PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

6 March 2014

Underlying[1] results	**2013**	2012[2]	Change
Order intake	**£1,670m**	£1,656m	+1%
Revenue	**£1,790m**	£1,749m	+2%
Trading Margin	**17.7%**	19.0%	-1.3%pts
Profit before Tax	**£288m**	£300m	-4%
Earnings per share (EPS)	**21.6p**	22.5p	-4%
Operating cash conversion[3]	**85%**	104%	-19%pts

Statutory results	**2013**	2012[2]	Change
Revenue	**£1,790m**	£1,749m	+2%
Profit before Tax	**£127m**	£204m	-38%
EPS	**10.7p**	16.0p	-33%
Full year recommended dividend per share	**9.68p**	8.80p	+10%

- Group revenue increased by 2%, with acquisitions trading ahead of plan
- Strong growth in commercial markets offset by continued weakness in defence/security markets resulted in 4% Group organic[4] revenue decline
- Further progress in bringing more balance to the portfolio, with commercial now 35% (2012: 31%) of Group revenue and good progress with strategic objectives
- Incremental savings in Excellence in Delivery well ahead of plan, with site integrations being accelerated
- Group Private Venture[5] investment increased to 6.2% (2012: 5.3%) of revenue, with focus on growth markets
- Statutory EPS lower, including non-cash goodwill impairment of Tactical Communications & Surveillance, following significant decline in US land related revenue
- Recommended full year dividend increase of 10%, continuing the Group's long standing, progressive dividend policy

Commenting on the results and outlook, Bob Murphy, Chief Executive Officer, said:

"We have delivered results in line with our previously stated guidance, in what remains a challenging US defence/security market. We have made good progress in the year against our strategic objectives, including increased technology and other organic investments and accelerated benefits from our operational excellence programme. We are now realigning our organisational structure to enable the next stage of development.

"Trading conditions are expected to remain challenging in 2014 with potentially significant foreign currency headwinds and continued pressure on US defence/security investment accounts. However, we anticipate that our strong and growing positions in attractive commercial markets and the generally positive prospects for our non-US defence/security markets will partially offset this, and we continue to plan for Group organic revenue to decline by low-to-mid single digits in 2014. We will continue to take further actions as appropriate to substantially mitigate the impact of this organic decline.

"Cobham has innovative technology and know-how supported by market leading positions, which allows us to leverage across our markets. As a result, we continue to anticipate that Cobham can deliver mid-single digit organic revenue growth from 2015."

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, 6 March 2014. The preliminary results presentation will be webcast live on the Cobham website (www.cobhaminvestors.com). The webcast will be made available on the website for subsequent viewing. There will also be a listen only dial-in facility available which can be accessed in the UK and internationally on +44 (0) 20 3003 2666, password Cobham and in the US/Canada on +1 646 843 4608, password Cobham. The published Annual Report will be available as a download file on www.cobhaminvestors.com from 21 March 2014.

The following notes apply throughout these preliminary results:

1 *To assist with the understanding of earnings trends, the Group has included within its published financial statements trading profit and underlying earnings results. Trading profit has been defined as operating profit from continuing operations excluding the impacts of certain M&A related costs and business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature.*

M&A related costs excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition and the writing off of the pre-acquisition profit element of inventory written up on acquisition. M&A related costs also include other direct costs associated with business combinations, adjustments to contingent consideration related to previously acquired businesses and direct costs from terminated divestments.

Business restructuring comprises costs or gains associated with the Excellence in Delivery programme which are incremental to normal operations.

Underlying earnings are defined as trading profit less net underlying finance costs, which excludes the unwinding of acquisition related discounting, and after deducting associated taxation and non-controlling interests.

A reconciliation of operating profit and profit before taxation to the respective underlying numbers is shown on page 13.

2 *Results for the year ended 31 December 2012 have been restated due to the impact of adopting IAS 19 (revised). For further details see note 2 on page 30.*

3 *Operating cash flow is defined as net cash from operating activities before payment of tax, interest, restructuring costs and M&A related costs but after cash flows from the purchase or disposal of property, plant, equipment and intangible 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 defined as net cash from operating activities plus dividends received from joint ventures, less cash flows related to the purchase or disposal of property, plant, equipment and intangible assets but excluding payments relating to M&A related activities.*

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

4 *Organic revenue is defined as revenue stated at constant translation exchange rates, excluding the incremental effect of acquisitions and divestments.*

5 *Private Venture measures (PV or company funded R&D – Research and Development) exclude Aviation Services, where there is no R&D activity.*

OVERVIEW OF THE YEAR

Cobham has delivered full year results in line with its guidance in what has remained a challenging US defence/security market. It has made good progress against its strategic objectives in the year, including increased technology and other organic investments, delivery of further benefits from its operational excellence programme, which is ahead of plan, and the completion of two complementary acquisitions that further broaden the Group's asset portfolio.

At the year end the Group's order book was £2.27bn (2012: £2.40bn). At constant translation exchange rates, and after adjusting for the impact of the 2013 acquisitions, the Group's order book was 4% lower than the prior year, in part driven by its US defence/security exposed businesses. The Group's book-to-bill ratio in the year was 0.93 times (2012: 0.95 times).

Total Group revenue increased 2% to £1,790m (2012: £1,749m), primarily due to the impact of acquisitions. Overall, organic revenue declined by 4%. Organic growth in the Group's commercial markets remained strong at 7%, with a good performance in Aviation Services and increasing revenue from products for commercial aircraft production and from SATCOM products. However, organic US defence/security revenue was 11% lower, with a significant decline in short cycle land revenue. There was an organic revenue decline of 5% in non-US defence/security, including lower revenue from the UK Future Strategic Tanker Aircraft (FSTA) programme.

The Group's trading margin in 2013 was 17.7% (2012: 19.0%). The trading margin in organic operations was 0.9 percentage points lower due to US defence/security sales volumes, increased technology and other organic investments and a change in portfolio mix. The impact of these factors was partially offset by the favourable impact of Excellence in Delivery (EiD) efficiencies. In addition, the contribution from acquisitions reduced the Group's trading margin by 0.4 percentage points.

Investment in employee learning and development activities and in programme management increased further, as these are critical to the Group's future growth.

The transformational EiD programme has continued to deliver critical improvements to operational performance, customer delivery and significant efficiency savings. With centrally driven implementation activities now close to completion, the Group is focusing on actions to ensure a culture of continuous improvement is embedded. The Group has worked hard to accelerate the benefits of its site integration and downsizing activities and has reduced costs considerably with 27 sites rationalised since 2010. Driven by the significant acceleration of integration activity, Cobham has achieved £28m of year-on-year efficiency savings during 2013, well ahead of the £19m guidance, and has achieved £76m of annualised benefits since the programme began. The Group is using these savings in part to fund increased investment in the business, to help deliver sustainable organic growth over the long term. Cobham now expects that EiD will generate some £105m of annualised efficiency benefits by 2015, a £5m increase on the previous guidance, and this will be achieved one year earlier than planned.

Private venture (PV or company funded R&D – research and development) investment increased in the year to £88m (2012: £75m), representing 6.2% (2012: 5.3%) of revenue. This is consistent with Cobham's plans to increase technology investment in its markets, where there are good growth opportunities. Total R&D investment, including customer funded projects, was up by 19% to £186m (2012: £156m). The increased level of customer funding was primarily due to the ongoing significant funded development activity on aerial refuelling programmes, which is expected to increase in 2014.

Underlying EPS at 21.6p (2012: 22.5p) was 4% lower at constant translation exchange rates, consistent with the Group's trading profit performance.

The operating cash flow conversion rate was solid at 85% (2012: 104%) with free cash flow of £155m (2012: £241m), stated after £51m (2012: £32m) of EiD payments. The Group's balance sheet remains strong with a year-end net debt/EBITDA ratio of 1.2 times and interest cover in the year of 11.9 times.

MARKETS

The Group operates in three end markets: US defence/security, non-US defence/security and commercial, which comprises specialist aerospace, marine and land markets. The proportion of Group revenue and the organic growth attributable to each, together with total Group figures, is set out in the table below.

	2013		2012	
End Market	**Revenue**	**Organic Growth**	Revenue	Organic Growth
US defence/security	**37%**	**-11%**	42%	-4%
Non-US defence/security	**28%**	**-5%**	27%	4%
Commercial	**35%**	**7%**	31%	2%
Group	**100%**	**-4%**	100%	-1%

During the year, Cobham has continued to make progress in bringing more balance to the revenue derived from its end markets, with the proportion generated from commercial markets increasing to 35%, due to a combination of organic growth and acquisitions. These acquisitions have brought complementary technology and capability to the Group in predominantly commercial markets. Achieving further balance across the portfolio remains a strategic objective for the Group.

US defence/security market

Conditions in the US defence/security market in 2013 were challenging, as expected, and are likely to remain so for the foreseeable future. The Bipartisan Budget Act of 2013 has brought increased certainty to the level of US Federal spending in 2014 and 2015 and partial relief from the full impact of budget cuts mandated under the Budget Control Act of 2011. However, ongoing pressure is still expected on the US Department of Defense (DoD) investment accounts, as the bulk of the relief funding is likely to be used to reduce the backlog in training, maintenance and the readiness of the armed forces, rather than for increased investment in capabilities. The Group also remains cautious on medium term prospects in this market as, based on previous down-cycles, the investment accounts may continue to drift lower, before reaching their cyclical trough.

Notwithstanding these market challenges, Cobham continues to believe that its differentiated technology and know-how, with its focus on improving communications, enhancing mobility and keeping people safe in harsh environments, remain aligned with the customers' priorities. It is well-positioned on high priority new platforms, including the KC-46 aerial refuelling tanker, the F-35 Joint Strike Fighter and on a number of ballistic missile defence programmes. The Group has distinctive technology capabilities and is well positioned for upgrade programmes, where it partners with a number of different system integrators to supply key components and subsystems, including on a variety of high priority next generation radar and electronic warfare programmes.

