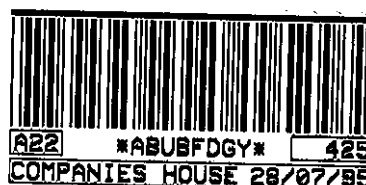


## RAYTHEON UNITED KINGDOM LIMITED

Annual report  
for the year ended 31 December 1994

	Pages
Directors and advisers	1
Directors' report	2
Report of the auditors	6
Consolidated and profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes to the financial statements	11



## Directors and advisers

### Executive directors

Sir Alan Thomas  
Chairman

C L Hoffmann (USA)

P R McKee

### Registered Auditors

Coopers & Lybrand  
1 Embankment Place  
London  
WC2N 6NN

### Bankers

National Westminster Bank Plc  
208 Piccadilly  
London  
W1A 2DG

### Secretary and registered office

M R G Wood  
Queens House  
College Road  
Harrow  
Middlesex  
HA1 1YR

### Registered number:

337167

**Directors' report  
for the year ended 31 December 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

**Principal activities**

The consolidated profit and loss account for the year is set out on page 7.

The principal activities of the group during the year were the development and manufacture for sale of professional electronic equipment and the provision of supporting services; the design and development of computer systems and software; and the manufacture and marketing of navigation equipment within the marine leisure industry. These activities are unchanged from last year except for the disposal of the computer systems maintenance activities as noted below. An analysis of turnover by activity and geographical market is given in note 2 to the financial statements, together with an analysis by activity of the loss on ordinary activities before taxation.

**Review of business and future developments**

During 1994 exports increased to approximately 55% as a proportion of group turnover compared with 44% in the prior period and this, together with a rising sales order backlog in our main electronics business, strengthens the outlook for 1995 and beyond. Further investment is planned in both new capital equipment and research and development programmes to ensure that our products remain competitive in the market place. The group continues to bear the cost of onerous leases resulting from the disposal of certain businesses in prior years and additional provision has been made to cover the expected future costs of these obligations as disclosed in notes 8 and 21 to the financial statements.

The company sold the whole of the issued share capital of Data Logic Communication Services Limited, whose main activities are the maintenance of computer equipment and the design, installation and maintenance of cabling and network systems, on 25 February 1994 for a cash consideration of £2,500,000. The gain arising on this disposal is disclosed in note 7 to the financial statements. The sales and operating results of this business are included as discontinued operations in both 1993 and 1994.

On 29 September 1994 the group effected a property reorganisation involving the transfer of properties to Raytheon United Kingdom Limited, through the sale and leaseback of all of the freehold interests in land and buildings held by wholly owned subsidiary companies and the assignment of certain leasehold interests.

Also during the year, Cossor Electronics Limited announced a restructuring programme which included headcount reductions, the consolidation of operations onto approximately half of the existing manufacturing site and the write-off of plant and machinery surplus to requirements. The associated restructuring costs have been disclosed separately in the financial statements (note 8).

**Review of business and future developments - continued**

Subsequent to the property reorganisation and business restructuring mentioned above, part of the manufacturing site previously occupied by Cossor Electronics Limited was sold to a third party. The net gain arising to the group from this disposal has been disclosed separately in the financial statements (note 9).

Following a period of rationalisation and reorganisation, the UK group is now expected to be profitable in 1995 and the year end financial position remains satisfactory.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Dividends and transfers from reserves**

The directors do not recommend the payment of a dividend. The loss for the financial year of £5,526,000 will be transferred from revenue reserves.

**Changes in fixed assets**

The movements in fixed assets during the year are set out in notes 14, 15 and 16 to the financial statements.

**Market value of interests in land**

The directors consider that the value stated on the balance sheet of interests in land and buildings owned by the group is conservative. The majority of the land and buildings is currently required for normal trading purposes.

**Research and development**

During the year the group concentrated its research and development activities on its electronics and marine electronics businesses where the subsidiaries concerned are market leaders in certain specialised fields.

**Directors**

The directors of the company at 31 December 1994 are listed on page 1.

Sir Kenneth Macdonald, KCB, who was a director at 31 December 1993, resigned on 30 September 1994.

Sir Alan Thomas was appointed a director on 1 October 1994.

The remaining directors held office for the whole of the year.

In accordance with the Articles of Association, Mr C L Hoffmann, retires by rotation at the next annual general meeting and, being eligible, will offer himself for re-election.

**Directors' interests in shares of group companies**

According to the register kept under section 325 of the Companies Act 1985, no director had any beneficial interest in the shares of the company or any subsidiary of the company either at the beginning or end of the year. There were no changes during the year.

**Employees**

Employee involvement is dealt with on an individual company basis throughout the group. Information on company performance and business activities is provided on a regular basis at meetings with different groups of employees or their representatives and through company magazines and notice boards.

The group's policy with regard to disabled people is to provide equal employment opportunity by giving full and fair consideration to their application for employment, continuing employment, wherever possible, of employees who become disabled and providing suitable opportunities for their training, career development and promotion.

**Charitable and political donations**

Donations made by the group during the year for charitable purposes amounted to £4,000 (1993 £3,000). There were no political donations.

