

**Raytheon United Kingdom Limited**  
(Registered number 337167)

**Annual report**

**For the year ended 31 December 1998**



# **Raytheon United Kingdom Limited**

## **Annual report for the year ended 31 December 1998**

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# **Raytheon United Kingdom Limited**

## **Directors and advisers**

### **Executive directors**

P R McKee

J C Southall

### **Registered Auditors**

PricewaterhouseCoopers

1 Embankment Place

London

WC2N 6NN

### **Non-executive director**

Sir Kenneth Macdonald, KCB

Chairman

### **Bankers**

National Westminster Bank Plc

208 Piccadilly

London

W1A 2DG

### **Secretary and registered office**

M R G Wood

80 Park Lane

London

W1Y 3TD

# **Raytheon United Kingdom Limited**

## **Directors' report for the year ended 31 December 1998**

The directors present their report and the audited financial statements for the year ended 31 December 1998.

### **Principal activities**

The consolidated profit and loss account for the year is set out on page 8.

The group is a major supplier of electronic systems, products, components and associated support services to the Defence and Commercial markets, both in the UK and overseas. The group is developing its capability to undertake major systems integration programmes for the Ministry of Defence.

### **Review of business and future developments**

In 1997, Raytheon Company acquired the defence electronics interests of Texas Instruments and merged with the Hughes Aircraft Corporation. The new enlarged company retained the Raytheon name and has since re-structured and re-organised its business interests worldwide.

In the UK, the company's main subsidiary, Raytheon Systems Limited was reorganised with effect from 1 January 1998, to bring together into one powerful entity all the combined strengths and capabilities of the former Raytheon Cossor Electronics Limited, Hughes (UK) Limited, Raytheon E-Systems Limited, Hughes Flight Training Limited (subsequently disposed of), Hughes International Corporation – UK Branch, Raytheon Computer Products Europe Limited and Raytheon TI Systems Limited. Raytheon Systems Limited also has three main subsidiaries, Raytheon Marine Limited, Raytheon Aircraft Services Limited and Raytheon Microelectronics Espana SA.

Raytheon Systems Limited is the UK subsidiary of Raytheon Company addressing the defence and commercial markets alike. The company and its subsidiaries design, develop and manufacture a wide range of advanced electronic products and integrated systems including airport radars, identification friend or foe systems, anti-jamming global navigation systems and marine navigation equipment. Further, the group provides aircraft servicing, repair and modifications, and develops air traffic control simulation systems.

Raytheon Systems Limited plays an integral role in Raytheon Company's global objectives. Its strategy is to grow from an electronics manufacturer and small systems designer and manufacturer into a first tier military systems integrator. As an illustration of this, Raytheon Systems Limited has bid as prime contractor for a series of major UK Ministry of Defence programmes for the 21<sup>st</sup> century, including the Airborne Stand-Off Radar (ASTOR), the Beyond Visual Range Air-to-Air Missile (BVRAAM) and Successor Identification Friend or Foe (SIFF).

The capabilities of Raytheon Systems Limited will be extended through the formation of strategic partnerships, joint ventures and programme partnerships with European companies and the sharing of technologies between Raytheon in the UK and US.

1998 was an exciting and challenging first year with successes in the following areas:-

- In May 1998, Raytheon Aircraft Services ceremonially opened its new hangar at Broughton to facilitate its growth plans.

# **Raytheon United Kingdom Limited**

## **Directors' report for the year ended 31 December 1998** (Continued)

### **Review of business and future developments** (Continued)

- In September 1998, the group's Glenrothes facility won a £40m order for the manufacture of AMRAAM (Advanced Medium Range Air-to-Air Missiles) control and actuation sections.
- In November 1998, the Harlow facility's GPS Antenna System was selected as a Millennium Product by the Design Council.
- Harlow received the initial part of an order for Monopulse Secondary Surveillance Radar (MSSR) from the United States Federal Aviation Authority which is expected to grow to 152 systems (worth £80m).
- The group consolidated its three London offices into one new headquarters at 80 Park Lane, making this the new group's headquarters.

During June 1999, the company was advised by the Ministry of Defence that it had been selected as preferred supplier for the Airborne Stand-Off Radar (ASTOR) programme, and the contract was subsequently signed on 17th December 1999.

