PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

4 March 2010

	2008	**2009**	Change
Order intake	£1,664m	**£1,750m**	+5%
Total revenue	£1,467m	**£1,880m**	+28%
Underlying[1] trading margin	17.2%	**17.9%**	+0.7%pts
Underlying[1] profit before tax	£244m	**£295m**	+21%
Statutory profit before tax[2]	£121m	**£245m**	
Underlying[1] earnings per share (EPS)	15.4p	**18.8p**	+22%
Basic EPS	8.4p	**16.3p**	
Operating cash conversion[3]	106%	**89%**	
Full year recommended dividend per share	4.955p	**5.45p**	+10%

- Strong performance from defence and security businesses with organic[6] growth of 7%; although decline in commercial activities resulted in 1% organic growth overall for Technology Divisions[4]

- Integration of 2008 acquisitions successfully completed; strong results from Lansdale, SPARTA and M/A-COM and non-core M/A-COM Technology Solutions business divested

- Solid £2.4bn order book does not include significant US$1.2bn VIS-X award

- Underlying EPS growth of 22%; 13% at constant currency translation, with good cost control

- £214m of free cash flow with strong operating cash conversion at 89% and gearing of 1.0 times net debt/EBITDA

- 10% increase in final dividend to 3.97p; full year dividend of 5.45p (+10%)

Andy Stevens, Cobham Chief Executive Officer, said:

"Cobham has delivered double digit earnings growth in 2009, with good growth from our defence and security businesses, despite weakness in the Mission Systems Division. Commercial markets, representing around one fifth of technology revenue, were difficult. In 2010 we expect organic revenue growth from the Technology Divisions to pick up, with the Defence Systems Division and the surveillance business remaining strong and Mission Systems progressively executing its delayed shipments. Commercial markets remain hard to predict but are unlikely to recover rapidly. The Board expects further progress in 2010, although earnings are expected to be more than usually weighted to the second half.

"The Group has positions on long term programmes that afford excellent revenue visibility and leading edge technologies that provide critical capabilities in areas of key defence priority. These competitive advantages and our positions in the national security market and in faster growing geographies give the Board confidence of continuing progress over the medium term."

ENQUIRIES

Cobham plc	**+44 (0)1202 857738 (on 4 March)**
Andy Stevens, Chief Executive Officer	+44 (0)1202 882020
Warren Tucker, Chief Financial Officer	+44 (0)1202 882020
Julian Wais, Director of Investor Relations	+44 (0)1202 857998
Susan Ellis, Senior Communications Advisor	+44 (0)7836 522722

PRELIMINARY RESULTS PRESENTATION AND WEBCAST

There will be a preliminary results presentation at 9.30am UK time on Thursday, 4 March 2010. The preliminary results presentation will be web-cast live on the Cobham website (www.cobhaminvestors.com) and will remain on the website for subsequent viewing. The published Annual Report will be available as a download file on 30 March 2010.

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 to exclude the impacts of certain acquisition related charges, portfolio restructuring impacts, the mark-to-market of currency instruments not realised in the period and impairments of goodwill. Acquisition related charges excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, such as customer relationships, technology, software and the like, 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. Portfolio restructuring impacts comprise exceptional profits arising on business divestments completed in prior years which have funded exceptional costs associated with the Group's site integrations. Both the divestments and the integration activity originate from the Group's strategy announcement in September 2005. The 2005 portfolio restructuring is now substantially complete and restructuring costs arising after 2009 are to be reported as part of the underlying result. All underlying measures include the revenue and operational results of both continuing and discontinued businesses up to the point of sale of the operation. From 2010 transaction costs, earnouts required to be expensed, and changes to the initial estimate of contingent payments related to future acquisitions will also be excluded from trading profit and underlying earnings.*
2. *On continuing operations.*
3. *Operating cash flow is defined as cash generated from operations per the consolidated cash flow statement, adjusted for cash flows from the purchase or disposal of fixed assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures.*
4. *Cobham's Technology Divisions comprise Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems.*
5. *Throughout this document, PV (Private Venture or company funded Research and Development expenditure) for 2008 and the PV medium term target have been restated on a proforma basis for the impact of Cobham Analytic Solutions, formerly SPARTA and Argotek, where the vast majority of Research and Development is funded by customers. These numbers are stated on the same basis as the 2009 results.*
6. *Organic revenue growth is defined as revenue growth stated at constant translation exchange, excluding the incremental effect of acquisitions and disposals.*

STRATEGY AND PROSPECTS

The Group's strategy since 2005 has been to supply high growth, specialist aerospace and defence markets with leading edge technologies. This strategy will continue to be pursued as it has been successful in delivering strong revenue and earnings growth, excellent cash generation and significant revenue synergies from technology based acquisitions.

The long term success of Cobham's strategy has been recognised in a recent study by Bain & Co, the management consultancy, on more than 2,000 listed businesses globally. The study was reported in The Times and measured revenue and profit growth and return on capital over the period 1998 to 2008. It identified Cobham as one of only 14 British companies that it described as sustained value creators.

Looking forward, the Group has technology advantages, a solid order book and multi-year platform positions that afford excellent revenue visibility. Cobham's activities are concentrated in areas that are key defence priorities, including the need to transmit and receive increasing amounts of voice, data and video communications and the need to keep people safe in extreme environments. Cobham is also well positioned on important long term commercial platforms, in the national security market and in faster growing geographies such as India and the Middle East.

As a result of these long term positions, technology advantages and high barriers to entry, a review of the Group's prospects has concluded that, despite pressure on the US defence budget, these advantages and growth in its specific markets support its target of high single digit revenue and earnings growth over the medium term. This conclusion is supported by the February 2010 US Quadrennial Defense Review (QDR), which sets out the US government's medium term defence priorities, and by the US Department of Defense budgets as the investment priorities set out in these documents are well aligned with Cobham's capabilities.

During 2010 the Group will seek to build on the significant achievements to date, which will position it for the next stage of growth and evolution. This will include consideration of:

- How further technology synergies and cost efficiencies can be extracted by adopting more integrated and standardised operating procedures via Centres of Excellence, to draw on best practice from across the Group;

- How future integration and standardisation savings should be invested to optimise the Group's competitive advantage;

- How to refine Cobham's portfolio towards the areas of greatest competitive advantage;

- The appropriate focus of acquisitions in Cobham's chosen markets.

OVERVIEW OF THE YEAR

2009 was a strong year for Cobham's defence and security end markets but, as a result of the market downturn, the year has been difficult for Cobham's commercial businesses. The large Lansdale, SPARTA and M/A-COM acquisitions, completed in 2008 for some US$1.1bn in aggregate, have been successfully integrated and have delivered strong results and the non-core M/A-COM Technology Solutions (MTS) business has been divested. Costs have been rapidly removed in the commercial businesses impacted by the market downturn with other efficiency benefits achieved, to deliver further double digit growth in Group earnings.