**Close company provisions**

In the opinion of the directors, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

**Auditors**

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

**By order of the board**

A handwritten signature in black ink, appearing to read 'M R G Wood', written in a cursive style.

**M R G Wood**  
**Company secretary**  
13 April 1995

## Report of the auditors to the members of Raytheon United Kingdom Limited

We have audited the financial statements on pages 7 to 29.

### **Respective responsibilities of directors and auditors**

As described in the directors' report, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

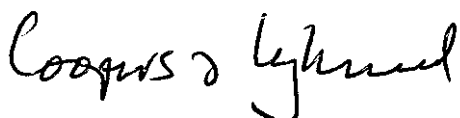
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the company and the group at 31 December 1994 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**

**Chartered Accountants and Registered Auditors**  
London

*1 May* 1995

# Consolidated profit and loss account for the year ended 31 December 1994

	Notes	12 months to 31 December 1994		13 months to 31 December 1993	
		£'000	£'000	£'000	£'000
<b>Turnover</b>	2				
Continuing operations		59,882		75,132	
Discontinued operations		1,113		7,054	
		<u>        </u>	60,995	<u>        </u>	82,186
 Cost of sales before exceptional items	3	47,972		64,823	
Exceptional cost of sales	4	1,769		9,024	
		<u>        </u>	49,741	<u>        </u>	73,847
 <b>Gross profit</b>			11,254		8,339
 Net operating expenses	3		9,819		11,314
			<u>        </u>		<u>        </u>
 <b>Operating profit/(loss)</b>					
Continuing operations		1,437		(950)	
Discontinued operations		(2)		(2,025)	
		<u>        </u>	1,435	<u>        </u>	(2,975)
 Gain on sale of discontinued operations	7		1,159		-
 Reorganisation costs	8				
- continuing operations		(9,251)		(6,100)	
- discontinued operations		-		(280)	
		<u>        </u>	(9,251)	<u>        </u>	(6,380)
 Profit on disposal of fixed assets					
- continuing operations	9		1,478		-
			<u>        </u>		<u>        </u>
 <b>Loss on ordinary activities before interest</b>			(5,179)		(9,355)
 Net interest payable and similar charges	10		226		254
			<u>        </u>		<u>        </u>
 <b>Loss on ordinary activities before taxation</b>	11		(5,405)		(9,609)
 Tax charge/(credit) on ordinary activities	12		121		(169)
			<u>        </u>		<u>        </u>
 <b>Loss for the year</b>	13		(5,526)		(9,440)
			<u>        </u>		<u>        </u>

The group has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.



# Consolidated balance sheet at 31 December 1994

	Note	31 December 1994		31 December 1993	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible assets	14	4		2,167	
Tangible assets	15	17,330		18,658	
			17,334		20,825
<b>Current assets</b>					
Stocks	17	7,643		8,066	
Debtors	18	29,303		30,363	
Cash at bank and in hand		1,069		210	
		38,015		38,639	
<b>Creditors: amounts falling due within one year</b>	19	18,579		20,345	
<b>Net current assets</b>			19,436		18,294
<b>Total assets less current liabilities</b>			36,770		39,119
<b>Creditors: amounts falling due after more than one year</b>	20	767		917	
<b>Provisions for liabilities and charges</b>	21	10,337		7,010	
			11,104		7,927
<b>Net assets</b>			25,666		31,192
<b>Capital and reserves</b>					
Called up share capital	23	30,100		30,100	
Share premium account		509		509	
Profit and loss account	24	(4,943)		583	
<b>Equity shareholders' funds</b>	25	25,666		31,192	

The financial statements on pages 7 to 29 were approved by the board of directors on 13 April 1995 and were signed on its behalf by:

  
P R McKee  
Director

# Balance sheet at 31 December 1994

	Notes	31 December 1994 £'000	31 December 1993 £'000
<b>Fixed assets</b>			
Tangible assets	15	11,077	-
Investments	16	31,406	47,319
		<u>42,483</u>	<u>47,319</u>
<b>Current assets</b>			
Debtors	18	4,195	1,034
Cash at bank and in hand		25	24
		<u>4,220</u>	<u>1,058</u>
<b>Creditors: amounts falling due within one year</b>	19	11,866	11,564
<b>Net current liabilities</b>		<u>(7,646)</u>	<u>(10,506)</u>
<b>Total assets less current liabilities</b>		<u>34,837</u>	<u>36,813</u>
<b>Creditors: amounts falling due after more than one year</b>	20	675	-
<b>Provisions for liabilities and charges</b>	21	7,648	3,643
		<u>8,323</u>	<u>3,643</u>
<b>Net assets</b>		<u>26,514</u>	<u>33,170</u>
<b>Capital and reserves</b>			
Called up share capital	23	30,100	30,100
Share premium account		509	509
Profit and loss account	24	(4,095)	2,561
<b>Equity shareholders' funds</b>		<u>26,514</u>	<u>33,170</u>

The financial statements on pages 7 to 29 were approved by the board of directors on 13 April 1995 and were signed on its behalf by:

  
P R McKee  
Director

# Consolidated cash flow statement for the year ended 31 December 1994

	Notes	12 months to 31 December 1994		13 months to 31 December 1993	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Net cash inflow from continuing operating activities	26	1,460		447	
Net cash inflow/(outflow) in respect of discontinued operating activities		72		(3,789)	
<b>Net cash inflow/(outflow) from operating activities</b>			<b>1,532</b>		<b>(3,342)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		39		95	
Interest paid		(222)		(715)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(183)</b>		<b>(620)</b>
<b>Taxation</b>					
UK corporation tax paid			-		(13)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(4,418)		(3,055)	
Sale of tangible fixed assets		2,552		190	
Sale of subsidiary (note 28)		2,431		486	
<b>Net cash inflow/(outflow) from investing activities</b>			<b>565</b>		<b>(2,379)</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>1,914</b>		<b>(6,354)</b>
<b>Financing</b>					
Repayment of loans from parent company and fellow subsidiaries		(1,787)		(17)	
Loans from fellow subsidiaries		-		2,775	
Loans to fellow subsidiaries		(111)		(230)	
Principal payments under finance leases		(109)		(111)	
<b>Net cash (outflow)/inflow from financing</b>			<b>(2,007)</b>		<b>2,417</b>
<b>Decrease in cash and cash equivalents</b>	27		<b>(93)</b>		<b>(3,937)</b>

## Notes to the financial statements for the year ended 31 December 1994

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1994. Intra group sales and profits are eliminated fully on consolidation.

#### **Goodwill**

Goodwill arising on consolidation represents the net amount by which the consideration paid for certain subsidiaries exceeds the fair value attributed to their separable net assets at the dates of acquisition.

#### **Research and development expenditure**

Research and development expenditure is written off in the year in which it is incurred, with the exception of recoverable development expenditure. This expenditure is carried forward and charged against the revenue arising from sales of the products related to the expenditure on the basis of the number of firm orders received, up to the maximum of orders envisaged at the time of commencement of the project.

#### **Fixed assets**

##### **(i) Intangible fixed assets**

Intangible fixed assets consist of goodwill arising on consolidation and purchased goodwill, know-how and trademarks which are capitalised at cost and amortised so as to write off the cost on a straight line basis over the expected useful life, with a maximum of 40 years unless there is a permanent diminution in the value of the underlying assets of the business, when an appropriate amount is written off.

##### **(ii) Tangible fixed assets**

Expenditure on tangible fixed assets is capitalised at cost. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned which are as follows:

**Tangible fixed assets - continued**

	<b>Years</b>
<b>Land and buildings</b>	
- freehold buildings	40 - 50
- leasehold land and buildings	Period of lease, maximum 50
<b>Plant and machinery</b>	7 - 10
<b>Fixtures, fittings, tools and equipment</b>	
- office equipment	5 - 8
- data processing equipment and software	3 - 7
- motor vehicles	4 - 5

No depreciation is provided on freehold land or on assets which are in the course of construction.

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the loss on ordinary activities before taxation. Where fixed assets are financed by leasing agreements which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

**Government grants**

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life.

Revenue - based grants are credited to the profit and loss account in the same period as the corresponding revenue expenditure is charged. Credit is taken for grants expected to be received in proportion to the qualifying expenditure incurred.

**Stocks and work in progress, excluding long-term contracts**

Stock and work in progress is valued at the lower of cost and net realisable value. Cost, which is generally determined on a first in first out basis, consists of direct materials, labour where appropriate and a relevant proportion of direct overheads. Net realisable value is calculated by reference to the estimated selling prices less costs of realisation and, where appropriate, costs of completion. Where necessary provision is made for obsolete, slow moving and defective stocks.

**Long-term contracts**

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at rates of exchange which approximate to those ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling on the balance sheet date. Foreign exchange gains and losses are taken to the profit and loss account in the year in which they arise.

**Turnover**

Group turnover, which excludes value added tax and agents' commissions, represents the invoiced value of goods and services supplied and the value of long-term contract work done.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Pension scheme arrangements**

The group operates three contracted-out defined benefit pension and life assurance schemes which are open to employees in accordance with eligibility conditions set out in the scheme rules. These schemes are externally funded, administered by trustees and subject to actuarial valuation every three years by a professionally qualified independent actuary using the projected unit credit method. Pension costs are assessed in accordance with the advice of independent professional actuaries who also recommend appropriate rates of company contributions to meet the future benefit liabilities.

Pension costs are charged to the profit and loss account so as to spread the expected cost of providing pensions over employees' working lives with the group. The effects of variations from regular costs are spread over the expected average remaining working lives of scheme members after making suitable allowances for future withdrawals.

In addition, one subsidiary company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

## 2 Segmental analysis

The contributions of the various activities of the group to its turnover and loss on ordinary activities before taxation are set out below:-

	Turnover		(Loss)/profit on ordinary activities before taxation	
	1994 12 mths £'000	1993 13 mths £'000	1994 12 mths £'000	1993 13 mths £'000
<b>Principal activities</b>				
Electronics	35,225	45,857	(2,379)	(2,377)
Computer systems	3,505	12,744	(1,678)	(7,465)
Marine electronics	22,035	22,176	3,185	3,445
Intergroup eliminations	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Other	60,765	80,777	(872)	(6,397)
	230	1,409	(4,533)	(3,212)
	<hr/>	<hr/>	<hr/>	<hr/>
	60,995	82,186	(5,405)	(9,609)
	<hr/>	<hr/>	<hr/>	<hr/>

### Geographical analysis by destination

United Kingdom	27,491	45,905
Rest of Europe	17,192	17,065
North America	12,280	11,685
Other	4,032	7,531
	<hr/>	<hr/>
	60,995	82,186
	<hr/>	<hr/>

The turnover all originated in the United Kingdom.

