PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

5 March 2015

Underlying results[1]	**2014**	2013	Change	Constant FX Change
Order intake	**£1,908m**	£1,670m	+14%	+20%
Revenue	**£1,852m**	£1,790m	+3%	+9%
Trading Profit	**£287m**	£318m	-10%	-6%
Profit before Tax	**£257m**	£288m	-11%	-8%
Earnings per share (EPS)	**18.5p**	21.6p	-14%	-11%
Operating cash conversion[2]	**73%**	85%	-12%pts	
Statutory results	**2014**	2013	Change	Constant FX Change
Revenue	**£1,852m**	£1,790m	+3%	+9%
Profit before Tax	**£24m**	£127m	-81%	-81%
EPS	**2.6p**	10.7p	-76%	-75%
Net Debt	**£1,223m**	£453m		
Full year dividend per share*	**10.65p**	9.68p	+10%	

** recommended*

- Significant strategic progress which positions the business to return to organic revenue growth from 2015, despite challenging market conditions
- Encouraging book-to-bill of 1.03x; order intake up 10% before M&A at constant currency
- Total revenue growth of 3% driven by acquisitions and like-for-like commercial revenue growth of 5%; commercial now the Group's largest end market segment at 39%. Group organic revenue[3] down 2%
- Trading profit impacted by change in product mix, aerial refuelling development programme performance and unfavourable foreign currency translation
- Private venture[4] investment increased to 6.7% of revenue (2013: 6.2%)
- Initial trading contribution from Aeroflex in line with expectations and integration off to a good start
- Underlying EPS also in line with management expectations (before impact of pre-announced £15m aerial refuelling provision)
- Statutory profit before tax and EPS includes significant non-underlying charges associated with Aeroflex acquisition and restructuring initiatives
- Successful refinancing of Aeroflex acquisition bridge facility, securing long term funding facilities for core debt
- Recommended 10% increase in full year dividend; future dividend progression to be broadly aligned with underlying earnings growth, while rebuilding dividend cover over time

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

"In 2014 we made significant progress on the delivery of Cobham's strategic objectives. Completing the Aeroflex acquisition was a key highlight, increasing the Group's exposure to growing commercial markets, and Aeroflex's post acquisition trading and integration has been in line with the Board's expectations. This progress enhances Cobham's position as a technology company with exciting prospects based on its close customer relationships, differentiated technology and know-how, market leading positions and an increasingly strong operational foundation.

"The year also included a number of challenges. Although Cobham delivered good order intake and saw the expected overall improvement in revenue in the second half, the Group's revenue mix has changed over time. There has been a decline in the higher margin shorter cycle businesses which are exposed to land related defence and security markets. This has been largely offset by an increase in lower margin engineering and development revenue. Additionally and as previously announced, due to the identification of a limited number of technical maturity issues, the Group recognised a £15m provision relating to its aerial refuelling development programmes. We remain confident that these programmes will be delivered in line with our current projections and will lead to significant streams of production and aftermarket revenue over an extended timeframe.

"Overall we have made significant progress on the delivery of our strategic objectives in 2014 and, as anticipated, Cobham remains well positioned to 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, 5 March 2015, with a live webcast that is accessible on the Cobham website (www.cobhaminvestors.com). The webcast will be made available on the website for subsequent viewing. There will also be a live dial-in facility available which can be accessed in the UK and internationally on +44 (0) 20 3003 2666, using the password Cobham and in the US/Canada on +1 646 843 4608, also using the password Cobham. The published Annual Report will be available as a download file on www.cobhaminvestors.com from 20 March 2015.

A PDF copy of this preliminary announcement can be downloaded from www.cobhaminvestors.com/reports-and-presentations/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 statements non-GAAP measures including trading profit and underlying earnings results. Trading profit has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity 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.*

   Business acquisition and divestment related items excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, revaluation gains and losses arising on the original equity interests on stepped acquisitions, adjustments to businesses held for sale, the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and terminated divestments and adjustments to contingent consideration related to previously acquired businesses. Business restructuring costs relate to the restructuring of the Group's portfolio which are incremental to normal operations. These relate to the integration of the Aeroflex businesses acquired in 2014 and the Excellence in Delivery programme.

   Underlying earnings are defined as trading profit less net underlying finance costs, which exclude acquisition related items, 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 15.*

2. *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 related to M&A related activities.*

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

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

4. *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

It has been a year of significant strategic progress and transition. The key acquisition of Aeroflex Holding Corp. (Aeroflex) was completed in September 2014 which, consistent with Cobham's strategy, is largely focused on attractive commercial markets. The Group's commercial businesses have continued to achieve good growth, although there have also been a number of challenges, as the US defence/security market continues through a periodic down cycle and the Group progresses through a significant phase of engineering and development related activity.

The Group's book to bill ratio in the year was 1.03x, with the Communications and Connectivity, Mission Systems and Aviation Services Sectors all having a book-to-bill ratio above 1x. Only the Advanced Electronic Solutions Sector was less than 1x, as some expected awards slipped into 2015. Order intake in the year was £1,908m (2013: £1,670m), being 20% higher at constant translation exchange. Excluding the impact of acquisitions and divestments, order intake was 10% higher than the prior year at constant translation exchange. The Group's order book had increased to £2.51bn (2013: £2.27bn) at the year end. Within this is £1.19bn (2013: £1.17bn) relating to the long term Aviation Services business.

Total Group revenue increased by 3% to £1,852m (2013: £1,790m), including an initial contribution from Aeroflex and the full year contributions from Axell Wireless (Axell), which completed in May 2013 and FB Heliservices (FBH), which completed in July 2013. Partially offsetting this, there was a significant adverse foreign currency translation impact of £85m. Group organic revenue was down 2%. There was organic revenue growth of 1% in the second half, driven by a sequential improvement in defence/security markets.

Full year organic revenue was underpinned by good growth in commercial markets of 5% driven in part by a strong performance from SATCOM and from the Aviation Services businesses. This was offset by a 5% organic decline in defence/security revenue, particularly driven by a decline in demand in shorter cycle businesses with land related exposure. These shorter cycle businesses typically offer the Group some of its highest margins.

The Group's trading profit was £287m (2013: £318m) included a contribution from acquisitions but also included a significant adverse impact from foreign currency translation of £13m. The Group continued with its programme of cost savings but this was more than offset by a shift in revenue mix, with lower volumes in some of the most profitable shorter cycle businesses in land related defence/security markets, and an increase in lower margin engineering and development revenue. In addition, there was a £15m provision in the Group's underlying results relating to its aerial refuelling development programmes, as previously announced, to address cost escalation and outstanding risks related to a small number of hardware subsystem development and design maturity issues. The Group's trading margin was 15.5% (2013: 17.7%).

As anticipated, Cobham substantially concluded its successful, multi-year Excellence in Delivery (EiD) programme in 2014. This programme has delivered significant benefits and fundamental business improvements across a range of operational and customer metrics. EiD delivered the anticipated £24m of year-on-year efficiency savings, bringing total annualised benefits to £100m since the programme was launched in 2010.

Total Group research and development (R&D) investment was £198m (2013: £186m). Within this, Cobham further increased its Private Venture (PV or company funded R&D) investment to £97m (2013: £88m), representing 6.7% of revenue (2013: 6.2%), including an initial

contribution from Aeroflex. The increase in customer funded R&D was primarily driven by the Group's ongoing major development activity on aerial refuelling programmes.
Underlying EPS was 18.5p (2013: 21.6p), 14% lower than the prior year, primarily reflecting the Group's lower trading profit and the higher share count following the May 2014 equity placing. At constant translation exchange, underlying EPS was 11% lower.

Operating cash flow, which is stated after net capital expenditure but before interest and tax payments, was £208m (2013: £269m). Operating cash conversion was 73% (2013: 85%), which was lower principally due to a significant outflow from an increase in working capital. This included an impact from strong year end trading, an increase in debtors in Aviation Services due to the timing of receipts from customers on new contracts secured, and an increase associated with the Group's development contracts, including its aerial refuelling programmes.

At the year end, net debt had increased to £1,223m (2013: £453m), principally due to the acquisition of Aeroflex. Net debt/EBITDA was 2.6x.

The Group has successfully refinanced the bulk of its US$1,300m Aeroflex acquisition bridge facility by accessing the Private Placement market in the US, thus securing long term funding facilities for its core debt.

MARKETS

Cobham operates in three broad market segments: commercial, which comprises aviation, marine and wireless and other land markets; US defence/security and non-US defence/security. The proportion of Group revenue attributable to each end market segment is set out below.

