

**Raytheon Systems Limited**  
**(Registered Number 406809)**

**Annual Report**

**For the Year Ended 31 December 2017**



# **Raytheon Systems Limited**

## **Annual Report for the Year Ended 31 December 2017**

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# **Raytheon Systems Limited**

## **Directors and Advisers**

### **Executive Directors**

R Daniel  
J Harris  
T Lawrence  
R Yuse  
J Reilly

### **Non - Executive Director**

N Sheinwald - Chairman

### **Secretary and Registered Office**

J Reilly  
Kao One  
Kao Park  
Harlow  
Essex  
England  
CM17 9NA

### **Independent Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6HR

### **Bankers**

JP Morgan Chase  
1 Chaseside  
Bournemouth  
Dorset  
BH7 7DA

# **Raytheon Systems Limited**

**Registered number 406809**

## **Strategic Report for the Year Ended 31 December 2017**

The Directors present their Strategic Report for the year ended 31 December 2017 for Raytheon Systems Limited (the Company).

### **Principal activities and review of business**

The profit for the year, after taxation, amounted to £8,078,000 (2016: £42,095,000).

The operating subsidiaries of Raytheon Systems Limited are set out in note 10.

The principal activity of the Company is that of a major supplier of electronic systems, products, components and associated support services to the defence and commercial markets, both in the UK and overseas. This activity embraces systems integration as well as the design, development and manufacture of a wide range of advanced electronic products and integrated systems including surveillance systems, airport radars, identification friend or foe systems, anti-jamming global navigation systems and power and control systems.

The Directors anticipate that this activity will continue.

### **Key performance indicators (KPI)**

The Directors are of the opinion that analysis using Key Performance Indicators is not necessary to understand the development, performance or position of the business, given the Directors monitor revenue and profit, as set out in the Statement of Comprehensive Income on page 11.

### **Business environment**

The Company is a subsidiary of its ultimate parent, Raytheon Company, and operates in a number of core markets as set out in the strategy section below. The principal territories that the Company operates within are set out in note 2.

The Company met the challenges of a dynamic business environment in 2017 and performed well with solid execution driving strong operating results.

### **Strategy**

The Company's strategy is to:

- Build on our areas of strength within our key mission areas
- Focus additional resources on emerging opportunities within our core markets
- Extend Raytheon cyber solutions beyond our core markets
- Engage key countries as individual markets with multiple customers

# Raytheon Systems Limited

**Registered number 406809**

## **Strategic Report for the Year Ended 31 December 2017** (Continued)

### **Strategy** (Continued)

The core markets are:

- Missile Defence
- Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance (C5I)
- Cyber Security
- Electronic Warfare (EW)
- Precision Weapons
- Training Solutions

### **Future outlook**

Based on the size of the Company order book, the level of highly liquid assets and credit quality of customers and counterparties, the Company is confident in its future outlook.

### **Financial Risk Management**

The Company's multi-national operations expose it to a variety of financial risks that include changes in foreign currency exchange rates and credit risks.

#### **(a) Foreign exchange risk**

The Company mainly enters into contracts within the UK, US, Middle East and Continental Europe. The Company is exposed to foreign exchange risk primarily with respect to US dollars. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by using foreign currency forward contracts to eliminate a portion of the foreign exchange risk.

#### **(b) Credit risk**

The Company has no significant concentrations of credit risk. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence. The amount of exposure to any individual counterparty is subject to a limit which is reassessed periodically by the Financial Controller.

On behalf of the board



**R Daniel**  
**Director**

4 May 2018

# **Raytheon Systems Limited**

**Registered number 406809**

## **Directors' Report for the Year Ended 31 December 2017**

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R Daniel  
J Harris  
T Lawrence  
R Yuse  
J Reilly  
Sir N Sheinwald

Sir N Sheinwald was appointed as Director on 3 January 2017.

Sir R Paniguian and R Rhoads resigned as Directors on 25 June 2017 and 13 March 2018 respectively.

In accordance with the Articles of Association R Yuse and Sir N Sheinwald will retire by rotation at the next annual general meeting and, being eligible, will offer themselves for re-election.

### **Directors' interests in shares of the Company**

According to the register kept under section 808 of the Companies Act 2006, no Director had any beneficial interest in the shares of the Company either at the beginning or end of the year. There were no changes in Directors' interests during the year.

