

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

3 March 2011

	2009	2010	Change
Order intake	£1,750m	£1,799m	+3%
Total revenue	£1,880m	£1,903m	+1%
Underlying ¹ trading margin	17.9%	18.3%	+0.4%pts
Underlying ¹ profit before tax	£295m	£306m	+4%
Statutory profit before tax ²	£245m	£189m	
Underlying ¹ earnings per share (EPS)	18.8p	19.7p	+5%
Basic EPS	16.3p	13.3p	
Operating cash conversion ³	89%	79%	
Full year recommended dividend per share	5.45p	6.00p	+10%

- Order intake in Technology Divisions⁴ up 7% at constant translation exchange rates and important awards on long term programmes
- Underlying EPS growth of 5% with efficiencies of over £10m, including savings from the on track Excellence in Delivery programme.
- £219m of free cash flow³ and year end net debt/EBITDA down to 0.8 times
- Recommended 10% increase in dividend for the year and share buy-back programme of up to £150m
- Acquisitions strengthen presence in homeland security market with completion of three bolt-in acquisitions totalling US\$175m in 2010 and early 2011
- Aerial refuelling systems selected on important new US Air Force KC-46A tanker aircraft in early 2011

Commenting on the results and outlook, Andy Stevens, Chief Executive Officer, said:

“We have delivered 5% underlying earnings growth in challenging markets. Good revenue growth in certain Strategic Business Units was masked by order slippages on significant defence and security programmes and some continuing softness in certain commercial markets. We have made encouraging progress on Excellence in Delivery and achieved cost savings which have contributed to earnings growth from flat Group revenue.

“We continue to see challenges in some of our markets and uncertainties as the Continuing Resolution impacts the funding of US Government spending. As a consequence, the rate of revenue growth in our Technology Divisions remains at the level experienced during 2010. We have configured the business with a prudent view of top line growth for the current year and have already accelerated integration plans to deliver £21m of cost savings in 2011.

“We continue to have strong long-term positions in attractive markets with superior growth and are focusing our technology investment and acquisition strategy in areas of customer priority. This approach, together with customer and cost benefits from our operational improvement plan, gives the Board confidence that the Group will continue to make progress over the medium term.”

ENQUIRIES

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PRELIMINARY RESULTS PRESENTATION INCLUDING WEBCAST AND DIAL-IN DETAILS

There will be a preliminary results presentation at 9.30am UK time on Thursday, 3 March 2011. The preliminary results presentation will be webcast live on the Cobham website (www.cobhaminvestors.com) and will remain on the website for subsequent viewing. There will also be a listen only dial-in facility available which can be accessed on +44 (0)20 7138 0845, confirmation code 2729847. The published Annual Report will be available as a download file on 28 March 2011.

The following notes apply throughout these preliminary results:

- 1. To assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results. Trading profit and underlying earnings have been defined as operating profit from continuing operations excluding the impacts of certain transaction related costs and business restructuring costs as detailed below. Also excluded are the marking-to-market of currency instruments not realised in the period, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature such as the settlement of a long-standing commercial dispute.*

Transaction related costs excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, the writing off of the pre-acquisition profit element of inventory written up on acquisition and costs charged post acquisition related to acquired share options. Transaction related costs also include other direct costs associated with business combinations and direct costs arising from any terminated acquisitions or disposals.

Business restructuring costs comprise exceptional profits or losses arising on disposals actually completed, as well as exceptional costs or profits associated with the restructuring of the Group's business and site integrations. This includes costs associated with the Excellence in Delivery programme.

All underlying measures include the revenue and operational results of both continuing and discontinued businesses until the point of sale of the operation.

Net debt is defined as the net of cash and cash equivalents less borrowings at the balance sheet date.

A reconciliation of underlying profit is shown on page 10.

- 2. On continuing operations.*
- 3. Operating cash flow is defined as cash generated from operations, adjusted for cash flows from the purchase or disposal of tangible fixed assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures. Free cash flow is operating cash flow after net interest and taxation.*
- 4. Cobham's Technology Divisions comprise Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems.*
- 5. Organic revenue growth is defined as revenue growth stated at constant translation exchange, excluding the incremental effect of acquisitions and disposals.*

OVERVIEW OF THE YEAR

The Group order book had increased at the year end to £2.5bn (2009: £2.4bn) with the increase attributable to the Technology Divisions. In all three Technology Divisions there has been improved order intake, with an aggregate 7% increase in orders received at constant translation exchange rates.

The Group has been selected on a number of important new multi-year programmes and platforms and has also won further work on existing platforms, which will result in incremental orders being placed over many years. These include the CH-53K helicopter, the Aegis surveillance and fire control radar system, the F-35 fighter aircraft and the US Missile Defence Agency Support Services (MiDAESS) umbrella contract. In addition, consistent with increased business development focus, Cobham has continued to win positions in faster growing geographies, with awards on the Chinese C919 commercial aircraft, the Indian Air Force Hawk advanced jet trainer, the indigenous Korean Utility Helicopter and significant programmes in the Middle East.

Despite good underlying progress in many of their markets, the overall growth in both Defence Systems and Avionics and Surveillance was impacted by delays in certain significant US defence and security awards, with continued softness in some of Avionics and Surveillance's commercial markets. Group revenue was up 1% in the year with the Mission Systems Division delivering strong organic growth, driven by revenue from next generation air refuelling pods. The Aviation Services Division delivered strong organic growth largely from its Australian operations.

The Group's trading margin increased 0.4% points to 18.3% driven by the Technology Divisions, where the margin increased 0.5% points to 19.0%. The improved margin was driven by cost efficiencies from Excellence in Delivery (EiD) programme savings, efficiencies from facilities previously integrated during 2009 and 2010 and ongoing procurement savings, but was partially offset by weaker trading volumes in some businesses. A few new PV (Private Venture or company funded Research and Development – R&D) programmes were temporarily slowed where customer launches and demand for new products were down in some subdued markets.

Underlying EPS grew 5% to 19.7p, primarily due to the improvement in the underlying trading margin and the anticipated lower underlying tax charge.

Free cash flow generation was £219m, with operating cash conversion of 79%. At the year end net debt had reduced to £326m, with gearing at 0.8 times net debt/EBITDA.

STRATEGY UPDATE

The Group's strategy is to build and maintain leading market positions in selected higher growth, high technology markets. Cobham's chosen technologies and markets include specialist defence and security communications and intelligence gathering, C4ISR, surveillance for homeland security and defence applications and satellite communication (SATCOM) for both commercial and defence and security applications.

The Group's chosen markets overlap significantly with the priorities set out in the US Government's Quadrennial Defence Review and with the UK Government's Strategic Defence and Security Review, both of which were published in 2010. These documents attribute particular importance to C4ISR capabilities, including cyber security, where Cobham has built good positions as part of its strategy of focusing on faster growing markets.

