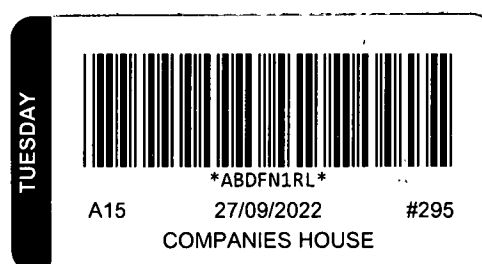


**Cobham Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2021**

**Registered number 00030470**



# Cobham Limited

## Annual report and financial statements for the year ended 31 December 2021

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# **Cobham Limited**

## **Strategic report for the year ended 31 December 2021**

### **Business review**

The results for the year and financial position at the year end are set out in the financial statements on pages 11 to 13.

The company is an intermediate holding company within the AI Convoy (Luxembourg) S.à r.l. group; hereafter referred to as the Group. The Group comprises AI Convoy (Luxembourg) S.à r.l. and its direct and indirect subsidiaries, details of which can be found in the consolidated financial statements which can be obtained from the registered office at 2-4 rue Beck, Luxembourg, LU 1222.

The principal activity of the company is the provision of finance and investment related services to the Group, together with acting as a cost centre for central resources.

### **Key performance indicators**

As an intermediate holding company performance is assessed on a Group wide basis. Results during the year were in line with expectations.

### **Future developments and events after the balance sheet date**

On 14 April 2022, an agreement to divest of the Microwave business was signed, with completion expected towards the end of May 2022. The Microwave business is an indirectly owned subsidiary of the Company.

Subsequent to the reporting date, a number of countries in which the Cobham Group operates have imposed sanctions against Russia and Belarus. The Group does not have any operations in, or significant trading relationships with either of these countries.

### **Non-financial information statement**

The Company takes a strategic approach to corporate responsibility and sustainability (CR&S), recognising that long-term success is not just about generating shareholder value but also about creating value for all the Group's stakeholders. Managing external impacts, capitalising on opportunities and conducting business in a responsible and sustainable way helps mitigate the Group principal risks and strengthen business relationships.

Many of the Group's products and services provide important environmental and social benefits. This may be through enhancing aviator survival, minimizing environmental impact or providing reliable communications in challenging environments.

The decisions and behaviours demonstrated by acting ethically, managing impacts, implementing innovative solutions and engendering positive business relationships also promote and enhance the Company culture and reputation.

### **Safety, health and environmental matters**

Whilst the Company is an intermediate holding company ensuring the health and safety of the Group's people is a core value. As a diverse organisation, employees are frequently required to work in different environments, and manage a range of risks. The Group aims to eliminate occupational injury and illness through a Zero harm strategy, with a focus on continuous improvement in safety performance. The Group also aims to continually improve environmental management to ensure efficient use of resources and minimal impacts.

A Safety, Health and Environment (SHE) policy underpins the Group's commitment to ensuring safety and health of employees and to minimising environmental impacts. It commits to continually improving management systems, standards and performance whilst developing a culture of individual responsibility.

# **Cobham Limited**

## **Strategic report for the year ended 31 December 2021 (continued)**

### **Safety, health and environmental matters (continued)**

#### *Climate change*

The Group is committed to addressing concerns about climate change and the environment. Reducing emissions creates efficiencies, drives innovation, helps manage long term risk and improves competitiveness.

#### **Employees**

The Group aims to empower a diverse workforce and build an inclusive work environment. A diverse workforce is important because people from different backgrounds and cultures think differently, helping to foster innovation and improve decision-making. Recruiting people from a range of different backgrounds can be challenging especially as there is a diminishing talent pool as the number of Science, Technology, Engineering and Maths (STEM) graduates in the UK and US decreases.

The Group is committed to providing all its employees with equal opportunities in a workplace free from discrimination, taking action to improve gender and age diversity across the workforce. Recruitment efforts aim to replenish the talent pipeline and ensure that STEM graduates across the Group as an employer of choice. Recruitment, selection and career development are based on competence and job requirements, irrespective of race, sex, sexual orientation, religion or disability. Applications for employment from persons with a disability are welcomed and given full and fair consideration. With regard to employees who become disabled, the Group policy is to ensure that they remain in employment and career development wherever practicable.

Further details of the Group's approach to employee engagement can be found in the AI Convoy (Luxembourg) S.à r.l. consolidated financial statements.

#### **Social matters**

The Group is committed to helping strengthen the communities where it operates by fundraising and donating time, expertise and products. A Group-level community involvement strategy aligned with our business strategy reinforces our focus on STEM education; ex-services personnel; causes in the communities surrounding Group sites; and disaster relief appeals.

The Group has a Corporate Responsibility and Sustainability (CR&S) strategy and is committed to act ethically, inspire employees, innovate solutions and manage environmental and social impacts directly, and through business relationships.

Each of the Group's businesses has a CR&S Committee or equivalent with of CR&S strategy and key policies.

#### **Anti-corruption and anti-bribery matters**

The Group's culture is to act ethically and with integrity at all times, protecting the Group's reputation, shareholders, stakeholders and employees.

The Group has a reputation founded on trust, integrity and of 'doing the right thing'. To protect that reputation and to help ensure business is conducted fairly and honestly, global standards of behaviour have been adopted as set out in the Code of Business Conduct (COBC). This emphasises the importance that each employee plays in building trust – with each other, customers and partners – to ensure every Group employee conducts business to the same high standards of business ethics. The COBC includes a section on bribery and corruption and sets out a zero tolerance policy to both.

## Cobham Limited

### Strategic report for the year ended 31 December 2021 (continued)

#### Anti-corruption and anti-bribery matters (continued)

As the COBC cannot cover every eventually or challenge employees may face, it is created as a resource for them to use when guidance is needed, to help them make informed decisions. The Group offers a confidential helpline for employees, or others, to ask questions or raise concerns they may have, anonymously if they so wish. It also offers other alternate resources to employees, so they can raise a concern in a way they feel most comfortable.

#### Respect for human rights

Human rights are an important issue for the Group. There are growing requirements to comply with legislation and to respond to customer information requests on human rights issues such as modern slavery and conflict minerals.

