

3479031

**RAYTHEON AIRCRAFT SERVICES
LIMITED**

Annual Report

for the year ended 31 December 2000



RAYTHEON AIRCRAFT SERVICES LIMITED

Annual report for the year ended 31 December 2000

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Registered number:

3479031

RAYTHEON AIRCRAFT SERVICES LIMITED

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Directors and advisers

Directors

P R McKee - Managing director
S Lynch
M R G Wood

Registered Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

Secretary and registered office

M R G Wood
80 Park Lane
London
W1Y 3TD

Bankers

National Westminster Bank Plc
33 Eastgate Street
Chester
CH1 1XA

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

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

The principal activities of the company are the provision of aircraft servicing, maintenance and modification.

Review of business and future developments

The Directors are pleased with the progress made in the year and remain confident that a servicing business can be sustained for the foreseeable future. They are committed to expanding service capabilities where marketing opportunities, which represent value, arise. However, it is also recognised that the Company's wealth of Hawker aircraft knowledge and experience (particularly with early series aircraft) represents a significant competitive advantage that should be exploited.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2000 (1999: £Nil).

Directors

The directors of the company at 31 December 2000, all of whom served for the whole of the year ended on that date, are listed on page 1.

Directors' interests in shares of group companies

No directors had an interest at any time during the year in the shares of the company or other group companies.

Directors' report for the year ended 31 December 2000 (continued)

Charitable and political donations

Donations made by the company during the year for charitable purposes amounted to £1,000 (1999: £1,000). There were no political donations

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the next annual general meeting.

By order of the board



M R G Wood
Company secretary

29th October 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Raytheon Aircraft Services Limited

We have audited the financial statements on pages 6 to 17 which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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. The other information comprises only the directors' report.

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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit 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

30 October 2001

RAYTHEON AIRCRAFT SERVICES LIMITED

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Profit and loss account for the year ended 31 December 2000

	Notes	31 December 2000 £	31 December 1999 £
Turnover	2	10,169,385	10,391,934
Cost of sales		(9,086,396)	(10,123,421)
Gross profit/(loss)		<u>1,082,989</u>	<u>268,513</u>
Operating expenses	3	<u>(545,435)</u>	<u>(575,458)</u>
Operating profit / (loss) on ordinary activities	6	537,554	(306,945)
Interest payable	5	<u>-</u>	<u>-</u>
Profit / (Loss) on ordinary activities before taxation		537,554	(306,945)
Tax on profit / (loss) on ordinary activities	7	<u>(92,694)</u>	<u>(159,460)</u>
Profit / (Loss) for the year after taxation	16	444,860	(466,405)
Retained loss brought forward		<u>(1,488,987)</u>	<u>(1,022,582)</u>
Retained loss carried forward		<u>(1,044,127)</u>	<u>(1,488,987)</u>

The company has no recognised gains and losses other than those included in the profits / (losses) above and therefore no separate statement of total recognised gains and losses has been presented.

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

RAYTHEON AIRCRAFT SERVICES LIMITED

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Balance sheet at 31 December 2000

	Notes	31 December 2000 £	31 December 1999 £
Fixed assets			
Tangible fixed assets	8	905,040	1,065,343
Current assets			
Stocks	9	4,374,037	2,697,263
Debtors	10	4,259,283	8,144,961
Cash at bank and in hand		7,914,190	2,540,857
		<u>16,547,510</u>	<u>13,383,081</u>
Creditors: amounts falling due within one year	11	<u>(16,659,161)</u>	<u>(14,638,548)</u>
Net current liabilities		<u>(111,651)</u>	<u>(1,255,467)</u>
Total assets less current liabilities		793,389	(190,124)
Creditors: amounts falling due after one year	11	(652,329)	(113,676)
		<u>141,060</u>	<u>(303,800)</u>
Capital and reserves			
Called up share capital	15	2	2
Equity shares to be issued	15	1,185,185	1,185,185
Profit and loss account		(1,044,127)	(1,488,987)
Equity shareholders' funds	16	<u>141,060</u>	<u>(303,800)</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 29-10-01 and were signed on its behalf by:



M R G Wood
Director

**Notes to the financial statements
for the year ended 31 December 2000****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.

The accounts have been prepared on the going concern basis because the parent undertaking has provided written confirmation to the directors that it is the present intention of the parent company to support the operations of the company to enable it to continue to trade as a going concern for the foreseeable future.

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 (FRS1), the company has not prepared a cash flow statement as part of its own financial statements.

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 (UEL) of the assets at the following rates:

Land and buildings	Years
- leasehold improvements	Shorter of UEL or period of the lease
Plant and machinery	
- general	3 – 10
- motor vehicles	5 – 8
Fixtures, fittings, tools and equipment	
- office equipment	3 – 10
- data processing equipment	3 – 5

Government grants

Grants that relate to specific capital expenditure are treated as deferred income that is then credited to the profit and loss account over the related asset's useful life. Other grants relate to rent assistance and are credited to the profit & loss account over the life of the lease.