### **Employees**

The Company continued its policy of providing regular information on Company performance, business activities and related matters to all employees. Smaller groups of employees, including senior employee representatives, attend regular business reviews, at which opportunity is given to question the Company on business performance, plans and strategies.

Committees, which include employee representation, continued to operate and provide regular consultation in the particular areas of safety, the extension and development of technological change and operation of an employee suggestion scheme.

The Company is committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged to train and develop their careers. Company policy is to offer the opportunity to benefit from fair employment, without regard to gender, sexual orientation, marital status, race, religion or belief, age or disability and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

### **Financial risk management**

This has been outlined in the Strategic Report

# **Raytheon Systems Limited**

**Registered number 406809**

## **Directors' Report for the Year Ended 31 December 2017** (Continued)

### **Future developments**

This has been outlined in the Strategic Report.

### **Dividends**

In March 2018 Raytheon Systems Limited paid dividends amounting to £268,629,764 (£0.40 per share) to Raytheon United Kingdom Limited. These were paid in two instalments of £81,434,145.79 (16 March 2018) and £187,195,618.59 (29 March 2018) see note 17.

### **Contingent liabilities**

The Directors do not consider that any loss will arise to the Company as a result of indemnities and guarantees relating to the due performance of contracts, see note 22.

### **Research and development**

The Company 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.

### **Payment policies**

The Company operates procedures to ensure that suppliers are paid on time. In particular the Company seeks:

- To agree terms of payments with suppliers when agreeing the terms of the transaction;
- To ensure that suppliers are made aware of the agreed terms of payment; and
- To abide by the terms of payment.

The procedures include arrangements for accelerated payments of small suppliers.

Payments are made to suppliers in accordance with specific terms agreed with suppliers. As such, the Company believes that disclosure of creditor days does not provide a meaningful measure of compliance with payment terms.

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

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

# Raytheon Systems Limited

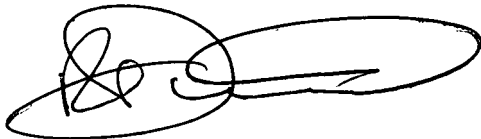
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## Directors' Report for the Year Ended 31 December 2017 (Continued)

### Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

On behalf of the board

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a loop, enclosed within an oval shape.

R Daniel  
Director

4 May 2018



# Raytheon Systems Limited

**Registered number 406809**

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

On behalf of the board

A handwritten signature in black ink, appearing to be 'R Daniel', written over a horizontal line.

**R Daniel**  
**Director**

**4 May 2018**

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAYTHEON SYSTEMS LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Raytheon Systems Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ( United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law ); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2017; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAYTHEON SYSTEMS LIMITED (Continued)**

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAYTHEON SYSTEMS LIMITED (Continued)**

### **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

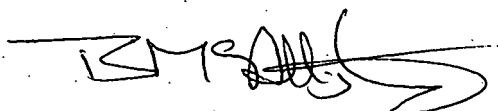
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



**Timothy McAllister (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**

**4 May 2018**

# Raytheon Systems Limited

Registered number 406809

## Statement of Comprehensive Income for the Year Ended 31 December

	<i>Note</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
Revenue	2	461,455	474,604
Cost of sales		(432,685)	(407,521)
<b>Gross profit</b>		<b>28,770</b>	<b>67,083</b>
Distribution costs		(1,625)	(1,549)
Administrative expenses		(18,926)	(16,485)
<b>Operating profit</b>		<b>8,219</b>	<b>49,049</b>
Finance income	4	1,355	2,368
<b>Profit before taxation</b>	5	<b>9,574</b>	<b>51,417</b>
Income tax expense	6	(1,496)	(9,322)
<b>Profit for the financial year</b>		<b>8,078</b>	<b>42,095</b>
Other comprehensive income / (expense):			
Actuarial gain / (loss) on pension scheme	16	38,394	(35,299)
Movement in deferred tax relating to pension asset	7	(6,527)	6,277
<b>Total comprehensive income for the year</b>		<b>39,945</b>	<b>13,073</b>

All amounts relate to continuing operations.

The notes on pages 14 to 34 form an integral part of these financial statements.