**3 Cost of sales and net operating expenses**

	1994 - 12 months			1993 - 13 months		
	Con- tinuing £'000	Dis- continued £'000	Total £'000	Con- tinuing £'000	Dis- continued £'000	Total £'000
Cost of sales	47,032	940	47,972	58,532	6,291	64,823
Exceptional cost of sales	1,769	-	1,769	8,272	752	9,024
	<u>48,801</u>	<u>940</u>	<u>49,741</u>	<u>66,804</u>	<u>7,043</u>	<u>73,847</u>
<b>Gross profit</b>	<b>11,081</b>	<b>173</b>	<b>11,254</b>	<b>8,328</b>	<b>11</b>	<b>8,339</b>
Distribution costs	3,851	98	3,949	4,074	1,169	5,243
Administrative expenses	4,009	80	4,089	4,983	870	5,853
	<u>7,860</u>	<u>178</u>	<u>8,038</u>	<u>9,057</u>	<u>2,039</u>	<u>11,096</u>
Other operating expense/ (income) (see below)	1,784	(3)	1,781	221	(3)	218
	<u>9,644</u>	<u>175</u>	<u>9,819</u>	<u>9,278</u>	<u>2,036</u>	<u>11,314</u>
<b>Net operating expenses</b>	<b>9,644</b>	<b>175</b>	<b>9,819</b>	<b>9,278</b>	<b>2,036</b>	<b>11,314</b>
<b>Operating profit/(loss)</b>	<b>1,437</b>	<b>(2)</b>	<b>1,435</b>	<b>(950)</b>	<b>(2,025)</b>	<b>(2,975)</b>

Other operating expense for 1994 in respect of continuing operations includes a charge of £1,701,000 for goodwill arising on consolidation written off in the year.

**4 Exceptional cost of sales**

	1994 - 12 months			1993 - 13 months		
	Con- tinuing £'000	Dis- continued £'000	Total £'000	Con- tinuing £'000	Dis- continued £'000	Total £'000
Contract provisions	1,769	-	1,769	4,773	-	4,773
Redundancy costs	-	-	-	1,945	-	1,945
Unoccupied premises costs	-	-	-	1,554	-	1,554
Stock provisions	-	-	-	-	752	752
	<u>1,769</u>	<u>-</u>	<u>1,769</u>	<u>8,272</u>	<u>752</u>	<u>9,024</u>

**5 Directors' emoluments**

The directors of Raytheon United Kingdom Limited did not receive any emoluments for their services to the company (1993 £Nil).



**6 Employee information**

The average weekly number of persons, including executive directors, employed by the group during the period was as follows:

	1994 Number	1993 13 mths Number
<b>By activity</b>		
Manufacturing and engineering	887	1,253
Marketing	73	75
Administration	96	125
	<hr/>	<hr/>
	1,056	1,453
	<hr/>	<hr/>

The aggregate payroll costs of the above were as follows:

	1994 £'000	1993 13 mths £'000
Wages and salaries	19,535	30,150
Social security costs	1,679	2,657
Other pension costs (see note 22)	738	1,070
	<hr/>	<hr/>
	21,952	33,877
	<hr/>	<hr/>

**7 Gain on sale of discontinued operations**

	1994 £'000	1993 13 mths £'000
Sale of Data Logic Communication Services Limited		
- Tangible fixed assets	708	-
- Stocks	735	-
- Debtors	1,260	-
- Cash	69	-
	<hr/>	<hr/>
	2,772	-
- Creditors	(1,522)	-
	<hr/>	<hr/>
Net assets sold	1,250	-
Sale proceeds - net	2,409	-
	<hr/>	<hr/>
Profit on sale	1,159	-
	<hr/>	<hr/>

No tax liability arises on this sale of Data Logic Communication Services Limited due to availability of unutilised capital losses from prior years which can be offset against the gain.

**8 Reorganisation costs**

	1994	1993
	£'000	13 mths £'000
Costs of a fundamental reorganisation and provision for future net costs under onerous lease commitments		
(a) Restructuring costs		
- continuing operations	5,251	1,100
- discontinued operations	-	280
	<u>5,251</u>	<u>1,380</u>
(b) Provision for future net lease costs (note 21)		
- continuing operations	4,000	5,000
	<u>9,251</u>	<u>6,380</u>

**9 Profit on disposal of fixed assets**

	1994	1993
	£'000	13 mths £'000
<b>Continuing operations</b>		
Profit arising on the sale of part of a factory site	1,478	-

No tax liability arises on this sale due to the availability of unutilised capital losses from prior years which can be offset against the gain.