Non US defence/security markets

Demand conditions in defence/security markets outside of the US have remained subdued in Europe but with sizeable and growing opportunities elsewhere in the world. The Group believes that the overall prospects in these markets remain good, with growth being driven by regional procurement priorities and a variety of security concerns including border security, piracy, drug trafficking and terrorism. Overall, the Group anticipates that demand in accessible non-US defence/security markets is likely to be aligned with the ongoing shift in spending away from flat or lower growth budgets in Europe, to increasing budgets in the Middle East, Asia and other faster growth economies. The Group remains well positioned to capitalise on this trend.

Cobham's technology and know-how are also highly relevant to non-US defence/security markets, with opportunities to benefit from significant platform/programme export orders won by larger defence companies and from selling products and services direct to end customers. The Group has strong positions on a number of defence/security platforms with good export potential in markets outside of the US, including the European A400M and Brazilian KC-390 aerial refuelling tankers, the Eurofighter Typhoon and the Swedish Gripen fighter aircraft.

Cobham's Aviation Services business has significantly enhanced its existing capabilities in non-US defence/security markets during the year through the acquisition of FB Heliservices (FBH), which has added rotary to its existing fixed wing capability and strengthened the Group's presence in markets including the Middle East and the Caribbean. Going forward, this market is expected to continue to benefit from a trend towards increased outsourcing and the Group is well positioned for this.

Commercial markets

Cobham's differentiated technology and know-how are also used in attractive commercial markets, where it has strong and growing positions. The Group's primary commercial markets are those in specialist aviation in Australia, the marine SATCOM market and a range of other aerospace markets, including large transport aircraft, regional and business jets, helicopters and smaller aircraft, as well as land markets globally.

Growth in Cobham's Aviation Services business in Australia is linked to the long term growth in demand for natural resources. The Group has made good progress during the year in this market, winning some significant long term orders in Australia from Qantas and from customers in the natural resources industry. Demand in other commercial markets has also increased strongly in the year, driven by a number of factors including increasing aircraft production rates, a desire for increased bandwidth on air and marine platforms, and demand for smaller and lighter products which drive operational efficiency and fuel savings. The Group also benefits from an increasing desire for communication in locations which lack effective terrestrial communications and from increasingly stringent safety requirements.

The acquisition of Axell Wireless (Axell) during the year has brought complementary commercial capabilities to the Group. Axell operates in attractive markets, which are driven by rapidly increasing demand for indoor mobile data traffic and increasingly stringent public safety regulations, which support the ability of emergency services to communicate within large buildings and at international events.

STRATEGY

The Group leverages its innovative technology, know-how and understanding of customer needs to build and maintain leading positions in the second and third tiers of the global defence/security and commercial aerospace, marine and land markets. This enables it to generate sustainable top and bottom line growth, relative to the markets in which it operates, while consistently generating good free cash flow, and thereby creating shareholder value.

The Group has invested significantly in its strategic development during the year and is making considerable progress towards meeting its objectives. These include increasing organic investment in the business, focusing on operational excellence and customer delivery and bringing more balance to the portfolio by using its cash generation and strong balance sheet to acquire commercial businesses with complementary technology and know-how.

Investment in Management Capabilities

The Group has increased investment in the year to achieve its objective of enhancing the skills and capabilities of its people, who are critical to the delivery of future growth. As part of this investment, Cobham is implementing a strategic workforce plan, has commenced deployment of an integrated talent management programme and continues to invest in an online learning and development centre.

Programme management is a core competency focus for Cobham enabling it to meet customer expectations and deliver growth. Considerable work has been undertaken to enhance functional excellence in project and programme management across the Group's diverse range of customer and internally funded activities, together with an increased focus on lifecycle management.

To enable the next stage of its strategic development and to make further progress towards achieving sustainable growth, Cobham has undertaken a review of its structure. It will be retaining its four previously reported Divisions, now calling them Sectors, and these will be Communications and Connectivity (previously Aerospace and Security), US Defence Electronics, Mission Systems and Aviation Services. Within this structure, the Group will consolidate its three separate Special Security Agreements into one, with all classified US Government work being carried out within US Defence Electronics. This consolidation requires the transfer of some business units from Communications and Connectivity to US Defence Electronics. There are no changes to the Group's other two Sectors. Cobham will reflect these changes in its reported results, commencing with its interim results in August 2014. In anticipation of this, a five year history of its Sector financial information will be made available ahead of these results.

The Group is also strengthening its senior management and reporting structure to support its continuing transformation. This includes the appointment of a Chief Operating Officer (COO). The COO will be given direct responsibility for some key Group-wide functions including Operations and Supply Chain, Engineering, and Business Development and Technology. In addition, as Communications and Connectivity and Mission Systems are the two Sectors that accrue the most benefit from the Group's continuing transformation, they will now report directly to the COO. These changes will increase senior management focus and enhance the ability to make rapid decisions in support of the drive towards sustainable organic growth. The US Defence Electronics and Aviation Services Sectors will continue to report directly to the Chief Executive Officer.

Technology Investment

The Group's PV investment increased in the year to £88m (2012: £75m), representing 6.2% (2012: 5.3%) of revenue. This is consistent with Cobham's previously announced plans to increase technology investment in its markets where there are good growth opportunities.

As part of this programme, Cobham has increased technology investment in SATCOM product development, relating to the new Inmarsat Global Xpress (GX) satellite constellation with global coverage expected by the end of 2014. This investment is expected to generate significant customer demand for new products and includes the development of new high performance antenna systems, with major projects including maritime Ku-band very small aperture terminal (VSAT) antennas upgradeable to GX and land based portable VSAT solutions for the GX network.

Within the Aerospace Communications business, the Group has also increased investment, including in the RT-5000P tactical radio transceiver for use in fixed wing and rotary applications, and in high performance slip rings for use on airborne SATCOM antennas requiring precise positioning.

Within Antenna Systems, a revolutionary next generation Distributed Antenna System (DAS) platform, 'idDAS,' was launched at the Mobile World Congress in Barcelona in February 2014. idDAS is the first major DAS platform that provides the ability to dynamically shift capacity around an 'in building' facility based on demand. The development is based on extensive digital and signal processing expertise.

Cobham's Defence Systems Division has also increased PV, investing in components and subsystems for a range of critical defence/security technologies including next generation radar, electronic warfare and electronic attack applications, where there is an identified customer need and funding.

Total R&D investment, which includes PV investment and customer funded projects, was up by 19% to £186m (2012: £156m). The increased level of customer funding is primarily due to the ongoing significant funded development activity on aerial refuelling programmes, which is expected to increase in 2014.

Operational Excellence

The transformational EiD programme has continued to deliver critical improvements to operational performance and customer delivery during 2013. EiD has three components: the integration and rationalization of operating sites into a set of principal locations; the implementation of a standard operating framework designed to drive operational excellence and establish a culture of continuous improvement; and the implementation of a global Enterprise Resource Planning (ERP) system to complement the operational excellence programme.

Given the challenging conditions the Group is continuing to face in its US defence/security market, it has worked hard to accelerate the benefits of the site integration and downsizing activities. A number of satellite facilities have been integrated or rationalised during the year and, in total, Cobham has now rationalised 27 sites since the beginning of 2010. This has significantly reduced the cost base of the Group and Cobham is using the savings generated in part to fund increased investment in the business, to help deliver sustainable organic growth. EiD has also simplified the Group's operating structure and enhanced flexibility and scalability.

Work has now been completed, as planned, in the principal locations on implementing the production, supply chain and engineering standard operating frameworks, with standardisation activity in the recently acquired Copenhagen site expected to commence during 2014 as part of the acquisition integration programme. Since the programme started it has delivered significant improvements in the principal locations across a range of operational and customer metrics including on time delivery, quality and an improvement in direct labour productivity of around 40%.

With centrally driven implementation activities close to completion, the Group is now focusing on actions to ensure that the significant progress that has been made to date is sustained and that a culture of continuous improvement is embedded across the business, to drive further process improvements and operational excellence. A number of actions are being implemented, underpinned by dedicated continuous improvement teams which have been established in every principal location. These actions include further significant training investment, ongoing assessments and accreditation of sites and monitoring of operational performance and metrics. The Group considers continuous improvement to be a cost of day-to-day operations.

Work on the ERP system, also a major contributor to sustaining the operating and customer benefits of the standard operating framework, has continued. Consistent with previous guidance, user acceptance testing is expected to be completed in the first quarter of 2014, followed by the first pilot deployment into the Orchard Park, New York location shortly thereafter.

Largely driven by the significant acceleration of integration activity, Cobham has achieved £28m of year-on-year efficiency savings during 2013, well ahead of the £19m guidance. This brings the total annualised benefits to £76m since the programme began in 2010. Cobham's success in reducing costs means that it now expects that EiD will generate £105m of annualised efficiency benefits by 2015, which is an increase of £5m on the previous guidance, and this will be achieved one year earlier than planned. The Group expects it will be able to achieve this within its existing cost budget, which is £191m over the programme life. EiD costs in the year were £56m, reflecting the acceleration of site integration activity.

Capital Allocation and Mergers and Acquisitions

The Group continues to prioritise investment for organic growth, followed by its long standing, progressive dividend policy. After this, it uses the significant free cash flow it generates and the Group's strong balance sheet to acquire businesses that are complementary to, and reinforce, its differentiated technology and know-how and market positions. Cobham remains focused on bringing more balance to its portfolio and will achieve this through a rigorous and disciplined approach to investment.

During the year, the company invested over £150m in acquisitions: primarily Axell in May 2013 for up to £85m, including contingent consideration, and in July 2013 the £74m acquisition of the outstanding 50% stake in FBH, its helicopter joint venture. Axell brings technology that is highly complementary to Cobham's antenna business, operating in the rapidly growing distributed antenna systems and wireless solutions markets, for critical infrastructure applications. Similarly, FBH is highly complementary to Cobham's existing Aviation Services fixed wing business, bringing a long track record of operating in growing, specialist outsourcing markets for helicopter operations, training and support.

Axell and FBH are trading ahead of plan, with the planned acquisition integration activity in Axell now complete and FBH's transition to Cobham Helicopter Services progressing well.