The Group has a solid order book with a book-to-bill ratio in the year of 0.93 times, reflecting in part the difficult conditions in commercial markets. The large US Army Vehicular Intercommunication System Expanded (VIS-X) award, which was made during the year and which is worth up to US$1.2bn to Cobham, is an unfunded Indefinite Delivery Indefinite Quantity (IDIQ) award and, apart from some small orders received, is not reflected in the order intake or in the order book. Cobham remains well placed in its markets and will be agile and responsive to procurement fluctuations.

Headline revenue growth was 28%, although organic revenue growth in the Technology Divisions has been slower than anticipated at 1% due to the extended trough in the general aviation, business and regional jet markets. In the Mission Systems Division a number of air refuelling deliveries have been delayed due to qualification of the next generation air refuelling pods with supply chain issues on weapons carriage and release products. There have been order slippages at the St. Petersburg, USA (Conax) facility due to the ongoing US Government investigation, although the business continues to operate as usual in all other respects. Conax is cooperating fully with the authorities and is encouraged by the progress to date.

Organic revenue from commercial activities, representing 21% of technology revenue, declined 16%. Defence and security revenue, representing 79% of technology revenue, grew organically by 7%. As anticipated, the Defence Systems Division and the surveillance business, part of the Avionics and Surveillance Division, achieved double digit organic growth, as these continue to be priority areas for defence and security customers. In the four years since the announcement of Cobham's strategy in 2005, the Group's Technology Divisions have delivered average compound organic revenue growth of over 7%.

Underlying EPS growth was 22%, or 13% at constant translation exchange. This was achieved primarily from a combination of proactive cost control and a strong contribution from the 2008 acquisitions. Since 2005 average compound underlying earnings growth at constant translation exchange has been 13%.

Free cash flow generation was excellent at £214m, with operating cash conversion at 89%.

MANAGEMENT

As previously announced, Andy Stevens, previously Cobham's Chief Operating Officer, was appointed Chief Executive Officer with effect from 1 January 2010 on the retirement of Allan Cook. The Group's internal management committees, which provide oversight of the Group's day-to-day activities, have been reconstituted and the organisation delayered through a number of refinements to certain senior management responsibilities. A decision has been made not to appoint a Chief Operating Officer. These changes will enhance collaboration across the Group and increase the speed of decision making and change execution.

INVESTMENT IN LEADING EDGE TECHNOLOGIES

Cobham develops and brings to market products that are in high demand and at the leading edge of technology. This is fundamental to the Group's strategy of achieving organic growth over a sustained period in its chosen markets. A number of products that have been developed using PV (Private Venture or company funded Research and Development - R&D)

investment have delivered significant revenue growth in the year. These include tracking systems, audio surveillance products and communication links, including for use in unmanned vehicles. There has also been significant revenue from land based SATCOM products in demand for use in remote and developing parts of the world and in emergency and disaster relief situations and microclimate cooling suits for helicopter and ground vehicle crews, which enable them to remain operational for longer.

In 2009, the Group increased its investment in PV by 25% to £88m (2008: £71m), which as a proportion of the Technology Divisions' revenue was 5.3% (2008: 5.3%, adjusted for the impact of Cobham Analytic Solutions), with the medium term target being to increase PV to 6%. There was also significant customer funded R&D invested in the year. Technology investment included:

- Continuing development of the next generation 905E air refuelling pod, with successful flight trials for the Royal Australian Air Force. New orders have also been received in the year for the Saudi and United Arab Emirates air forces, with excellent potential for further orders;

- The next generation of aircraft based satellite communication for streaming video, internet, email and telephone in commercial aircraft cabins and long range cockpit communication, received Inmarsat type approval with initial deliveries completed;

- An Integrated Force Protection (IFP) product, offering for the first time a remote-sensor, datalink and command and control suite;

- A contract from the US Government for further development of Wireless Network after Next (WNaN) hardware, to provide a viable wide-band mesh radio network for extensive deployment throughout the US armed services;

- Initial funding for the above deck electronics on the US Navy's Surface Electronic Warfare Improvement Programme (SEWIP) Block 2, together with a multi-year contract on the InTop programme, to standardise and combine antenna systems across the US Navy fleet.

FINANCIAL RESULTS

Order Book and Long Term Visibility

At the year end, the Group's order book was £2.4bn (2008: £2.7bn), with the Technology Divisions contributing £1.3bn (2008: £1.6bn). The order book does not include two long term awards received in the year from the US Army on the US$1.2bn VIS-X and the US$110m Air Warrior programmes. Aviation Services' order book was £1.1bn (2008: £1.1bn).

The Group aims to establish and grow positions on the most important long term, defence, security and commercial programmes. Some current examples of these programmes are the F-35 aircraft, the F/A-18 and E/A-18G aircraft, the V-22 Osprey tiltrotor aircraft, the A330 Multi Role Transport Tanker aircraft, the Advanced Anti-Radiation Guided Missile (AARGM), the Advanced Medium Range Air-to-Air Missile (AMRAAM), the Boeing 787, the Airbus A350 and ground vehicle programmes such as the High Mobility Multipurpose Wheeled Vehicle (HMMWV). Significant future customer orders from these and other programmes are expected to be placed incrementally over many years, adding to those already in the order book and giving the Group excellent long term revenue visibility.

Revenue

The 28% increase in Group revenue was primarily due to the full year impact of the 2008 acquisitions and favourable currency translation rates.

Organic growth in the Technology Divisions was 1% (2008: 10%), below the expected high single digit growth over the medium term, but driven by a strong performance in defence and security. This was partly offset by the commercial businesses, as a result of difficult market conditions. An analysis of the Technology Divisions' revenue growth is as follows:

2008	FX Translation	Acquisitions	Organic Growth	2009
£1,246m	+£177m	+£224m	+£7m	£1,654m

Average 2008 US$/£ exchange rate = $1.86/£1. Average 2009 US$/£ exchange rate = $1.56/£1.

Trading Profit

Group trading profit increased by 34% to £337m (2008: £252m), principally driven by an improvement in the organic trading margin, the full year impact of 2008 acquisitions and favourable currency translation exchange rates.

The Group's trading margin increased to 17.9% (2008: 17.2%), with the adverse full year impact of the 2008 acquisition margin mix being more than offset by improvements to the organic trading margin.

The organic margin improvement of 1.9% points was driven by the continuing programme of operational efficiencies, primarily the facility integration programme, and procurement savings with proactive cost control in those businesses impacted by the downturn and close monitoring of outstanding customer balances. In addition, the Group has wound down or exited some low margin revenue activity, principally in Aviation Services.