The directors expect the existing business of the group to continue to develop over the coming year. In addition, the company will continue to pursue its bids for the major UK Ministry of Defence programmes listed above, and will pursue other major programme opportunities as they arise.

### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1998.

### **Post balance sheet events**

There are no other post balance sheet events relevant to this report.

### **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**

The group is heavily committed to research and development activities in all areas of its business which include a number of specialised fields in which it is a market leader.

# **Raytheon United Kingdom Limited**

## **Directors' report for the year ended 31 December 1998 (Continued)**

### **Year 2000**

The directors actively considered the risks and uncertainties associated with the Year 2000 date conversion problem. The operations of the business depend not only on its computer systems, but also to some degree on those of its suppliers and customers. There remains, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues. To date, the directors are not aware of any material issues in this respect.

The group participated in a formal comprehensive global programme co-ordinated by the ultimate parent company, Raytheon Company, to identify and resolve Year 2000 related issues. The programme included the investigation of all group functions and products, the identification and assessment of risks and proposals for their resolution. Also, the group assessed the risk of supplier readiness and reviewed the position with the parties concerned as appropriate.

The total estimated costs to the group of these plans is not expected to be material and will be absorbed within the normal administrative expenses.

### **Introduction of the Euro**

The group has established a small team under the leadership of a project manager to deal with the Euro and its implications. As part of a group wide initiative, organised by the ultimate parent company Raytheon Company, the risks and opportunities have been fully reviewed and necessary staff training has been carried out. The total estimated cost of this programme to the group is not expected to be significant and will be charged to the profit and loss account as incurred.

### **Directors**

The directors of the company at 31 December 1998, all of whom were directors for the whole of the year ended on that date, are listed on page 1.

Mr C L Hoffmann ( USA ) , who was a director at 31 December 1997, resigned on 14 September 1998.

Mr J C Southall resigned as a director on 21 September 1999 and Mr P K Harrison was appointed a director on 21 September 1999.

In accordance with the Articles of Association, Mr P K Harrison will retire at the next annual general meeting and, being eligible, will offer himself for re-election.

Also in accordance with the Articles of Association, Sir Kenneth MacDonald, KCB 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.

# Raytheon United Kingdom Limited

## 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 and the 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 £3,600 (1997: £3,000). There were no political donations.

## Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors. A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By Order of the Board



**M R G Wood**  
**Company secretary**

19<sup>th</sup> May 2000

# **Raytheon United Kingdom Limited**

## **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 the group 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.



# Raytheon United Kingdom Limited

## Auditors' Report to the members of Raytheon United Kingdom Limited

We have audited the financial statements on pages 8 to 29 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 11 to 14.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the group 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit 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 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London, 22 May 2000

# Raytheon United Kingdom Limited

## Consolidated profit and loss account for the year ended 31 December 1998

	Notes	1998		Total	1997
		Continuing £'000	Discontinued £'000	1998 £'000	1997 £'000
Turnover	2	187,214	8,873	196,087	164,635
Cost of sales	3	(169,531)	(4,480)	(174,011)	(140,728)
<b>Gross profit</b>		<b>17,683</b>	<b>4,393</b>	<b>22,076</b>	<b>23,907</b>
Operating expenses	3	(15,942)	(2,060)	(18,002)	(24,739)
Other operating income		-	-	-	706
<b>Operating profit</b>		<b>1,741</b>	<b>2,333</b>	<b>4,074</b>	<b>(126)</b>
Profit on disposal of fixed assets		-	-	-	1,233
(Loss)/profit on disposal of discontinued operations	6	-	(6,041)	(6,041)	4,150
<b>(Loss)/profit on ordinary activities before interest</b>		<b>1,741</b>	<b>(3,708)</b>	<b>(1,967)</b>	<b>5,257</b>
Net interest receivable/ (payable) and similar charges	7			<b>436</b>	<b>(2,332)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>	8			<b>(1,531)</b>	<b>2,925</b>
Tax credit on ordinary activities	9			<b>(177)</b>	<b>(246)</b>
<b>(Loss)/profit for the year</b>	22			<b>(1,708)</b>	<b>2,679</b>

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)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above, and their historical cost equivalents.