The Group believes its market positions and the successful implementation of its strategy will allow it to grow faster than the market in the medium term, as its activities are concentrated in areas of critical customer need. The Group strategy will be underpinned by delivery of the following three strategic objectives:

- Technology Investment
- Operational Excellence
- Portfolio Optimisation

Technology Investment

Investment in technology is pivotal to developing and bringing to market products that are in high demand and at the leading edge of technology. During 2010 important and long-term opportunities have been under development or have been brought to market which will generate revenue for the Group over a sustained period:

- Fifth generation air refuelling pods have now been certified, along with the Airbus Military A330 Multi Role Transport Tanker, for the Royal Australian Air Force. These pods are likely to be in service for the next 40 to 50 years with a number of air forces and will generate recurring production and aftermarket revenue for the Group. In early 2011, Cobham's air refuelling systems were also selected on the important new KC-46A tanker for the US Air Force (USAF);
- Selection by Northrop Grumman to provide an aerial refuelling system, integration and expertise to support the autonomous air refuelling of the KQ-X Global Hawk programme to 2012, which will demonstrate mid-air refuelling between unmanned aircraft;
- Award of a contract with US\$56m revenue potential as prime system integrator to design and develop the Multi-spectral Sea and Land Target Simulator (MSALTS) system for the US Army, a mobile infrared threat simulator, that brings together technology from across the Defence Systems Division;
- Successful demonstration to the US Army of a 100 user radio system for the Wireless Network after Next (WNaN) programme;
- Launch of the Wireless Sensor Network Node (or Nugget), a fully portable and networked unattended ground sensor for covert surveillance and asset protection applications;
- Launch of Cobham's lightest, smallest and lowest cost Swift Broadband solution, the unique SB200. The product enables satellite connectivity to data networks, internet, email, fax and telephony for a new market of smaller aircraft.

A few new PV programmes were temporarily slowed where customer launches and demand for new products were down in some subdued markets, so total PV investment in the year was lower at £74m (2009: £88m), being 4.5% (2009: 5.3%) of the Technology Divisions' revenue. However, with the addition of increased customer funded R&D, total technology investment remained broadly consistent with the prior year at 8%.

Operational Excellence

Cobham's operational improvement and efficiency programme, EiD, involves rolling out a standard operating framework across 14 principal sites, integrating smaller production facilities, establishing standard processes in a standard Enterprise Resource Planning system and setting up shared service centres. EiD will bring a number of benefits including improved productivity, shortened manufacturing lead times, improved quality and reduced working capital. It will also simplify the business, improve focus on the customer and enhance internal communication and collaboration. A management presentation on EiD was delivered on 30 November 2010 and the webcast of this event is available on www.cobhaminvestors.com/reports.

The locations of the principal sites, which are expected to cover eighty percent of manufacturing profit by the end of the programme, have been communicated and work is already underway to implement the Group's standard operating framework in six of the sites. As previously announced, the Group has accelerated its integration plans for 2011. These include the closure of three facilities, which will be integrated into existing sites, and the integration of a further six facilities into two new sites. The first of the integrations, the previously announced plans to combine the Michigan, USA SATCOM facility with an existing facility in Florida, USA has been completed.

By the end of 2013, the Group expects benefits from EiD to be at a run-rate of £65m per annum, at a total cost of £131m. Progress on the EiD programme, together with other cost measures, has delivered efficiency savings of over £10m in 2010, with one-off costs of £23m being less than the anticipated £26m, due to timing differences. The EiD efficiency savings were primarily achieved through headcount reductions and facility overhead savings. In line with previous guidance, the Group expects to deliver further cost savings from EiD of £21m in 2011.

Portfolio Optimisation

The Group's strategy is to acquire businesses that deliver technologies or capabilities that will help it build scale in its chosen markets, accelerate organic growth and reinforce the value added content of its products. In addition, the Group plans to exit certain businesses and product lines representing up to 15% of its technology revenue that have sub-scale positions or which do not otherwise fit the Group's strategy. The Group has strict financial criteria and a disciplined approach to investments and disposals. Progress in 2010 was as follows:

- Completion of the previously announced acquisition of RVision, Inc on 30 December 2010 for up to US\$48m in cash. The company manufactures and integrates technologically advanced electro-optical and infrared imaging systems which will be used as part of the Avionics and Surveillance Division's modular, integrated surveillance solutions;
- The divestment in September 2010 of Satori SAS, trading as Cobham Maintenance Repair and Overhaul (MRO), for €7.9m. The business, part of the Avionics and Surveillance Division, provides MRO services on a range of third party aircraft components and equipment.

This progress has continued since the year end:

- In January 2011, the Mission Systems Division completed the acquisition of Telerob GmbH, a manufacturer of advanced bomb disposal robots based in Germany for homeland security applications, for €78m in cash and loan notes. Cobham intends to integrate its communications equipment, sensors and cameras into these systems and deliver market leading robot products to its fast growing, global homeland security markets;
- The acquisition of Corp Ten International was completed in February 2011 for up to US\$24m in cash. The company develops software which allows multiple tracking devices to be managed within a single system. Corp Ten's products are complementary to Cobham's existing range of audio and video surveillance products, presenting good opportunities to increase revenue by offering a wider range of equipment to an expanded customer base;
- In February 2011, the divestment of the Engineering Consultancy Group, part of the Aerospace and Security Division (formerly Avionics and Surveillance), for £13.5m. The divested business line provides engineering consultancy to customers in non core markets such as heavy engineering and infrastructure. To date the Group has realised proceeds of £29m from the sale of Satori, the Engineering Consultancy business of Cobham Technical Services and the sale of part of the Wimborne, UK site.

The Group's financial strategy is to finance bolt-in acquisitions from free cash flow generated after dividend payments and larger transactions from existing debt capacity. Existing debt capacity, before the proceeds of the divestment programme, is anticipated to be sufficient to position the Group to execute on its pipeline of acquisition prospects.

FINANCIAL RESULTS

Order Book

Orders received by the Technology Divisions increased by 7% at constant translation exchange rates to £1,642m (2009: £1,527m), with each of the Technology Divisions increasing its order intake in the period. The technology book to bill ratio was 1.01 times (2009: 0.92 times). Group order intake at £1,799m (2009: £1,750m) was up on the prior year, despite a decrease in orders received in Aviation Services, where order intake is characterised by multi-year contracts.

A number of customer awards were made in the year for important multi-year programmes and platforms, which will result in orders being placed incrementally over many years, in addition to those already in the order book. These included contracts to provide rotor blade composite components and assemblies for the Sikorsky CH-53K heavy lift replacement helicopter and radio frequency and microwave assemblies for Aegis surveillance and fire control radar systems for the US Navy. The Cobham ship set on the F-35 fighter aircraft also increased by US\$0.2m, while the Group was selected on the Indefinite Delivery/Indefinite Quantity (IDIQ) contracts it bid under the US MiDAESS umbrella contract.

In addition, consistent with increased business development focus, Cobham has continued to win positions in faster growing geographies, including India, the Middle East and Asia. It was selected to provide the passenger address system on the Comac C919 aircraft, the future Chinese entrant to the commercial airliner market, and announced an £18m order for the Indian Air Force Hawk Advanced Jet Trainer. Cobham also announced a multimillion pound long term agreement to provide antennas and avionics for the indigenous Korean

Utility Helicopter and has continued to win significant orders in the Middle East, adding to the air refuelling orders for the Royal Saudi Air Force and United Arab Emirates received in the first half.

At the year end, the Group's order book was £2.5bn (2009: £2.4bn), comprising the Technology Divisions with £1.4bn (2009: £1.3bn) and Aviation Services £1.1bn (2009: £1.1bn).

Revenue

Group revenue increased to £1,903m (2009: £1,880m) primarily due to the impact of organic growth in the Aviation Services Division and favourable Australian dollar/£ translation exchange rates, with the average Australian dollar/£ exchange rate being AUD\$1.68/£ (2009: AUD\$1.99/£).

Organic revenue⁵ in the Technology Divisions declined 1.6% (2009: +1%), partly offset by a modest favourable impact from currency translation, with the average US dollar/£ exchange rate in the year at US\$1.55/£ (2009: US\$1.56/£). Organic growth in Aviation services was 7% (2009: down 3%).