Net Finance Expense and Underlying Profit Before Tax

Net finance expense was £42m (2008: £8m). Net interest expense on cash and debt holdings was higher at £37m (2008: £9m) as a result of the acquisitions completed during 2008, partly offset by strong cash generation from operations. As anticipated, there was a net finance charge from pension schemes of £5m (2008: income £1m). In 2010, this non-cash item will be a charge of £2m.

Underlying profit before tax was up 21% at £295m (2008: £244m).

Taxation

On an underlying basis the effective tax rate for the year reduced to 27.8% (2008: 28.7%). The underlying tax rate is calculated by dividing the Group's underlying tax charge of £80m (2008: £68m) by its underlying profit before tax, before joint ventures. In part, the underlying tax charge benefited from the impact of consortium relief relating to Cobham's investment in AirTanker Ltd and R&D tax credits.

Earnings per Share (EPS)

Underlying EPS grew 22% to 18.8p (2008: 15.4p) primarily due to the improvement in the Group's underlying trading margin, favourable currency translation exchange rates and the full year contribution from acquisitions completed during 2008. EPS at constant currency translation rates was 13%, ahead of the target high single digit EPS medium term growth. Excluding the impact of the non-cash net finance charge from pension schemes, EPS growth at constant currency translation rates was 15%.

Basic EPS increased to 16.3p (2008: 8.4p) primarily driven by the Group's higher underlying profit and the post-tax and non-cash profit on the unrealised mark-to-market of currency instruments of £31m (2008: loss £43m). This was partly offset by the increased post-tax and non-cash amortisation of intangible assets arising on acquisition of £50m (2008: £29m), resulting from the full year impact of the 2008 acquisitions.

Acquisitions and Divestments

The Group has successfully completed the complex integration of the M/A-COM business, which was acquired in September 2008. The integration, which was completed on schedule, included the separation of M/A-COM's information technology (IT) systems and back office functions from its former owner and the establishment of standalone IT and back office infrastructure. In addition, M/A-COM's wave guide and cable systems activities have been transferred to the existing Cobham facility at Exeter, New Hampshire, entailing a significant expansion of operations on the site. The integration of the February 2008 Lansdale acquisition was also successfully completed, with the establishment of all new back office functions and IT systems. Design and manufacture of spiral antennas and certain microelectronics modules within the Group have been consolidated at the Lansdale facility.

In March 2009, Cobham sold MTS, part of the M/A-COM acquisition, for up to US$90m. The business, which was not core to the Group's strategy, had been treated as held for resale from the date of acquisition and consequently its trading is not included in the income statement or in earnings. There was no gain or loss on sale as it was held for resale at fair value.

In May 2009, Cobham Defence Systems completed the acquisition of Argotek for US$36.25m, a company specialising in high end information assurance skills for the US intelligence community. In December 2009, Cobham Mission Systems purchased the assets of SafeLife Systems for US$0.6m, bringing a unique subscription service for owner testing of 406MHz emergency beacons.

Facility Integration

The Group has continued to extract efficiencies from its businesses during the year through the rationalisation and integration of a number of operating sites.

There was further integration of business units in the Avionics and Surveillance Division, with a manufacturing Centre of Excellence created in Prescott, Arizona from three existing businesses based in Washington State and Arizona, USA and Kelowna, Canada. Transition of a further business based in Oregon, USA is expected to be completed during 2010.

Within Cobham Mission Systems, the transfer and integration of the product lines from California to an existing facility in New York State, USA has been completed. The transfer and integration of the remaining product lines to an existing facility in Iowa, USA is expected to be completed in 2010. The Wimborne, UK site rationalisation is progressing with full planning permission granted for a new factory, which will have a reduced footprint and lower overhead costs. Construction work is underway with the site anticipated to be fully operational in early 2011.

Retirement Obligations

The Group operates a number of defined benefit pension schemes, the most significant being the Cobham Pension Plan. At 31 December 2009, the Group's net balance sheet liability before deferred tax relating to its defined benefit schemes had increased since the previous year end to £115m (31 December 2008: £51m, 30 June 2009: £164m). This movement was in part due to a decrease in the discount rate on liabilities which is driven by AA-rated investment grade corporate bond yields, partly offset by an increase in the value of scheme assets.

During the period, the Group made normal contributions to its defined benefit schemes of £7m in excess of the current service costs of £4m. The most recent triennial valuation of the Cobham Pension Plan was undertaken as at 1 April 2009 and as a result, annual company cash contributions will increase by £5m in 2010. Additional member contributions will also be made.

Cash Flow and Net Debt

Operating cash flow in the period, after net capital expenditure and PV which is expensed in the income statement, but before the payment of tax and interest, was £293m (2008: £261m). This represents 89% (2008: 106%) of trading profit before the Group's share of post-tax results of joint ventures, ahead of the 80% medium term target for operating cash conversion.

After the payment of tax, restructuring costs and net interest and the receipt of dividends from joint ventures, the Group generated free cash flow of £214m (2008: £203m). From free cash flow, the Group invested a net £32m (2008: £617m) in acquisitions, principally comprising the acquisition of Argotek and deferred and contingent payments on acquisitions completed in prior years, partly offset by proceeds relating to the sale of MTS.

The Group had net debt of £413m (2008: £641m) at the year end. 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. Movements in exchange rates in the year accounted for £100m of the reduction in net debt.

The Group's gearing at the year end had reduced to approximately 1.0 times net debt/EBITDA.

Dividends

The Board has proposed a final dividend of 3.97p (2008: 3.61p). Together with an interim dividend of 1.48p (2008: 1.345p), which was paid on 11 December 2009, this will result in a total dividend of 5.45p per share, an increase of 10% on the comparable period. The final dividend will be paid on 5 July 2010 to all shareholders on the register at 28 May 2010, 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

(2008: 6p). The dividend will be paid on 5 July 2010 to all shareholders on the register at 28 May 2010 in respect of the year ended 31 December 2009.