**10 Net interest payable and similar charges**

	1994	1993
	£'000	13 mths £'000
Interest payable and similar charges:-		
On bank loans and overdrafts not repayable by instalments and due within five years	246	261
On loans from group undertakings	3	26
On finance leases	10	32
On all other loans	6	30
	<u>265</u>	<u>349</u>
Less: Other interest receivable and similar income	39	95
	<u>226</u>	<u>254</u>

**11 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging the following:-

	1994	1993 13 mths
	£'000	£'000
Depreciation of tangible owned fixed assets	2,853	3,620
Depreciation of tangible fixed assets held under finance leases	139	187
Amortisation of intangible fixed assets	65	164
Auditor's remuneration - audit fees (see below)	23	118
- other	131	135
Operating lease and short-term rentals for plant and machinery including motor vehicles	578	1,233
Operating lease rentals for land and buildings, excluding unoccupied premises costs	192	1,002
Loss on sale of tangible fixed assets, excluding reorganisation costs (note 8)	1	62

Auditor's remuneration in respect of audit fees for the year of £89,000 (company £25,000) will be borne by the ultimate parent company. In 1993 the audit fees included £20,000 in respect of the company.

**12 Tax on loss on ordinary activities**

The charge/(credit) for taxation on the loss on ordinary activities is made up as follows:-

	1994	1993 13 mths
	£'000	£'000
On the loss for the year:-		
United Kingdom corporation tax at 33% (1993 33%)	259	-
Deferred taxation	(10)	(134)
	<u>249</u>	<u>(134)</u>
Adjustments in respect of prior years:-		
Corporation tax	(43)	-
Deferred taxation	(85)	(35)
	<u>(128)</u>	<u>(35)</u>
	<u>121</u>	<u>(169)</u>

The group has significant tax losses carried forward and other timing differences in certain subsidiaries which are available for offset against future trading profits of those subsidiaries (note 21).

**13 Loss for the financial year**

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The loss for the financial year attributable to the parent company is £6,656,000 (1993 £13,576,000).

**14 Intangible fixed assets**

The company has no intangible assets. Those relating to the group represent goodwill arising on consolidation and purchased goodwill, know-how and trademarks as follows:-

	Goodwill £'000	Goodwill £'000	Purchased Know-how £'000	Trademarks £'000	Total £'000
<b>Cost</b>					
At 1 January 1994	2,836	260	350	24	3,470
Amount written off (see below)	(2,836)	(260)	(350)	-	(3,446)
<b>At 31 December 1994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>
<b>Amortisation</b>					
At 1 January 1994	1,135	75	78	15	1,303
Charge for the year	-	36	24	5	65
Amount written off (see below)	(1,135)	(111)	(102)	-	(1,348)
<b>At 31 December 1994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>Net book value</b>					
<b>At 31 December 1994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>
At 31 December 1993	1,701	185	272	9	2,167

The amount written off is due to a permanent diminution in the value of the underlying assets of the business concerned.

**15 Tangible fixed assets**

Group	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Payments on account and assets in course of construction £'000	Total £'000
<b>Cost</b>					
At 1 January 1994	14,061	18,300	8,980	204	41,545
Reclassification	(161)	-	161	-	-
Additions	2,072	1,297	1,062	(13)	4,418
Disposals	(2,292)	(4,313)	(2,177)	-	(8,782)
Sale of subsidiary	(637)	-	(1,238)	-	(1,875)
<b>At 31 December 1994</b>	<b>13,043</b>	<b>15,284</b>	<b>6,788</b>	<b>191</b>	<b>35,306</b>
<b>Accumulated depreciation</b>					
At 1 January 1994	3,032	13,105	6,750	-	22,887
Reclassification	(97)	-	97	-	-
Charge for the year	326	1,830	836	-	2,992
Disposals	(1,107)	(3,567)	(2,062)	-	(6,736)
Sale of subsidiary	(187)	-	(980)	-	(1,167)
<b>At 31 December 1994</b>	<b>1,967</b>	<b>11,368</b>	<b>4,641</b>	<b>-</b>	<b>17,976</b>
<b>Net book value</b>					
<b>At 31 December 1994</b>	<b>11,076</b>	<b>3,916</b>	<b>2,147</b>	<b>191</b>	<b>17,330</b>
At 31 December 1993	11,029	5,195	2,230	204	18,658

The net book value of tangible fixed assets includes an amount of £97,000 (1993 £245,000) in respect of assets held under finance leases.

