

Cobham Leasing Limited
Directors' Report and Financial Statements
for the year ended 31 December 2007

Registered Number 2941915

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Cobham Leasing Limited

Directors' Report and Financial Statements

for the year ended 31 December 2007

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Cobham Leasing Limited

Directors' report for the year ended 31 December 2007

The directors have pleasure in submitting their report, together with the audited financial statements of Cobham Leasing Limited ("the Company"), for the year ended 31 December 2007

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 7 showing a profit for the financial year after tax of £1,410,000 (2006 £1,445,000) At 31 December 2007, the Company has net assets of £4,447,000 (2006 £3,639,000)

Dividends paid and proposed are as set out in note 7

Principal activities and business review

The principal activity of the Company continues to be the acquisition of assets for leasing to third parties. The directors consider the results for the year to be satisfactory. The directors expect the Company to continue to trade profitably. At the year end the Company was in a strong position to take advantage of suitable expansion opportunities that may arise.

The principal activities are not expected to change in the foreseeable future.

Future developments

The directors are confident that next year will again show a strong and profitable performance.

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the Company are considered to relate to uncertainty surrounding the UK Government's intentions regarding the likelihood and extent of reductions in budgeted defence spending. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 6 and 7 of the Cobham plc 2007 Annual Report which does not form part of this report.

Key performance indicators

The directors of the ultimate parent undertaking, Cobham plc, manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of Cobham Leasing Limited. The development, performance and position of the Flight Services division of Cobham plc, which includes the Company, is discussed on pages 10, 11, 54 and 55 of the Cobham plc 2007 Annual Report which does not form part of this report.

Financial risk management

The Company's operations have minimal exposure to a limited number of financial risks that include price risk, credit risk, liquidity risk and interest rate cash flow risk. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department and are aligned to procedures adopted throughout the Cobham Group.

Price risk

The Company is exposed to price risk as a result of its operations. Given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

Credit risk

As the majority of the Company's contracts are with companies within the Cobham plc group, credit risk is considered to be very low. All other customers are credit checked prior to sales being made in accordance with laid down procedure.

Cobham Leasing Limited

Liquidity risk

The Company retains sufficient cash to ensure it has sufficient available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate 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 balances, all of which earn interest at a floating rate. Liabilities take the form of fixed interest rate loans, such that interest rate risk is substantially covered by customer agreements. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Directors

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

J Chapman

D T Taylor

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

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.

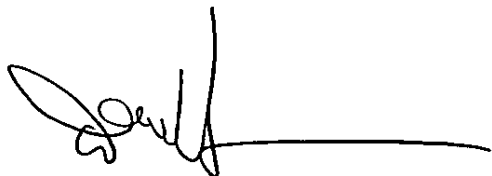
This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Cobham Leasing Limited

Independent auditors

In accordance with Section 386 of the Companies Act 1985, as a result of an elective resolution PricewaterhouseCoopers LLP are deemed re-appointed as auditors to the Company for the forthcoming financial year

By order of the board

A handwritten signature in black ink, appearing to be 'D. Harrison', followed by a long horizontal line.

D Harrison
Company Secretary

7 July 2008

Cobham Leasing Limited

Independent auditors' report to the members of Cobham Leasing Limited

We have audited the financial statements of Cobham Leasing Limited for the year ended 31 December 2007, which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the directors' report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Southampton

7 July
2008

Cobham Leasing Limited

Statement of accounting policies

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Operating lease rental is accounted for on a straight-line basis with any rental increases being recognised during the period to which they relate. Turnover is stated exclusive of value added tax. The recharging of other costs related to fixed assets is taken to turnover in proportion to the fair value of the right to consideration.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Tangible assets and depreciation

Tangible assets are stated at their purchase cost together with any directly attributable costs of acquisition, net of depreciation and provisions, where required, for any impairment.

Assets held for use in operating leases (mainly aircraft and equipment) are included in tangible assets and have the characteristics of financial assets. In accordance with SORP "Accounting issues in the asset finance and leasing industry" issued April 2000, depreciation is charged so as to ensure a constant rate of return over the lease term, generally 5 to 15 years.

Expected useful economic lives are reassessed annually to ensure they remain appropriate.

Financial assets and liabilities

Financial assets and liabilities are presented in accordance with paragraphs 15-50 of FRS25 as the Company has not adopted FRS26.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Discounting is not performed.

Estimation techniques

In certain circumstances the measurement of values cannot be made with absolute certainty either because absolute costs are unknown, or they require a degree of subjective review. In these instances the directors utilise the skills, knowledge and experience of suitably qualified persons to generate appropriate values. All appropriate accounting standards are adhered to in generating such values.

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Statement of accounting policies (continued)

Capitalised interest

An amount of interest attributable to plant and machinery in the course of development is transferred to the cost of plant and machinery. For this purpose the interest rate applied to funds provided for plant and machinery development is arrived at by reference to the actual rate payable on borrowings for development purposes.

