed assets, stock and work in progress. The total value of these assets was £86m. The initial consideration received from GKN Aerospace Services Ltd was £94m.

A further £36m is receivable from GKN Aerospace Services Ltd over the next five years. Half of this deferred consideration is subject to GKN achieving pre-agreed revenues from sales to Airbus UK Ltd. The present value of this deferred consideration, £25m, is included in the calculation of profit on sale and held in debtors (see Note 13).

£2m in 2010 is the partial unwind of the discount applied to the £36m receivable from GKN.

8 Tax on loss on ordinary activities

	2010	2009
	£m	£m
Current tax		
Tax charge	-	-
Deferred tax		
Deferred tax credit for the year	44	-
Deferred tax credit for prior year	12	-
Tax credit on loss on ordinary activities for the year (see note 16)	56	-

Notes (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is different than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	2010 £m	2009 £m
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	206	270
	<hr/>	<hr/>
Current tax at 28% (2009: 28%)	(58)	(76)
<i>Effects of</i>		
Timing differences		
Capital allowances for period less than/(in excess of) depreciation	12	(9)
Losses not utilised in the period	57	81
Temporary differences arising from the share of Airbus result	(16)	(2)
Interest disallowed	2	3
Other differences	3	3
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. Only the first reduction in the UK corporation tax rate from 28% to 27% from 1 April 2011 was included in the Finance Act 2010, which was substantively enacted on 21 July 2010. The deferred tax at the balance sheet date has therefore been recognised at this reduced rate of 27%. No further reductions in rate have been substantively enacted. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets/ liabilities accordingly.

9 Intangible fixed assets

	2010 £m	2009 £m
<i>Cost</i>		
At beginning and end of year	530	530
	<hr/>	<hr/>

The costs relate to A380 research and development expenditure. Amortisation will commence on delivery of the 51st aircraft. As at the end of 2010, 41 A380 aircraft have been delivered. No other development expenditure met the criteria for capitalisation.

Notes (continued)

10 Tangible fixed assets

	Land and Buildings – Short leasehold	Plant and machinery	Jigs and tools	Assets in course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At beginning of year	264	374	791	232	1,661
Additions	-	21	4	152	177
Transfers	7	17	1	(25)	-
At end of year	271	412	796	359	1,838
Depreciation					
At beginning of year	72	265	365	-	702
Charge for year	13	30	83	-	126
At end of year	85	295	448	-	828
Net book value					
At 31 December 2010	186	117	348	359	1,010
At 31 December 2009	192	109	426	232	959

Included in the total net book value of plant and machinery is £49m (2009 £46m) in respect of assets held under finance leases. The depreciation allocated for the year to these assets held under finance leases was £3m (2009 £4m). Accumulated depreciation on these assets was £13m (2009 £10m).

Included in the jigs and tools depreciation charge for year is £56m of accelerated depreciation in respect of Long Range Stretch.

Notes (continued)

11 Investments

	Subsidiary undertakings £m	Total £m
Cost or carrying value		
At beginning and at end of the year	1	1

The companies in which the company's interest at the year-end is equal to or greater than 20% are as follows

	Country of incorporation	Principal Activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Airbus Filton Limited	England and Wales	Dormant	100% of ordinary share capital
Airbus UK Limited	England and Wales	Dormant	100% of ordinary share capital
Airbus UK Toulouse SAS	France	Commercial aerospace activities	100% of ordinary share capital
Airbus UK Fairlawn Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Haycroft Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Pegasus Limited	England and Wales	Property investment and development	100% of ordinary share capital
Airbus UK Rodney Limited	England and Wales	Property investment and development	100% of ordinary share capital

12 Stocks

	2010 £m	2009 £m
Raw materials and consumables	19	31
Work in progress	247	206
	266	237

Notes (continued)

13 Debtors

	2010 £m	2009 £m
Trade debtors	38	26
Amounts owed by group undertakings	209	197
Other debtors including taxation and social security	56	25
Prepayments and accrued income	46	72
Deferred tax asset	56	-
	<u>405</u>	<u>320</u>

Included in prepayments and accrued interest is £25m relating to the present value of deferred income from GKN Aerospace Services. This is receivable over the next five years and is partly subject to GKN achieving pre-agreed revenues from sales to Airbus Operations Limited. The total amount due after more than one year included in prepayments and accrued interest is £32m (2009 £42m).