# Raytheon United Kingdom Limited

## Consolidated balance sheet at 31 December 1998

		1998	1997
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	12	15	164
Tangible assets	11	36,751	85,278
		<b>36,766</b>	<b>85,442</b>
<b>Current assets</b>			
Stocks	14	26,459	22,484
Debtors	15	108,010	56,689
Cash at bank and in hand		2,213	16,479
		<b>136,682</b>	<b>95,652</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>59,691</b>	<b>57,720</b>
<b>Net current assets</b>		<b>76,991</b>	<b>37,932</b>
<b>Total assets less current liabilities</b>		<b>113,757</b>	<b>123,374</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>6,350</b>	<b>17,036</b>
<b>Provisions for liabilities and charges</b>	19	<b>16,225</b>	<b>13,448</b>
		<b>22,575</b>	<b>30,484</b>
<b>Net assets</b>		<b>91,182</b>	<b>92,890</b>
<b>Capital and reserves</b>			
Called up share capital	21	30,100	30,100
Shares to be issued	21	54,796	54,796
Share premium account		509	509
Revaluation reserve	23	-	527
Profit and loss account	22	3,244	4,425
Other reserves	23	2,533	2,533
<b>Equity shareholders' funds</b>	24	<b>91,182</b>	<b>92,890</b>

The financial statements on pages 8 to 29 were approved by the board of directors on 19th May 2000 and were signed on its behalf by:



**P K Harrison**  
Director

# Raytheon United Kingdom Limited

## Company balance sheet at 31 December 1998

	Notes	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	11	9,821	10,184
Investments	13	61,313	20,517
		<b>71,134</b>	<b>30,701</b>
<b>Current assets</b>			
Debtors	15	57,067	13,781
Cash at bank and in hand		58	156
		<b>57,125</b>	<b>13,937</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>48,602</b>	<b>15,795</b>
<b>Net current assets (liabilities)</b>		<b>8,523</b>	<b>(1,858)</b>
<b>Total assets less current liabilities</b>		<b>79,657</b>	<b>28,843</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>614</b>	<b>629</b>
<b>Provisions for liabilities and charges</b>	19	<b>7,287</b>	<b>9,127</b>
		<b>7,901</b>	<b>9,756</b>
<b>Net assets</b>		<b>71,756</b>	<b>19,087</b>
<b>Capital and reserves</b>			
Called up share capital	21	30,100	30,100
Shares to be issued	21	54,796	-
Share premium account		509	509
Profit and loss account	22	(13,649)	(11,522)
<b>Equity shareholders' funds</b>		<b>71,756</b>	<b>19,087</b>

The financial statements on pages 8 to 29 were approved by the board of directors on 19/1 May 2000 and were signed on its behalf by:



**P K Harrison**  
Director

# **Raytheon United Kingdom Limited**

## **Notes to the financial statements for the year ended 31 December 1998**

### **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 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, as modified by the revaluation of certain fixed assets.

#### **Basis of consolidation**

The group accounts include the results of all group companies for the period they were owned by the group.

Subsidiaries acquired during the year have been accounted for under the principles of merger accounting as permitted by the accounting regulations relating to group reconstructions. As a result the consolidated balance sheet and profit and loss account are presented as if the group had existed for the whole of the current and prior years.

The results of subsidiaries and operations disposed of during the year are included up to the date of disposal. Any profit or loss arising on disposal is included within the consolidated profit and loss account.

Comparative figures for the group have thus been included for the prior year and reflect the results of the new group for the whole of that year.

The comparative figures for the entity accounts have not been affected.

#### **Cash flow statement**

The ultimate parent company has prepared consolidated financial statements including a cash flow statement dealing with the cash flows of the group. Accordingly, as allowed under the exemption provisions of Financial Reporting Standard No 1 revised (FRS 1), the company has not prepared a cash flow statement as part of its own financial statements.

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

Research and development expenditure is written off in the year in which it is incurred.

#### **Fixed assets**

Expenditure on 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:

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 1 Principal accounting policies (Continued)

	Years
Land and buildings	
- freehold buildings	40 - 50
- leasehold land and buildings	Period of lease, maximum 50
Plant and machinery	
- test equipment	7 - 10
- general	7
- data processing equipment	3 - 7
- commercial vehicles	3 - 5
- software	3
Fixtures, fittings, tools and equipment	
- office equipment	5 - 8
- passenger vehicles	4
Trade marks	7

No depreciation is provided on freehold land or on assets which are in the course of construction. Intangible fixed assets are also capitalised at cost and amortised over their useful economic lives as above.