**15 Tangible fixed assets - continued**

Land and buildings comprise the following:-

	Freehold £'000	Leasehold improvements		Total £'000
		Long £'000	Short £'000	
<b>Cost</b>				
At 1 January 1994	8,035	637	5,389	14,061
Reclassification	4,595	-	(4,756)	(161)
Additions	2,052	-	20	2,072
Disposals	(2,162)	-	(130)	(2,292)
Sale of subsidiary	-	(637)	-	(637)
<b>At 31 December 1994</b>	<b>12,520</b>	<b>-</b>	<b>523</b>	<b>13,043</b>
<b>Accumulated depreciation</b>				
At 1 January 1994	1,653	187	1,192	3,032
Reclassification	473	-	(570)	(97)
Charge for the year	325	-	1	326
Disposals	(987)	-	(120)	(1,107)
Sale of subsidiary	-	(187)	-	(187)
<b>At 31 December 1994</b>	<b>1,464</b>	<b>-</b>	<b>503</b>	<b>1,967</b>
<b>Net book value</b>				
<b>At 31 December 1994</b>	<b>11,056</b>	<b>-</b>	<b>20</b>	<b>11,076</b>
At 31 December 1993	6,382	450	4,197	11,029
<b>Company</b>				
	Freehold £'000	Leasehold improvements		Total £'000
		Long £'000	Short £'000	
<b>Cost</b>				
At 1 January 1994	-	-	51	51
Additions	528	-	20	548
Disposals	(2,546)	-	-	(2,546)
Intercompany transfers	14,539	-	-	14,539
<b>At 31 December 1994</b>	<b>12,521</b>	<b>-</b>	<b>71</b>	<b>12,592</b>
<b>Accumulated depreciation</b>				
At 1 January 1994	-	-	51	51
Charge for the year	69	-	-	69
Disposals	(56)	-	-	(56)
Intercompany transfers	1,451	-	-	1,451
<b>At 31 December 1994</b>	<b>1,464</b>	<b>-</b>	<b>51</b>	<b>1,515</b>
<b>Net book value</b>				
<b>At 31 December 1994</b>	<b>11,057</b>	<b>-</b>	<b>20</b>	<b>11,077</b>
At 31 December 1993	-	-	-	-

The freehold land and buildings owned by the company is all held for use in operating leases with wholly owned subsidiary companies.

**16 Fixed assets - investments**

This represents investments in group undertakings and is made up as follows:

	Shares £'000	Loans £'000	Total £'000
<b>Cost</b>			
At 1 January 1994	29,837	28,318	58,155
Additions/(repayments)	1,250	(12,060)	(10,810)
Sale of subsidiary	(2,500)	-	(2,500)
<b>At 31 December 1994</b>	<b>28,587</b>	<b>16,258</b>	<b>44,845</b>
<b>Provisions</b>			
At 1 January 1994	8,275	2,561	10,836
Additions	-	2,603	2,603
<b>At 31 December 1994</b>	<b>8,275</b>	<b>5,164</b>	<b>13,439</b>
<b>Net book value</b>			
<b>At 31 December 1994</b>	<b>20,312</b>	<b>11,094</b>	<b>31,406</b>
At 31 December 1993	21,562	25,757	47,319

The company has given assurances to certain subsidiary undertakings that it will not seek repayment from them of the loans to group undertakings within the next 12 months (see also note 30).

Details of those subsidiary undertakings which, in the opinion of the directors, principally affected the results or financial position of the group are shown in note 32.

**17 Stocks**

The amounts attributable to the different categories are as follows:-

	1994 £'000	1993 £'000
Raw materials and consumables	1,073	1,473
Work in progress	4,810	3,824
Long term contract work in progress	-	93
Finished goods and goods for resale	1,760	2,676
	<b>7,643</b>	<b>8,066</b>

**18 Debtors**

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Amounts falling due within one year:-</b>				
Trade debtors	4,933	78	4,499	17
Amounts owed by group undertakings				
- subsidiaries	-	3	-	285
- parent company and fellow subsidiaries	5,501	792	3,072	686
Other debtors	3,153	2,637	536	-
Prepayment and accrued income	2,984	675	2,556	36
Amounts recoverable on contracts	12,685	-	19,653	-
	<hr/>	<hr/>	<hr/>	<hr/>
	29,256	4,185	30,316	1,024
<b>Amounts falling due after one year:-</b>				
Other debtors (see below)	47	10	47	10
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Totals</b>	<b>29,303</b>	<b>4,195</b>	<b>30,363</b>	<b>1,034</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Other debtors falling due after one year include a loan of £10,000 made to Mr P R McKee a number of years ago before he became a director of Raytheon United Kingdom Limited. This loan which has subsisted unchanged throughout the whole of the year is interest free, repayable on death or other termination of employment of the director and is secured on his main residence.

**19 Creditors: amounts falling due within one year**

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts - unsecured	5,539	5,295	4,587	4,561
Obligations under finance leases	72	-	109	-
Payments received on account	333	-	820	-
Trade creditors	7,045	214	5,614	172
Amounts owed to group undertakings				
- parent company and fellow subsidiaries	2,165	1,113	3,538	2,902
- subsidiaries	-	4,373	-	3,738
United Kingdom corporation tax	281	-	66	-
Social security	329	-	440	-
Other creditors, including reorganisation costs	885	149	2,454	191
Accruals and deferred income	1,930	722	2,717	-
	<hr/>	<hr/>	<hr/>	<hr/>
	18,579	11,866	20,345	11,564
	<hr/>	<hr/>	<hr/>	<hr/>

**20 Creditors: amounts falling due after more than one year**

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases (see below)	16	-	88	-
Accruals and deferred income				
- government grants	751	675	829	-
	<u>767</u>	<u>675</u>	<u>917</u>	<u>-</u>

The future minimum lease payments to which the group is committed under finance leases are as follows:

	1994 £'000	1993 £'000
In one year or less	72	109
Between one and two years	16	72
Between two and five years	-	15
	<u>88</u>	<u>197</u>

The company had no such commitments.