14 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Trade creditors	315	307
Amounts owed to group undertakings	1,179	941
Finance lease creditor	2	1
Amounts owed to group undertakings – AFS finance lease	1	1
Accruals and deferred income	90	125
Other creditors including social security	58	97
	<u>1,645</u>	<u>1,472</u>

Included in amounts owed to group undertakings is £1,147m (2009 £917m), which relates to EADS

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Launch investment	686	530
Finance lease creditor	11	9
Amounts owed to group undertakings – AFS finance lease	35	36
Other creditors	22	32
	<u>754</u>	<u>607</u>

Amounts repayable in more than five years

Repayments of launch investment are made by way of levies on aircraft sales. Launch investment is a risk sharing arrangement based upon the business case for a particular programme. The repayment profile in these financial statements is based upon the most up to date sales forecasts available. Based on this repayment profile, the launch investment repayable in more than five years represents approximately 69% (2009: 43%) of the aggregate amount outstanding at the year-end.

During 2010 Airbus Operations Limited received £156m of repayable launch investment for A350XWB.

The interest payable on the Port of Mostyn finance lease is 6.036% and the debt is repayable over 15 years.

The interest payable on the finance leases with Airbus Financial Services (AFS) is GBP LIBOR and the debt is repayable over 20 years. AFS is a wholly owned subsidiary of Airbus S A S.

Analysis of debt

	2010 £m	2009 £m
In one year or less, or on demand	1,150	919
Between one and two years	2	2
Between two and five years	8	7
More than five years	33	36
	<u>1,193</u>	<u>964</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2010 £m	2009 £m
Within one year	3	2
Between one and two years	3	2
Between two and five years	8	7
More than five years	33	36
	<u>47</u>	<u>47</u>

Notes (continued)

16 Provisions for liabilities and charges

	Deferred Taxation £m	Other provisions £m	Total £m
At beginning of the year	-	21	21
Released during year	-	(4)	(4)
Utilised during the year	-	(6)	(6)
Created during the year	(56)	6	(50)
	<u> </u>	<u> </u>	<u> </u>
At end of year – debtors (note 13)	(56)	-	(56)
At end of year - provisions	<u> </u>	<u> </u>	<u> </u>
	-	17	17

Other provisions include £15m in relation to supplier claims and £2m restructuring costs

The elements of deferred taxation are as follows

	2010 £m	2009 £m
Accelerated capital allowances	91	89
Losses	(357)	(283)
Temporary differences within share of Airbus result	(97)	(113)
Other timing differences	(4)	(4)
Deferred tax asset not recognised	311	311
	<u> </u>	<u> </u>
Deferred tax (asset)	(56)	-
	<u> </u>	<u> </u>
Deferred tax asset at start of year	-	-
Deferred tax recognised in the profit and loss account for the year	(56)	-
	<u> </u>	<u> </u>
Deferred tax (asset)	(56)	-
	<u> </u>	<u> </u>

Notes (continued)

17 Called up share capital

	2010 £	2009 £
<i>Authorised</i>		
Equity 225,002,000 Ordinary shares of £1 each	225,002,000	225,002,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Equity 225,001,548 Ordinary shares of £1 each	225,001,548	225,001,548
	<u> </u>	<u> </u>

18 Share premium and reserves

	Capital Contribution £m	Share premium account £m	Profit and loss account £m
At beginning of year	572	534	(1,381)
Retained loss for the year	-	-	(150)
	<u> </u>	<u> </u>	<u> </u>
At end of year	572	534	(1,531)
	<u> </u>	<u> </u>	<u> </u>

During 2008, £572m of intercompany debt was waived by Airbus Holding SA, the ultimate parent company. This has been classed as a capital contribution in these accounts.