The Group supports the principles contained in the Universal Declaration of Human Rights and seeks to reflect these in the context of its business activities. The Group also respects the rights of its employees in the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. The Group demonstrates its support and respect for human rights through the principles and policies contained in the COBC and the Group's policies and processes.

The Group opposes modern slavery and human trafficking in all its forms and is committed to acting ethically and with integrity in all business dealings and relationships.

#### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

As an intermediate holding company the key business risks and uncertainties affecting the company are normally considered to be those that relate to the Group as a whole. The continued impact of the COVID-19 pandemic throughout 2021 and into 2022 has introduced an element of uncertainty to the Group. However, execution and delivery of current development programmes has not been significantly impacted.

Whilst the Company has a small number of employees, the Group continues to work through the impacts of the pandemic and has mitigated all risks to date based on the implementation of Government, NHS and Public Health England advice retaining only essential workers on site where work cannot be performed from home. Principal risks, in the context of the Group as a whole, are provided within the AI Convoy (Luxembourg) S.à r.l 2021 Annual Report and Accounts which does not form part of this report.

#### Post-acquisition Commitments and Undertakings

Following the acquisition of the Cobham Group by Funds managed by Advent International Corporation, the Company made a number of commitments and undertakings to the UK Government. All of these commitments and undertakings have been satisfied in full during the year.

#### Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

During the year, the directors have followed the financial risk management policies of the Group, as set by the board of directors of AI Convoy (Luxembourg) S.à r.l. The Group has a written treasury policy and risk management programme that seeks to limit the adverse effects on the financial performance of the Group, which is applied by the Company. This includes the use of foreign currency financial instruments, debt and other instruments. The Company does not trade in financial instruments.

#### *Credit risk*

Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

# Cobham Limited

## Strategic report for the year ended 31 December 2021 (continued)

### Financial risk management (continued)

#### *Liquidity risk*

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions, and has access to overdraft facilities under a group banking arrangement as required. The Company also has access to longer term funding from its parent undertaking if required.

#### *Interest rate cash flow risk*

The Company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include only cash/bank balances and intercompany receivables, all of which earn interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs.

#### *Foreign currency exchange rate risk*

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with its parent undertaking.

### Section 172 Statement

As an intermediate holding Company providing finance to, and holding investments in, other companies within the Group, the Company's success is dependent on the ability of its subsidiaries to generate and preserve value. Therefore, during the year, the directors have had regard to the best long term interests of the Group as a whole when making decisions regarding the financing of investments held by the Company.

The directors of the Company perform their duties in accordance with s172 of the Companies Act 2006, acting in good faith to promote the success of the company as well as the Group as a whole for the benefit of its members as a whole and having regard to the following matters:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

#### *Customers, suppliers and employees*

The Company provides finance to, and holds investments in, other companies within the Group. As such it has a small number of employees, a small number of customers external to the Group and only a small number of external suppliers. However, the Company continues to engage with the Group undertakings and adheres to the Group policies with regard to engagement with key stakeholders including customers, suppliers and employees of the Group.

By order of the board



S E Lewis  
Director

23 May 2022

# **Cobham Limited**

## **Directors' report for the year ended 31 December 2021**

The directors have pleasure in submitting their report, together with the audited financial statements of Cobham Limited (the Company) for the year ended 31 December 2021. The Company is a private company limited by shares and incorporated, registered and domiciled in England, number 00030470. The address of the registered office is Tringham House, 580 Deansleigh Road, Bournemouth, Dorset, England, BH7 7DT.

The Company is a wholly owned subsidiary of AI Convoy Bidco Limited.

### **Results and dividends**

The Company's results for the year are set out in the income statement on page 11 showing a profit after tax for the year of £1,058.7m (2020: £73.3m).

During the year, the Company realised a gain on disposal of £743.7m from the sale of its investment in Mission Systems Wimborne Limited, and an aggregate loss of £38.4m from the divestment of indirect subsidiary undertakings.

At 31 December 2021, the Company had net assets of £1,769.5m (2020: £2,288.0m)

The Company acts as an intermediate holding company, including (but not limited to) provision of finance and investment related services to the Group, together with acting as a cost centre for central resources.

Dividends of £1,600.4m (2020: £42.5m) were paid during the year as set out in note 11.

### **Future developments and events after the balance sheet date**

On 14 April 2022, an agreement to divest of the Microwave business was signed, with completion expected towards the end of May 2022. The Microwave business is an indirectly owned subsidiary of the Company.

Subsequent to the reporting date, a number of countries in which the Cobham Group operates have imposed sanctions against Russia and Belarus. The Group does not have any operations in, or significant trading relationships with either of these countries.

### **Directors**

The following directors held office during the year and up to the date of signing these financial statements:

G J Bagwell	
S Malani	
M Marshall	
S Doherty	- resigned 01 June 2021
S E Lewis	- appointed 09 February 2021
M H Clements	- appointed 26 July 2021

### **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

# **Cobham Limited**

## **Directors' report for the year ended 31 December 2021 (continued)**

### **Statement of directors' responsibilities (continued)**

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Streamlined Energy and Carbon Reporting (SECR)**

The Company is exempt from the Streamlined Energy and Carbon Reporting (SI 2018 No. 1155) regulations as total energy use was less than 40,000 MWh over the reporting year.

### **Going concern**

The World Health Organization declared the outbreak of COVID-19 a global pandemic on 11 March 2020. Whilst the Company is an investment holding company and has only a small number of employees, the directors have reacted in accordance with the guidance provided by the Government, NHS and Public Health England when considering the AI Convoy (Luxembourg) S.à r.l group as a whole and continue to monitor the situation on a daily basis. The Group has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

COVID-19 reinforces uncertainties in the global economic context and markets; the long term impact for the Group and Company is difficult to assess and will depend on the magnitude, duration and geographic extent of the pandemic. The directors have reviewed forecast profits and cash flows, which include the impacts of the COVID-19 pandemic, and examined the funding available to the Group and its subsidiary undertakings. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$190m cash balances net of overdrafts. The Group also has unused credit facilities of \$350m and its debt repayment profile is heavily biased to the medium term.