**21 Provisions for liabilities and charges**

	Balances 1 Jan 1994 £'000	Charge/(credit) for year in the profit and loss account £'000	Reclassified/ (utilised) during the year £'000	Balances 31 Dec 1994 £'000
<b>Group</b>				
Pensions and similar obligations	143	5	-	148
Deferred taxation (see below (i))	95	(95)	-	-
Other provisions:-				
Warranty provisions	1,148	522	(698)	972
Contract provisions	56	568	-	624
Reorganisation provisions (see below (ii))	5,568	8,742	(5,717)	8,593
	<u>7,010</u>	<u>9,742</u>	<u>(6,415)</u>	<u>10,337</u>
<b>Company</b>				
Pensions and similar obligations	143	5	-	148
Reorganisation provisions (see below (ii))	3,500	4,000	-	7,500
	<u>3,643</u>	<u>4,005</u>	<u>-</u>	<u>7,648</u>



**21 Provisions for liabilities and charges - continued**

(i) Deferred taxation provided in the financial statements for the group, calculated at 33% (1993: 33%) arises as follows:-

	1994 £'000	1993 £'000
Accelerated capital allowances	(2,743)	(1,839)
Other timing differences	(2,928)	312
Losses carried forward	(3,816)	(5,297)
Total potential asset - net	(9,487)	(6,824)
Less asset not provided (see below)	9,487	6,919
Liability provided	-	95

The potential deferred taxation asset shown above for the group arises mainly from tax losses carried forward and other timing differences which will be utilised by the subsidiaries concerned as and when sufficient taxable profits arise. Accordingly £9,487,000 (1993 £6,919,000) of the potential asset in those subsidiaries has not been included in the balance sheet.

The company has a potential deferred taxation asset at 31 December 1994 and 31 December 1993 which is not carried on the balance sheet. This asset also arises mainly from tax losses carried forward and other timing differences which cannot at present be quantified with reasonable certainty.

(ii) Reorganisation provisions include £7,500,000 (1993 £5,000,000), of which £7,500,000 (1993 £3,500,000) relates to the company, in respect of onerous lease commitments, as disclosed in note 8 to the financial statements, which represents the directors' best estimate of the likely future net costs under these leases. The amount of these future net costs depends on a number of factors including the achievement, timing and values of sub-tenancy agreements with third parties yet to be identified.

**22 Pension and similar obligations**

The group operates three final salary, defined benefit pension and life assurance schemes these being the Cossor Superannuation Fund, the Data Logic Ltd Pension Scheme and the Raytheon UK Executive Pension Scheme. The schemes are contracted-out of SERPS. Approximately 80% of all pensionable employees are members of one of these final salary schemes.

The latest actuarial valuations of these schemes were at 1 December 1992. The economic assumptions which have the most significant effect on the results of these valuations are those relating to the rate of return on investments (9½% p.a.) and the rates of increase of pensionable salaries (7% p.a.) and of pensions. It was assumed that investment returns would exceed salary increases by an average of 2½% per annum and that, in addition to pension increases required by legislation, pensions in payment in excess of the guaranteed minimum pension (GMP) will be increased by an average of 4% per annum.

**22 Pension and similar obligations - continued**

At the date of the above valuations the market value of the main schemes' assets was £41,246,000 and in addition the Trustees held insured annuities with a value of £8,856,000. The actuarial value of those assets calculated as a proportion of the value of the liabilities in respect of completed service based upon projected earnings was 121%. The surplus of £8,542,000 is being amortised over 15 years and is taken into account in arriving at the pension cost for the current year of £738,000 (1993 £1,070,000).

The difference between the accumulated pension cost and the amount funded on the various group schemes is shown in the consolidated balance sheet as a prepayment of £945,000 (1993 £1,311,000) and a creditor of £161,000 (1993 £148,000).

In addition, one subsidiary company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged against profits represents contributions payable by the company to the scheme and amounted to £168,000 (1993 £180,000). Contributions outstanding at the year end are included in the balance sheet as a creditor of £Nil (1993 £7,000).

The cost of providing other post retirement benefits to employees is insignificant and, in the opinion of the directors, has no material impact on the group.

**23 Called up share capital**

	Authorised		Allotted, called up and fully paid	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
- Ordinary shares of 25p each	30,100	30,100	30,100	30,100

**24 Profit and loss account**

	Group £'000	Company £'000
As at 1 January 1994	583	2,561
Loss for the year	(5,526)	(6,656)
<b>As at 31 December 1994</b>	<b>(4,943)</b>	<b>(4,095)</b>

**25 Reconciliation of movements in shareholders' funds**

	1994 £'000	1993 £'000
Opening shareholders' funds	31,192	40,632
Loss for the financial year	(5,526)	(9,440)
<b>Closing shareholders' funds</b>	<b>25,666</b>	<b>31,192</b>

**26 Reconciliation of operating profit/(loss) to net cash inflow from continuing operating activities**

	1994 £'000	1993 £'000
Operating profit/(loss)	1,437	(950)
Reorganisation and redundancy costs	(9,251)	(6,100)
Amortisation of intangible fixed assets	65	164
Goodwill and know how written off	2,098	-
Depreciation of tangible fixed assets	2,976	3,807
Loss on sale of tangible fixed assets	972	62
(Increase)/decrease in stocks	(288)	5,113
(Increase)/decrease in trade and other debtors	(4,308)	3,833
Increase in amounts owed by parent company and fellow subsidiaries	(2,318)	(252)
Decrease/(increase) in amounts recoverable on contracts	6,968	(3,721)
Increase in prepayments and accrued income	(544)	(379)
(Decrease)/increase in payments received on account	(487)	820
Increase/(decrease) in trade and other creditors	48	(4,114)
Increase in amounts owed to parent company and fellow subsidiaries	414	118
Increase/(decrease) in accruals and deferred income	256	(834)
Increase in provisions for liabilities and charges	3,422	2,880
	<hr/>	<hr/>
<b>Net cash inflow from continuing operating activities</b>	<b>1,460</b>	<b>447</b>
	<hr/>	<hr/>