# Raytheon Systems Limited

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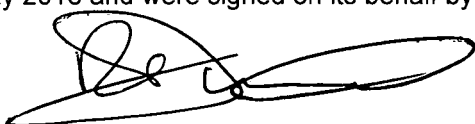
## Statement of Financial Position as at 31 December

		2017		2016	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	8	6,346		7,756	
Property, plant and equipment	9	20,235		19,752	
Investments	10	180,209		180,209	
			206,790		207,717
<b>Current assets</b>					
Inventories	11	4,295		2,676	
Trade and other receivables	12	142,793		143,310	
Cash and cash equivalents		604,847		273,997	
		751,935		419,983	
<b>Trade and other payables: amounts falling due within one year</b>	13	(446,544)		(109,611)	
<b>Net current assets</b>			305,391		310,372
<b>Total assets less current liabilities</b>			512,181		518,089
<b>Trade and other payables: amounts falling due after more than one year</b>	14	(312)		(279)	
<b>Provisions for liabilities</b>	15	(4,380)		(3,415)	
			(4,692)		(3,694)
<b>Pension asset</b>	16		49,321		2,470
<b>Net assets</b>			556,810		516,865
<b>Equity</b>					
Called up share capital	17		359,712		359,712
Retained earnings			197,098		157,153
<b>Total equity</b>			556,810		516,865

The notes on pages 14 to 34 form an integral part of these financial statements.

The Financial Statements on pages 11 to 34 were approved by the board of directors on 4 May 2018 and were signed on its behalf by:

R Daniel  
Director



# Raytheon Systems Limited

Registered number 406809

## Statement of Changes in Equity for the Year Ended 31 December

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>Balance as at 1 January 2016</b>	<b>359,712</b>	<b>390,175</b>	<b>749,887</b>
Profit for the financial year	-	42,095	42,095
Other comprehensive expense for the year	-	(29,022)	(29,022)
Dividend paid	-	(246,095)	(246,095)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(233,022)</b>	<b>(233,022)</b>
<b>Balance as at 31 December 2016</b>	<b>359,712</b>	<b>157,153</b>	<b>516,865</b>
Profit for the financial year	-	8,078	8,078
Other comprehensive income for the year	-	31,867	31,867
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>39,945</b>	<b>39,945</b>
<b>Balance as at 31 December 2017</b>	<b>359,712</b>	<b>197,098</b>	<b>556,810</b>

The notes on pages 14 to 34 form an integral part of these financial statements.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies

#### General information

Raytheon Systems Limited is a major supplier of electronic systems, products, components and associated support services to the defence and commercial markets, both in the United Kingdom and overseas.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Kao One, Kao Park, Harlow, Essex, England, CM17 9NA.

#### Statement of compliance

The individual financial statements of Raytheon Systems Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

#### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of derivatives measured at fair value through profit or loss.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

#### Exemptions for qualifying entities under FRS 102

The Company is a qualifying entity as per FRS 102, as it is a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.



# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### Exemptions for qualifying entities under FRS 102 (continued)

The Company has taken advantage of the following disclosure exemptions of FRS 102, section 1 paragraph(s):

- 1.12 (a) reconciliation of the number of shares outstanding at the beginning and end of the prior year
- 1.12 (b) statement of cash flows
- 1.12 (c) financial instruments as the information is included in the consolidated financial statements
- 1.12 (e) key management compensation in total

#### Critical accounting judgements and estimation uncertainty

In applying its accounting policies, the Company has made estimates and assumptions concerning the future, which may differ from the related actual outcomes.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Consolidated financial statements

The Company is a wholly owned subsidiary of Raytheon United Kingdom Limited and of its ultimate parent Raytheon Company. It is included in the consolidated financial statements of Raytheon Company which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements.

#### Foreign currency

The Company's functional and presentation currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

It excludes value added taxes and agents' commissions, represents the invoiced value of goods and services supplied and the value of long term contract work.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### Revenue recognition (continued)

Revenue 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 revenue exceeds payments on account is shown under trade and other receivables as amounts recoverable on contracts. Foreseeable expected losses are disclosed separately under provisions for liabilities and charges. The balance of payments in excess of amounts matched with revenue are disclosed under trade and other payables as payments received on account.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of Company's sales channels have been met.

#### Defined benefit pension plan

The Company participates in one contracted-out defined benefit pension and life assurance scheme which is 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 method.

A defined benefit plan defines the pension benefit that the employee will receive on retirement, dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds and that have terms approximating the estimated period of the future payments ('discount rate').

#### Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

#### Taxation

Taxation expense for the year comprises current and deferred taxes recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### **Taxation** (continued)

##### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### **Intangible assets**

##### *Computer software*

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and ten years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

##### *Goodwill*

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in identified net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised on a straight line over its expected useful life. Goodwill acquired prior to transition to FRS 102 will continue to be amortised over 10 years. Where it is not possible to make a reliable estimate of useful life, goodwill will be amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the statement of comprehensive income. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### Tangible assets

Expenditure on tangible fixed assets is capitalised at cost plus any incidental costs of acquisition.

#### *Depreciation and residual values*

Land is not depreciated. Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis or a double declining basis over the expected useful economic lives of the assets concerned which are as follows:

	Years
Leasehold land and buildings	Lesser of period of lease or useful life of the improvement
Test equipment	7-10
Plant and equipment	7-10
Data processing equipment	3 -7
Office equipment	8

#### *Assets in the course of construction*

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

#### *Leased assets*

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### *Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

#### *Lease incentives*

Incentives received to enter into an operating lease are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the lease term or, if shorter, over the period to the first review date on which the rent is adjusted to market rates.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit). No indicators of impairment were identified under the current period.

#### Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. Impairment reviews are performed by management where there is an indication that the asset may be impaired.

#### Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the weighted average method. The cost includes the purchase price and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity). Where necessary, provision is made for obsolete, slow moving and defective stocks.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

#### Cash and cash equivalents

Cash and cash equivalents includes cash at bank and other short-term highly liquid investments with original maturities of nine months or less which are readily accessible at an earlier date if deemed necessary.

#### Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the statement of comprehensive income over the related asset's useful life.

Revenue-based grants are credited to the statement of comprehensive income in the same period as the corresponding revenue expenditure is charged.

#### Research and development expenditure

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

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 1 Principal accounting policies (Continued)

#### Financial instruments

As a qualifying entity under FRS 102, Raytheon Systems Limited is able to take an exemption from presenting the financial instrument disclosure requirements of FRS 102 sections 11 and 12, as a result of equivalent disclosures being included in the group financial statements which consolidate the entity.

#### Financial assets

Basic financial assets, including trade and other receivables, amounts owed by group undertakings, cash and cash equivalents and amounts recoverable on contracts are recognised at transaction price.

#### Derivatives

The Company enters into forward foreign exchange contracts, which are derivatives and are not basic financial instruments.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income.

The Company does not currently apply hedge accounting for foreign exchange derivatives.

#### Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Preference shares are classified as equity when the entity has an unconditional right to avoid settling a contractual obligation.

#### Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

#### Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned. The company has taken advantage of the disclosure exemption of FRS 102 and therefore has not disclosed key management personnel compensation in total.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 2 Revenue and geographical analysis

	Revenue	
	2017 £'000	2016 £'000
<b>Principal activities</b>		
Electronics	453,318	467,580
Training Services	8,137	7,024
	<b>461,455</b>	<b>474,604</b>

#### Geographical analysis by origin

	Revenue	
	2017 £'000	2016 £'000
United Kingdom	453,318	467,580
Rest of Europe	8,137	7,024
	<b>461,455</b>	<b>474,604</b>

#### Geographical analysis of revenue by destination

	2017 £'000	2016 £'000
United Kingdom	290,909	245,224
North America	121,953	107,026
Asia/Pacific	1,019	215
Middle East and North Africa	36,593	115,661
Rest of Europe	10,981	6,478
	<b>461,455</b>	<b>474,604</b>

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 3 Directors' emoluments and employee information

	2017 £'000	2016 £'000
<b>Highest paid Director</b>		
Defined benefit pension scheme: accrued pension at year end	65	60
<b>Aggregate emoluments</b>	<b>352</b>	<b>336</b>

The defined benefit pension costs attributable to Directors during the year were £17,000 (2016: £28,000).

The monthly average number of persons, including Executive Directors, employed by the Company during the year was as follows:

#### Employee Numbers

	2017	2016
<b>By activity</b>		
Manufacturing and engineering	957	868
Marketing	29	30
Administration	717	639
<b>Total</b>	<b>1,703</b>	<b>1,537</b>

	2017 £'000	2016 £'000
<b>The aggregate payroll costs of the above were as follows:</b>		
Wages and salaries	74,565	69,142
Social security costs	8,229	7,600
Other pension costs (note 16 and below)	8,374	7,347
<b>Total</b>	<b>91,168</b>	<b>84,089</b>

The Company provides a defined contribution scheme for some employees. The amounts recognised as an expense for the scheme were £4,117,000 (2016: £3,509,000).