RECONCILIATION OF UNDERLYING PROFIT

	2008	**2009**
Trading profit is calculated as follows:		
£m		
Result before joint ventures	123	**281**
Share of post-tax results of joint ventures	6	**6**
Operating profit	129	**287**
Adjusted to exclude:		
Portfolio restructuring	7	**8**
Unrealised losses/(gains) on revaluation of currency instruments	60	**(43)**
Amortisation of intangible assets arising on acquisition	47	**78**
Acquisition related adjustments	9	**7**
Trading profit	252	**337**

	2008	**2009**
Underlying profit before tax is calculated as follows:		
£m		
Profit on continuing operations before taxation	121	**245**
Adjusted to exclude:		
Portfolio restructuring	7	**8**
Unrealised losses/(gains) on revaluation of currency instruments	60	**(43)**
Amortisation of intangible assets arising on acquisition	47	**78**
Acquisition related adjustments	9	**7**
Underlying profit before taxation	244	**295**

	2008	**2009**
Profit after tax used in the calculation of underlying EPS is calculated as follows:		
£m		
Profit after taxation attributable to equity shareholders	95	**186**
Adjusted to exclude (after tax):		
Portfolio restructuring	2	**5**
Unrealised losses/(gains) on revaluation of currency instruments	43	**(31)**
Amortisation of intangible assets arising on acquisition	29	**50**
Acquisition related adjustments	7	**5**
Underlying profit after taxation	176	**215**
Underlying earnings per ordinary share (pence)	15.4	**18.8**

DIVISIONAL REVIEW

Group Operating Summary

£m	Revenue 2008	Revenue 2009	Trading Profit 2008	Trading Profit 2009
Cobham Avionics and Surveillance	433	**487**	72	**85**
Margin			*16.6%*	***17.4%***
Cobham Defence Systems	529	**873**	105	**164**
Margin			*19.9%*	***18.8%***
Cobham Mission Systems	302	**317**	52	**57**
Margin			*17.3%*	***17.9%***
Technology Eliminations	(18)	(23)	-	-
Technology Divisions	1,246	**1,654**	229	**306**
Margin			*18.4%*	***18.5%***
Cobham Aviation Services	222	**231**	25	**31**
Margin			*11.2%*	***13.6%***
Head Office and Other	(1)	(5)	(2)	-
Cobham Group	1,467	**1,880**	252	**337**
Margin			*17.2%*	***17.9%***

Cobham Avionics and Surveillance

£m	2008	Acquisitions & Currency Translation	Organic	**2009**
Revenue	433	67	(13)	**487**
Margin	16.6%	0.2%	0.6%	**17.4%**

Total revenue increased by 13% to £487m with revenue growth driven by favourable currency translation exchange rates and a modest contribution from the full year impact of the smaller 2008 acquisitions. Although the Division's organic revenue declined by 3%, organic revenue growth in surveillance, whose main markets are intelligence, national security and law enforcement, was double digit. However, this was offset by the difficult conditions in commercial markets, from which the majority of the Division's revenue is derived.

The margin increased to 17.4% (2008: 16.6%). There was pressure on the operating margin in many of the businesses focused on commercial markets but this was mitigated by the rapid removal of costs in response to the commercial downturn and the Division's facility integration programme, with close monitoring of outstanding customer balances.

Areas of growth, included:

- Demand for surveillance equipment across the intelligence, military and national security and law enforcement markets, including tracking systems, video capabilities for unmanned aerial (UAV) and ground (UGV) vehicles, delivery of public safety systems to the UK police, communication links and audio surveillance products;

- Sales of tactical radios and aircraft digital intercom systems driven by interoperability requirements across public safety organisations;

- Growth in sales of land based SATCOM and on the move products, coupled with initial deliveries of aircraft based Broadband Global Area Network (BGAN) satellite communication products following selection by Airbus Industries to supply SATCOM antennas on single aisle and long range aircraft.

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

- In the law enforcement sector, further contracts were received from US federal government agencies and multiple state and local law enforcement agencies, as well as from the London Metropolitan Police and several major agencies in the UK, Europe and Asia;

- A contract for the retrofit of the Audio Management System on the C130 fleet operated by the French Air Force and a Middle East customer;

- Supply to the Iraqi Army of an advanced Cobham cockpit for a 30-ship fleet of modified Bell 407 helicopters;

- Selection by Airbus Industries to supply SATCOM antennas for long range communications on the flight deck and to support the latest Inmarsat services for cabin applications. This is expected to be worth up to US$70m over the life of the platform. Airbus also selected Cobham's communication and navigation antennas for the A350, further consolidating the Group's position on that aircraft.

Cobham Defence Systems

	2008	Acquisitions & Currency Translation	Organic	**2009**
£m				
Revenue	529	293	51	**873**
Margin	19.9%	(3.8)%	2.7%	**18.8%**

Total revenue increased 65% to £873m, driven by the full year contribution from the 2008 acquisitions, favourable currency translation exchange rates and organic growth of 10%. As anticipated, revenue from vehicle intercoms improved on the first half performance. The 2008 acquisitions of Lansdale, SPARTA and M/A-COM all achieved strong growth.

The Division's margin decreased to 18.8% (2008: 19.9%). The organic trading margin increased by 2.7% points, partly offsetting the expected margin decline from the full year impact of the 2008 acquisitions. The organic margin improvement was driven by operational efficiencies and the Division's strong operating performance.

Areas of growth included:

- Multiple full rate production contracts received for the Low Band Transmitter with a total value of US$65m. These awards bring the total number ordered by the US Navy to 157, out of a total anticipated order quantity of 292, of which 57 systems have been delivered;

- Orders and deliveries to the Middle East increased for the ROVIS (AN/VIC-3) digital vehicular intercom systems and the Eagle Close Combat radio, which was developed with PV funding;

- The provision of advanced land and airborne antennas across multiple US vehicle platforms, upgrades to unmanned ground vehicles for disarming improvised explosive devices, airborne antennas, land based antennas for the Indian army, fire control system radomes for the Apache Longbow helicopter and a number of European helicopter upgrades;

- Revenue from the next generation antenna programme for Turkey, providing an antenna backbone for network centric communication, and the US Marine Corps Tactical Elevated Antenna Mast (TEAM).

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

- In June, a Cobham-Northrop Grumman team was selected for the VIS-X contract for the U.S. Army, which could be worth up to US$1.2bn to Cobham over 10 years. Cobham will continue to support AN/VIC-3 systems on the existing installed base of more than 85,000 vehicles;

- Initial trial unit orders from Lockheed Martin for the mINCAN interference cancellation system to be fitted to the US Joint Light Tactical Vehicle (JLTV) and production unit orders from Lockheed Martin for Light Armoured Vehicle Command & Control (LAVC2) platform;

- An initial production contract for a radio frequency processor for advanced US missile programmes including AARGM and AMRAAM and a US$40m order for the Standard Missile, following successful completion of the second lot production deliveries;

- Initial funding for the above deck electronics unit for the US Navy SEWIP Block 2. Cobham also received a multi-year contract from the US Navy on the InTop program, which is to standardise and combine the independent systems crowding ship decks;

- Receipt of a contract worth up to US$25m from Sikorsky Aircraft Corporation to manufacture advanced composite components and assemblies for the main rotor blades of the US Marine Corps' CH-53K Heavy Lift Replacement Helicopter.