**27 Cash and cash equivalents**

	1994 £'000	1993 £'000
<b>Changes during the year</b>		
At 1 January 1994	(4,377)	(440)
Net cash outflow	(93)	(3,937)
	<hr/>	<hr/>
<b>At 31 December 1994</b>	<b>(4,470)</b>	<b>(4,377)</b>
	<hr/>	<hr/>

	1994 £'000	Change in the year £'000	1993 £'000	Change in the period £'000	1992 £'000
<b>Analysis of the balances</b>					
Cash at bank and in hand	1,069	859	210	(2)	212
Bank loans and overdrafts	(5,539)	(952)	(4,587)	(3,935)	(652)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 1994</b>	<b>(4,470)</b>	<b>(93)</b>	<b>(4,377)</b>	<b>(3,937)</b>	<b>(440)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## 28 Analysis of changes in financing during the year

	1994		1993	
	Share capital including premium £'000	Loans & finance lease obligations £'000	Share capital including premium £'000	Loans & finance lease obligations £'000
At 1 January 1994	30,609	197	30,609	308
Principal payments under finance leases	-	(109)	-	(111)
At 31 December 1994	30,609	88	30,609	197

## Sale of subsidiary undertaking

	1994 £'000	1993 £'000
Proceeds of sale	2,500	99
Cash and cash equivalents disposed	(69)	387
Net inflow of cash and cash equivalents	2,431	486

## Net assets at date of disposal

Tangible fixed assets	708	340
Stocks	735	1,544
Debtors	1,260	3,028
Cash	69	7
Creditors	(1,522)	(4,090)
Net assets	1,250	829
Gain/(loss) on sale (excluding costs of disposal)	1,250	(730)
Satisfied by cash	2,500	99

The business sold during the year contributed £72,000 to the net cash inflow from discontinued activities (1993 £861,000 net cash outflow).

**29 Capital commitments**

	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
Capital expenditure for the group that has been contracted for but has not been provided for in the financial statements	<b>286</b>	<b>911</b>
Capital expenditure for the group that has been authorised by the directors but not yet contracted for	<b>955</b>	<b>1,442</b>

The company had no such capital commitments

**30 Contingent liabilities**

As part of the group banking arrangements, Raytheon United Kingdom Limited (RUK) and certain of its wholly owned subsidiary companies have entered into composite guarantees with a third party in connection with the provision of banking facilities, under which there is a maximum potential liability of £12,000,000 (1993 £17,400,000). At 31 December 1994 £8,065,000 (1993 £7,742,000) was outstanding against these facilities. The ultimate parent company, Raytheon Company, has issued a counter guarantee for £12,000,000 (1993 £17,000,000) to the third party concerned. The directors do not consider that any loss will arise as a direct result of these guarantees.

In accordance with group funding arrangements provided to its subsidiaries, Raytheon United Kingdom Limited will continue to make finance available to enable them to meet their debts as they fall due.

**31 Financial commitments**

At 31 December 1994 annual commitments under non-cancellable operating leases were as follows:

<b>Group</b>	<b>1994</b>		<b>1993</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Expiring within one year	<b>2</b>	<b>74</b>	<b>12</b>	<b>266</b>
Expiring between two and five years	<b>3</b>	<b>291</b>	<b>-</b>	<b>643</b>
Expiring in over five years	<b>2,699</b>	<b>-</b>	<b>2,649</b>	<b>-</b>
	<b>2,704</b>	<b>365</b>	<b>2,661</b>	<b>909</b>

**31 Financial commitments - continued**

Company	1994		1993	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	2	-	-	-
Expiring between two and five years	-	-	-	-
Expiring in over five years	2,457	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,459	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The operating leases under which the company's annual commitments arise at the end of 1994 in respect of land and buildings were transferred during the year from a wholly owned subsidiary company, as disclosed in the directors' report.

**32 Subsidiaries**

The following information relates to those subsidiary undertakings which, in the opinion of the directors, principally affected the results or financial position of the group. They are all wholly owned directly by Raytheon United Kingdom Limited and registered in England and Wales, from where they operate.

Name of company	Activity	Description of shares held
Cossor Electronics Limited	Electronics	£1 Ordinary
Data Logic Limited	Computer systems and software	£1 Ordinary £1 Preference
Autohelm Limited	Marine electronics	£1 Ordinary

**33 Ultimate parent company**

The directors regard Raytheon Company which is incorporated in the United States of America, as the ultimate parent company. Copies of the latest annual report of Raytheon Company may be obtained from Corporate Communications, Raytheon Company, 141 Spring Street, Lexington, Massachusetts 02173, USA.