Organic defence and security revenue in the Technology Divisions declined modestly by 1.6% (2009: +7%) after four years of strong growth, as a good underlying performance in 2010 was masked by order slippage on specific US defence and security programmes, such as MiDAESS and the L-band relocation programme. Organic revenue from commercial businesses was broadly flat at -1% (2009: -16%) with revenue following end customer production, as markets progressively stabilised during the year after declining through 2009.

Trading Profit

Group trading profit increased to £348m (2009: £337m), as the Group's trading margin increased to 18.3% (2009: 17.9%), principally due to the Technology Divisions, where the margin increased to 19.0% (2009: 18.5%).

The improved trading margin was the result of a number of initiatives which all played an important role in the evolution of the margin. These included EiD, overhead savings from facilities that were integrated during 2009 and 2010 and procurement savings from an ongoing exercise to consolidate the Group supplier base. Lower volumes in some businesses partly offset the favourable margin impacts and also reduced demand for a few new products, resulting in lower PV investment.

Net Finance Expense and Underlying Profit Before Tax

Net finance expense was £42m (2009: £42m). Net interest expense on cash and debt holdings was higher at £40m (2009: £37m) due to an increase in the average cost of debt, as longer term debt replaced a bridging facility in 2009. As anticipated, the net finance charge from pension schemes was £2m (2009: £5m). This non-cash item is expected to be a credit of £1m in 2011.

Underlying profit before tax in the year increased 4% to £306m (2009: £295m).

Taxation

On an underlying basis, the effective tax rate decreased to 26.5% (2009: 27.8%, H1 2010: 26.5%). The underlying tax rate is calculated by dividing the Group's underlying tax charge of £80m (2009: £80m) by its underlying profit before tax, excluding the share of post-tax results of joint ventures, of £300m (2009: £289m). As previously set out, the tax rate benefits from consortium relief relating to Cobham's investment in AirTanker Limited and R&D tax credits.

Earnings per Share (EPS)

Underlying EPS grew 5% to 19.7p (2009: 18.8p) primarily due to the improvement in the Group's underlying trading margin, favourable currency translation exchange rates and the anticipated lower underlying tax charge. Underlying EPS at constant currency translation rates grew by 4%.

Basic EPS decreased to 13.3p (2009: 16.3p). This was due to a number of factors including the absence of the large 2009 non-cash gains on the unrealised mark-to-market of currency instruments, being a post-tax loss of £2m (2009: gain £31m). In addition, there was a previously announced £19m post-tax one-off settlement of a commercial dispute and higher post-tax restructuring charges of £10m (2009: £5m), which are stated net of the profit on sale of part of the Wimborne, UK site. These items were partly offset by lower post-tax and non-cash amortisation of intangible assets arising on acquisition of £40m (2009: £50m).

Retirement Obligations

The Group operates a number of defined benefit pension schemes, the most significant being the Cobham Pension Plan. At 31 December 2010, the Group's net balance sheet liability relating to its defined benefit schemes had decreased since the previous year end to £82m before deferred tax (31 December 2009: £115m). The biggest element of this reduction related to an increase in the value of scheme assets during the year.

Cash Flow and Net Debt

Operating cash flow in the year, which is stated after capital expenditure but before tax and interest payments, was £271m (2009: £293m). Cash flow was affected by a temporary build up in working capital at the year end, which is expected to reverse in 2011, relating to the timing of shipments. This was partly offset by lower net capital expenditure of £57m (2009: £77m). Operating cash conversion was 79% (2009: 89%) of trading profit, before the Group's share of post-tax results of joint ventures.

After lower tax and net interest payments and the receipt of dividends from joint ventures, the Group generated free cash flow of £219m (2009: £221m). From free cash flow, the Group:

- Invested a net £6m (2009: £32m) on acquisitions and disposals and other costs related to business combinations, relating to:
 - £15m for the acquisition of RVision; and
 - £22m for deferred and contingent consideration on acquisitions and disposals completed in prior years and other business combination costs.

These payments were partly offset by:

- the September disposal of Satori SAS which realised proceeds of £6m;
 - the first instalment of contingent consideration received in December from the 2009 sale of M/A-COM Technology Solutions of £6m; and
 - senior loan note repayments of £19m from the same transaction.
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- Made payments of £29m, (2009: nil) net of insurance recoveries received, relating to the product damages award which was previously announced in September;
 - Made payments of £13m (2009: nil) relating to EiD;
 - Made £65m (2009: £58m) of dividend payments.

At the year end, the balance of free cash flow after funding and exchange movements was used to reduce net debt, comprising short term cash balances and fixed term borrowings, to £326m (2009: £413m). Exchange movements included above of £27m, partly offset the reduction in net debt, as it is the Group's policy to hold a significant proportion of its borrowings in foreign currency, principally US dollars, as a natural hedge against assets and earnings denominated in those currencies.

The Group's gearing at the year end had fallen to approximately 0.8 times net debt/EBITDA.

Share Buy-back

The Board considers its current debt capacity, taking into account its conservative gearing parameters, to be appropriate for its needs, including acquisitions. Consequently, the proceeds from exiting sub-scale and other non-strategic businesses are estimated to be broadly surplus to these funding requirements. Accordingly, the Board has decided to instigate a programme to return capital to shareholders through a share buy-back of up to £150m.

Dividends

The Board is recommending a final dividend of 4.372p (2009: 3.97p). Together with an interim dividend of 1.628p (2009: 1.48p), which was paid on 12 November 2010, this will result in a total dividend of 6.00p per share, an increase of 10% on the comparable period. The full year dividend is 3.3 times covered by underlying EPS, with dividend payments in the year covered 3.4 times by free cash flow generated.

The shares will be traded ex-dividend on 4 May 2011. The dividend is payable on 3 June 2011 to all shareholders on the register at 6 May 2011, subject to shareholder approval.

The fixed cumulative preferential dividend payment on the 6 per cent second cumulative preference shares of £1 each has been approved by the Board at the rate of 6p per share (2009: 6p). The dividend in respect of the year ended 31 December 2010 will be paid on 3 June 2011 to all shareholders on the register at 6 May 2011.

RECONCILIATION OF UNDERLYING PROFIT

	2009	2010
Trading profit is calculated as follows:		
£m		
Result before joint ventures	281	224
Share of post-tax results of joint ventures	6	6
Operating profit	287	230
Adjusted to exclude:		
Portfolio restructuring	8	18
Unrealised (gains)/losses on revaluation of currency instruments	(43)	3
Amortisation of intangible assets arising on acquisition	78	63
Settlement of commercial dispute	-	28
M&A deferred and contingent payments and expenses	7	6
Trading profit	337	348
Underlying profit before tax is calculated as follows:		
£m		
Profit on continuing operations before taxation	245	189
Adjusted to exclude:		
Portfolio restructuring	8	18
Unrealised (gains)/losses on revaluation of currency instruments	(43)	3
Amortisation of intangible assets arising on acquisition	78	63
Settlement of commercial dispute	-	28
M&A deferred and contingent payments and expenses	7	6
Additional profit on prior period asset disposal	-	(1)
Underlying profit before taxation	295	306
Profit after tax used in the calculation of underlying EPS is calculated as follows:		
£m		
Profit after taxation attributable to equity shareholders	186	153
Adjusted to exclude (after tax):		
Portfolio restructuring	5	10
Unrealised (gains)/losses on revaluation of currency instruments	(31)	2
Amortisation of intangible assets arising on acquisition	50	40
Settlement of commercial dispute	-	19
M&A deferred and contingent payments and expenses	5	5
Discontinued profit after tax	-	(1)
Underlying profit after taxation	215	227
Underlying earnings per ordinary share (pence)	18.8	19.7