	2014		2013	
	Revenue	**Organic Growth**	Revenue	Organic Growth
Commercial	**39%**	**5%**	35%	7%
US defence/security	**34%**	**-4%**	37%	-11%
Non-US defence/security	**27%**	**-6%**	28%	-5%
Group	**100%**	**-2%**	100%	-4%

Commercial markets

Specialist commercial markets now make up the largest of the Group's end market segments, with Cobham successfully growing its presence over a number of years. Cobham's primary commercial markets are marine SATCOM, commercial aerospace, including large transport aircraft, regional and business jets, helicopters and smaller aircraft, and in wireless and other land markets. Across these markets it specialises in communications, in particular supplying products and services for environments where the communication solution represents a technology challenge. In addition, Cobham has significant and growing positions in specialist aviation services, largely in Australia.

Driving long term demand in Cobham's main commercial markets is the increased need for bandwidth as the desire to communicate increases, increasingly stringent safety requirements and the demand for smaller and lighter products, which bring operational benefits for customers. In addition, in commercial aerospace markets Cobham benefits from increasing aircraft production. In its specialist aviation services markets, Cobham benefits from the increased outsourcing of airline flying operations and growth in labour demand from the natural resources industry. This is aligned with a reputation for performance, for exceptional safety standards and for the ability to provide differentiated capabilities and know-how.

Cobham leverages its technology used in defence/security markets into new commercial applications. For example, the Group's fuel tank inerting technology was originally used on military programmes. This safety related product decreases the probability of combustion of flammable material in aircraft fuel tanks. It is gaining increased traction in commercial large aircraft transport markets and is being used on the Boeing 787 wide body aircraft, which is now in full rate production. It has also been chosen for the Japanese Mitsubishi Regional Jet, which is expected to have its first flight in the second quarter of 2015, and there are also airline retrofit opportunities beginning to become available.

US defence/security market

The US defence/security market is continuing through its periodic down-cycle with continuing pressure on budgets due to high levels of Government indebtedness. The Group believes there are indications that the investment accounts, which comprise spending on procurement and research, development, testing and evaluation, are beginning to stabilise with the adverse impact on Group revenue slowly moderating.

However, there remains residual risk and uncertainty in this market, with the potential for further significant disruption and cuts in 2016 unless timely action is taken by Congress to avoid the mechanism of Sequestration that is currently mandated.

The Group's leading edge technology, strong programme positions on high priority platforms and its strategy of increasing technology investment positions it well to deliver revenue growth once the down-cycle is completed. It is currently involved in the development or low rate initial production phases of a number of attractive long term programmes, including the US Air Force KC-46 aerial refuelling aircraft, the F-35 Joint Strike Fighter aircraft and the next generation Air and Missile Defence Radar (AMDR) upgrade programme for the US Navy, among others.

The KC-46 development programme took an important step forward just before the end of the year with the completion of its first flight. Subsequent flights are scheduled for 2015, which will include testing of its aerial refuelling capability, and the Group remains on track to participate in this.

Cobham's focused investment in priority areas of technology has continued to deliver results, with the Group increasing its ship set value on the F-35 by US$100k in the year, as the customer looks to implement capability enhancements. The increased ship set includes unique integrated microwave assemblies which will be used to upgrade the aircraft's electronic warfare system.

Non-US defence/security markets

The generally subdued economic situation and outlook and the high levels of public indebtedness in many countries have continued to hold back defence and security investment in Europe, notwithstanding increased internal and external security tensions. However certain countries, including in Eastern Europe, are starting to increase their defence budgets, in part driven by the currently uncertain political environment.

Elsewhere, particularly in Asia, the Middle East, Australia and parts of South America, defence investment has continued to increase. This is driven by local and regional security tensions and underpinned by economic growth.

Cobham's revenue in non-US defence/security markets will be driven in particular by growth in outsourced maintenance and training for fixed and rotary wing aircraft and increased production on non-US aerial refuelling programmes, primarily the Airbus A400M, the Airbus A330 MRTT and the Embraer KC-390 tanker aircraft. Cobham also benefits from export orders, won by larger US and non-US defence companies in accessible markets around the globe, as its critical components and subsystems are used across a wide and diverse range of platforms and programmes.

During the year Cobham demonstrated significant progress in its non-US defence/security markets, including the award of a significant new contract with the Australian Maritime Safety Authority for airborne search and rescue, with flying commencing in 2016. This contract has a potential value of over AUS$700m over its life, if all options are exercised.

The aerial refuelling market, in which Cobham has a leading position, has also remained active, with Qatar, Singapore and France all announcing they have chosen to purchase the Airbus A330 MRTT aircraft. In addition, the Brazilian air force has ordered 28 KC-390 aircraft, with this aircraft successfully undertaking its first flight during February 2015.

STRATEGY

The Group builds and maintain leading positions in its chosen markets by leveraging innovative technology and know-how with a deep insight into its customers' needs. This will enable 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.

Organic Strategy and Execution

Cobham makes significant, focused organic investments in technology and in management capabilities, while driving operational excellence through the business.

The Group has made significant progress in establishing best practice and increasing planning horizons within its Business Development, Sales and Technology function. There has been increased focus on sharing market intelligence and improving customer intimacy to drive sustainable growth from aligning appropriate technology investment with market and customer needs.

Cobham further increased its PV investment in the year to £97m (2013: £88m), representing 6.7% of revenue (2013: 6.2%). This included an initial contribution from Aeroflex.

Consistent with its technology strategy, the Group has also continued to focus investment on its leading edge technologies where there is most opportunity for profitable growth, investing in a range of exciting new products and technologies, including the following:

- Development and launch of the SATCOM SAILOR 100 GX system for the marine market and the EXPLORER 5075 GX system for the land market. Shipments of SATCOM terminals are expected to benefit from the global entry into commercial service of the Inmarsat Global Xpress (GX) satellite constellation. This is currently anticipated to be early in the second half of 2015, with Inmarsat announcing the successful launch of the second of three satellites in February 2015;

- The Semiconductor Solutions business, formerly part of Aeroflex Microelectronics Solutions, has successfully developed and brought to market a 90nm application specific integrated circuit (ASIC) for use in space. This market leading product will be used on the new generation of satellites for digital telecommunications, providing a high speed processor interface and high bandwidth data throughput. The ASIC delivers size and weight benefits to its customers which, together with its reduced power requirements, are critical attributes in the satellite market;

- The Mission Systems Sector has developed its on-board oxygen system (OBOGS), which has been used for military applications, for the general and business aviation markets with first revenue expected in 2015. OBOGS has a number of advantages over alternative technologies including being cheaper to use as well as being lighter. It also has additional safety features;

- Within the Advanced Electronic Solutions Sector, the technology focus has been on developing smaller and lighter products which use less power and which are less costly for customers. These are for priority defence applications including for ship protection, the next generation of radars and for contested airspace applications.

Total Group R&D investment, including customer funded projects, was £198m (2013: £186m). The increase in customer funded R&D was primarily driven by the Group's ongoing major development activity on aerial refuelling programmes. The overall level of the Group's development activity on these programmes is anticipated to moderate in 2015, as the KC-46 and A400M programmes transition into low rate initial production. These programmes are underpinned by a significant stream of long term production and aftermarket revenue.

In addition to its investment in its core technology capabilities, the business has, as anticipated, substantially concluded its successful, multi-year EiD programme in 2014. This programme has delivered significant benefits and fundamental business improvements across a range of operational and customer metrics, including productivity, on time delivery, quality and within the supply chain. As previously reported, the Group is seeking to build on the foundation EiD provides by driving a culture of continuous improvement across its operations.

EiD has also succeeded in significantly reducing Cobham's cost base through a targeted programme of site integrations and rationalisations. These, when combined with the business improvements referred to above, have enabled the company to deliver the anticipated £24m of year-on-year efficiency savings, bringing total annualised benefits to £100m since the programme was launched in 2010. These savings have, in part, been used to significantly increase the Group's organic investment, including in technology and in skills and capabilities. Full year costs for the programme were £28m, slightly below the previous guidance of £33m.

The Group has transitioned to a new operational structure in the year, through its organisational design project. Four realigned Sectors have replaced the four Divisions and it has strengthened its senior management and reporting structure to align it with the drive to deliver sustainable growth.

Capital Deployment Strategy

In the context of maintaining a robust balance sheet, which enables recurring business commitments to be met including external financing and pension obligations, the key elements of the Group's capital deployment strategy are:

i. To prioritise investment in the business for organic growth;

ii. To maintain a progressive dividend policy; and

iii To utilise the balance sheet and strong cash generation to acquire businesses that reinforce its differentiated technology and know-how, in particular where these enable it to leverage its capabilities into adjacent, growing commercial markets.

Dividend Policy

The Group has a long track record of dividend growth and the Board remains committed to continuing to pay a progressive dividend. As Cobham now enters a new phase of sustainable growth, the Board has considered its future approach to dividends. It has concluded that future dividend increases should be broadly aligned with underlying earnings growth, while rebuilding dividend cover over time. This policy will give it flexibility to drive growth and maximise shareholder returns.