FINANCIAL RESULTS

Orders

At the year end the Group's order book was £2.27bn (2012: £2.40bn). At constant translation exchange rates, and after adjusting for the impact of the 2013 acquisitions, the Group's order book was 4% lower than the prior year, in part driven by its US defence/security exposed businesses. Group order intake in the year was £1,670m (2012: £1,656m).

The Group's book-to-bill ratio in the year was 0.93 times (2012: 0.95 times). The overall book-to-bill ratio in Cobham's long and short cycle businesses were both broadly in line with these trends.

Book-to-bill in the largely commercial SATCOM business reflected the anticipated flat revenue profile, ahead of the GX satellite constellation achieving global coverage by the end of 2014.

Summary of Underlying Results

A summary of the Group's underlying results is set out below:

£m	2013	2012
Revenue	**1,790**	1,749
Trading profit	**318**	332
Trading margin	***17.7%***	*19.0%*
Underlying net finance expense	**(30)**	(32)
Underlying profit before tax	**288**	300
Underlying tax	**(57)**	(58)
Underlying tax rate	***20.0%***	*20.0%*
Underlying profit after tax	**231**	242
Weighted average number of shares (millions)	***1,069***	*1,075*
Underlying EPS (pence)	**21.6**	22.5

A reconciliation of underlying profit to statutory profit numbers is set out on page 13 below.

Exchange Rates

	2013	2012
Income statement - average rate		
US$/£	**1.57**	1.58
AUS$/£	**1.62**	1.53
€/£	**1.18**	1.23
DKK/£	**8.79**	9.18
Balance sheet - closing rate		
US$/£	**1.66**	1.63
AUS$/£	**1.85**	1.57
€/£	**1.20**	1.23
DKK/£	**8.97**	9.20

Revenue

Total Group revenue increased 2% to £1,790m (2012: £1,749m), primarily due to the positive impacts of the 2013 acquisitions of Axell and FBH and the additional part year contribution from Thrane & Thrane, which was acquired in June 2012. Revenue from these acquisitions was, in part, offset by the divestment of the non-core emergency locator beacons businesses in 2012. There was also a modest favourable net foreign exchange translation impact, driven by a slight strengthening of the US dollar.

Group organic revenue in 2013 declined by 4% overall. Growth in the Group's commercial markets was strong at 7%, with a good performance in Aviation Services and increasing revenue from radio and audio products, antennas and SATCOM products as large transport aircraft production volumes continued to increase.

US defence/security organic revenue was 11% lower with a significant decline in short cycle land revenue, particularly surveillance and tracking and locating products, Life Support products and counter-IED products.

Non-US defence/security organic revenue fell by 5%, including lower revenue from the UK FSTA programme.

Analysis of Group Revenue

Changes to Group revenue in the year were as follows:

2012	FX Translation	Acquisitions/Disposals	Organic Growth	2013
£1,749m	+£7m	+£103m	-£69m	£1,790m

Trading Profit

Group trading profit was £318m (2012: £332m). The reduction in trading profit relates primarily to the impact of the decline in revenue from short cycle US defence/security exposed businesses, most notably in the Group's Tactical Communications and Surveillance business. Total trading profit included the contributions from the Axell and FBH acquisitions in 2013, as well as the additional part year contribution from the Thrane & Thrane acquisition in 2012. These positive contributions were partially offset by the negative impact of the divestment of the non-core emergency locator beacons businesses in 2012.

The Group's trading margin in 2013 was 17.7% (2012: 19.0%). Within this, the trading margin in organic operations fell by 0.9 percentage points. This was due to a combination of lower sales volumes in US defence/security businesses, increased technology and other organic investments in line with the Group's strategy, and a change in portfolio mix. The impact of these factors was partially offset by the favourable impact of EiD efficiencies. In addition, the contributions from the Group's 2013 and 2012 acquisitions reduced the Group's trading margin by 0.4 percentage points.

Group statutory operating profit was lower at £159m (2012: £237m). In addition to the factors above, this was driven by higher EiD costs of £56m (2012: £38m), increased amortisation of intangible assets arising on acquisitions of £104m (2012: £69m) and a goodwill impairment charge of £63m (2012: £nil) on the Tactical Communications and Surveillance business, which experienced a significant revenue decline in the year, particularly in the US. The principal item partially offsetting the above was a gain of £62m (2012: £1m) on the revaluation of the existing equity interest in FBH, which arose at the time the Group acquired full control of the joint venture.

Underlying Net Finance Expense and Underlying Profit Before Tax

The Group's underlying net finance expense was £30m (2012: £32m). The net interest expense on cash and debt holdings was slightly lower at £27m (2012: £29m) partly due to the mix of fixed and floating debt in the year, offsetting higher debt levels in the second half from acquisitions and adverse foreign exchange movements. There was a non-cash net finance charge from pension schemes of £3m (2012: £3m).

In 2014, the Group's non-cash net finance charge from pension schemes is expected to be £4m.

The Group's underlying profit before taxation was £288m (2012: £300m).

Taxation

The Group's underlying tax rate is unchanged at 20.0% (2012: 20.0%), from an underlying tax charge of £57m (2012: £58m). The rate is calculated by taking the underlying tax charge and dividing it by the underlying profit before tax of £288m (2012: £300m), excluding the £3m (2012: £7m) share of post-tax results of joint ventures.

Earnings per Share (EPS)

Underlying EPS at 21.6p (2012: 22.5p) was 4% lower at constant translation exchange rates, consistent with the Group's trading profit performance.

Basic EPS was 10.7p (2012: 16.0p), principally due to the items set out in the paragraphs on trading profit and statutory operating profit.

Retirement Obligations

The Group operates a number of defined benefit schemes, with the largest being the Cobham Pension Plan (CPP). At the year end, the deficit for accounting purposes between the value of the schemes' assets and the present value of the future liabilities was £87m before deferred tax (2012: £73m).

During the year the liabilities relating to the past service of CPP pensioners were subject to a buy-in arrangement whereby the CPP transferred assets in exchange for an insurance policy. This has eliminated the Group's exposure to interest, inflation and longevity risks associated with liabilities amounting to £242m. Following the de-risking activity carried out in 2011 on other, smaller Group schemes, 42% of total defined benefit pension liabilities were covered by insurance policies at the year end. The adverse impact of this de-risking activity on the accounting deficit offset the gains from the strong investment returns in the year.

Cash Flow and Net Debt

Operating cash flow, which is stated after net capital expenditure but before net interest and tax payments, was £269m (2012: £339m). The operating cash conversion rate (which is calculated by dividing operating cash flow by the Group's trading profit, excluding its share of the post-tax profits of joint ventures) was solid at 85% (2012: 104%).

Cash conversion was adversely impacted by a £32m outflow (2012: £25m inflow) relating to working capital in the year, which was driven by an increase in trade and other receivables. This in part reflected strong trading in December and, encouragingly, the Group's days sales outstanding remained broadly consistent with the prior year. Overall, inventory movements had no impact on Group cash flow, with a number of sites achieving year-on-year inventory reductions. However, this was offset by an increase in work-in-progress relating to funded aerial refuelling programmes in development. In addition, inventory increased due to the acquisitions completed in the year.

Capital expenditure was consistent with the previous year at £61m (2012: £63m).

The Group generated £155m (2012: £241m) of free cash flow. This is stated after £51m (2012: £32m) of EiD payments, net interest payments of £29m (2012: £29m) and £38m (2012: £45m) of tax payments. Dividend receipts from joint ventures fell to £4m (2012: £8m), following the Group taking full control of the FBH joint venture during the year.

The table below sets out the Group's cash flows over the year:

Cash flow	**Year to 31 December 2013**	Year to 31 December 2012
£m		
Trading profit (excluding joint ventures)	**315**	325
Depreciation, amortisation and other items	**61**	66
Pension contributions in excess of service & admin cost	**(14)**	(14)
(Increase)/Decrease in working capital	**(32)**	25
Net capital expenditure	**(61)**	(63)
Operating cash flow	**269**	339
Operating cash/trading profit (excl. joint ventures)	***85%***	*104%*
Net interest paid	**(29)**	(29)
Taxation paid	**(38)**	(45)
Dividends received from joint ventures	**4**	8
Free cash flow before restructuring costs	**206**	273
Restructuring costs - EiD	**(51)**	(32)
Free cash flow	**155**	241
Dividends paid	**(97)**	(93)
Acquisition payments less divestment proceeds, other related costs and loans to joint ventures	**(152)**	(275)
Net purchase of treasury shares	**(2)**	(19)
Exchange movements	**3**	18
Increase in net debt	**(93)**	(128)

Out of free cash flow, the Group paid dividends of £97m (2012: £93m) and invested a net £152m (2012: £275m) in acquisitions, primarily the acquisitions of Axell and FBH and an investment in the FSTA consortium.

At the year end, net debt, which comprises short term cash balances and fixed term borrowings, increased to £453m (2012: £360m).

The Group has a strong balance sheet, with year-end net debt/EBITDA of 1.2 times, as defined under the Group's debt covenants, and interest cover of 11.9 times. Under the terms of the Group's committed borrowing facilities it is required to maintain its ratio of net debt to EBITDA at or below 3.5 times and its interest cover ratio at or above 3.0 times.

Dividends

The Board is recommending a final dividend for 2013 of 7.04p (2012: 6.40p). This, together with the interim dividend of 2.64p (2012: 2.40p) will result in a total dividend per share for 2013 of 9.68p (2012: 8.80p), an increase of 10% on the prior year, in line with the Group's long standing, progressive dividend policy.

The shares will be traded ex dividend on 30 April 2014. The dividend will be payable on 30 May 2014 to all holders on the register at 2 May 2014, subject to shareholder approval.