The directors have also referred to the Group's financial and strategic plan and the Group's stress testing on forecasts to 31 December 2023 with a focus on its cash position. The stress tests have included assuming a severe but plausible scenario with a 25% reduction in operational cash flow over the period to 31 December 2023. In these cases the Group would be able to continue to operate and settle liabilities as they fall due for a year until at least 31 December 2023.

The Company has a substantial net asset position, as well as access to considerable financial resources which include funding from AI Convoy (Luxembourg) S.à r.l. The Company has also received a letter of support from AI Convoy (Luxembourg) S.à r.l. Therefore, the directors have considered the going concern position of the Group which is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 31 December 2023. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.



# **Cobham Limited**

## **Directors' report for the year ended 31 December 2021 (continued)**

### **Stakeholder engagement**

The directors have a duty to foster the Company's business relationships with suppliers, customers and others, and take stakeholders into account when considering the principal decisions taken by the company during the financial year. The Company provides finance to, and holds investments in, other companies within the Group. As such it has a small number of employees, no customers external to the Group and only a small number of external suppliers. As a consequence, during the year, the directors have therefore had regard to the best interests of the Group and its stakeholders as a whole when making decisions regarding the financing and investments held by the Company. More information is provided within the section 172 statement within the strategic report on page 4.

### **Independent auditors**

During the year the directors appointed Ernst & Young LLP as independent auditors. Ernst & Young LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

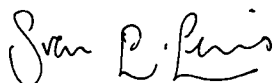
### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board



S E Lewis

**Director**

23 May 2022

# **Independent auditor's report to the members of Cobham Limited**

## **Opinion**

We have audited the financial statements of Cobham Limited for the year ended 31 December 2021 which comprise the Income statement and statement of comprehensive income, Balance sheet and the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 19 months from when the financial statements are authorised for issue to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent auditor's report to the members of Cobham Limited (continued)**

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## **Independent auditor's report to the members of Cobham Limited (continued)**

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria and ensuring that dividend payments complied with relevant accounting and legal requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Carl Stone (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
23 May 2022

## Cobham Limited

### Income statement and statement of comprehensive income for the year ended 31 December 2021

£m	Note	2021	2020
Revenue	2	15.5	22.6
Investment income	3	901.3	89.1
Group management charges		-	(5.3)
Profit on disposal of investments	4	705.4	12.0
Administrative expenses	5	(571.6)	(16.6)
<b>Operating profit</b>		<b>1,050.6</b>	<b>101.8</b>
Finance income	7	11.1	15.9
Finance costs	7	(38.8)	(34.7)
Other income	8	55.2	1.4
<b>Profit before taxation</b>		<b>1,078.1</b>	<b>84.4</b>
Tax on profit	9	(19.4)	(11.1)
<b>Profit for the year</b>		<b>1,058.7</b>	<b>73.3</b>

All the Company's activities are classed as continuing.

£m	2021	2020
Profit after taxation for the year	1,058.7	73.3

#### Items that will not be reclassified subsequently to profit or loss

Recycling of Fair Value on disposal of investment	-	(34.6)
Realised on closure of employee share schemes	-	6.1
Tax effects for closure of employee share schemes	-	10.2
Remeasurements of defined benefit retirement benefit obligations	12.7	(21.2)
Tax effects for remeasurements of defined benefit retirement benefit obligations	(2.4)	4.0
	<b>10.3</b>	<b>(35.5)</b>

#### Items that may subsequently be reclassified to profit or loss

Movements in hedge accounted derivative financial instruments	-	(0.7)
Tax effects	-	0.2
	-	(0.5)

Total other comprehensive income/(expense) for the year	<b>10.3</b>	<b>(36.0)</b>
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Total comprehensive income for the year	<b>1,069.0</b>	<b>37.3</b>
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# Cobham Limited

## Balance sheet as at 31 December 2021

£m	Note	2021	2020
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	1.0	2.8
Investments in Group undertakings	13	2,934.3	3,557.7
Property, plant and equipment	14	2.4	3.4
Derivative financial instruments	18	-	0.9
Retirement benefit assets	19	136.9	17.9
		<b>3,074.6</b>	<b>3,582.7</b>
<b>Current assets</b>			
Derivative financial instruments	18	2.1	12.0
Trade and other receivables	15	240.9	202.8
Cash and cash equivalents		4.4	6.9
		<b>247.4</b>	<b>221.7</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	16	(420.4)	(326.9)
Trade and other payables	17	(1,129.4)	(1,174.7)
Derivative financial instruments	18	(2.1)	(10.5)
		<b>(1,551.9)</b>	<b>(1,512.1)</b>
<b>Non-current liabilities</b>			
Borrowings	16	(0.6)	(0.2)
Derivative financial instruments	18	-	(4.1)
		<b>(0.6)</b>	<b>(4.3)</b>
<b>Net assets</b>		<b>1,769.5</b>	<b>2,288.0</b>
<b>Equity</b>			
Share capital	20	61.7	61.7
Share premium		1,290.6	1,277.7
Retained earnings		417.2	948.6
<b>Total equity</b>		<b>1,769.5</b>	<b>2,288.0</b>

The financial statements on pages 11 to 31 were approved by the board on 23 May 2022 and were signed on its behalf by:



S E Lewis  
Director

# Cobham Limited

## Statement of changes in equity for the year ended 31 December 2021

£m	Share capital	Share premium	Hedge reserve	Share based payment reserve	Retained earnings	Total equity
<b>At 1 January 2021</b>	61.7	1,277.7	-	-	948.6	<b>2,288.0</b>
<b>Profit for the year</b>	-	-	-	-	1,058.7	<b>1,058.7</b>
<b>Other comprehensive income</b>	-	-	-	-	10.3	<b>10.3</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	1,069.0	<b>1,069.0</b>
<b>Dividends (note 11)</b>	-	-	-	-	(1,600.4)	<b>(1,600.4)</b>
<b>Issue of shares (note 20)</b>	-	12.9	-	-	-	<b>12.9</b>
<b>At 31 December 2021</b>	<b>61.7</b>	<b>1,290.6</b>	<b>-</b>	<b>-</b>	<b>417.2</b>	<b>1,769.5</b>
At 1 January 2020	61.7	1,257.9	0.7	40.2	912.9	2,273.4
Profit for the year	-	-	-	-	73.3	73.3
Other comprehensive expense	-	-	(0.7)	-	(35.3)	(36.0)
Total comprehensive income for the year	-	-	(0.7)	-	38.0	37.3
Dividends	-	-	-	-	(42.5)	(42.5)
Issue of shares	-	19.8	-	-	-	19.8
Transfer of share based payment reserve	-	-	-	(40.2)	40.2	-
At 31 December 2020	61.7	1,277.7	-	-	948.6	2,288.0

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021

### 1. Statement of accounting policies

#### Basis of preparation

The financial statements for the year ended 31 December 2021 have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared on the going concern basis, under the historical cost convention unless as otherwise stated and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101.