Cobham Mission Systems

	2008	Currency Translation	Organic	**2009**
£m				
Revenue	302	42	(27)	**317**
Margin	17.3%	0.2%	0.4%	**17.9%**

Total revenue was up 5% to £317m driven by favourable currency translation exchange rates. Organic revenue declined by 9% as a number of air refuelling deliveries have been delayed due to qualification of the next generation pods and due to supply chain issues on weapons carriage and release products. Order slippages at the Conax facility have also contributed due to the ongoing US Government investigation, although the business continues to operate as usual in all other respects. Conax is cooperating fully with the authorities and is encouraged by the progress to date.

The margin increased to 17.9% (2008: 17.3%) due to currency translation and cost savings from the ongoing facility integration programme, offsetting weaker trading.

Areas of growth included:

- Shipment of 3,000 Air Warrior Microclimate Cooling Units to the US Army, bringing the total ship sets delivered since 2005 to over 15,000;
- Completion of a Personal Locator Beacon (PLB) contract for a military customer, with 14,500 units shipped in 2009. PV funded work has started on the development of the next generation PLB, which has market potential of some US$100m;
- Over 200 Small Diameter Bomb weapons carriage and release units were delivered to Boeing, the 100th refuelling probe to the V-22 Osprey tiltrotor programme and 100 refuelling tanks in support of the F-22 and C-130J aircraft.

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

- Award of a five year Indefinite Delivery Definite Quantity (IDDQ) contract from the US Army to provide Microclimate Cooling Systems to the Air Warrior programme office, with expected revenue of up to US$110m during the next five years. The first initial repair and overhaul contract for 300 units was received, with some 15,000 systems in the field;
- Qualification and delivery of flight test hardware for the Boeing 787 was completed for the On Board Inert Gas Generating System (OBIGGS), with orders received for 15 USAF C-17 OBIGGS II modules;
- Initial orders were received from Airbus Military for Cobham 905E hose and drogue refuelling pods for the UAE and Saudi Arabia.

Cobham Aviation Services

	2008	Currency Translation	Organic	**2009**
£m				
Revenue	222	16	(7)	**231**
Margin	11.2%	(0.4)%	2.8%	**13.6%**

Total revenue increased 4% to £231m, due to favourable currency translation partly offset by the shedding of some less profitable resource industry contracts in Australia.

The Division's margin increased to 13.6% (2008: 11.2%) in part due to shedding low margin contracts and a good performance on the Sentinel maritime surveillance contract in Australia together with large aircraft maintenance activities in the UK. In Australia, there was also a cost benefit from the acquisition of previously leased aircraft.

Areas of growth included:

- In the UK, increased activity on large military aircraft maintenance and additional hours were flown in training the UK Royal Air Force and Royal Navy in electronic warfare;

- In Australia, an increased rate of effort on the Sentinel programme.

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

- Receipt of two contracts from the Australian Border Protection Command, one increasing the rate of effort under the core Sentinel contract to December 2019 and the other the addition of two aircraft from July 2009, for two years. These contracts have a total value of AUD$43m;

- Contract extensions were secured from West Australian resource sector clients, with a combined contract value of some AUD$260m, including the announcement in December 2009 of Australia's largest resource industry aviation support contract from Chevron, which extends to 2016;

- An extension to the Australian air Express (AaE) freight contract which will take the operation of three aircraft through to December 2015, worth some AUD$100m of revenue;

- In the UK, award of an £18m order for the Military Flying Training Services (MFTS) Royal Navy rear crew training contract to convert four Beechcraft King Air B350 aircraft with five years of maintenance and support at RNAS Culdrose.

OUTLOOK

Cobham has delivered double digit earnings growth in 2009, with good growth from the Group's defence and security businesses, despite weakness in the Mission Systems Division. Commercial markets, representing around one fifth of technology revenue, were difficult. In 2010 organic revenue growth from the Technology Divisions is expected to pick up, with the

Defence Systems Division and the surveillance business remaining strong and Mission Systems progressively executing its delayed shipments. Commercial markets remain hard to predict but are unlikely to recover rapidly. The Board expects further progress in 2010, although earnings are expected to be more than usually weighted to the second half.

The Group has positions on long term programmes that afford excellent revenue visibility and leading edge technologies that provide critical capabilities in areas of key defence priority. These competitive advantages and positions in the national security market and in faster growing geographies give the Board confidence of continuing 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 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 2009

£m	Note	2009	2008
Continuing operations			
Revenue	2	1,880.4	1,466.5
Cost of sales		(1,284.0)	(1,008.5)
Gross profit		596.4	458.0
Selling and distribution costs		(90.4)	(76.0)
Administrative expenses		(268.4)	(200.0)
Share of post-tax results of joint ventures		6.1	6.0
Unrealised gains/(losses) on revaluation of currency instruments		42.9	(59.5)
Operating profit		286.6	128.5
Finance income	5	37.6	56.5
Finance expense	5	(79.3)	(64.3)
Profit on continuing operations before taxation	2	244.9	120.7
Tax on continuing operations	6	(59.0)	(28.1)
Profit on continuing operations after taxation		185.9	92.6
Discontinued operations			
Profit after taxation from discontinued operations		-	2.9
Profit after taxation for the year		185.9	95.5
Profit attributable to equity shareholders		185.8	95.4
Profit attributable to minority interests		0.1	0.1
Profit after taxation for the year		185.9	95.5
Earnings per Ordinary Share	8		
- Basic		16.26p	8.38p
- Diluted		16.17p	8.34p
Earnings per Ordinary Share from continuing operations	8		
- Basic		16.26p	8.13p
- Diluted		16.17p	8.08p

Trading profit is calculated as follows:

£m	Note	2009	2008
Operating profit from continuing operations		286.6	128.5
Adjusted to exclude:			
Portfolio restructuring	4	7.7	7.4
Unrealised (gains)/losses on revaluation of currency instruments	3	(42.9)	59.5
Amortisation of intangible assets arising on acquisition	3	78.7	46.8
Acquisition related adjustments	3	6.9	9.4
Trading profit	3	337.0	251.6

Consolidated statement of comprehensive income

For the year ended 31 December 2009

£m	2009	2008
Profit after taxation for the year	185.9	95.5
Net translation differences on investments in overseas subsidiaries	(3.8)	51.8
Actuarial loss on pensions	(72.5)	(27.2)
Actuarial loss on other retirement obligations	-	(0.8)
Movements in hedged financial instruments	22.0	(53.1)
Tax effects	14.1	20.9
Other comprehensive expense for the year	(40.2)	(8.4)
Total comprehensive income for the year	145.7	87.1
Attributable to:		
Equity holders of the parent	145.6	87.0
Minority interest	0.1	0.1
	145.7	87.1