RECONCILIATION OF UNDERLYING MEASURES

£m	**2013**		2012 (restated)[2]	
Trading profit is calculated as follows:				
Result before joint ventures		**156**		230
Share of post-tax results of joint ventures and associates		**3**		7
Operating profit		**159**		237
Adjusted to exclude:				
Business restructuring - Excellence in Delivery	**56**		38	
Movements in non-hedge accounted derivative financial instruments	**(2)**		(11)	
Amortisation of intangible assets arising on business combinations	**104**		69	
Impairment of Goodwill	**63**		-	
Revaluation gain arising on equity interests in FBH (2012: Thrane & Thrane)	**(62)**		(1)	
Total operating reconciling items		**159**		95
Trading profit		**318**		332

Underlying profit before tax is calculated as follows:		
Profit before taxation	**127**	204
Total operating reconciling items as above	**159**	95
Unwinding of acquisition related discounting	**2**	1
Underlying profit before taxation	**288**	300
Taxation charge on underlying profit	**(57)**	(58)
Underlying profit after taxation	**231**	242
Underlying EPS (pence)	**21.6**	22.5

DIVISIONAL REVIEW

Group Operating Summary

£m	Revenue 2013	Revenue 2012	Trading Profit 2013	Trading Profit 2012[2]
Cobham Aerospace and Security	**744**	697	**132**	149
Margin			***17.8%***	*21.4%*
Cobham Defence Systems	**309**	323	**47**	45
Margin			***15.0%***	*13.9%*
Cobham Mission Systems	**358**	373	**74**	81
Margin			***20.7%***	*21.8%*
Cobham Aviation Services	**365**	327	**48**	38
Margin			***13.1%***	*11.6%*
Head Office and Eliminations	**(7)**	(7)	**14**	14
Core Businesses	**1,769**	1,713	**315**	327
Margin			***17.8%***	*19.1%*
Non-core Businesses	**21**	36	**3**	5
Margin			***12.0%***	*13.4%*
Cobham Group	**1,790**	1,749	**318**	332
Margin			***17.7%***	*19.0%*

[2]*restated*

Cobham Aerospace and Security

The Division provides aircraft and in-building communication equipment, law enforcement and national security monitoring solutions, and satellite communication equipment for land, sea and air applications.

£m	**2013**	2012 Constant FX	2012 Reported	**Change Constant FX**
Revenue	**744**	710	697	**4.7%**
Margin	**17.8%**	21.3%	21.4%	**(3.5)%pts**

Total revenue increased by £47m, or 7%, and at constant exchange rates increased by £34m, or 5%, primarily due to the 2013 acquisition of Axell and the full year impact of the 2012 Thrane & Thrane acquisition. Organic revenue for the Division was 6% lower driven by defence/security. This was partially offset by a good performance in commercial markets, where organic revenue was 6% higher.

Revenue from commercial aerospace markets grew strongly, driven by increased sales of radio and audio products, antennas and SATCOM products as large transport aircraft production volumes continued to increase. The Division grew in other commercial markets, including sales of video products to broadcast customers, as this defence/security technology gains traction from these new applications. There was also growth from commercial land SATCOM markets.

Growth in commercial markets was offset by lower defence/security revenue, driven by the US, where there was a significant decline in short cycle land revenue, particularly surveillance and tracking and locating products, as customers adjusted their spending in the face of budget pressures. In addition, there was also lower revenue from counter-IED products in defence/security markets.

While there was pressure on a number of its short cycle businesses, the Division delivered growth in a number of areas, including:

- From commercial aircraft manufacturers, including first deliveries of radio communication and other products for the new Airbus A350 aircraft, which is due to enter service in the second half of 2014;
- Defence/security helicopter platforms, including increased production of the NH-90 and Super Puma, and a significant upgrade programme on the Afghan Mi-17 fleet;
- First significant revenue generated for the hand-held 'Minehound' product for humanitarian mine clearance applications, partially offsetting lower counter-IED revenue in defence/security markets;
- Demand for the new land based Explorer 700 SATCOM terminal, offering a high data rate capability, with first deliveries made in 2013.

The Division's trading margin was lower at 17.8% (2012: 21.4%) principally due to the adverse impact of significantly reduced US defence/security volumes, increased PV and other organic investments, and the dilutive impact of acquisitions, all offsetting EiD efficiencies.

There were a number of important business developments in the year which it is anticipated will benefit future revenue:

- The planned integration of the Axell acquisition has been completed and the business has performed above expectations, including securing orders to equip stadia in Brazil for the football World Cup and for the Olympics. Increasing revenue is expected in 2014;
- Significant orders for commercial air transport SATCOM antennas from China and other Far Eastern markets, with this trend expected to continue as demand increases for on-board cockpit safety services;
- Selection by Airbus Helicopters as the standard fit provider of next generation integrated audio and radio controllers for the Fennec, Panther and Cougar programmes. This technology also has the potential to be standard fit on future platforms;
- Commercial slip ring manufacturing, originally a defence/security technology, has commenced in the Prescott, Arizona facility to supply US customers with products made in-country. A multi-year slip ring requirement has already been received from General Electric, with first shipments made;
- A new range of Solo7 ultra-miniature high quality wireless video encoders and transmitter systems is being leveraged into target broadcast markets. The product has already commenced shipment and was used at the 2014 Sochi Winter Olympics.

Cobham Defence Systems

The Division provides critical technology for network centric operations, moving information around the digital battlefield with customised and off-the-shelf solutions for people and systems to communicate on land, sea and in the air.

	2013	2012		Change
£m		Constant FX	Reported	Constant FX
Revenue	**309**	327	323	**(5.4)%**
Margin	**15.0%**	13.9%	13.9%	**1.1%pts**

Total revenue fell by £14m, or 4%, and at constant translation exchange rates organic revenue was down by £18m, an organic decline of 5%. This was driven principally by reduced US defence/security spending, with the division adversely impacted by lower revenue from some land based programmes and from missile guidance systems.

Even though the US defence/security market remained challenging, the Division remains well positioned in this market. It has content on key platforms and programmes, which enabled it to achieve growth in a number of areas, including:

- Revenue from full rate production of two flight sets for the Wideband Global Satellite programme, an increase on the prior year. Full rate production will continue through 2014;
- Increasing shipments of packaged monolithic microwave integrated circuit subsystems, supporting next generation active electronically scanned array (AESA) radar programmes. Growth is expected to continue into 2014;
- Increasing shipments of microelectronic assemblies for proprietary electronic intelligence programmes, with a strong backlog supporting continuation of revenue through to 2015;
- Radar revenue was up modestly including F-35 Joint Strike Fighter aircraft increases and new design wins focused on AESA radar platform upgrades, with opportunities to partner with both major US providers of AESA systems.

The trading margin increased to 15.0% (2012: 13.9%) despite lower volumes and higher PV and other investments, in part due to EiD benefits.

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

- Award of a development contract for a major subsystem on the Advanced Missile Defense Radar. This new programme upgrades the US Navy ship-board missile defense radar, with development activity continuing to 2015 and first production the following year;
- Key development awards were won to expand content on the electronic warfare system for the Joint Strike Fighter and for data links used in the Standard and Enhanced Sea Sparrow missile families;
- The Predator Unmanned Aerial Vehicle (UAV) successfully demonstrated a 'sense and avoid' capability utilising Cobham AESA radar panels. This capability is crucial in enabling the US Federal Aviation Administration to allow UAV access into non-segregated US airspace;

- The AMRAAM 'D' missile neared successful completion of its operational evaluation. Full rate production of this latest version will follow with Cobham's content set to triple.

Cobham Mission Systems

The Division provides 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 rotorcraft, and provides remote controlled robots and fully equipped bomb disposal vehicles for homeland security and military applications.

	2013	2012		**Change**
£m		Constant FX	Reported	**Constant FX**
Revenue	**358**	376	373	**(4.9)%**
Margin	**20.7%**	21.7%	21.8%	**(1.0)%pts**

Total revenue fell £15m or 4%, and at constant translation exchange rates fell by £18m, an organic decline of 5%. The principal driver of this was in the US, where there was reduced revenue from short cycle life support products, including for the US Army. This decrease was partially offset by an increase in non-US defence/security revenue, principally relating to oxygen products and advanced bomb disposal robots. Also, in the UK there was significant revenue from the initial provision of aerial refuelling spares to the FSTA programme, which partially offset the one-off revenue milestone in 2012.

The Division achieved growth in some of its key markets and programmes, despite lower revenue in some of the shorter cycle US businesses. Areas of growth included:

- Increased development revenue on the long term US Air Force KC-46 aerial refuelling programme, with the aircraft achieving its customer Critical Design Review milestone during the year. Production is expected to commence towards the end of 2015;
- Continued success in growing aerial refuelling and oxygen systems aftermarket revenue;
- Significant revenue from the initial provisioning of aerial refuelling spares to support the UK's growing FSTA fleet;
- Increased revenue from advanced bomb disposal robots for homeland security applications, with a growing pipeline of future prospects in Europe and the Middle East;
- Revenue from shipments of the next generation PHANTOM high-altitude parachutist system to the US Air Force, with the first export order also secured.

The Division's trading margin was slightly lower at 20.7% (2012: 21.8%), despite EiD efficiencies. The change in margin in part reflected lower US defence/security volumes and an increase in funded development revenue in the aerial refuelling business.

There were a number of important business developments in the year which it is anticipated will benefit future revenue:

- The selection of the Gripen fighter aircraft by the Brazilian air force, which will include Cobham supplied auxiliary mission equipment;
- Further confirmed international tanker opportunities, for which orders are expected, including Singapore, France and India;

- Deliveries of aircraft oxygen systems commenced for export to the Indian, Brazilian, Korean and Turkish military trainer aircraft programmes, along with Royal Saudi Air Force F-15 fighter aircraft. Shipments are expected to continue over the next five years;
- Qualification of Mobile Aircrew Restraint Systems and Water Actuated Release Systems for helicopters. These products protect crews from injury or death and will provide a significant revenue stream over the next five years.

Cobham Aviation Services

The Division delivers outsourced aviation services for military and civil customers worldwide through military training, special mission flight operations, outsourced commercial aviation and aircraft engineering.

	2013	2012		**Change**
£m		Constant FX	Reported	**Constant FX**
Revenue	**365**	314	327	**16.6%**
Margin including Joint Ventures	**13.1%**	11.7%	11.6%	**1.4%pts**
Margin excluding Joint Ventures	**12.3%**	9.4%	9.5%	**2.9%pts**

Total revenue increased by £38m due to organic growth of 3% and the FBH acquisition, which was completed in the year. This was partly offset by an adverse translation impact from the Australian dollar. Organic growth was driven primarily by the Australian commercial business including additional flying for Qantas, as the first two of its five additional Boeing 717 (B717) aircraft commenced service, and increased flying for customers in the natural resource industry. There was lower defence/security revenue as FSTA conversion work completed in the UK.