Cobham Leasing Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	1	10,789	8,264
Cost of sales		(8,466)	(6,088)
Gross profit		2,323	2,176
Administrative expenses		(540)	(157)
Operating profit	2	1,783	2,019
Net Interest receivable and similar income	3	127	46
Profit on ordinary activities before taxation		1,910	2,065
Tax on profit on ordinary activities	4	(500)	(620)
Profit for the financial year	16	1,410	1,445

All the Company's activities are classed as continuing in the current and comparative year

The profit on ordinary activities before taxation and the retained profit for the financial year have been computed on the historical cost basis


The Company has no recognised gains or losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared

Cobham Leasing Limited

Balance sheet as at 31 December 2007

	Notes	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		13,788		17,110
Current assets					
Debtors amounts falling due within one year	9	1,944		1,337	
Debtors amounts falling due after one year	9	9,255		10,111	
Cash at bank and in hand		4,435		1,615	
		15,634		13,063	
Creditors amounts falling due within one year	10	(5,130)		(6,572)	
Net current assets			10,504		6,491
Total assets less current liabilities			24,292		23,601
Creditors amounts falling due after more than one year	11		(17,257)		(16,487)
Provisions for liabilities	12		(2,588)		(3,475)
Net assets			4,447		3,639
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	15		4,447		3,639
Total shareholders' funds	16		4,447		3,639

The financial statements on pages 5 to 15 were approved by the board on 7-7-2008 and were signed on its behalf by



J Chapman
Director



D T Taylor
Director

The notes on pages 9 to 15 form part of these financial statements

Cobham Leasing Limited

Notes to the financial statements for the year ended 31 December 2007

1. Turnover

All sales are made in the United Kingdom and relate to the leasing of assets to third parties

	2007 £000	2006 £000
Operating lease rentals	7,446	5,339
Recovery of other costs relating to leased assets	3,343	2,925
	10,789	8,264

2. Operating profit

	2007 £000	2006 £000
Operating profit is stated after charging/(crediting)		
Depreciation and impairment	3,842	1,511
Loss on disposal of tangible fixed assets	30	(10)
Auditors' remuneration fees for the audit of the Company's annual accounts	4	4

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis

3. Net interest receivable

	2007 £000	2006 £000
Interest payable to group undertakings	(1,413)	(1,520)
Leasing business interest treated as cost of sales	1,413	1,520
Bank interest receivable	127	46
	127	46

4. Tax on profit on ordinary activities

	2007 £000	2006 £000
Current tax		
Corporation tax on profits for the year at 30% (2006 30%)	1,387	517
Double taxation relief	-	(17)
Total taxation	1,387	500
Foreign tax suffered	-	17
Total current tax	1,387	517

Cobham Leasing Limited

4. Tax on profit on ordinary activities (continued)

	2007 £000	2006 £000
Deferred tax		
Capital allowances for the year in excess of depreciation	(878)	100
(Loss) / profit on disposal of assets	(9)	3
Total deferred tax (note 12)	(887)	103
Tax on profit on ordinary activities	500	620

The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below -

	2007 £000	2006 £000
Profit on ordinary activities before taxation	1,910	2,065
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2006 30%)	573	620
Effects of		
Timing differences on fixed assets and other timing differences	706	(103)
Write off of debtor not deductible for tax purposes	108	-
Current tax charge for the year	1,387	517

Factors that may affect future tax charges

The standard rate of corporation tax in the UK has changed from 30% to 28% from 1 April 2008 which will reduce future tax charges

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

HM Revenue and Customs have enquired into the Company's tax return for the year ended 31 December 2000 and all subsequent years Whilst the directors remain confident in the filing position they have adopted, the additional tax liability which may arise is £2,805,000 (2006 £2,563,000)

5. Directors' emoluments

All directors in office at the year end are employed by, and receive their emoluments from, another group undertaking No other amounts have been paid or are owed at 31 December 2007 (2006 £nil) in respect of services supplied by the directors to the Company, since their services are incidental to their services to the group as a whole

6. Employee costs

The Company has no employees (2006 nil) The Company utilises staff employed by FR Aviation Limited These costs are not disclosed as employment costs of this Company as they are disclosed as employment costs of the employing company

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7. Dividends

	2007 £000	2006 £000
Final dividend for prior year of £301,000 (2006 £270,000) per share	602	540

There are no dividends approved but unpaid as at 31 December 2007 (2006 £nil) The directors have not proposed a final dividend for 2007

Dividends are accounted for within the reconciliation of the movements in shareholders' funds (see note 16)

8. Tangible assets

	Plant and machinery £000
Cost	
At 1 January 2007	30,298
Additions	550
Disposals	(2,220)
At 31 December 2007	28,628
Accumulated depreciation	
At 1 January 2007	13,188
Charge for the year	3,021
Impairment	821
Disposals	(2,190)
At 31 December 2007	14,840
Net book amount	
At 31 December 2007	13,788
At 31 December 2006	17,110

The above assets are held for letting under operating leases

Included in cost of assets is £365,000 (2006 £365,000) of interest capitalised

Included within the depreciation charge for the year are impairment charges of £672,000 on asset G-FRBA and £149,000 on asset 9M-FRA

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9. Debtors

Amounts falling due within one year

	2007 £000	2006 £000 Restated
Amounts owed by fellow subsidiary undertakings	989	467
Other debtors	53	20
Prepayments and accrued income	902	850
	1,944	1,337

Amounts falling due after more than one year.