Acquisition of Aeroflex

In 2014, as well as continuing to meet its strategic objectives in respect of organic investment and dividends, the Group has further successfully moved its exposure towards growing, commercial markets through the acquisition of Aeroflex for an enterprise value of approximately US$1,460m. In total, some 70% of Aeroflex's revenue is generated from commercial markets.

Consistent with Cobham's strategy, Aeroflex's revenue is connectivity focused, further increasing exposure to the growing demand for data, connectivity and bandwidth, so that approximately two thirds of the Group's revenue is now focused in this area. Aeroflex is a leading global provider of radio frequency and microwave subsystems and components for critical and harsh environments. It also operates in high end, technology-led segments of the wireless and communications market, having a leading position in the provision of technology for specialist wireless infrastructure testing applications. Aeroflex has similar revenue growth potential to Cobham, with similar trading margins and cash generation characteristics.

The Group has been pleased with the trading performance of Aeroflex in the period since completion, which has been in line with the Board's plan. Aeroflex also brings substantial revenue and cost synergy opportunities. Its microelectronics business has been combined with Cobham's Advanced Electronic Solutions Sector, so that they are now being managed together, having considerable complementary technology and customer cross-selling opportunities. There are also opportunities for synergy between Aeroflex's wireless business and existing Cobham businesses, including Axell. These businesses have also been placed under common management as part of Cobham's Communications and Connectivity Sector.

Cobham remains encouraged by the overall potential scope for realising synergies from combining the companies, targeting some US$85m on an annualised, run rate basis, for a total cost of US$215m. Approximately 60% of the benefits and 70% of the costs are expected to be in the first three years of ownership. The integration of the two businesses has got off to a good start, with good early progress on delivering the underlying synergies identified including a significant reduction in central costs, the commencement of supply chain initiatives and the announcement of the first major physical site integration, which will be undertaken during 2015.

FINANCIAL RESULTS

Orders

The Group's book to bill ratio in the year was 1.03x, with the Communications and Connectivity, Mission Systems and Aviation Services Sectors all having a book-to-bill ratio above 1x. Only the Advanced Electronic Solutions Sector was less than 1x, as some expected awards slipped into 2015. Post acquisition, the Aeroflex business also saw a book-to-bill ratio above 1x.

Order intake in the year was £1,908m (2013: £1,670m), being 20% higher at constant translation exchange. Excluding the impact of acquisitions and divestments, order intake was 10% higher than the prior year at constant currency.

The Group's order book had increased to £2.51bn (2013: £2.27bn) at the year end. Within this is £1.19bn (2013: £1.17bn) relating to the long term Aviation Services business. At constant translation exchange, the order book was 10% higher. Excluding the impact of acquisitions and divestments and at constant translation exchange, the order book increased 2% in comparison to the prior year end, with a corresponding increase in orders due for delivery in the current year.

Summary of Underlying Results

A summary of the Group's underlying results is set out below and a reconciliation of underlying profit numbers to statutory profit numbers is set out on page 15:

	2014	2013
£m		
Revenue	**1,852**	1,790
Trading Profit	**287**	318
Trading Margin	***15.5%***	*17.7%*
Underlying Net Finance Expense	**(30)**	(30)
Underlying Profit Before Tax	**257**	288
Underlying Tax	**(52)**	(57)
Underlying Tax Rate	***20.3%***	*20.0%*
Underlying Profit After Tax	**205**	231
Weighted Average Number of Shares (millions)	***1,108***	*1,069*
Underlying EPS (pence)	**18.5**	21.6

Foreign Currency Translation Exchange Rates

The following are the average and closing rates for the four foreign currencies that have most impact on translation of the Group's income statement and balance sheet into pounds sterling:

	2014	2013
Income statement - average rate		
US$/£	**1.65**	1.57
AUS$/£	**1.83**	1.62
€/£	**1.24**	1.18
DKK/£	**9.25**	8.79
Balance sheet - closing rate		
US$/£	**1.56**	1.66
AUS$/£	**1.91**	1.85
€/£	**1.29**	1.20
DKK/£	**9.60**	8.97

Revenue

A summary of changes to Group revenue in the year is as follows:

2013	FX Translation	Acquisitions/Divests.	Organic Growth	2014
£1,790m	**-£85m**	**+£173m**	**-£26m**	**£1,852m**

Total Group revenue increased by 3% to £1,852m (2013: £1,790m), including an initial contribution from Aeroflex and the full year contributions from Axell and FBH.

There was a significant adverse foreign exchange impact on revenue of £85m, primarily due to a year-on-year strengthening in the average rate of sterling against each of the Group's four principal foreign currencies.

The Group's organic revenue increased by 1% year-on-year in the second half, with full year organic revenue being down 2%. Full year Group organic revenue was underpinned by good growth in commercial markets of 5%. This was driven in part by a strong performance from the SATCOM business, which delivered good growth in marine and aerospace markets. The Group's Aviation Services business also showed good growth during the year in Australia from its outsourced airline services business and its regional services business, although commercial growth moderated, as anticipated, in the second half.

In US defence/security, there was a significant sequential organic revenue improvement in the second half. In part, this was due to increased development revenue from the KC-46 aerial refuelling programme and also to an increase in revenue from some of the Group's shorter cycle businesses, including its surveillance business. Full year organic revenue in US defence/security fell by 4%, driven by a decline in demand in the year in shorter cycle businesses which are exposed to land related markets. This included lower revenue from counter-improvised explosive device (IED) products, antennas, composites and surveillance products. There were also lower volumes from aerial refuelling production in the year.

Demand conditions also improved in the Group's non-US defence/security markets in the second half of the year. This was primarily driven by Aviation Services' rotary wing and special mission businesses. These delivered strong second half growth, including from the new contract to provide maintenance support to the Qatar Emiri Air Force fleet of AW139 helicopters and an initial contribution from the new operational readiness and training contract with the Royal Saudi Air Force. In the full year, non-US defence/security organic revenue was 6% lower. In part this was due to lower aerial refuelling aftermarket revenue, although this was partially offset by higher engineering and development revenue from the Airbus A400M and Embraer KC-390 tanker programmes. There was also a reduction in volumes from shorter cycle land related revenue, in particular counter-IED and surveillance products.

Trading Profit

The Group's trading profit of £287m (2013: £318m) included a contribution from acquisitions but also included a significant adverse impact from foreign currency translation of £13m. As described above, the Group's business has continued to evolve with the shift in the mix adversely impacting trading profit. The lower shorter cycle volumes in defence/security, particularly relating to land markets, include businesses which typically offer the Group some of its highest margins. In the aerial refuelling business, the change in revenue mix was from lower production and aftermarket volume partially offset by lower margin engineering and development revenue. This business also recognised a previously announced provision of £15m on its aerial refuelling development programmes. In the Advanced Electronic Solutions Sector there was lower revenue from mature production contracts.

The Group's trading margin was 15.5% (2013: 17.7%) and was adversely impacted by the change in revenue mix and the provision against aerial refuelling development programmes which are outlined above. In addition, there was also an adverse mix impact on the Group's trading margin from some of the businesses which delivered good organic revenue growth in the year, including Aviation Services and SATCOM, as these have lower than average margins for the Group.

Group statutory operating profit was £57m (2013: £159m). The most significant additional items not included in the underlying figure were an unrealised loss of £22m (2013: £2m gain) in non-hedge accounted derivative financial instruments, amortisation expense on intangible assets arising on business combinations of £114m (2013: £104m), other business acquisition and divestment related items of £41m (2013: £nil) and business restructuring relating to EiD of £28m (2013: £56m) and to the Aeroflex integration of £24m (2013: £nil).

Underlying Net Finance Expense and Underlying Profit Before Tax

The Group's net underlying finance charge for the year was £30m (2013: £30m). The underlying net interest expense on cash and debt holdings was largely stable at £26m (2013: £27m). This reflected additional interest expense from the Aeroflex acquisition, offset by a favourable impact from foreign currency translation and the full year impact from a change in the mix of fixed and floating rate debt, which was implemented in 2013. As expected, there was a non-cash net finance charge from pension schemes of £4m (2013: £3m). In 2015, the Group's non-cash net finance charge from pension schemes is also expected to be £4m.

The Group's underlying profit before taxation was £257m (2013: £288m).

Taxation

The Group's underlying tax rate increased to 20.3% (2013: 20.0%), from an underlying tax charge of £52m (2013: £57m). The rate is calculated by taking the underlying tax charge and dividing it by the underlying profit of £257m (2013: £288m), excluding the share of post-tax results of joint ventures of £nil (2013: £3m).

The Group's underlying tax rate increased due to the impact of the Aeroflex transaction. For 2015, it is estimated that the full year impact of Aeroflex will result in the Group's underlying tax rate increasing to 21.0%-21.5%.