Areas of growth included:

- Three of five additional B717 aircraft under contract for QantasLink have now entered service with the remaining two to commence operations in the first half of 2014;
- Regional Services in Australia and Papua New Guinea, with increased flight frequency for a variety of fly-in fly-out contracts including Santos and Chevron, and short term service extensions from Gold Fields and BHPB iron ore;
- Modification of five Dash 8 surveillance aircraft for Australian Customs and Border Protection Command was completed, enabling search and rescue operations as part of the Sentinel contract.

The Division's trading margin of 13.1% (2012: 11.6%), including joint ventures, benefited from the end of lower margin FSTA conversion work. The prior year trading margin also included UK redundancy costs.

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

- Australian Customs and Border Protection Command have confirmed their intention to extend the additional F406 surveillance aircraft contract for a further 12 months, to the middle of 2015;
- An 18 month extension was secured with Qantas Freight for the continued provision of a fourth BAe146QT freighter to the middle of 2015;
- Modification and mobilisation of three aircraft to provide ongoing support to the OK TEDI mine in Papua New Guinea until 2019;
- A three year contract to export electronic warfare (EW) capability into Saudi Arabia, following the significant five year EW training extension, secured in 2013 from the UK Ministry of Defence;
- FB Heliservices' transition into Cobham Helicopter Services has progressed well. Business development activities are focused on Helicopter Services' existing international footprint, with its training and support contract in Trinidad and Tobago expanded from the beginning of 2014.

Non-core Businesses

The Group's remaining non-core business is its small avionics operation where good organic growth was achieved, driven by increased sales of autopilots and helicopter stability products. Overall, non-core results were lower compared to 2012, with revenue of £21m (2012: £36m) and trading profit of £3m (2012: £5m) due to the divestment of the non-core emergency locator beacons businesses in 2012.

OUTLOOK

Cobham has delivered full year results in line with its previously stated guidance, in what remains a challenging US defence/security market. The Group has made good progress in the year against its strategic objectives, including increased technology and other organic investments and accelerated benefits from the operational excellence programme. It is now realigning its organisational structure to enable the next stage of development.

Trading conditions are expected to remain challenging in 2014 with potentially significant foreign currency headwinds and continued pressure on US defence/security investment accounts. However, the Group anticipates that its strong and growing positions in attractive commercial markets and the generally positive prospects for its non-US defence/security markets will partially offset this, and Cobham continues to plan for Group organic revenue to decline by low-to-mid single digits in 2014. Cobham will continue to take further actions as appropriate, to substantially mitigate the impact of this organic decline on the Group's trading margin.

Cobham has innovative technology and know-how supported by market leading positions, which allows it to leverage across its markets. As a result, the Board continues to anticipate that Cobham can deliver mid-single digit organic revenue growth from 2015.

Cobham benefits from a cash generative business model and a strong balance sheet, which enables it to maintain its long standing policy of a 10% progressive annual dividend increase.

-ENDS-

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 greater or less 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 commodity prices, inflation or 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.

Principal Risks

The Board sets the policy for managing risks and recognises the importance of identifying, actively monitoring, mitigating and managing, as appropriate, the full range of financial and non-financial risks facing the business. By regularly reviewing the risk appetite of the business, the Board ensures that the Group's risk exposure remains appropriate at any point in the economic cycle and links effectively into the management of its strategic objectives. The Board has ultimate accountability for risk management systems and controls, with the Risk Committee responsible for overseeing execution of risk management processes and procedures throughout the Group. The Audit Committee has delegated responsibility for monitoring and reviewing the effectiveness of the system.

Our process for monitoring and controlling risk emphasises continuous evaluation and monitoring by Division Presidents, together with their respective management teams, including business unit management and functional management. The risk framework is structured to ensure that risks are identified promptly, mitigated and managed appropriately and that actions are undertaken that ensure alignment of performance with the Group's Strategic Plan.

We manage risk by operating a 'Three Lines of Assurance' risk and control model. The first line lies with operational management implementing and maintaining effective internal controls and risk management procedures. They are supported by a number of oversight functions which form the second line. Internal Audit is the third line, trusted with reviewing controls and risk management processes and procedures, identifying areas for improvement and reporting to senior management and the Audit Committee. Due to its independence and objectivity, Internal Audit is able to provide reliable assurance on the effectiveness of the overall governance, risk management and internal control processes. In addition to considering the Group's Internal Audit advice, the Audit Committee takes account of the views of our independent External Audit team.

A description of the principal risks in the context of Cobham's operations, together with a description of the potential impact on the Group if unaddressed, and an outline of the actions taken to mitigate them, are set out below. The risks are not intended to be set out in any particular order.

Principal Risks

Risk	Impact	Mitigation
Deterioration in the macroeconomic environment adversely impacting our markets The Group's revenue is derived from global defence/security, and commercial markets. The level and type of spending is dependent on a complex mix of macroeconomic, fiscal and strategic defence and security imperatives.	Changes in government spending could lead to programme terminations or delays, or changes in market growth. Deterioration in demand affecting short cycle business or a fundamental shift in how customers procure products or services could have an adverse effect on the Group's future results.	A review of near and long term market trends is conducted as part of the Group's strategic planning process to ensure that actual and anticipated impacts from macroeconomic environment risks are managed effectively. Increased emphasis on identifying adjacent markets in which the Group's proven and transferable technologies can be applied. The Group is seeking more balance in its portfolio between its defence/security and commercial markets, so it can grow through

		economic cycles. The successful completion of the EiD programme together with a culture of continuous improvement will enable Cobham to have sector leading operating performance, while reducing costs. This will enable it to remain competitive in the face of volume declines or price pressures and retain flexibility to adjust the cost base appropriately to changing market conditions. Regular review of market demand data, re-forecasting and adjusting planning in line with market demand.
Failure to execute on agreed strategy to return to sustainable organic revenue growth The Group's ability to generate organic revenue and associated profit growth consistently is the key driver of value creation.	Failure to grow leads to an impaired competitive position, reduced trading margins and a declining return on invested capital. The Group will experience reputational damage and a reduced ability to invest for future growth.	Effective strategic planning, maintain robust and dynamic strategic thinking processes to ensure the Group is exposed to growth markets through the economic cycle. Continued focus on and investment in programme management to ensure customer expectations are met underpins the Group's ability to grow. Appropriate investment in future technologies aligned to identified market growth areas. The Group remains focused on continuous improvement across all operations, including EiD, programme management, business development, functional excellence and strategic workforce planning.
Failure to identify and execute value creating M&A to supplement organic growth Underpinning the Group's Strategic Plan is the identification of appropriate acquisition targets and the subsequent execution of value creating transactions.	Failure to complete appropriate transactions impacts the Group's ability to generate shareholder value.	The implementation of rigorous M&A disciplines, aligned with the Group's strategic planning process, improves the ability to successfully execute transactions. The Group has a rigorous post-acquisition review process to ensure that targeted returns are achieved and lessons learnt shared. The Group continually monitors whether it has capable resources in place to manage M&A projects from origination to integration.

		The Group's capital allocation strategy includes a willingness to return capital to investors, in the absence of value enhancing acquisitions.
Inability to attract, retain and develop the best talent, leading to a shortage of key skills The success of the Group's strategy is dependent on its ability to attract and retain talent and skills.	Lacking all the skills necessary to execute on growth plans and deliver key customer programmes leads to reduced customer confidence in the Group and a degraded financial outlook.	The Group is implementing a Strategic Workforce Plan, aligned with the Group's overall strategy, to ensure it has the right people with the right skills in the right place. It has established an integrated management training and appraisal programme. The Group is expanding its graduate recruitment and apprenticeships programmes. The Group is committed to providing its employees with a safe working environment.
Contract risk and execution The Group designs, develops and delivers products and services that are often customised, utilising complex technologies, under fixed price contracts that are sometimes long term in nature. This gives rise to the risks of failure to execute the contract profitably, the supply of a defective or delayed product, the incurrence of other contractually related liabilities, or damage to reputation and commercial relationships.	Failure by Cobham to execute or deliver a contract gives rise to increased programme costs, contract penalties, litigation and other financial liabilities, reduced future profitability and reputational risk. Poor operational performance could also lead to customers withholding new and existing business from the Group.	A thorough review of the business case and terms and conditions, and subsequent variations, prior to signing ensures contract provisions and risks are fairly allocated between parties. The Group has established an EVP, Life Cycle Management (LCM) and Programme Management position, to ensure its key contract and programme management policies and procedures are applied consistently and appropriately across all areas of the business, and to provide increased focus on improvements to its programme management and LCM capabilities. Monthly reporting of progress against agreed improvement actions on LCM to the Group Executive, and semi-annually to the Audit Committee.
Long term contract exposures to inflation, currency and commodity pricing fluctuations The Group's financial results are dependent on managing macro financial	Failure to manage financial risks can impact operating profit through higher costs or lower revenue and result in the Group failing to meet its financial results forecast.	Currency risks are considered as part of the bid approval process on large contracts. Cobham puts currency or other hedges in place for at least 80% of estimated exposure for a rolling 12 months, a proportion of exposures between 12 and 36 months and firm exposures on long term contracts.

risks, including inflation, currency and commodity.		The Group sources and manufactures in local currency whenever practicable. The Group manages inflation and commodity pricing risks through appropriate contractual terms, with suppliers contracted on an equivalent basis to match residual risks where possible. Minimum/maximum supplier prices are stipulated where possible to avoid unlimited exposure, when there is a risk that costs inflate ahead of revenue. Fixed price quotes are avoided for commodity related costs.
Significant business interruption The Group's business could be impacted by natural disasters affecting its operational locations, by IT systems failures or by cyber attack, rendering critical systems unworkable.	Unscheduled interruption to business activities would result in reduced profits, loss of customer satisfaction, potential cost outlays, and reputational impact.	The Group maintains major incident and IT failure business continuity plans. All employees are trained in the relevant procedures. IT security and capability are continually monitored and strengthened when needed. The Group works closely with insurers to ensure operating infrastructure and processes include robust risk improvement activities.
Failure to comply with laws, regulations and restrictions Cobham operates in a highly regulated environment and is subject to the laws, regulations and restrictions of many jurisdictions, including those of the US, the UK and other countries. These include anti-bribery provisions, import and export controls and government contracting rules.	Sanctions for failure by the Group, or its sales intermediaries, or others acting on its behalf to comply with these laws, regulations and restrictions could include fines, penalties, legal claims, suspension or debarment of the Group from future government contracts for a period of time, as well as having an impact on the Group's reputation. Such sanctions could have an impact on the Group's financial position and future operations.	Cobham continues to drive a culture that ensures that safety, ethics and integrity are embodied in all that it does. Policies and procedures are included in the Group's Corporate Framework which is regularly reviewed and audited, including procedures related to the use of sales and marketing representatives, anti-bribery and anti-corruption, gifts and hospitality, whistleblowing and investigation of ethics and compliance concerns. Mandatory training is undertaken on a variety of compliance related subjects including US Government contracting, anti-bribery and corruption.