	2007 £000	2006 £000
Prepayments and accrued income	9,255	10,111

The prior year disclosure has been restated for prepayments which were included in other debtors as the directors consider this disclosure to be more appropriate

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

10. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Loan amounts owed to fellow subsidiary undertakings	1,669	2,941
Amounts owed to fellow subsidiary undertakings	410	306
Corporation tax	1,161	406
Accruals and deferred income	1,890	2,919
	5,130	6,572

Amounts owed to fellow subsidiary of £410,000 (2006 £306,000) are unsecured, interest free and have no fixed date of repayment

Loan amounts owed to fellow subsidiary undertakings include three unsecured loan amounts, paying annual interest at 7.5% on £290,000 (2006 £279,000), 8.5% on £379,000 (2006 £1,662,000) and 5.5% on £1,000,000 (2006 £1,000,000). The 7.5% and 8.5% loans have no fixed repayment date but are anticipated to be repayable within one year and the 5.5% loan is repayable on demand, following a 30 day notice period.

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11. Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Loan amounts owed to fellow subsidiary undertakings	16,419	15,806
Accruals and deferred income	838	681
	17,257	16,487

Loan amounts owed to fellow subsidiary undertakings include two unsecured loan amounts, paying annual interest at 7.5% on £7,162,000 (2006 £7,452,000) and 8.5% on £9,257,000 (2006 £8,354,000). The loans have no fixed repayment date and repayment is not anticipated to be within the forthcoming year.

Maturity of financial liabilities		
In one year or less, or on demand	1,669	2,941
In more than one year, but not more than two years	1,317	2,213
In more than two years, but not more than five years	4,673	7,375
In more than five years	10,429	6,218
	18,088	18,747

12. Provisions for liabilities

	Deferred taxation £000
At 1 January 2007	3,475
Charge to the profit and loss account	(887)
At 31 December 2007	2,588

Deferred taxation

The deferred tax liability represents

	2007 £000	2006 £000
Accelerated capital allowances	2,588	3,475

A full provision has been made for deferred tax.

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13. Share capital

	2007 £	2006 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 Ordinary shares of £1 each	2	2

14. Preference shares

	2007 £000	2006 £000
Authorised		
14,715,201 7.5% Non-redeemable cumulative preference shares of £1 each	14,715	14,715

At 31 December 2007 no preference shares were in issue (2006 Nil)

On issue the 7.5% non-redeemable cumulative preference shareholders are entitled to receive a fixed cumulative preferential dividend in priority to the payment of dividends on the ordinary shares. They are entitled to vote at any general meeting only if a resolution is to be proposed abrogating, varying or modifying any of their rights or privileges. Whenever entitled to vote, every such shareholder shall have one vote in respect of each fully-paid preference share of which he is the registered holder. On a return of capital on a winding up, the preference shareholders are entitled, in priority to any payment to the ordinary shareholders, to the repayment of a sum equal to the nominal amount paid up or credited as paid up on their shares together with a sum equal to all arrears or accruals of the fixed dividend.

15. Profit and loss account

	Profit and loss account £000
As at 1 January 2007	3,639
Profit for the financial year	1,410
Dividends	(602)
As at 31 December 2007	4,447

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16. Reconciliation of movements in shareholders' funds

	2007	2006
	£000	£000
Profit for the financial year	1,410	1,445
Dividends	(602)	(540)
Net addition to shareholders' funds	808	905
Opening shareholders' funds	3,639	2,734
Closing shareholders' funds	4,447	3,639

17. Contingent liabilities

The Company has, together with other Cobham plc group undertakings, contingent liabilities in respect of bank guarantees entered into in the ordinary course of business. It is not expected that any material liability will arise in respect thereof.

18. Capital commitments

The Company had no capital commitments outstanding at 31 December 2007 or 31 December 2006.

19. Ultimate parent undertaking

The Company is a 100% owned subsidiary of its immediate parent undertaking, FR Aviation Group Limited.

The ultimate parent undertaking and controlling party is Cobham plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham plc consolidated financial statements can be obtained from the Company Secretary at Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ.

20. Cash flow statement and related party disclosures

As noted above, the Company is a wholly owned subsidiary of FR Aviation Group Limited and is included in the consolidated financial statements of Cobham plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 "Cash flow statement (revised 1996)".

The Company has also taken the exemption under the terms of Financial Reporting Standard 8 "Related party transactions" from disclosing related party transactions with entities that are part of the Cobham plc group or investees of the Cobham plc group.