Consolidated balance sheet

As at 31 December 2009

£m		2009	2008
Assets			
Non-current assets			
Intangible assets		1,063.0	1,211.8
Property, plant and equipment		318.2	291.1
Investment properties		11.3	13.0
Investments in joint ventures		17.4	16.9
Trade and other receivables		44.4	22.2
Derivative financial instruments		2.3	0.7
Deferred taxation assets		22.3	9.0
		1,478.9	1,564.7
Current assets			
Inventories		249.8	246.8
Trade and other receivables		329.1	357.4
Corporation tax		9.8	12.6
Derivative financial instruments		8.1	1.1
Cash and cash equivalents		366.4	311.0
		963.2	928.9
Assets classified as held for sale		-	66.0
		963.2	994.9
Liabilities			
Current liabilities			
Borrowings		(402.8)	(823.9)
Trade and other payables		(357.1)	(333.8)
Derivative financial instruments		(10.6)	(45.3)
Corporation tax		(80.7)	(45.1)
Provisions		(52.5)	(75.2)
		(903.7)	(1,323.3)
Liabilities classified as held for sale		-	(19.4)
		(903.7)	(1,342.7)
Non-current liabilities			
Borrowings		(376.2)	(128.4)
Trade and other payables		(26.8)	(37.6)
Derivative financial instruments		(26.7)	(67.1)
Deferred taxation liabilities		(37.3)	(58.0)
Provisions		(7.9)	(25.8)
Retirement benefit obligations		(115.2)	(51.2)
		(590.1)	(368.1)
Net assets		948.3	848.8
Equity			
Called up share capital		28.6	28.5
Share premium account		112.5	103.9
Other reserves		53.8	37.2
Retained earnings		753.1	678.6
Total shareholders' equity		948.0	848.2
Minority interest in equity		0.3	0.6
Total equity		948.3	848.8
Net debt	9	(412.6)	(641.3)

Approved by a duly appointed and authorised committee of the Board on 3 March 2010 and signed on its behalf by:

AJ Stevens
WG Tucker
Directors

Consolidated statement of changes in equity

For the year ended 31 December 2009

£m	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' equity	Minority interest in equity	Total equity
Total equity at 1 January 2008	28.4	98.8	19.3	657.2	803.7	0.4	804.1
Profit for the year	-	-	-	95.4	95.4	0.1	95.5
Actuarial loss on pensions	-	-	-	(27.2)	(27.2)	-	(27.2)
Actuarial loss on other retirement obligations	-	-	-	(0.8)	(0.8)	-	(0.8)
Net translation differences on investments in overseas subsidiaries	-	-	51.8	-	51.8	-	51.8
Movements in hedged financial instruments	-	-	(54.4)	1.3	(53.1)	-	(53.1)
Recycling of cash flow hedge fair values	-	-	1.3	(1.3)	-	-	-
Tax effects	-	-	14.5	6.4	20.9	-	20.9
Total comprehensive income for the year	-	-	13.2	73.8	87.0	0.1	87.1
Issue of shares	0.1	5.1	-	-	5.2	-	5.2
Purchase of treasury shares	-	-	-	(1.1)	(1.1)	-	(1.1)
Dividends authorised	-	-	-	(52.7)	(52.7)	-	(52.7)
Share-based payments recognised in reserves	-	-	6.1	-	6.1	-	6.1
Realisation of share options reserve on exercise	-	-	(1.4)	1.4	-	-	-
Foreign exchange	-	-	-	-	-	0.1	0.1
Total equity at 31 December 2008	28.5	103.9	37.2	678.6	848.2	0.6	848.8
Total equity at 1 January 2009	28.5	103.9	37.2	678.6	848.2	0.6	848.8
Profit for the period	-	-	-	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
Recycling 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 minority interest	-	-	-	-	-	(0.3)	(0.3)
Dividends authorised	-	-	-	(58.2)	(58.2)	-	(58.2)
Minority interest dividend	-	-	-	-	-	(0.1)	(0.1)
Share-based payments recognised in reserves	-	-	5.8	-	5.8	-	5.8
Release of share options reserve on vesting of LTIPs	-	1.9	(1.9)	-	-	-	-
Realisation 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

Consolidated cash flow statement

For the year ended 31 December 2009

£m	Note	2009	2008
Cash flows from operating activities			
Cash generated from continuing operations	9	371.1	315.5
Corporation taxes paid		(31.2)	(58.2)
Interest paid		(64.1)	(39.6)
Interest received		18.3	33.5
Net cash from operating activities		294.1	251.2
Cash flows from investing activities			
Dividends received from joint ventures		5.2	8.9
Purchase of property, plant and equipment		(74.6)	(52.0)
Purchase of intangible assets		(4.8)	(6.3)
Capitalised expenditure on intangible assets		(0.1)	(0.1)
Proceeds on disposal of property, plant and equipment and investment property		2.5	3.4
Proceeds on disposal of held for sale assets		19.3	-
Acquisition of subsidiaries net of cash acquired	10	(18.9)	(603.4)
Acquisition of minority interests		(0.3)	-
Net deferred and contingent consideration		(21.7)	(2.0)
Other acquisition related costs		(6.0)	(4.9)
Special pension contributions relating to disposals in prior years		(5.5)	(6.3)
Restructuring costs		(7.8)	(2.2)
Net cash used in investing activities		(112.7)	(664.9)
Cash flows from financing activities			
Issue of share capital		6.8	5.2
Dividends paid	7	(58.2)	(52.7)
Dividends paid to minority interests		(0.1)	-
Purchase of treasury shares		(0.7)	(1.1)
New borrowings		437.1	388.3
Repayment of borrowings		(507.7)	(48.7)
Repayment of obligations under finance leases		(0.2)	(0.1)
Net cash (used in)/from financing activities		(123.0)	290.9
Net increase/(decrease) in cash and cash equivalents		58.4	(122.8)
Cash and cash equivalents at start of year		304.4	432.0
Exchange movements		(1.4)	(4.8)
Cash and cash equivalents at end of year		361.4	304.4

Notes to the financial information

1. Basis of preparation

The attached audited financial information has 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 2009 and which impact on the financial statements are as follows:

- IAS 1 (revised), Presentation of financial statements. These financial statements have been prepared under the disclosure requirements of the revised standard and accordingly the Group has chosen to present two performance statements: a consolidated income statement and a consolidated statement of comprehensive income (formerly the consolidated statement of recognised income and expense). Changes in equity such as dividends are shown in a separate consolidated statement of changes in equity.
- IFRS 8, Operating segments. In accordance with this standard, segment information has been presented on the same basis as used for internal management reporting as provided to the chief operating decision maker. Segment information prepared on this basis is presented in note 2.
- IFRS 2, Share-based Payments (amendment). This has restricted the definition of vesting conditions to service and performance conditions and confirmed that all cancellations (whether by the employee or the entity) receive the same accounting treatment. The impact of adoption of this amendment has been to accelerate charges to the income statement where such cancellations occur and to restate the fair value at grant date of awards under the ShareSave scheme to take into account estimated employee cancellation rates. The adjustment in respect of prior years required on adoption of this amendment was not material and, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for in the current year.
- Amendments to IFRS 7, Improving Disclosures about Financial Instruments. These amendments have resulted in some changes to the disclosures.