The Company encourages employees to be involved in the overall profitability of the Company through a performance related bonus.

### 4 Finance Income

	2017 £'000	2016 £'000
<b>Interest receivable and similar income</b>		
On bank deposits and other interest income	1,148	560
Net interest income on pension scheme (note 16)	207	1,272
On bank deposits held by group undertakings	-	536
<b>Total</b>	<b>1,355</b>	<b>2,368</b>



# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 5 Profit before taxation

Profit before tax is stated after charging/ (crediting) the following:	2017	2016
	£'000	£'000
Depreciation of property, plant and equipment	4,374	2,766
Amortisation of intangible assets	1,410	1,410
Auditors' remuneration		
Audit fees	279	262
Taxation Compliance services	34	34
Operating lease and short-term rentals for plant and machinery and motor vehicles	935	950
Operating lease rentals for land and buildings	2,127	1,494
Inventory recognised as an expense	412,679	410,054
Research and development costs	6,984	8,135
Loss in derivative fair value changes	321	11,960
Net exchange charge on foreign currency activity through cost of sales	20,006	18,285
Loss / (profit) on disposal of fixed assets	67	(10)

### 6 Income tax expense

The tax charge is based on the taxable profit for the year and comprises:

	2017	2016
	£'000	£'000
<b>Current tax charge</b>		
UK corporation tax for the year	255	20
Adjustments in respect of prior years	(6)	(151)
<b>Total current tax</b>	<b>249</b>	<b>(131)</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences		
Prior year	(623)	358
Current year	(240)	7,270
Change of tax rate	672	97
<b>Deferred tax: pensions</b>	<b>1,438</b>	<b>1,729</b>
<b>Total deferred tax</b>	<b>1,247</b>	<b>9,453</b>
<b>Tax on profit</b>	<b>1,496</b>	<b>9,322</b>
<b>Representing:</b>		
United Kingdom	1,496	9,322
<b>Total tax</b>	<b>1,496</b>	<b>9,322</b>

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 6 Income tax expense (Continued)

The tax assessed for the year is lower (2016: lower) than the standard rate of the corporation tax in the UK.

	2017 £'000	2016 £'000
Profit before taxation	9,574	51,417
Profit before taxation multiplied by the standard rate of corporation tax in the UK in 2017: 19.25% (2016: 20.00%)	1,843	10,283
Effects of :		
Research and development not taxed	(124)	-
Expenses not deductible for tax purposes	52	56
Capital allowances in excess of depreciation	(107)	(160)
Pension contributions in excess of net pension cost	(1,628)	(2,034)
Tax losses created / (utilised )	157	(7,927)
Derivative fair value not taxed	62	-
Adjustments in respect of prior years	(6)	(151)
Claiming group relief	-	(199)
Deferred tax : pensions	1,438	1,729
Deferred tax : origination and reversal of timing differences prior year	(623)	358
Deferred tax : origination and reversal of timing differences current year	(240)	7,270
Deferred tax : origination and reversal of timing differences change of tax rate	672	97
<b>Total</b>	<b>1,496</b>	<b>9,322</b>

In 2016 the tax charge for the year was reduced by £199,000, due to losses surrendered from Raytheon United Kingdom Limited. No payment for this surrender was made by the company. No surrender of tax losses occurred in 2017.

Legislation was substantively enacted in September 2016 to reduce the UK corporation tax rate from 20% to 19% with effect from 1 April 2017. A further reduction to 17% with effect from 1 April 2020 was substantively enacted in September 2016 and the relevant deferred tax balances have been re-measured accordingly.

### 7 Deferred taxation

Deferred taxation accounted for in the statement of financial position and the potential amounts of deferred taxation are:

	Amounts Provided (liabilities)/assets		Full potential (liabilities)/assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Deferred Tax Components</b>				
Accelerated capital allowances	(745)	(1,238)	(745)	(1,238)
Tax losses	11,564	11,865	11,564	11,865
<b>Total</b>	<b>10,819</b>	<b>10,582</b>	<b>10,819</b>	<b>10,627</b>

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 7 Deferred taxation (Continued)

Deferred tax is calculated at the rates that will be in force in the respective years to the extent those rates have been substantively enacted.