Notes (continued)

19 Commitments

- a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2010 £m	2009 £m
Contracted	67	124

- (b) Annual commitments under non-cancellable operating leases are as follows

	2010	Other	2009	Other
	Land and buildings £m	£m	Land and buildings £m	£m
Operating leases which expire				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	3	-	3
Over five years	20	2	18	2
	<u>20</u>	<u>5</u>	<u>18</u>	<u>5</u>

20 Pension scheme

Certain employees of the company, in the United Kingdom and overseas, are members of the BAE SYSTEMS Pension Schemes operated in the United Kingdom by BAE SYSTEMS plc. The BAE SYSTEMS Pension Schemes are funded defined benefit schemes and the assets are held in separate trustee administered funds.

The BAE SYSTEMS Pension Schemes provide benefits on final pensionable pay. In accordance with IAS 19, BAE SYSTEMS has disclosed for its UK defined pension schemes a net (pre tax) pension liability of £3,438m as at 31 December 2010 (2009 £5,006m).

The company has been unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis for the years ended 31 December 2004 – 2010 and, as permitted under FRS 17 - Accounting for pension costs, the scheme has been accounted for by the company as if the scheme were a defined contribution scheme.

Additionally, certain employees of the company, in the United Kingdom and overseas are members of the EADS Astrium Pension Scheme operated in the United Kingdom by EADS Astrium Ltd. The EADS Astrium Pension Scheme is based on two types of pension provision, these are final salary and money purchase.

Of the pension contributions disclosed in note 6, £27m (2009 £2m) out of £31m (2009 £31m) relate to contributions made in respect of the Astrium scheme. Since only a small proportion of the company employees are in the EADS Astrium scheme, the Directors believe that the company's share of any deficit would not be material to the financial statements.

Notes (continued)

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of Airbus Operations SAS, which is a merged company of Airbus Holding SA and Airbus France SAS, which in turn is a wholly owned subsidiary of Airbus SAS ("Airbus"), an EADS NV company, incorporated in France. EADS NV owns 100 percent of the Airbus stock. The consolidated financial statements of EADS NV, a company incorporated and registered in The Netherlands, within which this company is included, can be obtained from Mendelweg 30, 2333 CS Leiden, The Netherlands.

22 Financial instruments

The company entered into five interest rate swap arrangements during 2000: £100 million 30 March, £100 million 31 March, £200 million 3 April, £150 million 26 May and £150 million 30 May. These were to fix the future interest rate exposure on the repayment of £530 million A380 Launch Investment, and are in place until 2018. In the event that the A380 is substantially delayed, the company is exposed to movements in interest rates.

The market value of these swaps as at 31 December 2010 is £33m adverse (2009: £30m adverse).

The forward contracts hedge book was transferred for management purposes from Airbus Operations Limited to Airbus SAS as at 31 December 2004. Airbus Operations Limited still retains the legal title to certain of the forward contracts.

23 Events after the balance sheet date

There are no significant events which have occurred since the balance sheet date.

24 Related Party Transactions

As 100% of the company's voting rights are controlled within the group headed by EADS NV, the company has taken advantage of the exemption in Financial Reporting Standards 8, from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent undertaking.

25 Contingent liability

Airbus Operations Limited has a contingent liability in respect of a guarantee given in relation to four subsidiary companies (Airbus UK Fairlawn Limited, Airbus UK Haycroft Limited, Airbus UK Pegasus Limited and Airbus UK Rodney Limited). The carrying value of the land held by these subsidiary companies has been guaranteed. This land is expected to be developed for company purposes over the next few years and ultimately transferred to Airbus Operations Limited at its carrying value.