Earnings per Share (EPS)

Underlying EPS was 18.5p (2013: 21.6p), 14% lower than the prior year, primarily reflecting the Group's lower trading profit and the higher share count following the issuance of new shares in the May equity placing. At constant translation exchange, underlying EPS was 11% lower.

Basic EPS was 2.6p (2013: 10.7p), principally due to the impact of the items set out in the paragraphs on trading profit, statutory operating profit and underlying EPS above.

Retirement Obligations

The Group operates a number of defined benefit pension schemes, with the largest being the Cobham Pension Plan in the UK. At the year end the estimated deficit for accounting purposes, which is the difference between the value of the schemes' assets and the present value of the future liabilities was £102m before deferred tax (2013: £87m). The increase in the deficit was primarily due to a decrease in corporate bond rates, resulting in a lower discount rate being applied to scheme liabilities. This was partially mitigated by investment returns in excess of expectations.

Cash Flow and Net Debt

Operating cash flow, which is stated after net capital expenditure but before interest and tax payments, was £208m (2013: £269m). Operating cash conversion (which is calculated by dividing operating cash flow by the Group's trading profit, excluding its share of post-tax profits of joint ventures) was 73% (2013: 85%).

The Group's operating cash conversion was lower than the prior year principally due to a cash outflow of £71m (2013: £32m) from working capital, driven by an increase in debtors and inventory. The working capital outflow included an impact from strong year end trading, an increase in debtors in Aviation Services due to the timing of receipts from customers on new contracts secured, and an increase associated with the Group's development contracts, including its aerial refuelling programmes.

In addition, net capital expenditure increased to £74m (2013: £61m) largely due to Aviation Services, where there has been increased investment. This has been primarily in the aircraft fleet as a result of its recent success in winning multi-year contract awards.

Free cash flow was £114m (2013: £155m), which is stated after £32m (2013: £51m – EiD only) of EiD restructuring and Aeroflex integration costs, underlying net interest payments of £25m (2013: £29m) and tax payments of £37m (2013: £38m). Following the Group taking full control of the FBH joint venture in 2013, there were £nil (2013: £4m) dividends received from joint ventures.

Out of free cash flow the Group paid a dividend of £108m (2013: £97m). The higher dividend payment reflects the Group's progressive dividend policy and the impact of the additional 60 million shares issued in the placing, with these additional shares qualifying for the Group's November interim dividend payment.

Acquisition payments of £897m principally reflected the acquisition of Aeroflex, together with smaller contingent payments relating to acquisitions completed in prior years. The prior year cash outflow of £152m principally related to the acquisition of Axell and FBH and an investment in the UK Future Strategic Tanker Aircraft (FSTA) consortium.

In addition, the Group received £180m (2013: paid £2m), principally related to the issuance of 60 million new Cobham shares, which in part funded the Aeroflex acquisition.

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

Cash Flow £m	**2014**	2013
Trading profit (excluding joint ventures)	**287**	315
Depreciation, amortisation & other items	**83**	61
Pension contributions in excess of service & admin. costs	**(17)**	(14)
Increase in working capital	**(71)**	(32)
Net capital expenditure	**(74)**	(61)
Operating cash flow	**208**	269
Operating cash/trading profit (excl. joint ventures)	***73%***	*85%*
Underlying net interest paid	**(25)**	(29)
Taxation paid	**(37)**	(38)
Dividends received from joint ventures	**-**	4
Free cash flow before restructuring costs	**146**	206
Restructuring costs – EiD and Aeroflex integration	**(32)**	(51)
Free cash flow	**114**	155
Dividends paid	**(108)**	(97)
Acquisition payments less divestment proceeds & other related costs	**(897)**	(152)
Placing and net settlement of treasury shares	**180**	(2)
Exchange movements	**(59)**	3
Increase in net debt	**(770)**	(93)

At the year end, the Group's net debt, which predominantly comprises short term cash balances and fixed term borrowings, had increased to £1,223m (2013: £453m), principally due to the acquisition of Aeroflex. There were also adverse exchange movements of £59m (2013: £3m favourable), which were in large part driven by the strengthening US dollar. It is the Group's policy to hold a significant proportion of its borrowings in foreign currency, as a natural hedge against assets and earnings denominated in that currency. At the year end, net debt/EBITDA was 2.6x.

The Group has successfully refinanced the bulk of its US$1,300m Aeroflex acquisition bridge facility by accessing the Private Placement market in the US, thus securing long term funding facilities for its core debt.

Dividend

The Board is recommending a final dividend for 2014 of 7.746p (2013: 7.04p). This, together with the interim dividend of 2.904p (2013: 2.64p), will result in a total dividend per share for 2014 of 10.65p (2013: 9.68p), an increase of 10%, in line with the Group's progressive dividend policy.

The shares will be traded ex dividend on 30 April 2015. The dividend will be payable on 29 May 2015 to all holders on the register at 1 May 2015, subject to shareholder approval.

RECONCILIATION OF UNDERLYING MEASURES

£m	**2014**	2013
Trading Profit is calculated as follows:		
Result before joint ventures	**57**	156
Share of post-tax results of joint ventures and associates	**-**	3
Operating Profit	**57**	159
Adjusted to exclude:		
Business restructuring - Excellence in Delivery	**28**	56
Business restructuring - Aeroflex integration	**24**	-
Movements in non-hedge accounted derivative financial instruments	**22**	(2)
Amortisation of intangible assets arising on business combinations	**114**	104
Exceptional legal costs	**1**	-
Other business acquisition and divestment related items	**41**	-
Impairment of Goodwill	**-**	63
Revaluation gain arising on equity interests in FBH	**-**	(62)
Total operating reconciling items	**230**	159
Trading Profit	**287**	318

Underlying Profit Before Tax is calculated as follows:		
Profit before taxation	**24**	127
Total operating reconciling items as above	**230**	159
Non-underlying finance costs	**3**	2
Underlying Profit Before Taxation	**257**	288
Taxation charge on underlying profit	**(52)**	(57)
Underlying Profit After Taxation	**205**	231
Underlying EPS (pence)	**18.5**	21.6

SECTOR REVIEW

Group Operating Summary

£m	Revenue 2014	Revenue 2013	Trading Profit 2014	Trading Profit 2013
Cobham Communications and Connectivity	**697**	678	**118**	115
Trading Margin			***17.0%***	*17.0%*
Cobham Mission Systems	**334**	358	**36**	74
Trading Margin			***10.8%***	*20.7%*
Cobham Advanced Electronic Solutions	**410**	372	**64**	63
Trading Margin			***15.6%***	*17.0%*
Cobham Aviation Services	**412**	365	**55**	48
Trading Margin			***13.2%***	*13.1%*
Head Office and Eliminations	**(5)**	(4)	**14**	15
Core Businesses	**1,848**	1,769	**287**	315
Trading Margin				*17.8%*
Non-core Business	**4**	21	**-**	3
Trading Margin				*12.0%*
Cobham Group	**1,852**	1,790	**287**	318
Trading Margin			***15.5%***	*17.7%*

Cobham Communications & Connectivity

Aircraft and in-building communications equipment, law enforcement and national security monitoring solutions, satellite communication equipment for land, sea and air applications, specialist composite products for military and commercial applications, and test and measure instrumentation for radio frequency, cellular communications and wireless networking.

£m	**2014**	2013 Constant FX	2013 Reported	**Organic Revenue**
Revenue	**697**	652	678	**(6)%**
Trading Profit	**118**	111	115	
Margin	**17.0%**	17.1%	17.0%	

Total revenue increased by £19m, due to an initial part year contribution from the former Aeroflex Test Solutions business and the full year contribution from Axell. This was partially offset by a significant adverse impact from foreign currency translation of £26m. There was an organic revenue decline of 6%, driven by lower defence/security revenue.

The Sector saw organic revenue growth from its commercial markets, with a good performance from SATCOM in its marine and aerospace markets. In addition, there was revenue growth from increased volumes of radio management systems and antennas into the large transport and regional jet markets. Within defence/security markets there continued to be weakness in many of its shorter cycle land oriented businesses, particularly for counter-IED and surveillance products.

The Sector's trading profit increased by £3m largely due to the contribution from Aeroflex and the incremental contribution from Axell. Trading profit also benefited from increased volumes in commercial markets and from proactive implementation of rationalisation and other cost reduction activities. However, these positive factors were offset by lower volumes in defence/security markets and by the adverse impact from foreign currency translation. The Sector's trading margin was unchanged at 17.0%.

