

14. Equity accounted investments**Carrying value of equity accounted investments**

| | Share of net assets £m | Purchased goodwill £m | Carrying value £m |
|---|------------------------------|-----------------------------|-------------------------|
| At 1 January 2007 | 238 | 433 | 671 |
| Share of results after tax – continuing operations | 139 | – | 139 |
| Acquired | 1 | – | 1 |
| Adjustment to provisional fair values | 3 | (3) | – |
| Disposal | (10) | – | (10) |
| Dividends | (78) | – | (78) |
| Market value adjustments in respect of derivative financial instruments, net of tax | (2) | – | (2) |
| Actuarial gains on defined benefit pension schemes, net of tax | 17 | – | 17 |
| Foreign exchange adjustment | 13 | 30 | 43 |
| At 31 December 2007 | 321 | 460 | 781 |
| Share of results after tax – continuing operations | 139 | – | 139 |
| Acquired | 12 | 178 | 190 |
| Disposal | (13) | (4) | (17) |
| Impairment | – | (121) | (121) |
| Dividends | (89) | – | (89) |
| Market value adjustments in respect of derivative financial instruments, net of tax | (7) | – | (7) |
| Actuarial losses on defined benefit pension schemes, net of tax | (43) | – | (43) |
| Reclassified from trade and other receivables | 4 | – | 4 |
| Foreign exchange adjustment | 98 | 99 | 197 |
| At 31 December 2008 | 422 | 612 | 1,034 |

The formation of the joint venture, BVT Surface Fleet Limited (BVT), was completed on 1 July 2008. The Group's 55% share of BVT's results has been equity accounted from the date of completion to 31 December 2008 reflecting the joint venture agreement in place that creates joint control. The reporting date of BVT is 31 March.

Fair values have been assigned to the share of net assets as part of the formation of the BVT joint venture. Fair value adjustments to the book values include intangible assets acquired as part of the transaction (£47m), comprising programmes, and adjustments to reflect loss provisions on export contracts (£53m). The net effect of these is a £6m reduction in the share of net assets acquired. Goodwill arising on the formation of the joint venture amounted to £177m.

As a result of the formation of BVT, the Group's shareholding in Fleet Support Limited increased to 55% (2007 50%).

The Group completed the sale of its 50% interest in Flagship Training Limited to VT Group plc on 1 July 2008.

Included within purchased goodwill is £94m (2007 £110m) relating to the goodwill arising on acquisitions made by the Group's equity accounted investments subsequent to their acquisition by the Group.

The market value of the Group's shareholding in Saab AB at 31 December 2008 was £140m (2007 £225m). As a result of the fall in market value, the carrying amount of goodwill relating to the Group's shareholding in Saab AB has been impaired by £120m during the year.

Goodwill impairment also includes £1m in respect of the Group's £1m investment in 50% of Diamond Detectors Limited during the year.

Share of results of equity accounted investments by continuing operating group

| | 2008 £m | 2007 £m |
|--|------------|------------|
| Share of results excluding finance costs and taxation expense: | | |
| Electronics, Intelligence & Support | – | 1 |
| Land & Armaments | – | – |
| Programmes & Support | 44 | 27 |
| International | 88 | 114 |
| HQ & Other Businesses | – | – |
| | 132 | 142 |
| Financial income | 44 | 35 |
| Taxation expense | (37) | (38) |
| | 139 | 139 |

14. Equity accounted investments *continued*

Share of the assets and liabilities of equity accounted investments

| | 2008 £m | 2007 £m |
|-------------------------|----------------|----------------|
| Assets: | | |
| Non-current assets | 1,308 | 892 |
| Current assets | 3,768 | 3,032 |
| | 5,076 | 3,924 |
| Liabilities: | | |
| Non-current liabilities | (807) | (618) |
| Current liabilities | (3,235) | (2,525) |
| | (4,042) | (3,143) |
| Carrying value | 1,034 | 781 |

Principal equity accounted investments

| Joint ventures | Principal activities | Group interest in allotted capital | Principally operates in | Country of incorporation |
|---|---|------------------------------------|-------------------------|--------------------------|
| BVT Surface Fleet Limited <i>(Held by BAE Systems Surface Fleet Solutions (Holdings) Limited)</i> | Provider of surface warships and through-life support | 55% ordinary | UK | England and Wales |
| Eurofighter Jagdflugzeug GmbH <i>(Held by BAE Systems plc)</i> | Management and control of the Typhoon programme | 33% ordinary | Germany | Germany |
| MBDA SAS <i>(Held via BAE Systems Electronics Limited and BAE Systems (Overseas Holdings) Limited)</i> | Development and manufacture of guided weapons | 37.5% ordinary | Europe | France |
| Saab AB <i>(Held via BAE Systems (Sweden) AB)</i> | Defence and commercial aerospace activities | 20.5% Series A&B | Sweden | Sweden |

The Group comprises a large number of equity accounted investments and it is not practical to include all of them in the above list. The list therefore only includes those equity accounted investments which principally affected the Group accounts.

A full list of subsidiary, equity accounted investments and other associated undertakings as at 31 December 2008 will be annexed to the Company's next annual return filed with the Registrar of Companies.

15. Other investments

| | 2008 £m | 2007 £m |
|--|------------|------------|
| Non-current | | |
| Available-for-sale financial assets | | |
| Equity securities | 6 | 6 |
| | 6 | 6 |
| Current | | |
| Loans and receivables | | |
| Term deposits | – | 164 |
| | – | 164 |

Reconciliation of movements

| | 2008 £m | 2007 £m |
|-----------------------|------------|------------|
| Non-current | | |
| At 1 January | 6 | 11 |
| Additions | – | 1 |
| Disposals | – | (11) |
| Fair value movements | – | 5 |
| At 31 December | 6 | 6 |
| Current | | |
| At 1 January | 164 | 503 |
| Additions | – | 19 |
| Disposals | (164) | (358) |
| At 31 December | – | 164 |