DIVISIONAL REVIEW

Group Operating Summary

	Revenue		Trading Profit	
	2009	2010	2009	2010
£m				
Cobham Avionics and Surveillance	487	447	85	72
<i>Margin</i>			17.4%	16.1%
Cobham Defence Systems	873	859	164	169
<i>Margin</i>			18.8%	19.7%
Cobham Mission Systems	317	344	57	69
<i>Margin</i>			17.9%	20.1%
Technology Eliminations	(23)	(20)	-	-
Technology Divisions	1,654	1,630	306	310
<i>Margin</i>			18.5%	19.0%
Cobham Aviation Services	231	274	31	36
<i>Margin</i>			13.6%	13.3%
Head Office and Other	(5)	(1)	-	2
Cobham Group	1,880	1,903	337	348
<i>Margin</i>			17.9%	18.3%

Cobham Avionics and Surveillance

	2009	Disposal & Currency Translation	Organic	2010
£m				
Revenue	487	(4)	(36)	447
Trading Margin	17.4%	-	(1.3)%	16.1%

Total revenue was down principally due to organic revenue which declined 7% with continued softness in some of the Division's commercial markets, particularly those relating to general aviation and business jets. The Division also experienced delays in the award of certain US surveillance programmes, such as the 'L' Band relocation programme.

The trading margin declined to 16.1% (2009: 17.4%) as lower volumes in the Division offset efficiency savings from the 2009 and 2010 facility integrations, EiD efficiencies and other cost savings.

Areas of growth, included:

- Strong demand for Cobham's wireless video link products which have multiple applications across security, commercial and defence markets. The products have been used during the year at major sporting events and award ceremonies, for

disaster relief and counter terrorism applications and for use on unmanned air and ground systems, among others;

- Strong sales of the hand-held 'MINEHOUND' mine detector, for use in both military and humanitarian applications. The product was developed with PV funding and incorporates Cobham's leading edge ultra wideband ground penetrating radar. Having already seen use in various parts of the world, first sales into the US were achieved in the second half of 2010;
- Increased deliveries to Airbus of Cobham's world leading long range SATCOM antennas for use on single aisle and long range aircraft. These antennas set new standards in performance, drag reduction, weight, compactness and power requirements. Some 23 airlines have selected the antenna following certification with Airbus and Boeing;
- The Group's marine SATCOM business returned to growth supported by the launch of new products developed with PV funding, with signs of the maritime market recovering.

In addition, there were a number of important business developments in the year which it is anticipated will benefit future results:

- A significant Indefinite Delivery/Indefinite Quantity (IDIQ) contract was awarded for wireless internet protocol (IP) mesh systems and associated hardware from a major US Federal Agency. This five year framework agreement, under the Radio Frequency Initiative of the US Department of Justice (DoJ), is one of a number to be awarded and will assist the DoJ in the migration of its wireless spectrum networks;
- Following the successful certification in 2009 of the HGA-7001 SATCOM antenna on the Airbus single aisle range (A318, A319, A320 and A321), Airbus extended certification to its long range A330 and A340 aircraft. During the first half of 2010, the antenna was also successfully flight tested on the Boeing 787 and the Airbus A400M aircraft;
- Selection to provide the complete avionics suite for the new SK105 Skylander commuter aircraft, due for first delivery in 2012. First orders were also received for the Group's new helicopter autopilot and stability augmentation system (HeliSAS);
- Important new positions on future growth platforms including partnership with Rockwell Collins to provide the passenger address system on the new Chinese single aisle aircraft, the Comac C919.

Cobham Defence Systems

	2009	Acquisition & Currency Translation	Organic	2010
£m				
Revenue	873	5	(19)	859
Trading Margin	18.8%	0.1%	0.8%	19.7%

Total revenue was down due to an organic decline of 2%. Revenue was impacted by delays and timing in some US defence and security awards during the year, principally relating to the one year delay in the MiDAESS umbrella contract, foreign military sales of tactical communications products and the Wideband Global Satellite programme. However, there was also good revenue growth from antenna systems, electronic warfare and active and passive microwave products.

The trading margin increased to 19.7% (2009: 18.8%) as cost efficiencies, including EID savings, favourably impacted margins.

Areas of growth included:

- Deliveries of AN/ALQ-99 electronic warfare equipment flown on US Navy EA-6B Prowler, EA-18G Growler and US Marine Corps EA-6B aircraft used to disrupt enemy radar and communications and to provide protection for ground forces;
- UHF SATCOM antennas for the US mine resistant ambush protected (MRAP) all-terrain vehicle (MATV) together with interference cancelling systems (mINCAN) for the US Light Armoured Vehicle – Command and Control vehicle (LAV-C2);
- Passive microwave products for US Unmanned Aerial Systems, the US Navy Aegis surveillance and fire control systems and strong aftermarket and repair activity for a number of customers;
- Deliveries of integrated radio frequency assemblies on the Advanced Anti-Radiation Guided Missile (AARGM) programme and for the electronic warfare suite on the F-35 aircraft, as both programmes moved from development to low rate initial production.

In addition, there were a number of important business developments in the year which it is anticipated will benefit future results:

- Selection by the US Missile Defense Agency on two significant prime contracts and a number of smaller subcontracts under the delayed MiDAESS IDIQ award, with task orders being competed from the end of 2010;
- A multi-million pound, long-term agreement to provide a suite of antennas for the indigenous Korean Utility Helicopter, enhancing a long standing relationship with Cobham's equipment already selected for the KT-1 trainer and T-50 advanced jet trainer/fighter;
- Selection by Sikorsky to manufacture structural composite components for the Blackhawk, S-92, S-76 and S-97 helicopters as well as main rotor blade assemblies and components for the new CH-53K heavy lift helicopter;
- A US\$40m deal to provide 3,700 major radio frequency and microwave components for the Aegis surveillance and fire control radar systems for new US Navy destroyers, export orders and for land based applications;
- Receipt of a delayed US\$21m contract to provide vehicle intercom systems and Eagle close combat radios to an undisclosed Middle East customer.

Cobham Mission Systems

	2009	Currency Translation	Organic	2010
£m				
Revenue	317	2	25	344
Trading Margin	17.9%	-	2.2%	20.1%

Total revenue increased by 9% including strong organic growth of 8%, driven by revenue from the next generation air refuelling pods and weapons carriage and release products. Although the Life Support business experienced delays in orders for some products, it achieved modest growth as the St. Petersburg (Conax) facility returned to growth.

The trading margin increased to 20.1% (2009: 17.9%) primarily due to volume growth, cost savings from the transfer and integration of product lines that were substantially completed in 2009, EiD efficiencies and other cost savings.

Areas of growth included:

- Shipments in the year of fifth generation under wing air refuelling pods for the Australian, UK, Saudi Arabian and UAE air forces, together with the first shipment of a Fuselage Refuelling Unit for the UK Future Strategic Tanker Aircraft (FSTA) programme;
- The anticipated increase in shipments of weapons carriage and release products for the Eurofighter Typhoon fighter aircraft;
- Orders and shipments of improved restraints on High Mobility Multipurpose Wheeled Vehicle (HMMWV), bringing the fielded total to 14,500, with an initial Vehicle Active Gunner's Restraint System order for the Stryker armoured fighting vehicle - the first application of the helicopter-based MA-16 inertia reels to ground vehicles;
- Deliveries of pneumatic actuation subsystems and components for Hellfire and Paveway missiles, bringing total fielded systems to over 10,000.