While some of the Sector's markets, particularly those relating to land based defence/security, have remained challenging, there have been a number of positive developments in the year, particularly in commercial markets, which are expected to deliver future benefits:

- Delivery of the first Airbus A350 wide body aircraft late in the year, for which Cobham supplies audio and radio management systems and antennas, including the HGA 7001 SATCOM antenna;
- Continued growing demand for commercial airborne antennas, driven by customers' need to enhance aircraft connectivity, and underpinned by increasing commercial aircraft production volumes;
- First orders for the IOMAX border patrol aircraft, on which Cobham supplies the full radio package, with the aircraft now operational in the Middle East;
- A strategic partnership agreement between Cobham and Furuno in the marine SATCOM market, with launch planned in 2015. Cobham will provide next generation SATCOM antennas for integration in Furuno's established maritime portfolio;
- Launch of the Cobham SAILOR 100 GX marine system in December, with the land based EXPLORER 5075 GX land system also completed. This is ahead of the expected global entry into commercial service of Inmarsat's next generation GX satellite constellation early in the second half of 2015, which is expected to drive demand for these products;
- Within the wireless business, part of Aeroflex Test Solutions, the TM/E500 product secured a market leading position in the 4G Radio Access Network load test market, winning new customers in the USA, Australia, France, China and Korea. The innovative TeraVM product established a leadership position in the nascent virtualised wireless internet protocol data applications and network test market, including selection by Dell for showcase on its cloud platform.

Cobham Mission Systems

Safety and survival systems for extreme environments, nose-to-tail aerial refuelling systems and wing-tip to wing-tip mission systems for fast jets, transport aircraft and rotorcraft and remote controlled robots and fully equipped bomb disposal vehicles for homeland security and military.

£m	**2014**	2013 Constant FX	2013 Reported	**Organic Revenue**
Revenue	**334**	346	358	**(4)%**
Trading Profit	**36**	72	74	
Margin	**10.8%**	20.7%	20.7%	

Total revenue was lower by £24m, including an adverse foreign currency translation impact of £12m, primarily due to the US dollar, and an organic revenue decline of 4%.

The organic decline was driven by a lull in production of the KC-130 tanker aircraft in the US and lower production and aftermarket activity in support of the UK FSTA Airbus A330 MRTT aircraft. This was partially offset by increasing customer funded engineering and development revenue on next generation aerial refuelling programmes, principally the Boeing KC-46 and the Airbus A400M.

The Sector's trading profit decreased to £36m. This was in part due to an unfavourable mix in the aerial refuelling business driven by lower production and aftermarket revenue, which was partially offset by increased lower margin engineering and development revenue. In addition there was an adverse impact from the previously announced provision of £15m on aerial refuelling development programmes. This provision was made following a revised technical baseline assessment, to address cost escalation and outstanding risks related to a small number of hardware subsystem development and design maturity issues. The Sector will continue to progress through test, qualification and certification processes on these programmes in the current year. Within the context of these being very large and complicated development programmes, it does not expect any significant further impact on its future financial performance. Reflecting the above factors, the trading margin decreased to 10.8%.

Notwithstanding the significant market and engineering development challenges faced in 2014, the Sector has some excellent long term market positions and differentiated technologies across its product portfolio. There were positive developments during the year including:

- Following Qatar, Singapore and France announcing they had selected the Airbus A330 MRTT aircraft, additional aerial refuelling production orders are expected in 2015;
- The Brazilian Air Force signed a contract for 28 Embraer KC-390 aircraft and a new multi-year order was received from Lockheed Martin for the KC-130 tanker, which is used primarily by the US Marine Corps;
- Further in-service support business was secured, notably a five-year contractor logistics support contract with Sabena Technics to support the French Air Force's air-to-air refuelling equipment. This renews a relationship that has been in place since 2008;
- New orders for weapons carriage and release products were received for the Eurofighter aircraft and for programmes for the US and for Oman. An order was also booked for a major upgrade on the weapon systems of the Indian Air Force's Jaguar aircraft;
- Fuel tank inerting system orders and revenue continue to build for commercial aircraft, most notably for the Boeing 787 and the Mitsubishi Regional Jet programmes. This market remains attractive with several further sizeable opportunities to be concluded in 2015, as well as significant airline retrofit opportunities.

Cobham Advanced Electronic Solutions

Critical solutions for communication on land, at sea, in the air and in space, by moving data through off-the-shelf and customised products including radio frequency, microwave, and high reliability microelectronics, antenna subsystems and motion control solutions. This incorporates defence, wireless/mobile and fixed broadband, X-ray imaging, medical, industrial, and point of sale markets.

£m	**2014**	2013 Constant FX	2013 Reported	**Organic Revenue**
Revenue	**410**	353	372	**(1)%**
Trading Profit	**64**	60	63	
Margin	**15.6%**	17.1%	17.0%	

Total revenue increased by £38m due to an initial part year contribution from the former Aeroflex Microelectronics Solutions business, which was partially offset by a significant adverse currency translation impact from the US dollar of £19m. Organic revenue was 1% lower, a good performance notwithstanding the ongoing challenging conditions in US defence/security, its primary market.

Organic revenue was impacted by reduced revenue from a number of mature production programmes, including for legacy electronic warfare applications and a space related programme, and lower revenue from foreign military sales. These were mostly offset by growing revenue from next generation electronic warfare and radar programmes such as the Joint Strike Fighter and the Surface Electronic Warfare Improvement programme (SEWIP), which is intended to improve electronic warfare capability across the US Navy surface fleet, and which is in low rate initial production. There were also increased shipments of components and subsystems on the US Navy AEGIS missile defence programme and for an electronic self protection upgrade on US Navy aircraft.

The Sector's trading profit increased by £1m, largely due to the contribution from Aeroflex, although there was also an adverse impact from foreign currency translation. Trading profit was also impacted by the lower volumes from mature production programmes above, which tend to offer the Sector some of its highest margins. The margin decreased to 15.6%, also reflecting the factors above.

Notwithstanding the ongoing challenging conditions in its primary end market, the Sector has differentiated technology and strong positions focused on priority areas. This has resulted in a number of important business developments in the year which are expected to benefit future revenue:

- A key low rate initial production award was received for the SEWIP Block 2 programme from Lockheed Martin. This is a franchise programme that provides a solid level of orders and additional growth potential over the next five years;
- An interim capability has been funded to enhance Cobham's low band transmitter product, which is used for electronic warfare on US Navy aircraft. This extends the life of the programme and positions Cobham for a future next generation product competition;
- Cobham is part of the winning Raytheon team on the significant US Navy AMDR programme, with engineering and development work already underway. In addition to

being a significant programme in its own right, it has opened up significant opportunities on other radar programmes, leveraging Cobham's leading edge digital receiver/exciter technology, with at least one significant radar award scheduled for 2015;

- The Cobham Semiconductor Solutions business, formerly part of Aeroflex Microelectronics Solutions, has brought to market a next generation power distribution module (PDM). The business is a world leader in PDM technology for communication satellites, and this product delivers size and weight benefits to its customers, with these being critical requirements in the satellite market;
- The Cobham Motion Control business, formerly part of Aeroflex Microelectronics Solutions, has won an award on the Joint Polar Satellite System-2 Advanced Technology Microwave Sounder, a next generation weather forecasting satellite. It has also won awards on the joint US National Aeronautics and Space Administration/Joint Propulsion Laboratory Mars 2020 programme, which will investigate the habitability of Mars.

Cobham Aviation Services

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

£m	**2014**	2013 Constant FX	2013 Reported	**Organic Revenue**
Revenue	**412**	338	365	**8%**
Trading Profit	**55**	45	48	
Margin including Joint Ventures	**13.2%**	13.4%	13.1%	
Margin excluding Joint Ventures	**13.2%**	12.4%	12.3%	

Total revenue increased by £47m, due to strong organic growth of 8% and the full year impact of the FBH acquisition. Partially offsetting these was a significant adverse foreign currency translation impact of £27m from the Australian dollar.

There was good organic growth in the commercial business, particularly driven by increased revenue from Qantas, as the expanded contract which commenced in the second half of 2013 became fully operational. In addition, there was increased flight frequency in the Australian natural resources market. This included a short-term contract expansion with Chevron to operate a jet shuttle between Karratha and Barrow Island, and a new contract with Gold Fields Australia to provide fly-in fly-out (FIFO) services to its Granny Smith and Darlot mining sites. These contracts use jet aircraft equipped with Cobham's gravel kit capability for unsealed runways, which are unique in this market. Revenue progress was partially offset by the run-down of a FIFO contract that ended in June.

In defence/security markets, the Sector also showed good organic revenue growth, including a new contract to provide maintenance support to the Qatar Emiri Air Force fleet of AW139 helicopters and an initial deployment undertaken in the second half relating to the new operational readiness and training contract with the Royal Saudi Air Force.

The Sector's trading profit increased by £7m, due to the incremental contribution from FBH and from organic growth. This was partially offset by an adverse impact from foreign currency translation. The trading margin was broadly unchanged at 13.2%.