#### 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. There are no assets held under finance leases.

#### 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

Stocks and work in progress are valued at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 1 Principal accounting policies (Continued)

#### Pension scheme arrangements (Continued)

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, Revenue approved trust fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

### 2 Segmental analysis

	Turnover		Profit on ordinary activities before interest and tax		Net assets	
	1998	1997	1998	1997	1998	1997
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Principal activities</b>						
Electronics	135,608	111,357	1,534	4,403	79,777	40,975
Marine electronics	41,306	31,516	1,426	(2,759)	11,242	10,429
Aircraft services	10,300	9,871	(1,219)	782	162	1,186
Flight training (discontinued)	8,873	11,891	(3,708)	2,831	-	40,300
	196,087	164,635	(1,967)	5,257	91,181	92,890

#### Geographical analysis by origin

	Turnover		Profit on ordinary activities before interest and tax		Net assets	
	1998	1997	1998	199	1998	1997
	£'000	£'000	£'000	£'00	£'000	£'000
United Kingdom	172,641	145,171	(2,939)	3,93	82,550	85,791
Rest of Europe	23,446	19,464	972	1,31	8,631	7,099
	196,087	164,635	(1,967)	5,25	91,181	92,890

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 2 Segmental analysis (Continued)

#### Geographical analysis of turnover by destination

	1998 £'000	1997 £'000
United Kingdom	70,200	66,455
Rest of Europe	59,561	24,644
North America	54,539	64,092
Asia/Pacific	4,359	4,139
South America	3,037	113
Other	4,391	5,192
	<b>196,087</b>	<b>164,635</b>

### 3 Cost of sales and net operating expenses

	Con- tinuing	1998 Discon- tinued	Total	Con- tinuing	1997 Discon- tinued	Total
Turnover	187,214	8,873	196,087	137,319	27,316	164,635
Cost of sales	169,531	4,480	174,011	117,424	23,304	140,728
Gross profit	17,683	4,393	22,076	19,895	4,012	23,907
Distribution costs	4,720	-	4,720	4,832	470	5,302
Administrative Expenses	11,222	2,060	13,282	18,043	1,394	19,437
	<b>15,942</b>	<b>2,060</b>	<b>18,002</b>	<b>22,875</b>	<b>1,864</b>	<b>24,739</b>
Other operating Expenses/(income)	-	-	-	(706)	-	(706)
Net operating expenses	<b>15,942</b>	<b>2,060</b>	<b>18,002</b>	<b>22,169</b>	<b>1,864</b>	<b>24,033</b>
Operating profit	<b>1,741</b>	<b>2,333</b>	<b>4,074</b>	<b>2,274</b>	<b>2,148</b>	<b>(126)</b>



# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 4 Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments, including benefits in kind	-	252

No directors exercised stock options held in the ultimate parent company during the year.

Highest paid director	1998 £'000	1997 £'000
Aggregate emoluments	-	134
Defined benefit pension scheme		
- accrued pension at year end	-	58

There were no emoluments paid to the directors of Raytheon United Kingdom Limited in 1998 in their role as directors of the company.

### 5 Employee information

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

	1998 Number	1997 Number
<b>By activity</b>		
Manufacturing and engineering	1,617	1,684
Marketing	78	201
Administration	399	243
	<b>2,094</b>	<b>2,128</b>

The aggregate payroll costs of the above were as follows:

	1998 £'000	1997 £'000
Wages and salaries	41,337	40,531
Social security costs	3,872	3,907
Other pension costs (see note 20)	2,046	1,387
	<b>47,255</b>	<b>45,825</b>

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 6 Disposal of discontinued operations

	1998 £'000	1997 £'000
Loss on disposal of flight training business	(6,041)	-
Profit on disposal of Hughes Network Systems Limited	-	4,150
	<u>(6,041)</u>	<u>4,150</u>

### 7 Net interest payable and similar charges

	1998 £'000	1997 £'000
<b>Interest receivable and similar income</b>		
On loans to group undertakings	1,163	1,995
On bank deposits	1,042	832
Exchange gains	73	-
	<u>2,278</u>	<u>2,827</u>
<b>Less: Interest payable and similar charges</b>		
On bank loans and overdrafts	(83)	(2,557)
On finance leases	(878)	(286)
On loans from group undertakings	(881)	(1,759)
Exchange losses	-	(557)
	<u>(1,842)</u>	<u>(5,159)</u>
<b>Total</b>	<u>436</u>	<u>(2,332)</u>

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 8 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging the following:

	1998 £'000	1997 £'000
Depreciation of tangible owned fixed assets	8,917	14,619
Amortisation of intangible fixed assets	4	1,347
Auditors' remuneration		
- audit fees (see below)	234	214
- other	170	94
Operating lease and short term rentals for plant and machinery including Motor vehicles	608	362
Operating lease rentals for land and buildings	2,265	2,171
Reorganisation costs	350	648
Capital grant amortisation	463	286
Unrealised exchange loss	-	296

Audit fees for the company included above amount to £10,000 (1997: £29,000).