In addition, there were a number of important business developments in the year which it is anticipated will benefit future results:

- Follow on orders were received and new bids tendered for strategically important on-board oxygen and fuel tank inerting system products for programmes including USAF Tanker KC-X; Lockheed Martin C-130 and F-16; Boeing F-15 and F-18 aircraft;
- Following selection, initial orders were received for cryogenic coolers used in support of the Army next generation night vision and F-35 Joint Strike Fighter Electro Optic Targeting System (EOTS);
- An £18m order for the supply of Ejector Release Units (ERU) and Carrier Bomb Light Stores (CBLS) in support of the sale of 57 Hawk trainer aircraft to India with orders for Chaff and Flare Defensive Aids Systems for the Eurofighter Typhoon fighter aircraft Tranche 3A, under an £18m contract, with deliveries to begin in mid 2012;
- Award in August by the US Air Force of the base year of a five year agreement, with a total estimated value of US\$50m, for crew-breathing oxygen regulator overhaul kits;
- Transfer to the new Wimborne, UK facility was completed at the end of 2010. This new, modern, efficient facility which incorporates state of the art development, assembly and test facilities, occupies a smaller footprint with lower overheads and will facilitate operational improvement;
- Selected by Boeing to provide hose and drogue air refuelling systems for use on the new USAF KC-46A tanker aircraft. The USAF plan to acquire 179 Boeing tankers.

Cobham Aviation Services

	2009	Currency Translation	Organic	2010
£m				
Revenue	231	26	17	274
Trading Margin	13.6%	(0.5)%	0.2%	13.3%

Revenue increased 18% driven by strong organic growth of 7% and favourable currency translation exchange. Growth was driven by the Australian operations, due to increased resource industry support flying and increased activity on the Sentinel Border Protection operation. There was modest full year organic growth in the UK where the Ministry of Defence (MoD) Strategic Defence and Security Review continued to create some uncertainty, although flying under the significant UK MoD electronic warfare training contract remained in line with previous years.

The trading margin declined to 13.3% (2009: 13.6%) due to currency translation exchange rates, with the underlying margin remaining consistent with the prior year.

Areas of growth included:

- Flying hours on the Australian Sentinel programme remaining at close to 100% of maximum availability with the Surveillance Information Management System successfully brought into service;
- A third dedicated 100 seat regional jet was introduced for Chevron to support the Western Australia Gorgon liquefied petroleum gas project, with a fourth BAe 146 introduced in support of the Australian Air Express freight contract;
- Provision of surrogate UAV capabilities for the UK MoD to support British Army pre-deployment training and the modification and systems integration of four Beechcraft King Air B350 aircraft that will enter service under the UK Military Flying Training Services' (MFTS) Royal Navy rear crew training contract in 2011;
- Provision of a 30 strong team of engineers to Airbus Military, in Madrid, working on aircraft modifications for the first two A330s for the UK FSTA programme.

In addition, there were a number of important business developments in the year which it is anticipated will benefit future results:

- Preparations for the modification of the first FSTA aircraft in the UK are well underway, with the first aircraft due to be received by Cobham in September 2011;
- Contracts worth some £12 million have been secured to upgrade and support key air traffic control systems and operations for the UK MoD to at least 2015;
- In Australia, there are further opportunities to provide fixed wing aviation services to support new resource industry projects.

CHANGES TO SEGMENTAL REPORTING

Cobham has previously announced some changes to the Group's segmental reporting from 1 January 2011. The following tables set out the restated historical information previously disclosed for 2009 and H1 2010, together with restated full year 2010 segmental information.

Revenue

£m	2009 Full Year	2010 Full Year	2010 Interim
Cobham Aerospace & Security	715	647	342
Cobham Defence Systems	655	666	334
Cobham Mission Systems	290	321	158
Technology Eliminations	(6)	(4)	(1)
Technology Divisions	1,654	1,630	833
Cobham Aviation Services	231	274	131
Head Office and Other	(5)	(1)	(1)
Cobham Group	1,880	1,903	963

Trading Profit

£m	2009 Full Year	2010 Full Year	2010 Interim
Cobham Aerospace & Security	159	143	75
<i>Margin</i>	22.2%	22.2%	22.0%
Cobham Defence Systems	97	102	46
<i>Margin</i>	14.8%	15.3%	13.7%
Cobham Mission Systems	50	65	27
<i>Margin</i>	17.3%	20.3%	16.8%
Technology Eliminations	-	-	-
Technology Divisions	306	310	148
Cobham Aviation Services	31	36	15
<i>Margin</i>	13.6%	13.3%	12.0%
Head Office and Other	-	2	4
Cobham Group	337	348	167
<i>Margin</i>	17.9%	18.3%	17.4%

A slide summarising the movement of businesses between the segments from 1 January 2011 is on www.cobhaminvestors.com/reports.

OUTLOOK

The Group has delivered 5% underlying earnings growth in challenging markets. Good revenue growth in certain Strategic Business Units was masked by order slippages on significant defence and security programmes and some continuing softness in certain commercial markets. The Group has made encouraging progress on EiD and achieved cost savings which have contributed to earnings growth from flat Group revenue.

There are continuing challenges in some of the Group's markets and uncertainties as the Continuing Resolution impacts the funding of US Government spending. As a consequence, the rate of revenue growth in our Technology Divisions remains at the level experienced during 2010. The business has been configured with a prudent view of top line growth for the current year and integration plans have already been accelerated to deliver £21m of cost savings in 2011.

The Group continues to have strong long-term positions in attractive markets with superior growth and is focusing its technology investment and acquisition strategy in areas of customer priority. This approach, together with customer and cost benefits from the operational improvement plan, gives the Board confidence that the Group will continue to make progress over the medium term.

- E n d s -

Forward Looking Statements

Nothing in this press release should be construed as a profit forecast or be interpreted to mean that the future earnings per share of Cobham will necessarily be the same as, or greater than, the earnings per share for completed financial periods.

This document contains 'forward-looking statements' with respect to the financial condition, results of operations and business of Cobham and to certain of Cobham's plans and objectives with respect to these items.

Forward-looking statements are sometimes but not always identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal', or 'estimates'. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or will occur in the future.

There are various factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies, political situations and markets in which the Group operates; changes in government priorities due to programme reviews or revisions to strategic objectives; changes in the regulatory or competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; changes to or delays in programmes in which the Group is involved; the completion of acquisitions and divestitures and changes in currency exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Cobham or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Cobham does not intend to update these forward-looking statements.

Consolidated income statement
For the year ended 31 December 2010

£m	Note	2010	2009
Revenue	2	1,902.6	1,880.4
Cost of sales		(1,298.1)	(1,284.0)
Gross profit		604.5	596.4
Selling and distribution costs		(87.2)	(90.4)
Administrative expenses	3	(293.2)	(225.5)
Share of post-tax results of joint ventures		6.0	6.1
Operating profit		230.1	286.6
Finance income	4	37.8	37.6
Finance expense	4	(80.1)	(79.3)
Other income		1.5	–
Profit before taxation	2	189.3	244.9
Taxation	5	(36.5)	(59.0)
Profit after taxation for the year		152.8	185.9
Profit attributable to equity shareholders		152.7	185.8
Profit attributable to non-controlling interests		0.1	0.1
Profit after taxation for the year		152.8	185.9

All activities of the Group are classed as continuing in the current and comparative year.