The Sector, in addition to its strong 2014 performance, achieved new business successes in the year which are expected to benefit future revenue:

- Cobham has been selected to provide search and rescue services to the Australian Government, under a base 12 year AUS$640 million contract, using long range jet aircraft that will be modified for the role at Cobham's Adelaide facility. Flying operations will begin in the second half of 2016;
- The Chevron FIFO contract in Australia was extended until 2020, and will include the introduction of the new Embraer 190 jet aircraft, the first of its type to be used in this market.

Non-core Business

The Group divested its non-core business in April 2014. As previously reported, there was revenue in the year of £4m (2013: £21m) and trading profit of £nil (2013: £3m) prior to divestment.

The Group continues to keep its business portfolio under review to ensure that it remains aligned with its strategy, which is to have leading positions in attractive and specialist markets, with technology that provides real competitive differentiation.

OUTLOOK

In 2014 Cobham made significant progress on the delivery of its strategic objectives. Completing the Aeroflex acquisition was a key highlight, increasing the Group's exposure to growing commercial markets, and Aeroflex's post acquisition trading and integration has been in line with the Board's expectations. This progress enhances Cobham's position as a technology company with exciting prospects based on its close customer relationships, differentiated technology and know-how, market leading positions and an increasingly strong operational foundation. The significant progress made in 2014 means that Cobham remains well positioned to deliver the anticipated mid-single digit organic revenue growth from 2015.

-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.

Consolidated Income Statement

For the year ended 31 December 2014

£m	Note	2014	2013
Revenue	3	**1,851.7**	1,789.7
Cost of sales		**(1,290.1)**	(1,220.9)
Gross profit		**561.6**	568.8
Selling and distribution costs		**(100.3)**	(84.7)
Administrative expenses		**(403.9)**	(328.4)
Share of post-tax results of joint ventures and associates		**0.2**	3.1
Operating profit		**57.6**	158.8
Finance income	4	**6.4**	5.3
Finance costs	4	**(39.7)**	(37.5)
Profit before taxation		**24.3**	126.6
Taxation	5	**4.7**	(12.1)
Profit after taxation for the period		**29.0**	114.5
Attributable to:			
Owners of the parent		**28.8**	114.3
Non-controlling interests		**0.2**	0.2
		29.0	114.5
Earnings per ordinary share	7		
Basic		**2.60p**	10.70p
Diluted		**2.58p**	10.65p

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

£m	2014	2013
Operating profit	**57.6**	158.8
Adjusted to exclude:		
Business restructuring	**52.2**	56.1
Movements in non-hedge accounted derivative financial instruments	**21.8**	(2.2)
Amortisation of intangible assets arising on business combinations	**113.6**	103.9
Impairment of goodwill	**-**	63.0
Revaluation gain arising on equity interests in FBH	**-**	(62.1)
Exceptional legal costs	**0.8**	-
Other business acquisition and divestment related items	**40.7**	0.1
Trading profit	**286.7**	317.6
Underlying EPS	**18.48p**	21.60p

The definitions of trading profit and underlying EPS are shown on page 3.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

£m	**2014**	2013
Profit after taxation for the year	**29.0**	114.5
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit retirement benefit obligations (note 9)	**(27.7)**	(25.6)
Actuarial loss on other retirement obligations	**(0.7)**	-
Tax effects	**5.0**	4.1
	(23.4)	(21.5)
Items that may subsequently be reclassified to profit or loss		
Net translation differences on investments in overseas subsidiaries	**(18.7)**	(11.1)
Reclassification of cash flow hedge fair values	**1.3**	4.5
Movements in hedge accounted derivative financial instruments	**1.6**	0.6
Tax effects	**(0.9)**	(1.2)
	(16.7)	(7.2)
Total other comprehensive expense for the year	**(40.1)**	(28.7)
Total comprehensive (expense)/income for the year	**(11.1)**	85.8
Attributable to:		
Owners of the parent	**(11.3)**	85.6
Non-controlling interests	**0.2**	0.2
	(11.1)	85.8

Consolidated Balance Sheet
As at 31 December 2014

£m	Note	2014	2013
Assets			
Non-current assets			
Intangible assets		**1,997.2**	1,162.2
Property, plant and equipment		**390.0**	350.8
Investment properties		**10.4**	9.9
Investments in joint ventures and associates		**3.1**	3.1
Trade and other receivables		**53.3**	22.2
Other financial assets		**6.1**	6.1
Deferred tax		**10.5**	9.9
Derivative financial instruments		**7.6**	5.1
		2,478.2	1,569.3
Current assets			
Inventories		**431.4**	315.9
Trade and other receivables		**436.6**	317.7
Current tax receivables		**0.4**	0.8
Derivative financial instruments		**8.7**	6.6
Cash and cash equivalents	8	**225.6**	200.7
Assets classified as held for sale		**2.1**	8.2
		1,104.8	849.9
Liabilities			
Current liabilities			
Borrowings	8	**(1.5)**	(48.1)
Trade and other payables		**(503.6)**	(370.3)
Provisions		**(54.1)**	(34.4)
Current tax liabilities		**(119.2)**	(112.2)
Derivative financial instruments		**(20.7)**	(4.6)
Liabilities associated with assets classified as held for sale		**-**	(5.2)
		(699.1)	(574.8)
Non-current liabilities			
Borrowings	8	**(1,446.8)**	(606.0)
Trade and other payables		**(36.2)**	(38.0)
Provisions		**(13.3)**	(8.6)
Deferred tax		**(157.8)**	(52.9)
Derivative financial instruments		**(15.5)**	(7.4)
Retirement benefit obligations	9	**(102.0)**	(87.3)
		(1,771.6)	(800.2)
Net assets		**1,112.3**	1,044.2
Equity			
Share capital		**30.4**	28.9
Share premium account		**301.9**	126.6
Other reserves		**42.7**	55.2
Retained earnings		**736.4**	832.7
Total equity attributable to the owners of the parent		**1,111.4**	1,043.4
Non-controlling interests in equity		**0.9**	0.8
Total equity		**1,112.3**	1,044.2

Approved by a duly appointed and authorised committee of the Board on 4 March 2015 and signed on its behalf by:

Bob Murphy Simon Nicholls
Directors

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2013	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 6)	-	-	-	(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
Profit for the year	**-**	**-**	**-**	**28.8**	**28.8**	**0.2**	**29.0**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**(23.4)**	**(23.4)**	**-**	**(23.4)**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**(16.7)**	**-**	**(16.7)**	**-**	**(16.7)**
Total comprehensive income for the year	**-**	**-**	**(16.7)**	**5.4**	**(11.3)**	**0.2**	**(11.1)**
Issue of shares	**1.5**	**175.3**	**-**	**-**	**176.8**	**-**	**176.8**
Net proceeds from treasury shares	**-**	**-**	**-**	**3.3**	**3.3**	**-**	**3.3**
Dividends (note 6)	**-**	**-**	**-**	**(108.3)**	**(108.3)**	**-**	**(108.3)**
Share based payments	**-**	**-**	**6.1**	**-**	**6.1**	**-**	**6.1**
Transfers of other reserves to retained earnings	**-**	**-**	**(3.3)**	**3.3**	**-**	**-**	**-**
Tax effects	**-**	**-**	**1.5**	**-**	**1.5**	**-**	**1.5**
Foreign exchange adjustments	**-**	**-**	**(0.1)**	**-**	**(0.1)**	**(0.1)**	**(0.2)**
Total equity at 31 December 2014	**30.4**	**301.9**	**42.7**	**736.4**	**1,111.4**	**0.9**	**1,112.3**