	2017 £'000	2016 £'000
<b>Movement in deferred tax asset</b>		
Opening balance	10,627	18,352
Profit		
Prior year	624	(358)
Current year	240	(7,270)
Change of tax rate	(672)	(97)
Closing balance	10,819	10,627
<b>Movement in deferred tax asset: pension</b>		
Opening balance	(420)	(4,968)
Total Comprehensive Income	(1,438)	(1,729)
Other Comprehensive Income	(6,527)	6,277
Closing balance	(8,385)	(420)
Total deferred tax	2,434	10,207

### 8 Intangible assets

	Goodwill £'000	Computer Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	1,300	12,798	14,098
Additions	-	-	-
<b>At 31 December 2017</b>	<b>1,300</b>	<b>12,798</b>	<b>14,098</b>
<b>Accumulated amortisation</b>			
At 1 January 2017	903	5,439	6,342
Charge for the year	130	1,280	1,410
<b>At 31 December 2017</b>	<b>1,033</b>	<b>6,719</b>	<b>7,752</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>267</b>	<b>6,079</b>	<b>6,346</b>
At 31 December 2016	397	7,359	7,756

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 9 Property, plant and equipment

	Land and buildings £'000	Plant, Machinery, Fixtures, Fittings, Tools and Equipment £'000	Assets in course of construction £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	13,543	59,937	11,335	84,815
Additions	-	-	4,924	4,924
Disposals	(2,676)	(6,204)	-	(8,880)
Transfers	8,277	4,530	(12,807)	-
<b>At 31 December 2017</b>	<b>19,144</b>	<b>58,263</b>	<b>3,452</b>	<b>80,859</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	10,781	54,282	-	65,063
Charge for the year	1,583	2,791	-	4,374
Disposals	(2,652)	(6,161)	-	(8,813)
<b>At 31 December 2017</b>	<b>9,712</b>	<b>50,912</b>	<b>-</b>	<b>60,624</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>9,432</b>	<b>7,351</b>	<b>3,452</b>	<b>20,235</b>
At 31 December 2016	2,762	5,655	11,335	19,752

Included in the net book value of land and buildings above at 31 December 2017 are £5,069,000 of leasehold improvements (2016: £11,000). The remainder of this balance comprises freehold land and buildings.

Leasehold improvements for the Company are all in respect of short leaseholds.

### 10 Investments

£'000

#### Shares in group undertakings

At 1 January 2017	180,209
Additions in year	-
Amounts written off	-
<b>At 31 December 2017</b>	<b>180,209</b>

The Company owns the entire issued share capital of each subsidiary listed on page 27.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 10 Investments (continued)

The following table lists the direct operating subsidiaries of the Company as at 31 December 2017.

Name of Company	Nature of business	Country of incorporation	Descriptions of shares held
Raytheon Australia Pty Ltd	Electronics	Australia	10,477,047 fully paid ordinary shares
Raytheon Canada Ltd	Electronics	Canada	24,300 class "A" preference shares and 2,500 common shares
Raytheon Deutschland Gmbh	Electronics	Germany	One share in the nominal amount of DM 28,000,000 and one share in the nominal amount of DM 100,000
MARCOS Vermögensverwaltung Gmbh	Electronics	Germany	One share in the nominal amount of DM 49,500 and one share in the nominal amount of DM 500.

#### Registered address

Raytheon Australia Pty Ltd:	Brindabella Business Park, 4 Brindabella Ccuit, Pialligo ACT 2609, Australia
Raytheon Canada Ltd:	360 Albert Street, Suite 1640, Ottawa, Ontario, K1R 7X7, Canada
Raytheon Deutschland Gmbh:	Kulturstrasse 105, Freising 85356, Germany
MARCOS Vermögensverwaltung Gmbh:	Ferdinand-Stuttman-Str. 15, D-65428, Russelheim, Germany

The Directors believe that the carrying value of the investments is supported by future cash flows.

In addition to the companies listed above, Raytheon Systems Limited own the entire issued share capital of five dormant companies and less than 1% of Raytheon Systems France S.A.R.L.