Earnings per Ordinary Share	7		
– Basic		13.27p	16.26p
– Diluted		13.20p	16.17p

Consolidated statement of comprehensive income

For the year ended 31 December 2010

£m	2010	2009
Profit after taxation for the year	152.8	185.9
Net translation differences on investments in overseas subsidiaries	20.8	(3.8)
Actuarial gain/(loss) on pensions	15.6	(72.5)
Actuarial loss on other retirement obligations	(0.4)	–
Movements in hedged financial instruments	(7.4)	22.0
Tax effects	(3.6)	14.1
Other comprehensive income/(expense) for the year	25.0	(40.2)
Total comprehensive income for the year	177.8	145.7
Attributable to:		
Equity holders of the parent	177.7	145.6
Non-controlling interests	0.1	0.1
	177.8	145.7

Trading profit is calculated as follows:

£m	Note	2010	2009
Operating profit		230.1	286.6
Adjusted to exclude:	3		
Business restructuring		17.5	7.7
Unrealised losses/(gains) on revaluation of currency instruments		2.8	(42.9)
Amortisation of intangible assets arising on business combinations		63.3	78.7
Settlement of commercial dispute		28.8	–
Transaction related adjustments		5.9	6.9
Trading profit	3	348.4	337.0

Consolidated balance sheet

As at 31 December 2010

£m	2010	2009
Assets		
Non-current assets		
Intangible assets	1,048.4	1,063.0
Property, plant and equipment	339.7	318.2
Investment properties	11.2	11.3
Investments in joint ventures	17.2	17.4
Trade and other receivables	19.3	44.4
Derivative financial instruments	0.5	2.3
Deferred taxation assets	11.4	22.3
	1,447.7	1,478.9
Current assets		
Inventories	287.4	249.8
Trade and other receivables	339.0	329.1
Corporation tax	15.7	9.8
Derivative financial instruments	6.5	8.1
Cash and cash equivalents	473.0	366.4
	1,121.6	963.2
Assets classified as held for sale	1.6	–
	1,123.2	963.2
Liabilities		
Current liabilities		
Borrowings	(315.9)	(402.8)
Trade and other payables	(359.3)	(357.1)
Derivative financial instruments	(14.8)	(10.6)
Corporation tax	(100.0)	(80.7)
Provisions	(37.8)	(52.5)
	(827.8)	(903.7)
Non-current liabilities		
Borrowings	(483.2)	(376.2)
Trade and other payables	(32.2)	(26.8)
Derivative financial instruments	(27.2)	(26.7)
Deferred taxation liabilities	(37.7)	(37.3)
Provisions	(4.6)	(7.9)
Retirement benefit obligations	(82.0)	(115.2)
	(666.9)	(590.1)
Net assets	1,076.2	948.3

£m	2010	2009
Equity		
Called up share capital	28.9	28.6
Share premium account	126.6	112.5
Other reserves	69.8	53.8
Retained earnings	850.5	753.1
Total shareholders' equity	1,075.8	948.0
Non-controlling interest in equity	0.4	0.3
Total equity	1,076.2	948.3
Net debt	(326.1)	(412.6)

Approved by a duly appointed and authorised committee of the Board on 2 March 2011 and signed on its behalf by:

AJ Stevens
WG Tucker
Directors

Consolidated statement of changes in equity

For the year ended 31 December 2010

£m	Called up share capital	Share premium account	Other reserves	Retained earnings	Total share holders' equity	Non-controlling interest in equity	Total equity
Total equity at 1 January 2009	28.5	103.9	37.2	678.6	848.2	0.6	848.8
Profit for the year	–	–	–	185.8	185.8	0.1	185.9
Actuarial loss on pensions	–	–	–	(72.5)	(72.5)	–	(72.5)
Net translation differences on investments in overseas subsidiaries	–	–	(3.8)	–	(3.8)	–	(3.8)
Movements in hedged financial instruments	–	–	8.1	–	8.1	–	8.1
Reclassification of cash flow hedge fair values	–	–	13.9	–	13.9	–	13.9
Tax effects	–	–	(6.2)	20.3	14.1	–	14.1
Total comprehensive income for the year	–	–	12.0	133.6	145.6	0.1	145.7
Issue of shares	0.1	6.7	–	–	6.8	–	6.8
Purchase of treasury shares	–	–	–	(0.7)	(0.7)	–	(0.7)
Acquisition of non-controlling interests	–	–	–	–	–	(0.3)	(0.3)
Dividends authorised (note 6)	–	–	–	(58.2)	(58.2)	–	(58.2)
Dividends paid to non-controlling interests	–	–	–	–	–	(0.1)	(0.1)
Share-based payments	–	–	5.8	–	5.8	–	5.8
Transfer of share options reserve on vesting of LTIPs	–	1.9	(1.9)	–	–	–	–
Transfer of share options reserve on exercise	–	–	(2.9)	2.9	–	–	–
Release of hedge reserve	–	–	2.6	–	2.6	–	2.6
Tax effects	–	–	1.0	(3.1)	(2.1)	–	(2.1)
Total equity at 31 December 2009	28.6	112.5	53.8	753.1	948.0	0.3	948.3
Total equity at 1 January 2010	28.6	112.5	53.8	753.1	948.0	0.3	948.3
Profit for the year	–	–	–	152.7	152.7	0.1	152.8
Actuarial gain on pensions	–	–	–	15.6	15.6	–	15.6
Actuarial loss on other retirement obligations	–	–	–	(0.4)	(0.4)	–	(0.4)
Net translation differences on investments in overseas subsidiaries	–	–	20.8	–	20.8	–	20.8
Movements in hedged financial instruments	–	–	(21.9)	–	(21.9)	–	(21.9)
Reclassification of cash flow hedge fair values	–	–	14.5	–	14.5	–	14.5
Tax effects	–	–	1.5	(5.1)	(3.6)	–	(3.6)
Total comprehensive income for the year	–	–	14.9	162.8	177.7	0.1	177.8
Issue of shares	0.3	11.4	–	–	11.7	–	11.7
Purchase of treasury shares	–	–	–	(4.6)	(4.6)	–	(4.6)
Dividends authorised (note 6)	–	–	–	(64.6)	(64.6)	–	(64.6)
Share-based payments	–	–	7.3	–	7.3	–	7.3
Transfer of share options reserve on vesting of PSPs	–	2.7	(2.7)	–	–	–	–
Transfer of share options reserve on exercise	–	–	(4.6)	4.6	–	–	–
Release of hedge reserve	–	–	2.6	–	2.6	–	2.6
Tax effects	–	–	(1.5)	(0.8)	(2.3)	–	(2.3)
Total equity at 31 December 2010	28.9	126.6	69.8	850.5	1,075.8	0.4	1,076.2

Consolidated cash flow statement

For the year ended 31 December 2010

£m	Note	2010	2009
Cash flows from operating activities			
Cash generated from operations	8	299.7	371.1
Corporation taxes paid		(21.6)	(31.2)
Interest paid		(45.1)	(64.1)
Interest received		7.9	18.3
Net cash from operating activities		240.9	294.1
Cash flows from investing activities			
Dividends received from joint ventures		6.0	5.2
Purchase of property, plant and equipment		(64.9)	(74.6)
Purchase of intangible assets		(1.9)	(4.8)
Capitalised expenditure on intangible assets		(0.3)	(0.1)
Proceeds on disposal of property, plant and equipment and investment property		10.0	2.5
Proceeds on disposal of held for sale assets		23.2	19.3
Acquisition of subsidiaries net of cash acquired		(18.9)	(18.9)
Proceeds of disposal		6.4	–
Acquisition of non-controlling interests		–	(0.3)
Net deferred and contingent consideration		(2.6)	(21.7)
Other costs related to business combinations		(6.1)	(6.0)
Special pension contributions relating to disposals in prior years		(7.9)	(5.5)
Restructuring costs		(13.4)	(7.8)
Net cash used in investing activities		(70.4)	(112.7)
Cash flows from financing activities			
Issue of share capital		11.7	6.8
Dividends paid	6	(64.6)	(58.2)
Dividends paid to non-controlling interests		–	(0.1)
Purchase of treasury shares		(4.6)	(0.7)
New borrowings		98.3	437.1
Repayment of borrowings		(114.1)	(507.7)
Repayment of obligations under finance leases		(0.1)	(0.2)
Net cash used in financing activities		(73.4)	(123.0)
Net increase in cash and cash equivalents		97.1	58.4
Cash and cash equivalents at start of year		361.4	304.4
Exchange movements		12.2	(1.4)
Cash and cash equivalents at end of year		470.7	361.4

Notes to the financial information

1. Basis of preparation

The financial information set out in this statement does not constitute the Group's statutory accounts for the years ended 31 December 2010 and 31 December 2009.

Statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered following the Company's Annual General Meeting.

The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

The attached audited financial information and the full Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, International Financial Reporting Interpretation Council (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Standards, amendments to standards and interpretations, endorsed by the EU, which have been adopted from 1 January 2010 and which impact on the financial statements are as follows:

- Revisions to IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements issued in January 2008. These include consequential amendments to IAS 28 and IAS 31. Under IFRS 3 (Revised), for business combinations completed on or after 1 January 2010, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement. Also, all acquisition related costs are expensed. The revisions also change the accounting for non-controlling (minority) interests and changes therein. On adopting IFRS 3 (Revised) an immaterial amount of acquisition costs held on the balance sheet relating to acquisition activity were written off.
- Within IFRS Annual Improvements 2009 there was a revision to IFRS 8 which amended the requirement to present total assets and liabilities by segment. Following this amendment segment disclosure of assets and liabilities are only required when they are reviewed in total by the Chief Operating Decision Maker (CODM). Whilst the CODM (the Board) reviews certain asset and liability categories, a review of total assets and liabilities is not performed. However, segmental asset disclosures have been provided consistent with prior years.

The following standards, amendments to standards and interpretations which have been endorsed by the EU have also been adopted with effect from 1 January 2010 or as stated below. No changes to previously published accounting policies or other adjustments were required on their adoption.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items and Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition.
- IFRIC 17, Distributions of Non-cash Assets to Owners.
- Amendment to IFRIC 9 and IAS 39, Embedded Derivatives.
- Amendment to IFRS 2, Group Cash-settled Share-based Payment Transactions.
- Revised IFRS 1, First Time Adoption of IFRS and Amendments to IFRS 1, Additional Exemptions for First-time adopters.

2. Segmental information

Business segments

The Group reports four segments which are the operating Divisions whose revenue and results are reported to the Board. The principal activities of these Divisions are as follows:

Cobham Avionics and Surveillance	Providing a suite of end-to-end avionics products, law enforcement and national security solutions, and satellite communication equipment for land, sea and air applications.
Cobham Defence Systems	Critical technology for network centric and intelligence operations, moving information around the digital battlefield with customised and off-the-shelf solutions for people and systems to communicate on land, sea and air.
Cobham Mission Systems	Providing safety and survival systems for extreme environments, nose-to-tail refuelling systems and wing-tip to wing-tip mission systems for fast jets, transport aircraft and rotor craft.
Cobham Aviation Services	Delivering outsourced aviation services for military and civil customers worldwide through military training, special mission flight operations, outsourced commercial aviation and aircraft engineering.

Information is also presented for the combined results of the Technology Divisions, namely Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems.

Head office results (net of recoveries) are not included within the operating segments as described above.

£m	2010	2009
Revenue		
Avionics and Surveillance	447.4	487.3
Defence Systems	859.2	873.0
Mission Systems	344.1	317.0
Inter-segment revenue (technology divisions)	(20.6)	(23.6)
Sub-total Technology Divisions	1,630.1	1,653.7
Aviation Services	273.5	230.9
Inter-segment revenue	(1.1)	(5.0)
Total segment revenue from external customers	1,902.5	1,879.6
Revenue – other activities	0.1	0.8
Total revenue from operations	1,902.6	1,880.4
Profit		
Avionics and Surveillance	72.2	84.6
Defence Systems	169.0	164.4
Mission Systems	69.2	56.8
Elimination of inter-segment items	(0.1)	(0.2)
Sub-total Technology Divisions	310.3	305.6
Aviation Services	36.4	31.3
Total segment trading profit	346.7	336.9
Head office and other activities	1.7	0.1
Total trading profit	348.4	337.0
Business restructuring	3	(7.7)
Unrealised (losses)/gains on revaluation of currency instruments	3	42.9
Amortisation of intangible assets on acquisition	3	(78.7)
Settlement of commercial dispute	3	–
Adjustments related to business combinations	3	(6.9)
Net finance expense	4	(41.7)
Other income	1.5	–
Profit before taxation	189.3	244.9

The Group's share of the post-tax results of joint ventures totalling £6.0m (2009: £6.1m) arises in the Cobham Aviation Services Division.

Depreciation and amortisation of internally generated intangibles

Depreciation and amortisation is included in the calculation of trading profit as provided to the Board. Segmental analysis is as follows:

£m	2010	2009
Avionics and Surveillance	9.2	9.6
Defence Systems	20.5	16.7
Mission Systems	5.5	5.4
Sub-total Technology Divisions	35.2	31.7
Aviation Services	22.7	18.2
Segment depreciation and amortisation of internally generated intangibles	57.9	49.9
Depreciation and amortisation allocated to other activities	1.8	0.4
Total depreciation and amortisation of internally generated intangibles	59.7	50.3

Segment assets

Avionics and Surveillance	438.0	419.5
Defence Systems	1,016.6	1,028.4
Mission Systems	297.9	273.4
Sub-total Technology Divisions	1,752.5	1,721.3
Aviation Services	238.6	217.9
Segment assets	1,991.1	1,939.2
Interests in joint ventures	17.2	17.4
	2,008.3	1,956.6
Assets allocated to other activities	55.5	76.6
Unallocated assets	507.1	408.9
Consolidated total assets	2,570.9	2,442.1

Geographical information

Revenue from external customers analysed by their geographical location, irrespective of the origin of the goods and services, is shown below. Revenue from customers located in individual countries within the EU (except UK) and the Rest of the World is not considered to be individually material.

£m	UK	USA	Australia	Other EU countries	Rest of the World	Total
Revenue						
Year to 31 December 2010	169.5	1,150.6	188.1	235.7	158.7	1,902.6
Year to 31 December 2009	169.8	1,162.6	145.7	229.0	173.3	1,880.4

Non-current assets

Non-current assets below exclude financial instruments and deferred tax assets.

Year to 31 December 2010	246.1	955.0	127.3	66.9	40.5	1,435.8
Year to 31 December 2009	247.2	973.1	110.9	72.0	51.1	1,454.3

3. Underlying profit and earnings per share

£m	Note	2010	2009
Operating profit		230.1	286.6
Business restructuring		17.5	7.7
Unrealised losses/(gains) on revaluation of currency instruments		2.8	(42.9)
Amortisation of intangible assets arising on business combinations		63.3	78.7
Settlement of commercial dispute		28.8	–
Transaction related adjustments		5.9	6.9
Trading profit		348.4	337.0
Net finance expense	4	(42.3)	(41.7)
Underlying profit before taxation		306.1	295.3
Taxation charge on underlying profit		(79.5)	(80.4)
Non-controlling interest		(0.1)	(0.1)
Underlying profit after tax attributable to equity shareholders		226.5	214.8
Underlying basic EPS		19.68p	18.80p
Underlying diluted EPS		19.58p	18.70p

During the year to 31 December 2010, business restructuring costs of £17.5m relate to activity in the second half of the year. Expenditure of £23.4m related to site consolidation, workforce reductions and asset write downs resulting from the Excellence in Delivery programme. Partially offsetting these costs were releases of provisions not required from previous site consolidation activities and profits from the sale of part of the Wimborne, UK site. The charge of £7.7m for the year to 31 December 2009 related to the completion of actions arising from the 2005 strategy review.