The functional currency of the Company as well as the presentation currency used in these accounts is Sterling.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraphs 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
- additional comparative information as required by paragraphs 38A to 38D of IAS 1, Presentation of Financial Statements
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- details of compensation of key management personnel required by paragraphs 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

In addition, as the consolidated financial statements of AI Convoy (Luxembourg) S.à r.l. include the equivalent disclosures, the following exemption under FRS 101 has also been taken:

- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value and are neither held as part of a trading portfolio or derivatives.

The financial statements contain information about Cobham Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a Group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of AI Convoy (Luxembourg) S.à r.l., which can be obtained from 2-4 rue Beck, Luxembourg, LU 1222.

#### Going concern

The World Health Organization declared the outbreak of COVID-19 a global pandemic on 11 March 2020. Whilst the Company is an investment holding company and has only a small number of employees, the directors have reacted in accordance with the guidance provided by the Government, NHS and Public Health England when considering the AI Convoy (Luxembourg) S.à r.l group as a whole and continue to monitor the situation on a daily basis. The Group has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

COVID-19 reinforces uncertainties in the global economic context and markets; the long term impact for the Group and Company is difficult to assess and will depend on the magnitude, duration and geographic extent of the pandemic. The directors have reviewed



# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Going concern (continued)

forecast profits and cash flows, which include the impacts of the COVID-19 pandemic, and examined the funding available to the Group and its subsidiary undertakings. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$190m cash balances net of overdrafts. The Group also has unused credit facilities of \$350m and its debt repayment profile is heavily biased to the medium term.

The directors have also referred to the Group's financial and strategic plan and the Group's stress testing on forecasts to 31 December 2023 with a focus on its cash position. The stress tests have included assuming a severe but plausible scenario with a 25% reduction in operational cash flow over the period to 31 December 2023. In these cases the Group would be able to continue to operate and settle liabilities as they fall due for a year until at least 31 December 2023.

The Company has a substantial net asset position, as well access to considerable financial resources which include funding from AI Convoy (Luxembourg) S.à r.l. The Company has also received a letter of support from AI Convoy (Luxembourg) S.à r.l. Therefore, the directors consider the going concern position of the Group to be well placed to manage its business risks successfully despite the current uncertain economic outlook.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 31 December 2023. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### Significant judgements in applying accounting policies

There were no significant judgements, apart from those involving estimations, that the Directors made in the process of applying the Group's accounting policies which require separate disclosure in these financial statements.

Management considers that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Information concerning these assumptions and estimation uncertainties is provided as follows:

##### *a. Carrying value of investments (note 13)*

A review of the carrying value of investments is completed as required to ensure that they are not impaired. This requires an estimate of the expected future cash flows from subsidiary undertakings and also a suitable discount rate in order to calculate the present value of those cash flows.

Estimating value in use requires the Company to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This is considered to be a source of estimation uncertainty at the balance sheet date, which may have a significant risk of causing a material adjustment to the carrying amount of investments within the next financial year.

The company has used the same model as that used in the assessment of the carrying value of goodwill by the intermediate parent undertaking, AI Convoy (Luxembourg) S.à r.l., as this covers the same subsidiary undertakings.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Significant judgements in applying accounting policies (continued)

- Growth rates assumed after this period are based on long term GDP projections of the primary market for each subsidiary undertaking. The long term projections used are in the range 1.8% to 2.4%;
- Cash flows are discounted using the Group's WACC, adjusted for country, cash flow and currency risks in the principal territories in which the subsidiary undertaking operates. These pre-tax discount rates are within the range 8.7% to 9.7%; and
- Cash flows include the impact of working capital and fixed asset requirements.

#### *b. Pension assets and liabilities (note 19)*

Assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates.

#### **Principal accounting policies**

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Revenue**

Revenue relates to management and brand charges to Group undertakings, and excludes value added tax and other sales taxes.

Revenue is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers, using a five-step approach to revenue recognition. Revenue is generated from providing services to customers and is recognised over time as the services are enjoyed.

#### **Investment income**

Dividend income is recognised when the shareholders' right to receive payment has been established.

#### **Finance income and costs**

Finance income and costs are recognised using the effective interest method.

#### **Current and deferred taxation**

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also dealt with in OCI or equity respectively.

Current tax is provided at the amounts expected to be paid, using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable the temporary difference will not reverse in the foreseeable future.

Tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

# **Cobham Limited**

## **Notes to the financial statements for the year ended 31 December 2021 (continued)**

### **1. Statement of accounting policies (continued)**

#### **Pension costs, assets and liabilities**

The Company contributes to the Cobham Pension Plan (CPP), a multi-employer defined benefit pension scheme operated by Company Limited, the assets of which are held separately in trustee administered funds. The assets and liabilities of the CPP have been allocated to the contributing companies based on the proportional number of members. The Company also contributes to a defined contribution scheme operated by Company Limited.

For the defined benefit scheme, current service costs and costs related to the administration of the scheme are charged to operating profit. Past service costs are recognised in the income statement. The interest on net assets or liabilities is shown within finance income and costs. Actuarial remeasurements are recognised immediately in OCI.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

For the defined contribution scheme, contributions are charged to the income statement as they fall due.

Assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates.

#### **Dividends**

Dividends payable are recognised as a liability in the period in which they are fully authorised.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses. These comprise Software and other assets which are amortised on a straight line basis over the asset's estimated useful life of 2 to 10 years.

#### **Investments in Group undertakings**

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

The carrying amounts of the investments are reviewed at least annually to determine whether there is any indication of impairment.