### 11 Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	2,019	2,546
Work in progress	2,276	130
<b>Total</b>	<b>4,295</b>	<b>2,676</b>

Inventory consists of both strategic purchases made to obtain favourable pricing arrangements and advance purchases made to mitigate product availability risk.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 12 Trade and other receivables

	2017 £'000	2016 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	1,236	1,256
Amounts owed by group undertakings	8,351	3,006
Other receivables	16	12
Deferred tax	2,434	10,207
Corporation tax	3,873	3,948
Prepayments and accrued income	41,348	23,296
Amounts recoverable on contracts	85,535	101,585
<b>Total</b>	<b>142,793</b>	<b>143,310</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 13 Trade and other payables: amounts falling due within one year

	2017 £'000	2016 £'000
Payments received on account	339,572	53,193
Trade payables	27,218	34,964
Amounts owed to group undertakings	2,902	3,954
Taxation and social security	2,920	2,916
Other payables	2,950	5,742
Accruals and deferred income	70,982	8,842
	<b>446,544</b>	<b>109,611</b>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included within other payables are the foreign exchange contract derivatives measured at fair value at £3,298,000 (2016: £2,998,000). The decrease in fair values of £321,000 (2016: £11,960,000) is recognised in Administrative costs. Fair value was determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD, GBP:CAD, GBP:EUR and GBP:SAR.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 14 Trade and other payables: amounts falling due after more than one year

	2017 £'000	2016 £'000
Government grants	312	279
<b>Total</b>	<b>312</b>	<b>279</b>

### 15 Provisions for liabilities

	Balance at 1 January 2017 £'000	Charge/ (release) for year in profit and loss £'000	Utilised during the year £'000	Balance at 31 December 2017 £'000
Contract loss provisions	3,415	13,988	(13,023)	4,380
<b>Total</b>	<b>3,415</b>	<b>13,988</b>	<b>(13,023)</b>	<b>4,380</b>

The contract loss provisions represent the Company's best estimate of foreseeable expected losses under various contractual agreements. These are expected to be utilised over a number of years.

### 16 Pension and similar obligations

The Raytheon Systems Limited Pension Scheme (RSLPS) is a final salary defined benefit scheme operated by the Company in the UK for staff. A full actuarial valuation for the scheme was carried out at 5 April 2016 and updated to 31 December 2017 by a qualified independent actuary.

The benefit obligations at the year-end have been based on a projection of the corresponding valuation for accounting purposes as at 31 December 2016, which themselves were projected from the results of the statutory funding valuation of the Scheme as at 5 April 2016. This projection involves rolling forward the results at the earlier date allowing for interest on the liabilities, the accrual of further benefits by active members, the actual benefits paid out and an estimate of the effect of any changes in the actuarial assumptions. We have assumed that all other experience during the projection, apart from investment returns, contributions, benefit payments, administration expenses and insurance premiums, has been in line with the assumptions made at the start of the year.

The pension expense charged to the statement of comprehensive income makes no allowance for the actuarial gains and losses during the year. Actuarial gains and losses are recognised in other comprehensive income in the year that they occur.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 16 Pension and similar obligations (Continued)

	2017 £'000
<b>Change in defined benefit obligation</b>	
Benefit obligation at beginning of year	555,463
Current service cost	3,139
Interest cost	14,419
Benefit payments from plan assets	(22,705)
Plan participants' contributions	45
Insurance premiums for risk benefits	(772)
Effects of changes in assumptions	(1,340)
Benefit obligation at end of year	548,249
	2017 £'000
<b>Change in fair value of plan assets</b>	
Fair value of plan assets at beginning of year	557,933
Interest income on plan assets	14,626
Actuarial gain on plan assets	37,054
Employer contribution	12,507
Plan participants' contributions	45
Benefits paid	(22,705)
Administrative expenses	(1,118)
Insurance premiums for risk benefits	(772)
Fair value of plan assets at end of year	597,570
Funded status	49,321
Net amount recognised	49,321
Deferred tax	(8,385)
Net funded status	40,936



# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 16 Pension and similar obligations (Continued)