Underlying administrative expenses amounted to £174.9m (2009: £175.1m). This does not include business restructuring costs, the settlement of the commercial dispute, unrealised gains and losses on revaluation of currency instruments, amortisation of intangible assets recognised on business combinations nor transaction related adjustments.

4. Finance income and expense

£m	2010	2009
Finance income:		
Bank interest	5.4	11.2
Expected return on pension scheme assets	29.9	23.7
Other finance income	2.5	2.7
Total finance income	37.8	37.6
Finance expense:		
Interest on bank overdrafts and loans	(43.6)	(46.2)
Interest on pension scheme liabilities	(31.6)	(28.5)
Other finance expense	(4.9)	(4.6)
Total finance expense	(80.1)	(79.3)
Net finance expense excluding pension schemes	(40.6)	(36.9)
Net finance expense on pension schemes	(1.7)	(4.8)
Net finance expense	(42.3)	(41.7)

Other finance expense above includes £3.1m (2009: £2.6m) in relation to cash flow hedges which were terminated during 2009.

5. Income tax expense

£m	2010	2009
Current tax	34.3	71.7
Deferred tax	2.2	(12.7)
Total tax charge for the year	36.5	59.0

The total income tax expense is analysed between UK and overseas tax as follows:

£m	2010	2009
United Kingdom	28.4	38.1
Overseas	8.1	20.9
Total tax charge for the year	36.5	59.0

Tax charge included in share of post-tax results of joint ventures	2.4	2.4
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Income tax for the UK is calculated at a rate of 28.0% (2009: 28.0%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Dividends

The following dividends on Ordinary Shares were authorised and paid during the year:

£m	2010	2009
Final dividend of 3.971p per share for 2009 (2008: 3.61p)	45.8	41.3
Interim dividend of 1.628p per share for 2010 (2009: 1.48p)	18.8	16.9
	64.6	58.2

In addition to the above, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2010 of 4.372 pence per share which will absorb an estimated £50.5m of shareholders' funds. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If authorised, it will be paid on 3 June 2011 to shareholders who are on the register of members as at 6 May 2011. The total dividend in respect of the financial year ended 31 December 2010 will therefore be 6.0 pence per share (2009: 5.45 pence). The total amount paid in respect of 2010 will be £69.3m (2009: £62.7m).

7. Earnings per Ordinary Share (EPS)

	2010			2009		
	Earnings £m	Weighted average number of shares million	Per-share amount pence	Earnings £m	Weighted average number of shares million	Per-share amount pence
Basic earnings per share (EPS)						
Earnings attributable to ordinary shareholders	152.7	1,150.7	13.27	185.8	1,142.4	16.26
Effect of dilutive securities:						
Options		3.9			2.8	
Long term incentive plans		2.2			3.6	
Diluted EPS	152.7	1,156.8	13.20	185.8	1,148.8	16.17

8. Notes to the consolidated cash flow statement

Cash flows from operating activities

£m	Note	2010	2009
Profit after taxation for the year		152.8	185.9
Adjustments for:			
Tax charge	5	36.5	59.0
Share of post-tax profits of joint ventures		(6.0)	(6.1)
Net finance expense	4	42.3	41.7
Depreciation		54.7	47.4
Amortisation of intangible assets excluding that arising from restructuring		68.3	83.3
Write back of negative goodwill		–	(1.7)
Loss/(gain) on sale of property, plant and equipment		2.3	(0.5)
Other income		(1.5)	–
Business restructuring	3	17.5	7.7
Transaction related adjustments		5.9	6.9
Unrealised losses/(gains) on revaluation of currency instruments		2.8	(42.9)
Pension contributions in excess of pension expense		(11.4)	(7.2)
Share-based payments		7.3	5.8
Decrease in provisions		(16.6)	(5.8)
Operating cash flows before movements in working capital		354.9	373.5
Increase in inventories		(18.6)	(19.2)
(Increase)/decrease in trade and other receivables		(1.0)	5.6
(Decrease)/increase in trade and other payables		(35.6)	11.2
Movements in working capital		(55.2)	(2.4)
Cash generated from operations		299.7	371.1

Cash generated from operations for the year ended 31 December 2010 is after payment of £28.8m in settlement of a commercial dispute.

Reconciliation of net cash flow to movement in net debt

£m	2010	2009
Increase in cash and cash equivalents in the year	97.1	58.4
Net decrease in borrowings	15.9	70.8
Exchange movements	(26.5)	99.5
Movement in net debt in the year	86.5	228.7
Net debt at beginning of year	(412.6)	(641.3)
Net debt at end of year	(326.1)	(412.6)

9. Business combinations

The acquisition of the entire share capital of RVision, Inc was completed on 30 December 2010. RVision designs, manufactures and integrates technically advanced electro-optical and infrared imaging systems, including ruggedised pan/tilt/zoom cameras, hardened processors and tactical video hardware and is reported within the Cobham Avionics and Surveillance Division.

The total consideration for this business combination before discounting was US\$48.0m (£30.7m), including contingent consideration of up to US\$20.0m (£12.8m), payable between 2012 and 2014. The contingent consideration provided has been discounted and is included in financial liabilities in the balance sheet.

The net cash flows resulting from business combinations are as follows:

£m	
Cash consideration paid for the business combination completed in the current year	17.5
Cash acquired with the business combination completed in the current year	(2.3)
Consideration relating to business combinations completed in prior periods	3.7
	18.9

No profit has been recognised within the Group results since the date of acquisition for RVision.

If the acquisition had taken effect on 1 January 2010, it is estimated that Group total revenues would have been £1,911.8m and profit after tax £153.5m. This information is not necessarily indicative of the results had the operations been acquired at the start of the period, nor of future results of the combined operations.

A provisional summary of the book and fair values of the net assets acquired on the acquisition of RVision is as follows:

£m	Book value prior to acquisition	Fair value
Non-current assets	0.3	15.4
Current assets	4.9	4.9
Current liabilities	(0.9)	(0.9)
Non-current liabilities	–	(6.1)
Net assets acquired	4.3	13.3
Goodwill		15.6
Total consideration (after discounting of contingent consideration)		28.9

The residual excess of the total cost over the fair value of the net assets acquired is recognised as goodwill in the financial statements. Goodwill represents the premium paid in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognised. Adjustments from book value to fair value include adjustments arising from the recognition of intangible assets under IFRS 3, Business Combinations.

The acquisition of the entire share capital of Argotek, Inc was completed on 21 May 2009 for total consideration of US\$36.25m, including deferred consideration of US\$10m. Full details can be found in the 2009 Annual Report.

Details of business combinations which took place after 31 December 2010 and before approval of this financial information are shown in note 10, Events after the balance sheet date.

On 29 September 2010, the divestment of Satori SAS was announced, realising a loss of £0.3m. Cash consideration totalling €7.9m (£6.4m) was received for this part of the Avionics and Surveillance Division's French operations.

10. Events after the balance sheet date

On 19 January 2011, agreement was reached to purchase the entire share capital of Telerob GmbH for €78.0m on a debt-free, cash-free basis. The company is based in Germany and manufactures advanced bomb disposal robots and threat response vehicles.

The acquisition of the share capital of the US surveillance technology company Corp Ten International was announced on 7 February 2011. Consideration comprises US\$11.5m with additional cash consideration of up to US\$12.5m contingent upon future performance.

The divestment of the Engineering Consultancy Group, part of Cobham Technical Services was announced on 21 February 2011. Consideration comprises £13.5m on a debt-free cash-free basis.