Consolidated Cash Flow Statement

For the year ended 31 December 2014

£m	Note	2014	2013
Operating profit		**57.6**	158.8
Non-cash items:			
Share of post-tax profits of joint ventures and associates		**(0.2)**	(3.1)
Revaluation gain arising on equity interests in FBH		**-**	(62.1)
Depreciation and amortisation including impairment		**190.8**	235.1
Profit on sale of property, plant and equipment		**(0.3)**	(1.1)
Business acquisition and divestment related items		**23.8**	(1.6)
Movements in non-hedge accounted derivative financial instruments		**21.8**	(2.2)
Pension contributions in excess of pension charges		**(16.9)**	(14.5)
Share based payments		**6.1**	(1.7)
Operating cash movements:			
Increase in inventories		**(11.9)**	(0.3)
Increase in trade and other receivables		**(68.3)**	(26.2)
Increase/(decrease) in trade and other payables		**17.3**	(0.3)
Increase/(decrease) in provisions		**12.9**	(3.9)
Tax paid		**(37.0)**	(37.6)
Interest paid		**(31.5)**	(33.7)
Interest received		**3.7**	5.0
Net cash from operating activities		**167.9**	210.6
Cash flows from investing activities			
Dividends received from joint ventures		**-**	3.7
Purchase of property, plant and equipment		**(63.7)**	(58.0)
Purchase of intangible assets		**(12.4)**	(11.7)
Proceeds on disposal of property, plant and equipment		**2.3**	8.0
Investment in other financial assets		**-**	(6.1)
Loans repaid by joint ventures		**-**	2.1
Investment in loan notes		**(9.0)**	(18.3)
Acquisition of subsidiaries net of cash or debt acquired	11	**(846.1)**	(126.0)
Contingent consideration paid		**(28.5)**	(2.5)
Proceeds of business divestments		**6.6**	0.5
Net cash used in investing activities		**(950.8)**	(208.3)
Cash flows from financing activities			
Issue of share capital		**176.8**	-
Dividends paid	6	**(108.3)**	(96.6)
Purchase of treasury shares		**(5.5)**	(15.3)
Proceeds on allocation of treasury shares		**8.8**	13.5
New borrowings		**1,467.5**	67.0
Repayment of borrowings		**(699.9)**	(7.7)
Net cash from/(used in) financing activities		**839.4**	(39.1)
Net increase/(decrease) in cash and cash equivalents		**56.5**	(36.8)
Exchange movements		**(31.2)**	(14.4)
Cash and cash equivalents at start of year		**199.0**	250.2
Cash and cash equivalents at end of year		**224.3**	199.0

A reconciliation of cash and cash equivalents to the Balance Sheet and movement in net debt is detailed in note 8.

Notes to the Financial Information

For the year ended 31 December 2014

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 2014 and 31 December 2013.

Statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies, and those for 2014 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, interpretations of the IFRS Interpretation Committee 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 2013. 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 2014. No changes to previously published accounting policies or other adjustments were required.

2. Underlying measures

Underlying measures, defined on page 3, are derived from operating profit as set out below:

£m	2014	2013
Operating profit	57.6	158.8
Business restructuring - Excellence in Delivery	28.1	56.1
Business restructuring - Aeroflex integration	24.1	-
Movements in non-hedge accounted derivative financial instruments	21.8	(2.2)
Amortisation of intangible assets arising on business combinations	113.6	103.9
Impairment of goodwill	-	63.0
Revaluation gain arising on equity interests in FBH	-	(62.1)
Exceptional legal costs	0.8	-
Other business acquisition and divestment related items		
Acquisition related costs	21.4	1.7
Pre-acquisition profit element of inventory written off	19.6	4.1
Release of contingent consideration	-	(11.9)
Divestment and adjustments to businesses held for sale	(0.3)	6.2
Trading profit	286.7	317.6
Net underlying finance costs	(29.7)	(29.6)
Underlying profit before taxation	257.0	288.0
Taxation charge on underlying profit (effective rate 20.25%)	(52.0)	(57.0)
Non-controlling interests	(0.2)	(0.2)
Underlying profit after tax attributable to owners of the parent	204.8	230.8

Underlying basic EPS	**18.48p**	21.60p
Underlying diluted EPS	**18.38p**	21.51p

Underlying administrative expenses, which exclude the reconciling items in the table above, amounted to £174.8m (2013: £169.6m), representing 9.4% (2013: 9.5%) of revenue.

Business restructuring costs relate to the restructuring of the Group's portfolio, under its EiD and Aeroflex integration programmes, which are incremental to normal operations. The EiD programme relates exclusively to the 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. Costs in respect of the Aeroflex integration are consequential to the acquisition of the Aeroflex group in September 2014 and are in line with the Company's plans announced in the shareholder circular of 16 June 2014, which set out the synergies and cost savings expected to be derived by the integration of Aeroflex with the existing Cobham businesses.

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	**2014**	2013
Net cash from operating activities per Cash Flow Statement	**167.9**	210.6
Dividends received from joint ventures	**-**	3.7
Purchase of property, plant and equipment	**(63.7)**	(58.0)
Purchase of intangible assets	**(12.4)**	(11.0)
Proceeds on disposal of property, plant and equipment	**2.3**	8.0
Acquisition related costs paid	**20.3**	1.7
Free cash flow	**114.4**	155.0

3. 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	**2014**	2013 (as re-presented)
Revenue from sale of goods	**1,368.2**	1,376.7
Revenue from services	**483.5**	413.0
	1,851.7	1,789.7

Revenue from services includes service contracts in the Aviation Services Sector together with logistics support, maintenance and repairs in other Sectors; comparatives have been re-presented to reflect this allocation.

Operating segments

£m	Revenue 2014	Revenue 2013 (as re-presented)	Trading profit 2014	Trading profit 2013 (as re-presented)	Segment net assets 2014	Segment net assets 2013 (as re-presented)
Communications and Connectivity	**697.1**	678.1	**118.3**	115.3	**1,071.5**	739.9
Mission Systems	**333.5**	357.7	**35.9**	73.9	**303.0**	274.2
Advanced Electronic Solutions	**410.1**	371.9	**64.0**	63.4	**1,085.9**	389.8
Aviation Services	**412.2**	365.2	**54.5**	48.0	**284.0**	322.8
Head office, other activities and elimination of inter-segment items	**(5.2)**	(4.1)	**14.1**	14.5	**(24.5)**	42.5
Core Group	**1,847.7**	1,768.8	**286.8**	315.1	**2,719.9**	1,769.2
Non-core businesses	**4.0**	20.9	**(0.1)**	2.5	**-**	(3.1)
Total Group	**1,851.7**	1,789.7	**286.7**	317.6	**2,719.9**	1,766.1
Interests in joint ventures and associates					**3.1**	3.1
Unallocated liabilities					**(1,610.7)**	(725.0)
Total net assets					**1,112.3**	1,044.2

The Group reports four segments whose revenue and results are reported to the Board. During the year the Aerospace and Security segment was renamed Communications and Connectivity, and the Defence Systems segment became Advanced Electronic Solutions. The comparative segmental analysis of revenue and trading profit shown above has been re-presented on a basis consistent with the Sectors as reported during 2014, which includes the transfer of the Exeter, New Hampshire business from Communications and Connectivity Sector to Advanced Electronic Solutions. The remaining non-core businesses were divested during the year.

Trading profit is reconciled to profit before taxation as follows:

£m	Note	2014	2013
Trading profit		**286.7**	317.6
Business restructuring		**(52.2)**	(56.1)
Movements in non-hedge accounted derivative financial instruments		**(21.8)**	2.2
Amortisation of intangible assets arising on business combinations		**(113.6)**	(103.9)
Impairment of goodwill		**-**	(63.0)
Revaluation gain arising on equity interests in FBH		**-**	62.1
Exceptional legal costs		**(0.8)**	-
Other business acquisition and divestment related items		**(40.7)**	(0.1)
Net finance costs	4	**(33.3)**	(32.2)
Profit before taxation		**24.3**	126.6

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 2014	**228.3**	**814.4**	**247.2**	**286.5**	**169.9**	**105.4**	**1,851.7**
Year to 31 December 2013	235.2	812.5	249.8	277.4	132.8	82.0	1,789.7

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 2014	**509.6**	**1,419.7**	**229.9**	**87.1**	**87.6**	**66.8**	**2,400.7**
At 31 December 2013	402.4	588.9	272.6	101.2	90.5	70.4	1,526.0

4. Finance income and costs

£m	2014	2013
Bank interest	**4.5**	3.3
Other finance income	**1.9**	2.0
Total finance income	**6.4**	5.3
Interest on bank overdrafts and loans	**(30.9)**	(29.6)
Interest on net pension scheme liabilities	**(3.6)**	(2.8)
Other finance expense	**(5.2)**	(5.1)
Total finance costs	**(39.7)**	(37.5)
Net finance costs excluding pension schemes	**(29.7)**	(29.4)
Net finance costs arising from pension schemes	**(3.6)**	(2.8)
Net finance costs	**(33.3)**	(32.2)

Other finance expense above includes £2.6m of arrangement fees for the Aeroflex acquisition finance facility and unwinding of acquisition related discounting of £1.0m (2013: £2.6m). These costs are excluded from underlying profit in note 2.

5. Taxation

£m	2014	2013
Current tax	**32.3**	29.4
Deferred tax	**(37.0)**	(17.3)
Total tax (credit)/charge for the year	**(4.7)**	12.1

Income tax is calculated on the estimated assessable profit for the year at the rates prevailing in the relevant tax jurisdiction. The total tax (credit)/charge for the year includes a credit of £5.5m (2013: £7.7m charge) for the UK.

6. Dividends

£m	2014	2013
Final dividend of 7.04 pence per share for 2013 (2012: 6.4 pence)	**75.5**	68.5
Interim dividend of 2.904 pence per share for 2014 (2013: 2.64 pence)	**32.8**	28.1
Total dividend authorised and paid during the year	**108.3**	96.6

In addition to the above, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 7.746 pence per share at an estimated total cost of £87.7m. 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 29 May 2015 to shareholders who are on the register of members as at 1 May 2015. The total dividend in respect of the financial year ended 31 December 2014 will therefore be 10.65 pence per share (2013: 9.68 pence). The total amount payable in respect of 2014 will be £120.5m.