### 9 Tax on loss on ordinary activities

The charge for taxation on the loss on ordinary activities is made up as follows:

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31.5% (1997: 33%)	-	236
Overseas taxation	407	13
Deferred taxation	(230)	(3)
	177	246

### 10 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 £2,127,000 (1997: £2,114,000).

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 11 Tangible fixed assets

Group	Land and building £'00	Simulators and aircraft equipment £'000	Plant and machinery fixtures fittings tools and equipment £'00	Payment on account and asset in course of constructio £'00	Total £'000
<b>Cost</b>					
At 1 January 1998	29,545	69,680	63,745	1,258	164,228
Additions	282	331	5,446	(713)	5,346
Disposals	(2,429)	(70,011)	(2,813)	-	(75,253)
<b>At 31 December 1998</b>	<b>27,398</b>	<b>-</b>	<b>66,378</b>	<b>545</b>	<b>94,321</b>
<b>Accumulated depreciation</b>					
At 1 January 1998	7,550	24,263	47,137	-	78,950
Charge for the year	840	2,554	5,523	-	8,917
Disposals	(1,086)	(26,817)	(2,394)	-	(30,297)
<b>At 31 December 1998</b>	<b>7,304</b>	<b>-</b>	<b>50,266</b>	<b>-</b>	<b>57,570</b>
<b>Net book value</b>					
<b>At 31 December 1998</b>	<b>20,094</b>	<b>-</b>	<b>16,112</b>	<b>545</b>	<b>36,751</b>
At 31 December 1997	21,995	45,417	16,608	1,258	85,278

The Simulators and aircraft equipment assets were disposed of as part of the sale of the flight training business to GCAS Flight Training Limited on 17 September 1998. Further details of this disposal are shown in note 30.

Included within the cost of plant, machinery, fixtures, fittings, tools and equipment above is £11,214,000 for assets which have a net book value of nil but which remain in partial use. The directors are reviewing the remaining useful economic lives of these assets but are of the opinion that any adjustment to the annual depreciation charge would not be material.

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 11 Tangible fixed assets (Continued)

Company	Land and buildings £'000	Simulators and aircraft equipment £'000	Plant and machinery, Fixtures, Fittings, tools and equipment £'000	Payments on account and assets in course of construction £'000	Total £'000
<b>Cost</b>					
At 1 January 1998	12,583	-	217	-	12,800
Additions	-	-	-	-	-
Disposals	-	-	(188)	-	(188)
<b>At 31 December 1998</b>	<b>12,583</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>12,612</b>
<b>Accumulated depreciation</b>					
At 1 January 1998	2,435	-	181	-	2,616
Charge for the year	327	-	2	-	329
Disposals	-	-	(154)	-	(154)
<b>At 31 December 1998</b>	<b>2,762</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>2,791</b>
<b>Net book value</b>					
<b>At 31 December 1998</b>	<b>9,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,821</b>
At 31 December 1997	10,148	-	36	-	10,184

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

Leasehold improvements for the group and the company are all in respect of short leaseholds.

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 12 Intangible fixed assets

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

	Purchased trademarks £'000	Purchased goodwill £'000	Know how £'000	Total £'000
<b>Cost</b>				
At 1 January 1998	23	50	602	675
Additions	1	-	-	1
Disposals	-	(50)	(602)	(652)
<b>At 31 December 1998</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>24</b>
<b>Amortisation</b>				
At 1 January 1998	5	7	499	511
Charge for the year	4	-	-	4
Disposals	-	(7)	(499)	(506)
<b>At 31 December 1998</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Net book value</b>				
<b>At 31 December 1998</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>
At 31 December 1997	18	43	103	164

### 13 Investments

The company holds investments in a number of wholly owned subsidiaries. The initial cost of investments acquired for the issue of shares during the year is arrived at by reference to the nominal value of the company's shares to be issued in consideration, as permitted by S.133 of the Companies Act 1985.