Consolidated Income Statement
For the year ended 31 December 2013

£m	Note	2013	2012 (as restated)
Revenue	4	**1,789.7**	1,749.4
Cost of sales		**(1,220.9)**	(1,173.3)
Gross profit		**568.8**	576.1
Selling and distribution costs		**(84.7)**	(81.1)
Administrative expenses		**(328.4)**	(264.9)
Share of post-tax results of joint ventures and associates		**3.1**	7.4
Operating profit		**158.8**	237.5
Finance income	5	**5.3**	6.8
Finance costs	5	**(37.5)**	(40.3)
Profit before taxation		**126.6**	204.0
Taxation	6	**(12.1)**	(32.2)
Profit after taxation for the period		**114.5**	171.8
Attributable to:			
Owners of the parent		**114.3**	171.7
Non-controlling interests		**0.2**	0.1
		114.5	171.8
Earnings per Ordinary Share	8		
Basic		**10.70p**	15.98p
Diluted		**10.65p**	15.93p

Trading profit is calculated as follows (see note 3):

£m	Note	2013	2012 (as restated)
Operating profit		**158.8**	237.5
Adjusted to exclude:			
Business restructuring - Excellence in Delivery		**56.1**	37.9
Movements in non-hedge accounted derivative financial instruments		**(2.2)**	(11.1)
Amortisation of intangible assets arising on business combinations		**103.9**	68.9
Impairment of goodwill	10	**63.0**	-
Revaluation gain arising on equity interests in FBH (2012: Thrane & Thrane)		**(62.1)**	(1.0)
Other business acquisition and divestment related items		**0.1**	(0.2)
Trading profit		**317.6**	332.0
Underlying EPS		**21.60p**	22.48p

The definitions of trading profit and underlying EPS are shown on page 2.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

£m	Note	2013	2012 (as restated)
Profit after taxation for the year		**114.5**	171.8
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit retirement benefit obligations	11	**(25.6)**	(13.7)
Actuarial loss on other retirement obligations		**-**	(0.5)
Tax effects		**4.1**	2.0
		(21.5)	(12.2)
Items that may subsequently be reclassified to profit or loss			
Net translation differences on investments in overseas subsidiaries		**(11.1)**	(24.0)
Reclassification of cash flow hedge fair values		**4.5**	7.2
Movements in hedge accounted derivative financial instruments		**0.6**	(3.1)
Tax effects		**(1.2)**	(3.2)
		(7.2)	(23.1)
Total other comprehensive expense for the year		**(28.7)**	(35.3)
Total comprehensive income for the year		**85.8**	136.5
Attributable to:			
Owners of the parent		**85.6**	136.4
Non-controlling interests		**0.2**	0.1
		85.8	136.5

Consolidated Balance Sheet
As at 31 December 2013

£m	Note	2013	2012
Assets			
Non-current assets			
Intangible assets	10	**1,162.2**	1,102.1
Property, plant and equipment		**350.8**	304.8
Investment properties		**9.9**	10.7
Investments in joint ventures and associates		**3.1**	15.8
Trade and other receivables		**22.2**	47.1
Other financial assets		**6.1**	-
Deferred tax		**9.9**	9.8
Derivative financial instruments		**5.1**	3.4
		1,569.3	1,493.7
Current assets			
Inventories		**315.9**	306.4
Trade and other receivables		**317.7**	281.0
Current tax receivables		**0.8**	7.5
Derivative financial instruments		**6.6**	3.7
Cash and cash equivalents		**200.7**	264.2
Assets classified as held for sale		**8.2**	15.1
		849.9	877.9
Liabilities			
Current liabilities			
Borrowings		**(344.5)**	(307.3)
Trade and other payables		**(370.3)**	(349.9)
Provisions		**(34.4)**	(36.3)
Current tax liabilities		**(112.2)**	(119.2)
Derivative financial instruments		**(4.6)**	(6.6)
Liabilities classified as held for sale		**(5.2)**	(3.2)
		(871.2)	(822.5)
Non-current liabilities			
Borrowings		**(309.6)**	(316.8)
Trade and other payables		**(38.0)**	(39.1)
Provisions		**(8.6)**	(10.9)
Deferred tax		**(52.9)**	(44.2)
Derivative financial instruments		**(7.4)**	(10.3)
Retirement benefit obligations	11	**(87.3)**	(73.4)
		(503.8)	(494.7)
Net assets		**1,044.2**	1,054.4
Equity			
Share capital		**28.9**	28.9
Share premium account		**126.6**	126.6
Other reserves		**55.2**	64.2
Retained earnings		**832.7**	834.1
Total equity attributable to the owners of the parent		**1,043.4**	1,053.8
Non-controlling interests in equity		**0.8**	0.6
Total equity		**1,044.2**	1,054.4
Net debt		**(453.4)**	(359.9)

Approved by a duly appointed and authorised committee of the Board on 5 March 2014 and signed on its behalf by:
R Murphy, S Nicholls
Directors

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total equity attributable to the owners of the parent	Non-controlling interests in equity	Total equity
Total equity at 1 January 2012	28.9	126.6	83.8	779.3	1,018.6	0.5	1,019.1
Profit for the year (as restated)	-	-	-	171.7	171.7	0.1	171.8
Items that will not be reclassified subsequently to profit or loss (as restated)	-	-	-	(12.2)	(12.2)	-	(12.2)
Items that may subsequently be reclassified to profit or loss	-	-	(23.1)	-	(23.1)	-	(23.1)
Total comprehensive income for the year	-	-	(23.1)	159.5	136.4	0.1	136.5
Net purchase of treasury shares	-	-	-	(18.7)	(18.7)	-	(18.7)
Dividends (note 7)	-	-	-	(92.5)	(92.5)	-	(92.5)
Share based payments	-	-	6.8	-	6.8	-	6.8
Dividend equivalents paid on vesting of PSP and BCP awards	-	-	(0.1)	-	(0.1)	-	(0.1)
Release of hedge reserve	-	-	2.8	-	2.8	-	2.8
Transfers of other reserves to retained earnings	-	-	(6.5)	6.5	-	-	-
Tax effects	-	-	0.5	-	0.5	-	0.5
Total equity at 31 December 2012	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4
Profit for the year	**-**	**-**	**-**	**114.3**	**114.3**	**0.2**	**114.5**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**(21.5)**	**(21.5)**	**-**	**(21.5)**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**(7.2)**	**-**	**(7.2)**	**-**	**(7.2)**
Total comprehensive income for the year	**-**	**-**	**(7.2)**	**92.8**	**85.6**	**0.2**	**85.8**
Net purchase of treasury shares	**-**	**-**	**-**	**(1.8)**	**(1.8)**	**-**	**(1.8)**
Dividends (note 7)	**-**	**-**	**-**	**(96.6)**	**(96.6)**	**-**	**(96.6)**
Share based payments	**-**	**-**	**(1.7)**	**-**	**(1.7)**	**-**	**(1.7)**
Release of hedge reserve	**-**	**-**	**1.5**	**-**	**1.5**	**-**	**1.5**
Transfers of other reserves to retained earnings	**-**	**-**	**(4.2)**	**4.2**	**-**	**-**	**-**
Tax effects	**-**	**-**	**2.6**	**-**	**2.6**	**-**	**2.6**
Total equity at 31 December 2013	**28.9**	**126.6**	**55.2**	**832.7**	**1,043.4**	**0.8**	**1,044.2**

Consolidated Cash Flow Statement

For the year ended 31 December 2013

£m	Note	2013	2012
Operating profit (as restated for prior year)		**158.8**	237.5
Non cash items:			
Share of post-tax profits of joint ventures and associates		**(3.1)**	(7.4)
Revaluation gain arising on equity interests	12	**(62.1)**	(1.0)
Depreciation and amortisation including impairment		**235.1**	129.2
(Profit)/loss on sale of property, plant and equipment		**(1.1)**	0.6
Business acquisition and divestment related items		**(1.6)**	(6.6)
Movements in non-hedge accounted derivative financial instruments		**(2.2)**	(11.1)
Pension contributions in excess of service cost and administration cost (as restated for prior year)		**(14.5)**	(14.3)
Share based payments		**(1.7)**	6.8
Operating cash movements:			
Increase in inventories		**(0.3)**	(3.6)
(Increase)/decrease in trade and other receivables		**(26.2)**	34.4
Decrease in trade and other payables		**(0.3)**	(1.0)
Decrease in provisions		**(3.9)**	(1.4)
Tax paid		**(37.6)**	(45.2)
Interest paid		**(33.7)**	(35.3)
Interest received		**5.0**	6.6
Net cash from operating activities		**210.6**	288.2
Cash flows from investing activities			
Dividends received from joint ventures		**3.7**	7.5
Purchase of property, plant and equipment		**(58.0)**	(48.2)
Purchase of intangible assets		**(11.7)**	(13.8)
Capitalised expenditure on intangible assets		**-**	(1.4)
Proceeds on disposal of property, plant and equipment		**8.0**	1.0
Investment in other financial assets		**(6.1)**	-
Loans repaid by/(issued to) joint ventures		**2.1**	(36.9)
Investment in loan notes		**(18.3)**	-
Acquisition of subsidiaries net of cash or debt acquired	12	**(126.0)**	(282.7)
Contingent consideration paid		**(2.5)**	(3.0)
Proceeds from vesting of warrants in acquired business		**-**	8.4
Proceeds of business divestments		**0.5**	47.4
Net cash used in investing activities		**(208.3)**	(321.7)
Cash flows from financing activities			
Dividends paid	7	**(96.6)**	(92.5)
Purchase of treasury shares		**(15.3)**	(26.3)
Proceeds on allocation of treasury shares		**13.5**	7.5
New borrowings		**67.0**	184.5
Repayment of borrowings		**(7.7)**	(113.1)
Net cash used in financing activities		**(39.1)**	(39.9)
Net decrease in cash and cash equivalents		**(36.8)**	(73.4)
Exchange movements		**(14.4)**	(8.3)
Cash and cash equivalents at start of year		**250.2**	331.9
Cash and cash equivalents at end of year		**199.0**	250.2

A reconciliation of cash and cash equivalents to the Consolidated Balance Sheet and movement in net debt is detailed in note 9.