The following standards, amendments to standards and interpretations which have been endorsed by the EU have also been adopted with effect from 1 January 2009 or as stated below. No changes to previously published accounting policies or other adjustments were required on their adoption.

- Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation, issued in January 2008.
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 27, Consolidated and Separate Financial Statements.
- IFRS Annual improvements 2008.
- IFRIC 13, Customer Loyalty Programmes.
- IFRIC 15, Agreements for Construction of Real Estate.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.
- IFRIC 18, Transfers of Assets from Customers (applies to transfers received after 1 July 2009).

The financial information set out in this statement does not constitute the Group's statutory accounts for the years ended 31 December 2009 and 31 December 2008. Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies, and those for 2009 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 237 (2) or (3) of the Companies Act 1985 in respect of the 2008 accounts, nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the 2009 accounts.

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) and costs and recoveries associated with the bid process for the Future Strategic Tanker Aircraft project are not included within the operating segments as described above.

£m	Note	2009	2008
Revenue			
Avionics and Surveillance		487.3	432.8
Defence Systems		873.0	529.3
Mission Systems		317.0	302.0
Inter-segment revenue (technology divisions)		(23.6)	(18.5)
Sub-total Technology Divisions		1,653.7	1,245.6
Aviation Services		230.9	221.9
Inter-segment revenue		(5.0)	(1.9)
Total segment revenue from external customers		1,879.6	1,465.6
Revenue – other activities		0.8	0.9
Total revenue from continuing operations		1,880.4	1,466.5
Trading profit			
Avionics and Surveillance		84.6	71.7
Defence Systems		164.4	105.2
Mission Systems		56.8	52.2
Elimination of inter-segment items		(0.2)	-
Sub-total Technology Divisions		305.6	229.1
Aviation Services		31.3	24.8
Total segment trading profit		336.9	253.9
Head office and other activities		0.1	(2.3)
Total trading profit		337.0	251.6
Portfolio restructuring	4	(7.7)	(7.4)
Unrealised gains/(losses) on revaluation of currency instruments		42.9	(59.5)
Amortisation of intangible assets on acquisition		(78.7)	(46.8)
Acquisition related adjustments		(6.9)	(9.4)
Net finance expense	5	(41.7)	(7.8)
Profit on continuing operations before taxation		244.9	120.7

The following information is provided as the specified amounts are included in the calculation of trading profit as provided to the Board.

The Group's share of the post-tax results of joint ventures totalling £6.1m (2008: £6.0m) arises in the Cobham Aviation Services Division.

£m	2009	2008
Depreciation and amortisation of internally generated intangibles		
Avionics and Surveillance	9.6	6.7
Defence Systems	16.7	10.8
Mission Systems	5.4	4.9
Sub-total Technology Divisions	31.7	22.4
Aviation Services	18.2	12.5
Segment depreciation and amortisation of internally generated intangibles	49.9	34.9
Depreciation and amortisation allocated to other activities	0.4	0.4
Total depreciation and amortisation of internally generated intangibles	50.3	35.3

Segment assets		
Avionics and Surveillance	419.5	475.0
Defence Systems	1,028.4	1,149.7
Mission Systems	273.4	270.1
Sub-total Technology Divisions	1,721.3	1,894.8
Aviation Services	217.9	199.2
Segment assets	1,939.2	2,094.0
Interests in joint ventures	17.4	16.9
	1,956.6	2,110.9
Assets allocated to other activities	76.6	48.3
Unallocated assets – continuing operations	408.9	334.4
	2,442.1	2,493.6
Assets classified as held for sale	-	66.0
Consolidated total assets	2,442.1	2,559.6

Geographical information

£m	UK	USA	Australia	Other EU countries	Rest of the World	Total
Revenue						
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.						
Year to 31 December 2009	169.8	1,162.6	145.7	229.0	173.3	1,880.4
Year to 31 December 2008	137.9	811.4	144.7	221.6	150.9	1,466.5
Non-current assets						
Non-current assets above exclude financial instruments and deferred tax assets.						
Year to 31 December 2009	247.2	973.1	110.9	72.0	51.1	1,454.3
Year to 31 December 2008	264.4	1,040.4	118.6	77.0	54.6	1,555.0

3. Underlying profit and earnings per share

£m	Note	2009	2008
Operating profit		286.6	128.5
Portfolio restructuring	4	7.7	7.4
Unrealised (gains)/losses on revaluation of currency instruments		(42.9)	59.5
Amortisation of intangible assets arising on acquisition		78.7	46.8
Acquisition related adjustments:			
Cost charged post-acquisition for acquired share options		6.9	5.5
Fair value adjustments to inventory on acquisition		-	3.9
Trading profit		337.0	251.6
Net finance expense	5	(41.7)	(7.8)
Underlying profit before taxation		295.3	243.8
Taxation charge on underlying profit		(80.4)	(68.2)
Minority interest		(0.1)	(0.1)
Underlying profit after tax attributable to equity shareholders		214.8	175.5
Underlying basic EPS		18.80p	15.42p
Underlying diluted EPS		18.70p	15.33p

4. Portfolio restructuring

During 2009, the Group continued to implement its portfolio restructuring strategy announced in 2005. Principal projects in 2009 include the completion of the rationalisation of the US production facilities of the Cobham Mission Systems Division. The consolidation of North American Avionics engineering and production capability has continued, with the transfer of production in British Columbia, Canada, Washington, USA and Oregon, USA to existing facilities in Arizona, USA. The transfer of the Canadian facility is complete and the other two transfers will be completed in the first half of 2010.

The profits on disposal of discontinued activities before tax reported in 2008 relate to businesses disposed of in prior years.

Profits from all of these activities have been excluded from trading profit and underlying earnings for the Group. Restructuring costs are included within administrative expenses.

£m	2009	2008
Restructuring costs	(7.7)	(7.4)
Profit on disposal of discontinued activities before tax	-	2.9
	(7.7)	(4.5)
Tax effect of portfolio restructuring	2.7	2.5
	(5.0)	(2.0)
Cumulative profits on disposals	28.8	28.8
Cumulative restructuring costs	(28.6)	(20.9)
	0.2	7.9

5. Finance income and expense

£m	2009	2008
Finance income:		
Bank interest	11.2	27.2
Expected return on pension scheme assets	23.7	28.1
Other finance income	2.7	1.2
Total finance income	37.6	56.5
Finance expense:		
Interest on bank overdrafts and loans	(46.2)	(36.2)
Interest on pension scheme liabilities	(28.5)	(26.5)
Other finance expense	(4.6)	(1.6)
Total finance expense	(79.3)	(64.3)
Net finance expense excluding pension schemes	(36.9)	(9.4)
Net finance (expense)/income on pension schemes	(4.8)	1.6
Net finance (expense)/income	(41.7)	(7.8)

Capitalised borrowing costs are considered to be immaterial. Bank interest income includes £1.4m arising on the settlement of a future financing facility. Other finance expense above includes £2.6m in relation to cash flow hedges which were terminated during 2009.