**Notes to the financial statements
for the year ended 31 December 2000 (continued)****1 Principal accounting policies (continued)****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 profit / (loss) on ordinary activities before taxation. There are no assets held under finance leases.

Stocks and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value. 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. An 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.

Foreign currencies

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

Turnover

Turnover, which excludes value added tax and agents' commissions, represents the invoiced value of goods and services supplied.

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 company participates in 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. The schemes are the Raytheon Corporate Jets Pension Scheme and the Raytheon UK Executive Pension Scheme. The principal employers of the schemes are Raytheon Systems Limited and Raytheon United Kingdom Limited, the parent companies. The 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 method. Pension costs

Notes to the financial statements for the year ended 31 December 2000 (continued)

1 Principal accounting policies (continued)

are assessed in accordance with advice from the independent actuary who also recommends appropriate rates of company contribution to meet future benefit liabilities.

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

2 Turnover

A geographical analysis of turnover by destination is as follows:

	31 December 2000	31 December 1999
	£	£
United Kingdom	1,916,474	2,228,976
Rest of Europe	2,569,716	3,670,151
North America	2,684,526	2,550,714
Asia/Pacific	142,476	867,532
Other	2,856,193	1,074,561
	<u>10,169,385</u>	<u>10,391,934</u>

The turnover all originated in the United Kingdom.

3 Operating expenses

	31 December 2000	31 December 1999
	£	£
Distribution costs, including marketing expenses	143,907	125,132
Administrative expenses	492,248	461,338
Net foreign exchange gains	(90,720)	(11,012)
	<u>545,435</u>	<u>575,458</u>

4 Directors' emoluments and employee information

	31 December 2000	31 December 1999
	£	£
Aggregate directors' emoluments, including benefits in kind	<u>113,711</u>	<u>74,478</u>

Retirement benefits are accruing to one director under a defined benefit scheme.

Notes to the financial statements for the year ended 31 December 2000 (continued)

4 Directors' emoluments and employee information (continued)

Two directors received emoluments from a fellow group company for their role as directors of that company and these amounts are excluded from the table above.

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

	31 December 2000	31 December 1999
	Number	Number
By activity		
Manufacturing and engineering	144	150
Marketing	3	2
Administration	37	40
	<u>184</u>	<u>192</u>

The aggregate payroll costs of the above were as follows:

	31 December 2000	31 December 1999
	£	£
Wages and salaries	4,412,699	4,469,635
Social security costs	346,862	339,501
Other pension costs (see note 14)	613,856	474,861
	<u>5,373,417</u>	<u>5,283,997</u>

5 Interest payable / (receivable)

	31 December 2000	31 December 1999
	£	£
Bank loans and overdrafts	59,472	137,744
Interest payable to group companies	<u>150,330</u>	<u>613,630</u>
	209,802	751,374
Less: Interest receivable		
Bank interest	(151,926)	(228,627)
Interest receivable from group companies	<u>(57,876)</u>	<u>(522,747)</u>
	<u>-</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2000 (continued)

6 Operating profit / (loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after charging/(crediting) the following:

	31 December 2000	31 December 1999
	£	£
Depreciation of tangible fixed assets	172,674	184,440
Auditors' remuneration - audit fees	28,500	50,000
- non audit work	14,550	5,000
Operating lease rentals net of recharges		
- plant and machinery	65,521	81,662
- motor vehicles	80,715	87,272
- land and buildings	365,985	333,850
Exchange gain	(90,720)	(11,010)
Grants amortisation	(314,588)	(27,701)

7 Tax (charge) / credit on profit / (loss) on ordinary activities

	31 December 2000	31 December 1999
	£	£
The (charge)/credit for taxation is made up as follows:		
On the profit / (loss) for the year of approximately 30%:		
Corporation tax – current year	(45,578)	37,000
Corporation tax – prior year	(47,116)	(196,460)
	<u>(92,694)</u>	<u>(159,460)</u>

Notes to the financial statements for the year ended 31 December 2000 (continued)

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2000	906,358	287,090	200,640	1,394,088
Reclassifications	(56,083)	59,401	(3,318)	-
Additions	-	12,371	-	12,371
At 31 December 2000	850,275	358,862	197,322	1,406,459
Depreciation				
At 1 January 2000	129,368	76,435	122,942	328,745
Charge for the year	87,914	54,010	30,750	172,674
At 31 December 2000	217,282	130,445	153,692	501,419
Net book value				
At 31 December 2000	632,993	228,417	43,630	905,040
At 31 December 1999	776,990	210,655	77,698	1,065,343

9 Stocks

The amounts attributable to the different categories are as follows:

	31 December 2000 £	31 December 1999 £
Raw materials and consumables	2,007,064	1,554,703
Work in progress	2,366,973	1,142,560
	4,374,037	2,697,263

10 Debtors

	31 December 2000 £	31 December 1999 £
Amounts falling due within one year:		
Trade debtors	1,774,977	2,103,401
Amounts recoverable on contracts	806,971	29,715
Other debtors	107,263	99,340
Prepayments and accrued income	56,797	111,415
Amounts receivable from other group companies	1,513,275	5,764,090
Corporation tax recoverable	-	37,000
	4,259,283	8,144,961