Notes to the Financial Information

For the year ended 31 December 2013

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 2013 and 31 December 2012.

Statutory accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies, and those for 2013 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.

Accounting policies

Other than as stated below, the accounting policies applied are consistent with those published in the financial statements for the year ended 31 December 2012. A number of new standards, amendments to standards and interpretations which have been endorsed by the EU have been adopted with effect from 1 January 2013 and have impacted the accounting policies or presentation as follows:

- The implementation of IFRS 13, Fair Value Measurement has required some amendments to disclosures on financial instruments but has not affected the fair value measurements used.
- The amendment to IAS 19, Employee Benefits has been applied retrospectively. This resulted in a reduction in the prior year reported profit after tax of £1.6m, further details are provided in note 2.
- The amendment to IAS 1, Financial Statement Presentation has impacted the presentation of items within Other Comprehensive Income (OCI), grouping items on the basis of whether they can, or cannot, be subsequently reclassified to profit or loss.

2. Prior year restatement

Changes to IAS 19, Employee Benefits, have resulted in some changes to the accounting for pension schemes. The implications of these changes are explained in this note.

The amendment to IAS 19 replaced an interest charge on pension liabilities and a credit for the expected return on investments held during the year with a single interest charge on net liabilities. The amendment was required to be applied retrospectively which means that the numbers reported in 2012 have been updated in these financial statements as if these new rules were in place last year. As investments are generally expected to provide returns that are greater than a typical interest rate this change had the effect of increasing the net interest cost for 2012 by £0.9m.

In addition, administrative costs incurred by the Group's pension schemes, which amounted to £1.1m in 2012, are now charged to administrative expenses within the Consolidated Income Statement. These were previously dealt with as part of the finance cost related to pension schemes.

These changes do not impact the valuation of the assets or liabilities of the scheme. Actuarial losses, accounted for within OCI, are restated to maintain the net liabilities as previously reported.

These adjustments are tax effected and the change in profit after taxation impacts on Earnings per Share and underlying measures. The Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and various notes to the financial statements are also affected.

The impacts on the 2012 financial statements can be summarised as follows:

£m	As reported	Adjustment	As restated
Consolidated Income Statement			
Administrative expenses (see note below)	(263.8)	(1.1)	**(264.9)**
Operating profit (see note below)	238.6	(1.1)	**237.5**
Finance income - adjustment for expected return on pension scheme assets	33.4	(26.6)	**6.8**
Finance costs - adjustment for interest on pension scheme liabilities	(66.0)	25.7	**(40.3)**
Profit before taxation	206.0	(2.0)	**204.0**
Taxation	(32.6)	0.4	**(32.2)**
Profit after taxation	173.4	(1.6)	**171.8**
Profit attributable to the owners of the parent	173.3	(1.6)	**171.7**
Earnings per Ordinary Share			
Basic	16.13p	(0.15p)	**15.98p**
Diluted	16.08p	(0.15p)	**15.93p**
Consolidated Statement of Comprehensive Income			
Profit after taxation	173.4	(1.6)	**171.8**
Remeasurements of defined benefit retirement benefit obligations	(15.7)	2.0	**(13.7)**
Tax effects	(0.8)	(0.4)	**(1.2)**
Total comprehensive income	136.5	-	**136.5**
Underlying measures			
Trading profit (adjustment allocated to Head Office in segment information)	333.1	(1.1)	**332.0**
Net underlying finance costs	(30.9)	(0.9)	**(31.8)**
Underlying profit before taxation	302.2	(2.0)	**300.2**
Taxation charge on underlying profit	(58.9)	0.4	**(58.5)**
Underlying profit after tax attributable to owners of the parent	243.2	(1.6)	**241.6**
Underlying EPS	22.63p	(0.15p)	**22.48p**
Consolidated Cash Flow Statement			
Operating profit	238.6	(1.1)	**237.5**
Pension contributions in excess of service cost and administration cost	(15.4)	1.1	**(14.3)**
Net cash from operating activities	288.2	-	**288.2**

£2.9m reported in the 2012 Annual Report and Accounts on a separate line in the Income Statement 'Business divestments and similar income' has been combined into administrative expenses, with a consequential change to operating profit.

3. Underlying measures

Underlying measures are derived from operating profit as set out below:

£m	Note	2013	2012 (as restated)
Operating profit		**158.8**	237.5
Business restructuring - Excellence in Delivery		**56.1**	37.9
Movements in non-hedge accounted derivative financial instruments		**(2.2)**	(11.1)
Amortisation of intangible assets arising on business combinations		**103.9**	68.9
Impairment of goodwill	10	**63.0**	-
Revaluation gain arising on equity interests in FBH (2012: Thrane & Thrane)	12	**(62.1)**	(1.0)
Other business acquisition and divestment related items			
Net profit on divestment of emergency locator beacons business		**-**	(7.8)
Additional profit on other divestments in prior years		**(2.1)**	(7.4)
Adjustments to businesses held for sale		**8.3**	13.3
Release of contingent consideration		**(11.9)**	(8.7)
Other M&A related costs		**5.8**	10.4
Trading profit		**317.6**	332.0
Net underlying finance costs		**(29.6)**	(31.8)
Underlying profit before taxation		**288.0**	300.2
Taxation charge on underlying profit		**(57.0)**	(58.5)
Non-controlling interests		**(0.2)**	(0.1)
Underlying profit after tax attributable to owners of the parent		**230.8**	241.6
Underlying basic EPS		**21.60p**	22.48p
Underlying diluted EPS		**21.51p**	22.42p

Underlying administrative expenses, which exclude the reconciling items in the table above, amounted to £169.6m (2012: £170.4m as restated), representing 9.5% (2012: 9.7%) of revenue.

Business restructuring costs relate to the restructuring of the Group's portfolio, under its EiD programme, which are incremental to normal operations. These relate exclusively to the ongoing design and implementation of Standard Operating Frameworks within the principal locations, initial development costs of a new ERP computer system, together with site consolidation, consequential asset write downs and workforce reduction costs arising from additional streamlining under the two year extension of the programme, which continues into 2015.

As disclosed in note 12, on 15 July 2013 an agreement was reached to acquire the 50% shareholding that the Group did not already own in FBH. The proceeds of the deemed disposal of the 50% interest previously held were valued at £74.2m which generated the revaluation gain arising on equity interests in FBH of £62.1m.

Net cash from operating activities is reconciled to free cash flow as follows:

£m	2013	2012
Net cash from operating activities per cash flow statement	**210.6**	288.2
Dividends received from joint ventures	**3.7**	7.5
Purchase of property, plant and equipment	**(58.0)**	(48.2)
Purchase of intangible assets	**(11.0)**	(13.8)
Capitalised expenditure on intangible assets	**-**	(1.4)
Proceeds on disposal of property, plant and equipment	**8.0**	1.0
M&A costs paid	**1.7**	7.8
Free cash flow	**155.0**	241.1
Free cash flow before Excellence in Delivery restructuring costs	**205.9**	272.9

4. Revenue and segmental information

Revenue

Revenue comprises income from the sale of goods and services during the year and can be analysed as follows:

£m	2013	2012
Revenue from sale of goods	**1,424.8**	1,423.1
Revenue from services	**364.9**	326.3
	1,789.7	1,749.4

Major customers

Revenue of £130.8m (2012: £162.9m) is directly attributable to US Government departments and agencies, although this is widely spread across different agencies and customers. This accounts for 7.3% of total revenue (2012: 9.3%) and originates in all segments other than Cobham Aviation Services. In addition, a number of customers also sell our products on to various US Government departments and agencies.

Operating segments

	Revenue		Trading profit		Segment net assets	
£m	2013	2012	2013	2012 (as restated)	2013	2012
Aerospace and Security	**743.6**	697.3	**132.4**	149.1	**795.5**	794.8
Defence Systems	**309.0**	322.9	**46.5**	44.9	**335.2**	377.1
Mission Systems	**357.7**	372.6	**74.0**	81.3	**294.9**	251.9
Aviation Services	**365.2**	326.6	**48.0**	38.0	**322.9**	157.0
Head office, other activities and elimination of inter-segment items	**(6.7)**	(6.5)	**14.2**	13.8	**20.7**	76.5
Core Group	**1,768.8**	1,712.9	**315.1**	327.1	**1,769.2**	1,657.3
Non-core businesses	**20.9**	36.5	**2.5**	4.9	**(3.1)**	(10.5)
Total Group	**1,789.7**	1,749.4	**317.6**	332.0	**1,766.1**	1,646.8
Interests in joint ventures and associates					**3.1**	15.8
Unallocated assets					**(725.0)**	(608.2)
Total net assets					**1,044.2**	1,054.4

Head office results (net of recoveries) are not included within the operating segments as described above. Non-core businesses are those which were identified for divestment in 2011.

The Group's share of the post-tax results of joint ventures and associates arises in Aviation Services (£3.1m, 2012: £7.0m) and Aerospace and Security (£nil, 2012: £0.4m).