Where there is an indication of impairment, the recoverable amount is estimated. This is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This is prepared with reference to cash flow forecasts prepared by management and reviewed by the Board which cover the year to 31 December 2026. The growth rates used after this year are based on long term GDP projections of the primary market for each investment.

#### **Property, plant and equipment**

Fixtures and fittings are reported within property, plant and equipment on the Balance Sheet. Fixtures and fittings are depreciated on a straight line basis over the estimated useful economic life of the asset which is typically 5 years.

#### **Right-of-use assets**

Right-of-use assets are reported within property, plant and equipment on the Balance Sheet.

The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight line basis over the shorter of the lease term and the useful economic life of the asset. The right-of-use asset is tested for impairment where appropriate.

# **Cobham Limited**

## **Notes to the financial statements for the year ended 31 December 2021 (continued)**

### **1. Statement of accounting policies (continued)**

#### **Financial instruments**

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments and financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date.

All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis.

#### Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect – where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell - where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets held within a hold to collect and sell business model.

All other financial assets are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Impairment of financial assets

The Company recognises a loss allowance against financial assets for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to administrative expenses in the Income Statement.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with an original maturity of three months or less.

#### Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

#### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of direct issue costs and subsequently held at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium and fees or costs that are an integral part of the effective interest rate. Borrowing costs, based on the effective interest rate is recognised in the Income Statement.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Financial instruments (continued)

##### Trade and other receivables

Trade and other receivables are stated at their amortised cost, net of impairment loss allowances. Where there is clear evidence that the receivable will not be recovered, and generally where receivables are in excess of 12 months old, the balance is written off in full.

##### Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest method.

#### Foreign currencies

The functional currency of the Company is sterling.

Transactions in currencies other than sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate of ruling at the balance sheet date.

Non-monetary items (such as investments) that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency (such as some derivative financial instruments) are translated using the exchange rates at the date when the fair value was determined.

All exchange differences are recognised in the income statement.

#### Lease obligations

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

#### Share capital

Ordinary share capital is classified as equity.

Preference share capital is classified as a liability if it is redeemable at a specific date or at the option of the preference shareholders or if dividend payments are not discretionary.

#### Segmental reporting

As an intermediate holding company the Company does not itself classify operations into segments and performance is reviewed at Group level. Detailed segmental disclosures are included in the Group consolidated financial statements of AI Convoy (Luxembourg) S.à r.l, which can be obtained from 2-4 rue Beck, Luxembourg, LU 1222.

### 2. Revenue

£m	2021	2020
Management and brand fee income	15.5	22.6

All revenue is arising in the UK and accordingly no geographical analysis is required.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Investment income

£m	2021	2020
Dividends received from fellow subsidiary undertakings	901.3	89.1

### 4. Profit on disposal of investments

£m	2021	2020
Profit on disposal of investments	705.4	12.0

During the year, the Company realised a gain on disposal of £743.7m from the sale of its investment in Mission Systems Wimborne Limited, and an aggregate loss of £38.4m from the divestment of indirect subsidiary undertakings.

### 5. Administrative expenses

£m	2021	2020
Other expenses/(income)	19.7	(8.5)
Amortisation (note 12)	1.8	1.1
Depreciation (note 14)		
- Owned assets	0.7	0.4
- Right-of-use assets	0.3	0.3
Defined contribution pension scheme	-	0.2
Reorganisation Costs	-	22.7
Selling and Distribution Costs	-	0.4
Impairment of investments in subsidiaries (note 13)	549.1	-
	571.6	16.6

### 6. Employees and Directors' emoluments

#### Employees

The monthly average number of employees, including Directors, during the year was 38 (2020: 51). All staff were employed in administrative functions. Costs for these employees were as follows:

£m	2021	2020
Wages and salaries	3.8	23.7
Social security costs	0.4	2.4
Pension costs	0.3	47.6
	4.5	73.7

#### Directors' emoluments

The emoluments of the Directors employed by the Company are:

£m	2021	2020
Aggregate emoluments	1.3	3.8
Aggregate amounts paid in respect of money purchase pension schemes	-	-
Amounts receivable under long-term incentive schemes	-	7.3
Amounts paid to directors for loss of office	-	4.9
	1.3	16.0

## Cobham Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 6. Employees and Directors' emoluments (continued)

S Malani and M Marshall are employed by Advent, and receive emoluments directly from Advent. G Bagwell and S E Lewis also act as director for a number of legal entities within the Group. The director's emoluments have been disclosed above where appropriate apportionment of the director's qualifying services can be determined for the entity.

Retirement benefits are accruing to zero (2020: zero) Directors under money purchase pension schemes as a result of their employment elsewhere within the Group. During the year zero (2020: two) Directors were entitled to receive shares under long term incentive plans.

##### Highest paid Director

£m	2021	2020
Total emoluments including amounts accruing under long-term incentive schemes and payments for loss of office	0.6	9.5

#### 7. Finance income and costs

£m	2021	2020
Third party interest income	5.4	4.9
Interest from fellow group companies	5.7	11.0
	11.1	15.9
Third party interest expense	(0.1)	(18.0)
Interest payable to fellow group companies	(38.7)	(16.7)
	(38.8)	(34.7)

#### 8. Other income

£m	2021	2020
Gain on transfer in of retirement benefit assets	14.0	2.6
Other costs including derivatives	41.2	(1.2)
	55.2	1.4

In the current year, the Company transferred in the net assets (£14.0m) of certain pension schemes formerly reported by the Mission Systems business, following divestment of that business by the Group (note 19).

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 9. Taxation

#### Tax included in Income Statement

£m	2021	2020
UK corporation tax on profit for the year	5.6	23.9
Overseas tax suffered	(2.3)	-
Adjustments in respect of prior years	(1.6)	(11.3)
Total current tax	1.7	12.6
Deferred tax charge for the year	(21.1)	(23.7)
Tax on profit	(19.4)	(11.1)

The tax on profit can be reconciled to the accounting result as follows:

£m	2021	2020
Profit before tax	1,078.1	84.4
Tax charge thereon at the standard rate in the UK of 19.00% (2020: 19.00%)	(204.8)	(16.0)
Investment income not taxable	171.2	16.9
Impact of tax treatment of divestments	134.0	2.3
Disallowed expenses	(104.3)	(1.2)
Impact of derivatives	-	(1.8)
Adjustments in respect of prior years	(1.6)	(11.3)
Overseas tax suffered	(2.3)	-
Impact of other items	(11.6)	-
Total tax charge for the year	(19.4)	(11.1)

#### Tax included in OCI

£m	2021	2020
Items that will not be reclassified subsequently to profit or loss		
On closure of share based and other schemes	-	10.2
Actuarial loss/gain on retirement benefit obligations	(2.4)	4.0
Movements in hedge accounted derivative financial instruments	-	0.2
	(2.4)	14.4

The tax rate for the current and prior year is 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date but have not been reflected in the measurement of deferred tax balances at the period end since the timing differences are expected to reverse prior to 1 April 2023. It is not anticipated that these changes will have a material impact on the company's deferred tax balances.



# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10. Audit fees

Fees payable to the Company's auditors, Ernst & Young LLP, for the audit of the Company's financial statements were £80,000 (2020: £49,500).

### 11. Dividends

£m	2021	2020
Interim dividends paid in current year of £0.6487 per share (2020: £0.017 per share)	1,600.4	42.5

### 12. Intangible assets

£m	Software and other
<b>Cost</b>	
At 1 January 2021	3.8
Additions	-
Disposals	(0.6)
At 31 December 2021	3.2
<b>Accumulated amortisation</b>	
At 1 January 2021	1.0
Charge for the year	1.8
Disposals	(0.6)
At 31 December 2021	2.2
<b>Net book amount</b>	
At 31 December 2021	1.0
At 31 December 2020	2.8

### 13. Investments in Group undertakings

£m	Total
<b>Cost</b>	
At 1 January 2021	3,831.5
Additions	12.9
Disposals	(247.8)
At 31 December 2021	3,596.6
<b>Accumulated impairment</b>	
At 1 January 2021	273.8
Charge for the year	549.1
Disposals	(160.6)
At 31 December 2021	662.3
<b>Carrying amount</b>	
At 31 December 2021	2,934.3
At 31 December 2020	3,557.7

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 13. Investments in Group undertakings (continued)

In June 2021, the Company sold the entire share capital of Mission Systems Wimborne Limited (formerly Cobham Mission Systems Wimborne Limited) to Eaton Corporation plc. Cost disposed amounted to £247.8m with previously recognised impairment of £160.6m eliminated on disposal.

In December 2021, the Company contributed £12.9m (\$17.01m) for additional share capital of Lockman Electronic Holdings Limited in the form of a loan receivable.

In December 2021, the Company impaired its investment in Strabor (Aircraft) Limited by £364.2m to nil carrying value, which was in the process of dissolution at year end.

A review of the value of the portfolio of investments held by the company has been undertaken. The investment in Lockman Properties Limited has been impaired by £3.0m (2020: nil) during the year to a carrying value of £235.1m. The investment in Lockman Investments Limited has been impaired by £184.6m (2020: nil) during the year to a carrying value of £2,146.5m. The impairments were driven by the receipt of dividends from these investments during the year.

In the opinion of the directors the value of investments in subsidiary undertakings at 31 December 2021 is not less than the aggregate amount at which they are shown above. This assessment is based on value in use with reference to discounted cash flow forecasts prepared by management and reviewed by the Board which cover the year to 31 December 2026. These cash flows are subject to key assumptions including the current and expected economic environment, future demand for product, growth rates and discount rates.

Sensitivity analysis has been performed on the carrying value of investments to a change in the key assumptions. If the expected future cash flows from subsidiary undertakings fell by 10% or if the discount rate was 1% higher, then no further impairment losses would arise.

A list of all subsidiaries is provided in note 25 to these accounts.

### 14. Property, plant and equipment

£m	Fixtures, fittings and computer equipment	Right-of-use assets	Total
<b>Cost</b>			
At 1 January 2021	2.6	1.2	3.8
Additions	-	0.1	0.1
Disposals	-	(0.2)	(0.2)
At 31 December 2021	<b>2.6</b>	<b>1.1</b>	<b>3.7</b>
<b>Accumulated depreciation</b>			
At 1 January 2021	0.3	0.1	0.4
Charge for the year	0.7	0.3	1.0
Disposals	-	(0.1)	(0.1)
At 31 December 2021	<b>1.0</b>	<b>0.3</b>	<b>1.3</b>
<b>Net book amount</b>			
At 31 December 2021	<b>1.6</b>	<b>0.8</b>	<b>2.4</b>
At 31 December 2020	2.3	1.1	3.4

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 15. Trade and other receivables

#### Current assets

£m	2021	2020
Amounts owed by Group undertakings	238.6	197.8
Other receivables	0.5	-
Prepayments and accrued income	1.8	5.0
	240.9	202.8

Amounts owed by Group undertakings are unsecured and repayable on demand. All such balances, excluding trading balances, are interest bearing.

### 16. Borrowings

#### Current liabilities

£m	2021	2020
Bank overdrafts	420.1	325.6
Lease obligations	0.3	1.3
	420.4	326.9

Bank overdrafts are repayable on demand and accrue interest at floating rates.

#### Non-current liabilities

£m	2021	2020
Lease obligations	0.6	0.2
	0.6	0.2

The contractual undiscounted and discounted cash flows for leases are as follows:

£m	2021	2020
Between one and two years	0.3	1.3
Between two and five years	0.6	0.2
	0.9	1.5

### 17. Trade and other payables

£m	2021	2020
Trade payables	1.4	2.1
Amounts owed to Group undertakings	1,092.4	1,115.9
Corporation tax payable	-	35.8
Deferred tax liability	26.0	2.5
Other tax and social security	0.1	0.2
Accruals and deferred income	9.5	18.2
	1,129.4	1,174.7

Amounts owed to Group undertakings include £901.2m (2020: £537.0m) on which interest is charged at rates of between 3.0% and 9.0% (2020: 0.4% and 9.0%). The remaining amount owed by Group undertakings is interest free. All amounts are unsecured and are repayable on demand.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 17. Trade and other payables (continued)

The net deferred tax liability can be analysed as follows:

£m	2021	2020
Derivative financial instruments	-	1.0
Retirement benefit obligations	26.0	3.1
Other	-	(1.6)
	26.0	2.5

Movements in the net deferred tax liability are as follows:

£m	2021	2020
At 1 January	2.5	(6.8)
Charge to Income Statement	21.1	15.5
Charge/(credit) to reserves	2.4	(6.2)
At 31 December	26.0	2.5

### 18. Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange contracts to reduce these exposures and does not use derivative financial instruments for speculative purposes.