6. Income tax expense

£m	2009	2008
Current tax	71.7	36.5
Deferred tax	(12.7)	(8.4)
Total tax charge for the year	59.0	28.1

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

£m	2009	2008
United Kingdom	38.1	9.6
Overseas	20.9	18.5
Total tax charge for the year	59.0	28.1
Tax charge included in share of post-tax results of joint ventures	2.4	1.7

Income tax for the UK is calculated at a weighted average rate of 28.0% (2008: 28.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Dividends

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

£m	2009	2008
Final dividend of 3.61p per share for 2008 (2007: 3.28p)	41.3	37.3
Interim dividend of 1.48p per share for 2009 (2008: 1.345p)	16.9	15.4
	58.2	52.7

In addition to the above, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 3.97 pence per share which will absorb an estimated £45.5m 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 5 July 2010 to shareholders who are on the register of members as at 28 May 2010. The total dividend in respect of the financial year ended 31 December 2009 will therefore be 5.45 pence per share (2008: 4.955 pence). The total amount paid in respect of 2009 will be £62.4m (2008: £56.7m).

8. Earnings per Ordinary Share (EPS)

From continuing and discontinued operations

	2009			2008		
	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	185.8	1,142.4	16.26	95.4	1,137.8	8.38
Effect of dilutive securities:						
Options		2.8			4.3	
Long term incentive plans		3.6			2.4	
Diluted EPS	185.8	1,148.8	16.17	95.4	1,144.5	8.34

From continuing operations

	2009			2008		
	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	185.8			95.4		
Earnings from discontinued operations	-			(2.9)		
Earnings from continuing operations	185.8	1,142.4	16.26	92.5	1,137.8	8.13
Effect of dilutive securities:						
Options		2.8			4.3	
Long term incentive plans		3.6			2.4	
Diluted EPS	185.8	1,148.8	16.17	92.5	1,144.5	8.08

9. Notes to the consolidated cash flow statement

Cash flows from operating activities

£m	Note	2009	2008
Profit after taxation for the year		185.9	95.5
Profit after taxation for the year - discontinued operations		-	(2.9)
Adjustments for:			
Tax charge	6	59.0	28.1
Share of post-tax profits of joint ventures		(6.1)	(6.0)
Net finance expense	5	41.7	7.8
Depreciation		47.4	32.6
Amortisation of intangible assets		83.3	48.4
Write back of negative goodwill		(1.7)	-
(Gain)/loss on sale of property, plant and equipment		(0.5)	0.3
Portfolio restructuring	4	7.7	7.4
Costs charged post-acquisition for acquired share options		6.9	5.5
Fair value adjustments to inventory on acquisition		-	3.9
Unrealised (gains)/losses on revaluation of currency instruments		(42.9)	59.5
Pension contributions in excess of pension expenditure		(7.2)	(6.1)
Share-based payments		5.8	6.1
(Decrease)/increase in provisions		(5.8)	7.7
Operating cash flows before movements in working capital		373.5	287.8
(Increase)/decrease in inventories		(19.2)	4.7
Decrease/(increase) in trade and other receivables		5.6	(1.3)
Increase in trade and other payables		11.2	24.3
Movements in working capital		(2.4)	27.7
Cash generated from operations		371.1	315.5

Reconciliation of net cash flow to movement in net debt

£m	2009	2008
Increase/(decrease) in cash and cash equivalents in the year	58.4	(122.8)
Net decrease/(increase) in borrowings	70.8	(339.5)
Exchange movements	99.5	(256.9)
Movement in net debt in the year	228.7	(719.2)
Net (debt)/cash at beginning of year	(641.3)	77.9
Net debt at end of year	(412.6)	(641.3)

10. Acquisitions

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. Argotek provides high-end information assurance services and will be reported within the Cobham Defence Systems Division, doing business as Cobham Analytic Solutions, Chantilly.

On 31 December 2009, the acquisition of the trade and assets known as Safelife Systems was completed for cash consideration of US$0.6m. Safelife Systems is based in Knoxville, Tennessee and provides a satellite self-test detection service. This service is complementary to the ACR product line and will form part of the Cobham Life Support strategic business unit. Assets acquired include tangible and intangible assets and the expenses relating to the acquisition were US$49,000.

Components of the cost of these acquisitions are as follows:

£m	Total
Cash	16.8
Deferred consideration	6.4
Directly attributable acquisition costs (including direct legal costs)	0.2
	23.4

The net cash flows resulting from acquisitions, including acquisitions completed in prior years, are as follows:

Cash consideration paid including expenses of acquisition	16.8
Consideration and expenses of acquisitions completed in prior periods	2.1
	18.9

For Argotek, Inc, the profit after tax since the date of acquisition is £1.2m, this includes the impacts of amortisation of intangible assets and internal finance costs which are included within the results of the acquired business for management purposes.

If the acquisitions had taken effect on 1 January 2009, it is estimated that Group total revenues would have been £1,884.9m and profit after tax £186.9m. 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 summary of the book and fair values of the net assets acquired on the acquisitions of Argotek and Safelife are as follows:

£m	Book value prior to acquisition	Fair value
Non-current assets	0.1	13.3
Current assets	0.9	0.9
Current liabilities	(1.3)	(1.3)
Net assets/(liabilities) acquired	(0.3)	12.9
Goodwill		10.5
Total consideration		23.4

All intangible assets were recognised at their respective fair values. 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. No provision was required for deferred tax due to the availability of tax elections.

In the Group consolidated financial statements for the year to 31 December 2008, the fair values of assets and liabilities acquired for M/A-COM were marked as provisional. In light of subsequent information reflecting conditions as at the date of acquisition, property, plant and equipment has decreased by £1.2m, assets held for resale have decreased by £3.1m and other current liabilities have been increased by £0.2m, resulting in a total decrease in the fair value of net assets acquired of £4.5m. Goodwill has therefore been adjusted accordingly. A further £0.6m adjustment to goodwill was also made in respect of the acquisition of MMI Research Limited which completed in April 2008.

11. Events after the balance sheet date

Since the year end, the Company has issued US$105m floating rate senior notes, expiring in 2018, under a US private placement. Also, a US$50m bank facility has been cancelled by the Company.