Trading profit is reconciled to profit before taxation as follows:

£m	Note	2013	2012 (as restated)
Trading profit		**317.6**	332.0
Business restructuring - Excellence in Delivery	3	**(56.1)**	(37.9)
Movements in non-hedge accounted derivative financial instruments		**2.2**	11.1
Amortisation of intangible assets arising on business combinations		**(103.9)**	(68.9)
Impairment of goodwill	10	**(63.0)**	-
Revaluation gain arising on equity interests in FBH (2012: Thrane & Thrane)	12	**62.1**	1.0
Other business acquisition and divestment related items		**(0.1)**	0.2
Net finance costs	5	**(32.2)**	(33.5)
Profit before taxation		**126.6**	204.0

Geographical information

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 the UK) and the rest of the world is not considered to be individually material.

£m	UK	USA	Australia	Other EU countries	Asia	Rest of the world	Total
Year to 31 December 2013	**235.2**	**812.5**	**249.8**	**277.4**	**132.8**	**82.0**	**1,789.7**
Year to 31 December 2012	172.3	885.6	241.4	292.5	99.3	58.3	1,749.4

Non-current assets

Non-current assets are analysed by the physical location of the assets and exclude financial instruments and deferred tax assets.

£m	UK	USA	Denmark	Other EU countries	Australia	Rest of the world	Total
At 31 December 2013	**402.4**	**588.9**	**272.6**	**101.2**	**90.5**	**70.4**	**1,526.0**
At 31 December 2012	212.2	666.2	295.6	106.0	111.2	42.2	1,433.4

5. Finance income and costs

£m	2013	2012 (as restated)
Finance income:		
Bank interest	**3.3**	4.0
Other finance income	**2.0**	2.8
Total finance income	**5.3**	6.8
Finance costs:		
Interest on bank overdrafts and loans	**(29.6)**	(32.1)
Interest on net pension scheme liabilities	**(2.8)**	(2.9)
Other finance expense	**(5.1)**	(5.3)
Total finance costs	**(37.5)**	(40.3)
Net finance costs excluding pension schemes	**(29.4)**	(30.6)
Net finance costs arising from pension schemes	**(2.8)**	(2.9)
Net finance costs	**(32.2)**	(33.5)

Other finance expense above includes £2.6m (2012: £1.7m) relating to the unwinding of acquisition related discounting, excluded from underlying profit in note 3.

6. Income tax expense

£m	2013	2012 (as restated)
Current tax	**29.4**	47.4
Deferred tax	**(17.3)**	(15.2)
Total tax charge for the year	**12.1**	32.2

Income tax is calculated on the estimated assessable profit for the year at the rates prevailing in the relevant tax jurisdiction. The total tax charge for the year includes £7.7m (2012: £6.8m) for the UK.

7. Dividends

£m	2013	2012
Final dividend of 6.4 pence per share for 2012 (2011: 6.2 pence)	**68.5**	66.7
Interim dividend of 2.64 pence per share for 2013 (2012: 2.4 pence)	**28.1**	25.8
Total dividend authorised and paid during the year	**96.6**	92.5

In addition to the above, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 7.04 pence per share at an estimated total cost of £75.2m. 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 30 May 2014 to shareholders who are on the register of members as at 2 May 2014. The total dividend in respect of the financial year ended 31 December 2013 will therefore be 9.68 pence per share (2012: 8.8 pence). The total amount payable in respect of 2013 will be £103.3m.

8. Earnings per Ordinary Share

	2013			2012		
	Earnings £m	**Weighted average number of shares million**	**Per-share amount pence**	Earnings (as restated) £m	Weighted average number of shares million	Per-share amount (as restated) pence
Basic earnings per share (EPS)						
Earnings attributable to owners of the parent	**114.3**	**1,068.7**	**10.70**	171.7	1,074.7	15.98
Effect of dilutive securities		**4.3**			3.0	
Diluted EPS	**114.3**	**1,073.0**	**10.65**	171.7	1,077.7	15.93

9. Cash and cash equivalents and net debt

Reconciliation of cash and cash equivalents and net debt

£m	2013	2012
Cash and cash equivalents as shown in Cash Flow Statement	**199.0**	250.2
Bank overdrafts	**1.7**	14.0
Cash and cash equivalents per Balance Sheet	**200.7**	264.2
Borrowings - current liabilities	**(344.5)**	(307.3)
Borrowings - non-current liabilities	**(309.6)**	(316.8)
Net debt at 31 December	**(453.4)**	(359.9)

Reconciliation of movements in net debt

£m	2013	2012
Net debt at 1 January	**(359.9)**	(232.5)
Decrease in cash and cash equivalents in the year per Cash Flow Statement	**(36.8)**	(73.4)
New borrowings	**(67.0)**	(184.5)
Repayment of borrowings	**7.7**	113.1
Exchange movements	**2.6**	17.4
Net debt at 31 December	**(453.4)**	(359.9)

10. Intangible assets

During the year, intangible assets, which include goodwill, increased from £1,102.1m to £1,162.2m, primarily due to £86.9m of goodwill and £130.7m of other intangible assets recognised on the acquisition of Axell and FBH, offset by an impairment charge of £63.0m relating to the TC&S SBU, and total annual amortisation charges of £108.9m.

11. Retirement benefit obligations

£m	2013	2012 (as restated)
Net liability at start of year	**(73.4)**	(71.2)
Amount recognised in the income statement	**(9.4)**	(8.6)
Contributions paid by the employer	**21.1**	20.0
Remeasurements recognised in Other Comprehensive Income	**(25.6)**	(13.7)
Exchange differences	**-**	0.1
Net liability at end of year	**(87.3)**	(73.4)

On 1 July 2013 the liabilities related to past service of pensioners of the Cobham Pension Plan (CPP) on that date were subject to a buy-in arrangement. Under the terms of this arrangement, the CPP transferred assets to an insurance company in return for a qualifying insurance policy which provides an income stream to the Plan equivalent to the Plan's obligations to pensioners covered by the arrangement. This eliminated the Group's exposure to the interest, inflation and longevity risks associated with these liabilities. The liabilities covered by this buy-in amounted to £242m, which had the impact of generating an actuarial loss of £39m. This follows similar buy-in arrangements completed in 2011 related to past service of pensioner and deferred members of some of the smaller defined benefit schemes.

12. Business combinations

Businesses acquired during the year

The purchase of the entire share capital of Avenue 64 Limited, the parent company of the Axell Wireless group (Axell), was completed on 9 May 2013. On a debt and cash free basis, total consideration was £85m including conditional cash consideration of up to £25m payable during 2014 and 2015, contingent on future performance.

Axell is a leading global provider of Distributed Antenna Systems and wireless solutions for the public safety and cellular markets, with a specific focus on communication systems for buildings and critical infrastructure applications. Axell brings technology that is complementary to the Group's existing Antenna Systems and Tactical Communications and Surveillance businesses and its acquisition is in line with the Group's strategic objectives. The company has approximately 250 employees worldwide and is headquartered in Chesham, UK. It is reported through the Antenna Systems Strategic Business Unit, within the Aerospace and Security Division.

On 15 July 2013 it was announced that an agreement was reached to acquire the 50% shareholding that the Group did not already own in FB Heliservices Limited, FB Leasing Limited and FBS Limited (together 'FBH'), from its long standing joint venture partner, Bristow Helicopters Limited ('Bristow'). The transaction comprised cash consideration of £74m payable on completion, together with the assumption of Bristow's share of FBH's net debt. FBH specialises in defence helicopter training in the UK and elsewhere, including a contract with the Ministry of Defence to train helicopter crews for all branches of the armed forces, as well as the provision of search and rescue, logistics and emergency medical services for government customers globally.

In accordance with IFRS 3, the revaluation gains on previously held equity interests in FBH that arise on gaining full control of the company have been recognised in the income statement. This business is now part of Aviation Services.

Fair value information

Components of the fair value of the business combinations during the year are as follows:

£m	Axell	FBH	Total
Cash consideration	55.5	74.2	129.7
Revaluation gains arising on equity interests on transfer of control	-	62.1	62.1
Investment in joint venture on date of transfer	-	12.2	12.2
Contingent consideration	22.1	-	22.1
Total fair value at date control achieved	77.6	148.5	226.1

Revaluation gains arising on equity interests on transfer of control are excluded from underlying profits as shown in note 3.

Contingent consideration has been provided at fair value which is considered to be the discounted maximum payable under the agreement.

A summary of the fair values of the net assets acquired are as follows:

£m	Axell	FBH	Total
Non-current assets	48.0	161.5	209.5
Current assets	22.5	23.8	46.3
Current liabilities	(15.9)	(72.2)	(88.1)
Non-current liabilities	(12.0)	(16.5)	(28.5)
Net assets acquired	42.6	96.6	139.2
Goodwill	35.0	51.9	86.9
Total value of business acquired	77.6	148.5	226.1

The fair values of net assets acquired in respect of FBH are provisional and subject to potential adjustment.

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, such as the value of the workforce. Goodwill is not anticipated to be deductible for tax purposes.

The fair values of acquired receivables included in current assets in the table above are £6.0m for Axell and £12.2m for FBH. These relate to trade and other receivables and are considered to be recoverable in full. Current liabilities of FBH on acquisition included £43.2m payable to Cobham.

Results of business combinations

Third party revenue of Axell and FBH, since acquisition, was £34.9m and £42.3m respectively. The result after tax since the date of acquisition was £6.0m loss and £3.7m loss. These include the impacts of amortisation of the intangible assets which are recognised as a result of the business combination and writing off the pre-acquisition profit element of inventory written up on acquisition. Operating profit was £6.2m for Axell and £8.5m for FBH.

If these business combinations had taken effect on 1 January 2013, it is estimated that Group total revenues would have been £1,842.7m and profit after tax £108.0m. 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.

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

£m	**Total**
Cash consideration paid for the business combinations completed in the year	**130.1**
Net debt acquired with the business combinations completed in the year	**(4.1)**
	126.0

Costs of £1.7m were incurred in relation to business combinations. These costs are recognised within administrative expenses in the Consolidated Income Statement and included within other M&A related costs excluded from underlying profit as shown in note 3.

-ENDS-