The following table lists the major operating subsidiaries of the company as at 31 December 1998. Other than Raytheon Systems Limited, which is directly owned by the company, all of the subsidiaries were owned by other group companies.

Name of company	Activity	Country of registration	Description of shares held
Raytheon Systems Limited	Electronics	England & Wales	£1 Ordinary
Raytheon Marine Limited (formerly Raytheon Marine Europe Limited)	Marine electronics	England & Wales	£1 Ordinary
Raytheon Aircraft Services Limited	Aircraft services	England & Wales	£1 Ordinary
Raytheon Microelectronics Espana	Electronics	Spain	Ptas. 10,000

Details of acquisitions made in the year are given in note 29.

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 13 Investments (Continued)

In addition, the group holds through its subsidiary Raytheon Systems Limited, at nil cost, 30,000 'C' shares in Ukadge Systems Limited, a company registered in England and Wales, which constitutes one third of the total issued share capital of that company. Due to the directors of the company having no significant influence over Ukadge Systems Limited and the fact that no funding has been made, nor will be required to be made, the directors are of the opinion that this investment does not constitute either an associate or a joint venture under the terms of FRS 9 "Associates and Joint Ventures". Accordingly, this investment in the shares of Ukadge Systems Limited is treated as a trade investment and is carried at its estimated realisable value of nil. As at 30 September 1998, Ukadge Systems Limited had net liabilities of £13,484,207, and generated a profit after tax for the year then ended of £276,277.

### 14 Stocks

The amounts attributable to the different categories are as follows:

Group	1998 £'000	1997 £'000
Raw materials	6,738	6,816
Work in progress	14,065	11,148
Finished goods and goods for sale	5,656	4,520
	<b>26,459</b>	<b>22,484</b>

#### Company

No stock was held by the company.

### 15 Debtors

	1998		1997	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	15,195	104	22,475	327
Amounts owed by group undertakings				
- parent company and subsidiaries	49,334	56,323	12,563	12,733
Other debtors	2,025	-	2,224	4
Prepayments and accrued income	5,521	630	5,335	707
Amounts recoverable on contracts	34,897	-	13,660	-
Corporation tax recoverable	-	-	261	-
	<b>106,972</b>	<b>57,057</b>	<b>56,518</b>	<b>13,771</b>
<b>Amounts falling due after one year:</b>				
Other debtors	1,038	10	171	10
<b>Totals</b>	<b>108,010</b>	<b>57,067</b>	<b>56,689</b>	<b>13,781</b>

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 15 Debtors (Continued)

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.

### 16 Deferred taxation

The group has a potential deferred taxation asset at 31 December 1998 and 31 December 1997 which is not carried on the balance sheet. This asset arises mainly from unutilised tax losses carried forward and other timing differences which cannot at present be quantified with reasonable certainty and which will be utilised as and when sufficient taxable profits arise.

### 17 Creditors: amounts falling due within one year

	1998		1997	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	2,478	1,243	14,434	10,035
Payments received on account	1,610	-	6,480	-
Trade creditors	20,318	743	14,143	602
Amounts owed to group undertakings				
- parent company and subsidiaries	21,450	45,841	5,172	4,077
Social security	893	-	1,587	12
Other creditors	2,750	130	3,183	245
Corporation tax	-	-	53	-
Accruals and deferred income	10,192	645	12,668	824
	<b>59,691</b>	<b>48,602</b>	<b>57,720</b>	<b>15,795</b>

### 18 Creditors: amounts falling due after more than one year

	1998		1997	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	-	-	10,333	-
Amounts owed to group undertakings	6,350	614	6,074	-
Accruals and deferred income				
- government grants	-	-	629	629
	<b>6,350</b>	<b>614</b>	<b>17,036</b>	<b>629</b>

The loans and term finance held in 1997 were at variable interest rates which in that year ranged between 6.0375% and 7.7993% per annum. The loans were repaid following the reorganisation of the group detailed in notes 29 and 30.



# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 19 Provisions for liabilities and charges

	Balance at 1 Jan 1998 £'000	Inter- company transfers £'000	Charge for year in the profit and loss account £'000	Utilised during the year £'000	Balance at 31 Dec 1998 £'000
<b>Group</b>					
Pensions and similar obligations	127	-	-	-	127
Warranty provisions	2,462	128	2,913	(1,969)	3,534
Contract provisions	980	438	4,722	(1,316)	4,824
Reorganisation provisions (see below)	9,649	-	72	(1,981)	7,740
Deferred taxation	230	-	(230)	-	-
	13,448	566	7,477	(5,266)	16,225
<b>Company</b>					
Pensions and similar obligations	127	-	-	-	127
Reorganisation provisions (see below)	9,000	-	-	(1,840)	7,160
	9,127	-	-	(1,840)	7,287

Reorganisation provisions include £7,160,000 (1997: £9,000,000), for the group and the company, in respect of onerous lease commitments which represents the directors' best estimate of the likely future net costs under these leases, which on a worst case scenario might amount to £13,500,000 (1997: £16,000,000). 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.

### 20 Pension and similar obligations

The group operates or participates in four final salary, defined benefit pension and life assurance schemes: The Cossor Superannuation Fund, Hughes UK Pension Scheme, Raytheon Corporate Jets Pension Scheme and Raytheon UK Executive Pension Scheme. The schemes are contracted-out of the State earnings-related pension scheme. Approximately 85% of all pensionable employees are members of one of these final salary schemes.

The actuarial valuations of these schemes which were used in the calculations of the profit and loss account charges and the contributions payable were at the dates noted below.

Cossor Superannuation Fund (CSF)	1 December 1995
Raytheon UK Executive Scheme (Exec)	1 December 1995
Raytheon Corporate Jets Scheme (RCJ)	6 April 1996
Hughes UK Scheme	31 March 1997

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 20 Pension and similar obligations (Continued)

The economic assumptions that have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase of pensionable salaries and of pensions in payment. It was assumed that investment returns would exceed salary increases by an average of 2.5% pa, or 2% in the case of the Hughes Scheme. In addition to pension increases required by legislation on Guaranteed Minimum Pension (GMP) accrued after 5 April 1998, pensions in payment in excess of the GMP were assumed to increase as set out in the following summary of the actuarial assumptions.

Funding assumptions	CSF	Exec	RCJ	Hughes
Investment returns	9%	9%	9%	9%
Salary increases	6½ %	6½%	6½%	7%
Price inflation	4½%	4½%	4½%	5%
Post-retirement increases:				
Pensions with guaranteed increases	n/a	n/a	n/a	3%
Pensions accrued before 6 April 1997	4%	4%	3½%	3%
Pensions accrued after 5 April 1997	4%	4%	4%	4½%

At the date of the valuations the total market value of the schemes' assets was £115,538,000. The actuarial value of these assets calculated as a proportion of the value of the liabilities for completed services based upon projected earnings (i.e. the funding level) was:

Cossor Superannuation Fund	110%
Raytheon UK Executive Scheme	105%
Raytheon Corporate Jets Scheme	103%
Hughes UK Scheme	119%

The aggregate surplus of £11,044,000 is being amortised over the average future working lives of the members and is taken into account in arriving at the pension cost for the current year of £1,884,000 (1997: £1,260,000). The difference between the accumulated pension cost and the amount funded in the various schemes is shown in the consolidated balance sheet as a prepayment of £799,000 (1997: £496,000).

In addition, one subsidiary company, Raytheon Marine Limited, operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered, Revenue-approved trust fund. The pension costs charged against profits represent contributions payable by the company to this main scheme and the Raytheon UK Executive Scheme. They amounted to £151,000 (1997: £205,000) and £11,000 (1997: £43,000), respectively. Contributions outstanding at the year end are included in the balance sheet as a creditor of £38,000 (1997: £35,000).

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

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 21 Share capital

	1998 £'000	1997 £'000
Authorised, allotted, called up fully paid		
Ordinary shares of 25p each	30,100	30,100
Shares to be issued	54,796	54,796
	<b>84,896</b>	<b>84,896</b>

Shares to be issued comprise ordinary share of £1 each which are to be issued in consideration for subsidiaries acquired as part of the group reorganisation. The details are included in note 29.