Notes to the financial statements for the year ended 31 December 2000 (continued)

11 Creditors

i) Amounts falling due within one year

	31 December 2000	31 December 1999
	£	£
Bank overdraft	126,336	13,418
Trade creditors	1,463,085	1,558,113
Amounts owed to group undertakings		
- parent company and fellow subsidiaries	13,380,896	11,877,521
Taxation and social security	412,234	148,030
Other creditors	27,472	36,033
Accruals and deferred income	1,249,138	1,005,433
	<u>16,659,161</u>	<u>14,638,548</u>

The bank overdraft is secured by a guarantee given by another group undertaking. The "Amounts owed to group undertakings" includes an amount of £12,540,084 (1999: £10,364,802) being a loan from Raytheon Aircraft Company.

ii) Amounts falling due after more than one year

	31 December 2000	31 December 1999
	£	£
Deferred income (see note 12)	<u>652,329</u>	<u>113,676</u>

12 Deferred income

Deferred income is the unreleased element of investment grants. The directors are of the opinion that none of these grants require repayment nor will they in the future.

	31 December 2000	31 December 1999
	£	£
Brought Forward	137,535	165,236
Additional income in the year	1,026,691	-
Released to the profit and loss account in the year	<u>(314,588)</u>	<u>(27,701)</u>
31 December:		
Amounts falling due within one year	197,309	23,859
Amounts falling due after more than one year	<u>652,329</u>	<u>113,676</u>
	<u>849,638</u>	<u>137,535</u>

Notes to the financial statements for the year ended 31 December 2000 (continued)

13 Provisions for liabilities and charges

The company has a deferred taxation asset at 31 December 2000 of £57,646 (1999: £698,383) that is not carried on the balance sheet. This asset arises mainly from unutilised tax losses.

14 Pension and similar obligations

The main pension scheme is the Raytheon Corporate Jets Pension Scheme, a defined benefit scheme, and all but one of the employees contributing to a company scheme are members of this scheme.

The latest actuarial valuation, based on the projected unit method, was at 6 April 1999. The economic assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments (6.75% p.a. pre-retirement and 5.75% p.a. post-retirement) and the rates of increase of pensionable salaries (4.5% p.a.) and of pensions in payment (3.0% p.a.).

At the date of the above valuation, the market value of the main scheme's assets was £32,348,000. There was a shortfall of assets over liabilities for completed service based upon earnings at the valuation date and measured in accordance with the Minimum Funding Requirement introduced by the Pensions Act 1995 of £744,000. Also, the actuarial value of the assets calculated as a proportion of the value of the liabilities for completed service based upon projected earnings measured using the assumptions set out in the previous paragraph was 85%.

In order to fund the shortfall, the company agreed to increase its contribution from the previous rate of 14.0% p.a. of Contribution Earnings with effect from 1 July 2000, paying 20.7% p.a. until 31 March 2001 and 19.4% p.a. thereafter. This compares with the normal contribution rate for future accruing benefits of 15.0% p.a. calculated by the actuary. In addition, a fellow group company made a special contribution to the Scheme of £3,744,486 in September 2000.

The pension costs for the year under review are £614,000 (1999: £475,000).

15 Called up share capital

	31 December 2000	31 December 1999
	£	£
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes to the financial statements for the year ended 31 December 2000 (continued)

15 Called up share capital (continued)

Equity shares to be issued

	31 December 2000	31 December 1999
	£	£
Ordinary shares of £1 each	<u>1,185,185</u>	<u>1,185,185</u>

Shares to be issued comprise ordinary shares of £1 each, which are to be issued in consideration for the business acquired as part of a group reorganisation in 1998.

16 Reconciliation of movements in equity shareholders' funds

	31 December 2000	31 December 1999
	£	£
Opening equity shareholders' funds	(303,800)	162,605
Profit / (Loss) for the financial period	444,860	(466,405)
Closing equity shareholders' funds	<u>141,060</u>	<u>(303,800)</u>

17 Financial commitments

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	Land and Building 2000	Land and Building 1999	Other 2000	Other 1999
	£	£	£	£
Expiring within one year	-	-	91,909	117,200
Expiring between two and five years inclusive	365,985	365,985	102,330	113,411
	<u>365,985</u>	<u>365,985</u>	<u>194,239</u>	<u>230,611</u>

18 Related party transactions

Under the terms of Financial Reporting Standard 8 "Related party disclosures", the company is exempted from disclosure of related party transactions with fellow subsidiaries or its ultimate parent company. Consolidated financial statements of the company's ultimate controlling company Raytheon Company, which is incorporated in the United States of America, are publicly available for inspection.

Notes to the financial statements for the year ended 31 December 2000 (continued)

19 Ultimate parent company and other parent undertakings

The directors regard Raytheon Company which is incorporated in the United States of America, as the ultimate parent company and Raytheon Systems Limited, incorporated in the United Kingdom, for which consolidated financial statements are prepared, as the immediate 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.