The fair values of derivative financial instruments are as follows, these are financial assets and financial liabilities measured at fair value through profit or loss:

£m	2021	2020
Non-current assets	-	0.9
Current assets	2.1	12.0
Current liabilities	(2.1)	(10.5)
Non-current liabilities	-	(4.1)
At 31 December 2021	-	(1.7)

The movements in the fair values of derivative financial instruments during the year are as follows:

£m	
At 1 January 2020	(0.1)
Gain through Income Statement - not hedged	(0.9)
Loss through OCI - hedged items	(0.7)
At 31 December 2020	(1.7)
Loss through Income Statement - not hedged	1.7
At 31 December 2021	-

The most significant assumptions in valuing the derivatives are the exchange rates for GBP: US\$, GBP: DKK and GBP: EUR.

### 19. Retirement benefit assets

Retirement benefit assets in the Balance Sheet comprise:

£m	2021	2020
Defined benefit scheme assets	967.2	577.5
Defined benefit obligations	(830.3)	(559.6)
	136.9	17.9

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 19. Retirement benefit assets (continued)

#### Defined benefit pension schemes

The Company operates and participates in the Cobham Pension Plan (CPP), the Cobham Executive Pension Plan (CEPP) and the FR Aviation Services Retirement Benefits Plan (FRAS). During the year the Company transferred in the assets (£338.4m) and liabilities (£324.4m) of certain pension schemes formerly reported by other members of the Group, following divestment of those businesses by the Group. The plans are funded defined benefit schemes (where benefits are based on employees' length of service and average final salary) and assets are held in separate trustee administered funds. The plans have been closed to new members since 2003 and were closed to future accrual from 1 April 2016.

The Company expects to contribute £15.0m to its defined benefit pension schemes in each year 2022 to 2024.

At 31 December 2021, £1.25m (2020: £1.1m) of contributions were outstanding.

Changes in the fair value of scheme assets are as follows:

£m	2021	2020
At 1 January	577.5	440.3
Transfer in	338.4	131.2
Interest	11.9	8.9
Actuarial gains/(losses)	(21.3)	(32.2)
Employer contributions	91.4	46.6
Benefits paid	(30.7)	(17.3)
At 31 December	967.2	577.5

Changes in the present value of the defined benefit obligations are as follows:

£m	2021	2020
At 1 January	559.6	450.3
Transfer in	324.4	128.6
Past service cost	-	0.2
Interest cost	11.0	8.8
Actuarial losses/(gains) arising from changes in financial assumptions	(17.6)	(10.2)
Actuarial gains arising from changes in demographic assumptions	(16.3)	(0.8)
Benefits paid	(30.8)	(17.3)
At 31 December	830.3	559.6

The actual return on scheme assets was a loss of £9.4m (2020: £23.3m). The weighted average duration of the scheme liabilities is estimated to be 17 years.

The fair value of major categories of scheme assets, and as a percentage of total scheme assets, is as follows:

	2021	2021	2020	2020
	£m	%	£m	%
Global equities	110.5	11.4%	56.8	9.8%
Liability driven investments	378.9	39.2%	180.3	31.3%
Corporate bonds	47.0	4.9%	27.8	4.8%
Private credit	82.8	8.6%	43.9	7.6%
Insurance contracts	258.5	26.7%	199.9	34.6%
Diversified growth funds	86.5	8.9%	67.6	11.7%
Other assets	3.0	0.3%	1.2	0.2%
	967.2	100.0%	577.5	100.0%

Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by the Company.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 19. Retirement benefit assets (continued)

#### Defined benefit pension schemes (continued)

##### Sensitivity analysis

The sensitivity of scheme liabilities to changes in certain key assumptions, after adjusting for liabilities covered by insurance contracts, is provided below:

	Change in assumption	Change in liabilities
Discount rate	Increase by 1.0%	-11%
Inflation rate (both RPI and CPI)	Increase by 0.5%	+3%
Life expectancy	Increase by one year	+3%

If the change in assumptions were in the opposite direction to that shown above, the impact would be approximately symmetrical.

##### Key assumptions (source of estimation uncertainty)

A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates. These are considered to be major sources of estimation uncertainty as *comparatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next financial year*. The Group uses published indices and independent actuarial advice to select the values of critical assumptions.

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	2021	2020
RPI inflation assumption (rate of increase in pensions in payment unless overridden by specific scheme rules)	3.30%	2.90%
CPI inflation assumption (rate of increase in deferred pensions)	2.65%	2.25%
Discount rate	1.80%	1.40%

The mortality assumptions used for the CPP are based upon actuarial tables which reflect actual recent mortality experience and also allow for future mortality improvements. The mortality tables used to estimate life expectancy are known as 'SAPS CMI 20'. In practical terms, this is demonstrated in the table below:

	Year of birth	Year age 65	Further life expectancy
Male	1956	2021	22.8 years
Female	1956	2021	24.1 years

At 31 December 2021, it has been assumed that members will commute on average 25% of their pension for cash at retirement.

#### Defined contribution pension schemes

The Company also operates and participates in the Cobham Personal Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charged represents contributions payable by the Company to the funds and amounted to £0.3m (2020: £0.2m). No contributions were outstanding at the end of 2021 or 2020.

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 20. Share capital

£m	2021	2020
Equity		
2,409,734,341 (2020: 2,409,734,340) 2.5p ordinary shares	60.2	60.2
57,226,776 (2020: 57,226,776) 2.5p ordinary treasury shares	1.5	1.5
	61.7	61.7
Non-equity		
19,700 (2020: 19,700) 6% second cumulative preference shares of £1	-	-

Preference shares with a value of £19,700 are classified as non-current borrowings.

### Issue of shares

On 13 December 2021 the Company allotted 1 ordinary share with a nominal value of 2.5p for total consideration of \$17,010,000 (£12,854,228.07). £12,854,228.05 has been recognised as share premium, taking the total share premium to £1,290,600,000 at 31 December 2021 (2020: £1,277,700,000).