### 22 Profit and loss account

	Group £'000	Company £'000
As at 1 January 1998	4,425	(11,522)
Loss for the year	(1,708)	(2,127)
Realisation of prior year revaluation	527	-
<b>As at 31 December 1998</b>	<b>3,244</b>	<b>(13,649)</b>

### 23 Revaluation and other reserves

	Revaluation Reserves £'000	Other Reserves £'000
At 1 January 1997 and 1 January 1998	527	2,533
Realised on disposal of discontinued operations	(527)	-
<b>At 31 December 1998</b>	<b>-</b>	<b>2,533</b>

Other reserves comprise differences that arise on consolidation under merger accounting principles (see note 29).

### 24 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Group		
Opening shareholders' funds	92,890	90,211
(Loss)/profit for the financial year	(1,708)	2,679
<b>Closing shareholders' funds</b>	<b>91,182</b>	<b>92,890</b>

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 25 Post balance sheet events

Details of post balance sheet events are given in the directors' report.

### 26 Capital commitments

	1998 £'000	1997 £'000
Capital expenditure for the group that has been contracted for but has not been provided for in the financial statements	590	1,171

The company had no such capital commitments.

### 27 Contingent liabilities

As part of the group banking arrangements, Raytheon United Kingdom Limited 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 £15,000,000 (1997: £15,000,000). At 31 December 1998 £13,107,000 (1997: £6,659,000) was outstanding against these facilities. The ultimate parent company, Raytheon Company, has issued a counter guarantee for £15,000,000 (1997: £12,000,000) 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.

# Raytheon United Kingdom Limited

## Notes to the financial statements for the year ended 31 December 1998

### 28 Financial commitments

At 31 December 1998 annual commitments under non-cancellable operating leases were as follows:

Group	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	220	23	47
Expiring between two and five years	1,063	422	1,294	261
Expiring over five years	3,846	-	3,800	-
	4,909	642	5,117	308

Company	1998		1997	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	-
Expiring between two and five years	827	-	827	-
Expiring over five years	1,630	-	1,630	-
	2,457	-	2,457	-

At 31 December 1998 group companies held forward foreign exchange contracts amounting to the equivalent of £18,200,000 (1997: £6,665,000) relating to future trading transactions.

### 29 Acquisitions

On 1 January 1998 the company acquired the entire issued share capital of Hughes UK Limited as part of a group reconstruction, the consideration for which was the issue of 53,610,000 ordinary shares of £1 each;

Merger accounting was adopted in relation to the above transaction. No significant accounting adjustments were required to harmonise accounting policies within the group.

Subsequent to the above transaction, but with the same effective date (i.e. 1 January 1998), the company acquired the trade and net assets of the former UK branch of Raytheon Corporate Jets Inc, for consideration of the issue of 1,186,000 ordinary shares of £1 each;

In line with the accounting treatment available for group reconstructions, the above transaction was also accounted for under the principles of merger accounting. No significant accounting adjustments were required to harmonise accounting policies within the group.

# **Raytheon United Kingdom Limited**

## **Notes to the financial statements for the year ended 31 December 1998**

### **30 Disposals**

On 1 January 1998, but subsequent to the acquisitions detailed in note 29, the following transactions took place:

- (i) the company transferred the issued share capital of Hughes UK Limited to its subsidiary company Raytheon Systems Limited, the consideration for which was the issue of 53,610,000 ordinary shares of £1 each;
- (ii) the company transferred the issued share capital of Raytheon E-Systems Limited to its subsidiary company Raytheon Systems Limited, the consideration for which was the issue of 1 ordinary share of £1;
- (iii) the company transferred the trade and net assets of the former UK branch of Raytheon Corporate Jets Inc, to its subsidiary company Raytheon Systems Limited, the consideration for which was the issue of 1,186,000 ordinary shares of £1 each; and
- (iv) the company transferred part of its own trade and net assets to its subsidiary company Raytheon Systems Limited, the consideration for which was a deferred cash payment of £7,962,000.

On 23 December 1998, the company transferred the issued share capital of Raytheon Marine Limited to its subsidiary company Raytheon Systems Limited for consideration of a deferred cash payment of £10,600,000.

There were no gains or losses to the group arising from these transfers.

### **31 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.

### **32 Related party transactions**

The company is exempted from disclosure of related party transactions with fellow subsidiaries or its ultimate parent company as it is a wholly owned subsidiary of Raytheon Company, which is regarded as the ultimate controlling company. Consolidated financial statements of Raytheon Company, which is incorporated in the United States of America, are publicly available for inspection.