7. Earnings per ordinary share

		2014			2013	
	Earnings £m	**Weighted average number of shares million**	**Per-share amount pence**	Earnings £m	Weighted average number of shares million	Per-share amount pence
Basic earnings per share (EPS)						
Earnings attributable to owners of the parent	**28.8**	**1,108.0**	**2.60**	114.3	1,068.7	10.70
Effect of dilutive securities		**6.4**			4.3	
Diluted EPS	**28.8**	**1,114.4**	**2.58**	114.3	1,073.0	10.65

8. Cash and cash equivalents and net debt

Reconciliation of cash and cash equivalents and net debt

£m	2014	2013 (as re-presented)
Cash and cash equivalents per Cash Flow Statement	**224.3**	199.0
Bank overdrafts	**1.3**	1.7
Cash and cash equivalents per Balance Sheet	**225.6**	200.7
Borrowings - current liabilities	**(1.5)**	(48.1)
Borrowings - non-current liabilities	**(1,446.8)**	(606.0)
Net debt at 31 December	**(1,222.7)**	(453.4)

Reconciliation of movements in net debt

£m	2014	2013
Net debt at 1 January	**(453.4)**	(359.9)
Increase/(decrease) in cash and cash equivalents in the year per Cash Flow Statement	**56.5**	(36.8)
New borrowings	**(1,467.5)**	(67.0)
Repayment of borrowings	**699.9**	7.7
Exchange movements	**(58.2)**	2.6
Net debt at 31 December	**(1,222.7)**	(453.4)

New borrowings include US$1,300m drawn under an acquisition finance facility and US$930m fixed rate senior notes. Repayment of borrowings includes US$930m of the acquisition finance facility which was repaid following the issue of the senior notes.

9. Retirement benefit obligations

£m	2014	2013
Net liability at start of year	**(87.3)**	(73.4)
Amount recognised in the Income Statement	**(9.7)**	(9.4)
Contributions paid by the employer	**23.0**	21.1
Amounts recognised in OCI	**(27.7)**	(25.6)
Exchange differences	**(0.3)**	-
Net liability at end of year	**(102.0)**	(87.3)

10. Fair values of financial assets and liabilities

The fair values of financial assets and liabilities which are held at fair value and are measured on a recurring basis are as follows:

£m	2014	2013
Financial assets		
Derivative contracts (designated as hedging instruments)	2.7	-
Derivative contracts (not hedge accounted)	13.6	11.7
Financial liabilities		
Contingent consideration	-	(27.4)
Derivative contracts (designated as hedging instruments)	(3.3)	(3.2)
Derivative contracts (not hedge accounted)	(32.9)	(8.8)
	(19.9)	(27.7)

Movements in the fair value of contingent consideration during the year are as follows:

£m	2014
At 1 January	27.4
Amounts paid	(28.5)
Gains or losses recognised in profit or loss:	
Unrealised change in fair value - discounting included in finance costs	1.0
Foreign exchange adjustments	(0.1)
At 31 December	-

Contingent consideration paid during the year includes early settlement of the final amounts payable in respect of the acquisition of Axell Wireless which was included as a non-current liability at 31 December 2013.

Borrowings are held at amortised cost which equates to fair value except for the Group's fixed rate borrowings. At 31 December 2014 the fair value of those borrowings was £926.5m (2013: £299.8m) compared to their book value of £825.7m (2013: £262.0m).

The fair value of the fixed rate borrowings and derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supportable by observable market prices or rates.

Financial assets and liabilities which are initially recorded at fair value and subsequently held at amortised cost include trade and other receivables, other financial assets, cash and cash equivalents, trade payables and other liabilities. The carrying values of these items are assumed to approximate to fair value due to their short term nature.

11. Business combinations

Businesses acquired during the year

On 12 September 2014 Aeroflex Holding Corp. (Aeroflex) was acquired following a public offer and the purchase of 92% of the share capital. The remaining shares have been purchased in 2015.

Approximately 70% of Aeroflex's revenue is focused on commercial markets with exposure to wireless, space, microelectronics, industrial, energy and other sectors, increasing the proportion of Cobham's commercial revenue and building on Cobham's focus on connectivity capabilities, customers and characteristics. Aeroflex operations are being integrated into Cobham's Advanced Electronic Solutions and Communications and Connectivity Sectors. The scale and complementary nature of this acquisition is expected to enable Cobham to unlock significant synergy benefits, generating increased shareholder value, whilst supporting customers more effectively.

Fair value information

The fair value of the business combination can be analysed as follows:

£m	Total
Cash consideration paid	523.5
Cash consideration to be paid for remaining shares	49.3
	572.8

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

£m	Total
Intangible assets	517.4
Property, plant and equipment	48.6
Investment properties	0.8
Trade and other receivables	12.8
Non-current assets	579.6
Inventories	118.4
Trade and other receivables	55.9
Cash and cash equivalents	39.4
Current assets	213.7
Borrowings	(362.3)
Trade and other payables	(70.5)
Provisions	(7.8)
Current tax liabilities	(13.1)
Current liabilities	(453.7)
Trade and other payables	(6.4)
Provisions	(2.6)
Deferred tax	(144.3)
Non-current liabilities	(153.3)
Net assets acquired	186.3
Goodwill	386.5
	572.8

The fair values of net assets acquired 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. Synergies are expected to arise from cross-selling revenue benefits, site consolidation, supply chain efficiency, implementation of the Cobham Standard Operating Framework and elimination of duplicate corporate overheads. Goodwill is not anticipated to be deductible for tax purposes.

The gross value of acquired trade and other receivables is £73.9m. These are included in the table above at their fair value of £68.7m. Contingent liabilities recognised as provisions and included in the table above include amounts relating to outstanding legal settlements and environmental remediation provisions in respect of a number of Aeroflex's sites. The majority of these are expected to be settled within one year although some are longer term provisions.

Results of business combinations

Third party revenue of Aeroflex, since the date of acquisition, was £123.7m. The post-acquisition loss after tax was £5.7m, including 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. Trading profit was £24.5m.

If this business combination had taken effect on 1 January 2014, it is estimated that Group total revenues would have been £2,110.0m and profit after tax £31.5m. This information is not necessarily indicative of the results had the operations been acquired at the start of the year, nor of future results of the combined operations.

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

£m	Total
Cash consideration paid - Aeroflex and Axell	523.2
Net debt acquired	322.9
	846.1

Costs of £21.4m were incurred in relation to business combinations. These costs are recognised within administrative expenses in the Income Statement and included within acquisition related costs excluded from underlying profit as shown in note 2.

In the Group consolidated financial statements for the year to 31 December 2013, the fair values of assets and liabilities acquired for FBH were marked as provisional. Following further review the opening balance sheet has been amended to reflect an increase in trade and other payables of £1.8m, a decrease in current tax liabilities of £2.5m and an increase in deferred tax assets of £0.4m. Goodwill has therefore been adjusted accordingly.

12. Contingent liabilities

At 31 December 2014, the Company and the Group had contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business. Where it is expected that a material liability will arise in respect of these matters, appropriate provision is made within the Group consolidated financial statements.

The Company and various of its subsidiaries are, from time to time, parties to various legal proceedings and claims. Management do not anticipate that the outcome of these, either individually or in aggregate, would have a material adverse effect upon the Group's financial position as at 31 December 2014.

As notified in prior years, the Group has previously identified one, more significant, contractual breach dating back some years. The contract was in respect of goods provided into a geographic market which represents only a small amount of revenue for the Group. The circumstances surrounding this remain under review and neither the outcome nor timing of resolution can be estimated. No further information is disclosed as it could be prejudicial.

The nature of much of the contracting work done by the Group means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, whose resolution is uncertain and could materially impact the Group's future reported earnings. In particular, on fixed price development contracts, costs incurred and anticipated can significantly exceed amounts estimated at inception as a result of material enhancements to the specifications originally agreed under the contracts. Judgement is therefore required as regards the final costs of technical solutions, the outcome of negotiations with customers and the amounts recoverable under these contracts. The Directors take account of the advice of experts in making these judgements and believe that the outcome of negotiations will result in an appropriate recovery of costs incurred in excess of original baselines.

On 24 February 2014 the Group voluntarily contacted the United States Department of Justice (DoJ) to inform it that Cobham had undertaken an initial internal investigation into potentially irregular sales practices concerning sales to Asia of certain commercial, non-classified products manufactured by TracStar Systems Inc. This matter was satisfactorily concluded with the DoJ during the year with no material cost to the Group.

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