### 21. Ultimate parent undertaking

The Company's immediate parent undertaking is AI Convoy Bidco Limited.

The Company's intermediate parent undertaking is AI Convoy (Luxembourg) S.à r.l, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of the AI Convoy (Luxembourg) S.à r.l, consolidated financial statements can be obtained from the registered office at 2-4 rue Beck, Luxembourg, LU 1222.

At the date of approval of these accounts, the ultimate holding company is AI Convoy (Cayman) Limited and the ultimate controlling party is Advent Funds GPE IX.

### 22. Contingent liabilities and commitments

The Company has contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business entered into for, or on behalf of, certain Group undertakings.

The Company had no capital commitments at 31 December 2021 (2020: £nil).

### 23. Related party transactions

During the year, the Company entered into transactions, in the ordinary course of business, with related parties that are part of the AI Convoy (Luxembourg) S.à r.l Group or investees of the Group. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 from disclosing related party transactions with its wholly owned subsidiary undertakings. The only transactions with non-wholly owned subsidiaries relate to the receipt of management and brand charges totalling £nil (2020: £0.3m) from TEAM SA which is 98.7% owned within the Group. No amounts were outstanding at the current or prior year end.

### 24. Events after the balance sheet date

On 14 April 2022, an agreement to divest of the Microwave business was signed, with completion expected towards the end of May 2022. The Microwave business is an indirectly owned subsidiary of the Company.

Subsequent to the reporting date, a number of countries in which the Cobham Group operates have imposed sanctions against Russia and Belarus. The Group does not have any operations in, or significant trading relationships with either of these countries.

### 25. Subsidiaries and other related undertakings

The investments held by the Company at 31 December 2021 are as set out in the table on the next page.

The direct subsidiaries are wholly owned and the indirect subsidiaries are wholly owned by proxy with the exception of TEAM SA (98.7% owned).

# Cobham Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 25. Subsidiaries and other related undertakings (continued)

Name of undertaking	Registered office address and principal place of business
Aedion Investments Unit Trust	26 New Street, St Helier, Jersey JE2 3RA
Aeroflex Test Solutions Limited	Bournemouth, England
Asia Pacific Airlines (Papua New Guinea) Pty Limited	Blake Dawson, 4th Floor, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District, Papua New Guinea
Asia Pacific Airlines Pty Limited	Adelaide, Australia
Cobham Aerospace Communications Dourdan SA (formerly Chelton Antennas SA)	7 chemin de Vaubensard, 91410 Dourdan, France
Cobham Aerospace ApS	Lundtoftegårdsvej 93 D, DK-2800 Kongens Lyngby, Denmark
Cobham Aerospace SAS	174 - 178 quai de Jemmapes, Paris, France.
Cobham Aerospace Holding Sarl	9 All Scheffer 99137 Luxembourg
Cobham Aviation Services Australia Pty Ltd	Adelaide, Australia
Cobham Aviation Services Engineering Pty Limited	Adelaide, Australia
Cobham Fleet Support Pty Ltd	Adelaide, Australia
Cobham Glyndale Pty Limited	Adelaide, Australia
Cobham Ground Handling Pty Ltd	Adelaide, Australia
Cobham Microwave SAS	31 avenue de la Baltique, 91140 Villebon sur Yvette, France
Cobham NAS Pty Ltd	Adelaide, Australia
Cobham NAS Services Pty Limited	Adelaide, Australia
Cobham NIAP Pty Ltd	Adelaide, Australia
Cobham SAR Services Pty Limited	Adelaide, Australia
Comant Industries, Incorporated	CSC Lawyers Incorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833, USA
FR Aviation Group Limited	Bournemouth, England
Groupement Troyen d'Electronique	rue Catherine et William Booth, 10000 Troyes, France
IFR Finance Limited Partnership <sup>1</sup>	Bournemouth, England
Lock Financing Limited	12 Merrion Square, Dublin 2, Ireland
Lockman Electronic Holdings Limited	Bournemouth, England
Lockman Investments Limited	Bournemouth, England
Lockman Properties Limited (formerly Flight Refuelling Limited)	Bournemouth, England
Manlock Investments Limited	Bournemouth, England
Micro-Mesh SARL	35 rue de Monthéry, BP 20191, 94563 Rungis, France
National Jet Express Pty Limited	Adelaide, Australia
Omnipless Manufacturing (Pty) Limited	Westlake Drive, Westlake Business Park, Westlake 7945, South Africa
Satori Air Services Inc	4105 Cousens Street, Saint-Laurent, Quebec H4S 1V6, Canada
Sea Tel, Inc	CSC Lawyers Incorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833, USA
Société de Marquage et Signalisation SAS	174-178 Quai de Jemmapes, 75010 Paris, France
Surveillance Australia Pty Limited	Adelaide, Australia
TEAM SA	35 rue de Monthéry, BP 20191, 94563 Rungis, France
Thrane & Thrane A/S	Lundtoftegårdsvej 93 D, DK-2800 Kongens Lyngby, Denmark
Thrane & Thrane Norge A/S	Cort Adelers gate 16, 0254 Oslo, Norway



## **Cobham Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **25. Subsidiaries and other related undertakings (continued)**

<b>Dormant entity name</b>	<b>Registered office address and principal place of business</b>
Cobham NJRS Pty Ltd	Adelaide, Australia
Cobham Whiteley Limited	Bournemouth, England
Credowan Limited	Bournemouth, England
Grenedere Limited	Bournemouth, England
Racal Antennas Limited	Bournemouth, England
Strabor (Aircraft) Limited	Bournemouth, England
Strabor Investments Limited	Bournemouth, England
W.E.S. (Manufacturing) Limited	Bournemouth, England
W.E.S. Investments Limited	Bournemouth, England
<b>Full registered office addresses are:</b>	
Bournemouth, England	Tringham House, 580 Deansleigh Rd., Bournemouth, Dorset, UK. BH7 7DT
Adelaide, Australia	National Drive, Adelaide Airport SA 5950, Australia.

<sup>1</sup> Advantage has been taken of the exemption conferred by regulation 7 of the Partnership Accounts Regulations 2008 from the requirements to prepare and publish audited accounts for IFR Finance Limited Partnership.