	2017 £'000	2016 £'000
<b>Components of pension cost</b>		
Change arising from employee service in the year	3,139	2,563
Interest expense on DBO	14,419	17,279
Interest income on plan assets	(14,626)	(18,551)
Total net interest	(207)	(1,272)
Administrative expenses and/or taxes (not reserved within DBO)	1,118	1,275
Total pension cost recognised in the profit and loss	4,050	2,566
Effect of changes in assumptions	(1,340)	105,044
Effect of experience adjustments	-	(7,689)
(Return) on plan assets (excluding interest income)	(37,054)	(62,056)
Total remeasurements included in other comprehensive income	(38,394)	35,299
Total pension (income) / cost recognised in the profit and loss and other comprehensive income	(34,344)	37,865

	2017 £'000	2016 £'000
<b>Plan assets</b>		
Fair value of plan assets:		
Cash and cash equivalents	3,640	2,955
Equity Instruments	228,799	213,057
Debt instruments	285,567	281,406
Real estate	7,744	6,158
Other	71,820	54,357
	597,570	557,933

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 16 Pension and similar obligations (Continued)

	2017 £'000	2016 £'000
Actual return on plan assets	51,680	80,607
<b>Weighted average assumptions used to determine benefit obligations at:</b>	<b>2017</b>	<b>2016</b>
Discount rate	2.5%	2.7%
Rate of pensionable salary increase	1.0%	1.0%
RPI inflation rate	3.1%	3.2%
CPI inflation rate	2.1%	2.3%
<b>Weighted average assumptions used to determine net pension cost for year ended:</b>	<b>2017</b>	<b>2016</b>
Discount rate	2.7%	3.8%
Rate of salary increase	1.0%	1.0%
RPI inflation rate	3.2%	3.0%
CPI inflation rate	2.3%	2.1%
<b>Assumed male life expectancy on retirement at age 65:</b>	<b>2017</b>	<b>2016</b>
	<b>Male</b>	<b>Male</b>
Retiring today (member aged 65)	22.4	22.3
Retiring in 20 years (member aged 45 today)	24.2	24.1

#### Contributions

The Company expects to contribute £12,413,000 to the plan during the annual period beginning after the reporting period.

# Raytheon Systems Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 17 Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid		
720,000,000 (2016: 720,000,000) A Preferred shares of £0.25 each	180,000	180,000
179,712,000 (2016: 179,712,000) Ordinary shares of £1.00 each	179,712	179,712
	<b>359,712</b>	<b>359,712</b>

"A preferred shares" have a preference on return of capital equal to the nominal value of the number of the "A preferred shares" held. Ordinary shares rank behind "A preferred shares" on return of capital. All other rights attached to the shares are equal.

During 2016 a dividend of £246,095,000 was paid to Raytheon United Kingdom Limited.

In March 2018 Raytheon Systems Limited paid dividends amounting to £268,629,764 (£0.40 per share) to Raytheon United Kingdom Limited. These were paid in two instalments of £81,464,145 (16 March 2018) and £187,195,618 (29 March 2018).

The first instalment was a pass through dividend of dividend of £81,464,145 from Raytheon Australia Pty Ltd.

The second instalment of £187,195,618 included a pass through dividend of £31,195,618 from Raytheon Canada Limited and a dividend from retained earnings of £156,000,000 to Raytheon United Kingdom Limited.

### 18 Capital commitments

	2017 £'000	2016 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,374	2,417

### 19 Financial commitments

At 31 December 2017 annual amounts payable under non-cancellable operating leases which fall due as follows:

	2017 £'000	2016 £'000
Within one year	2,557	2,296
Between two and five years	5,136	6,463
After five years	7,513	9,619
<b>Total</b>	<b>15,206</b>	<b>18,378</b>

# **Raytheon Systems Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017**

### **20 Ultimate parent Company and other parent undertakings**

The Directors regard Raytheon Company which is incorporated in the United States of America, as the ultimate controlling party and ultimate parent company.

Copies of the latest annual report of Raytheon Company may be obtained from Corporate Communications, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451, USA.

The Immediate parent is Raytheon United Kingdom Limited.

### **21 Related party transactions**

The Company is exempted under the terms of FRS 102 (Related Party Disclosures) from disclosure of related party transactions with fellow subsidiaries or its ultimate parent Company as it is a wholly owned subsidiary of Raytheon 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.

### **22 Contingent liabilities**

Contingent liabilities in respect of indemnities and guarantees relating to the due performance of contracts amount to £1,517,000 (2016: £1,703,000). The Directors do not consider that a loss will arise to the Company as a result of the above arrangements.

### **23 Events after the end of the reporting period**

In March 2018 Raytheon Systems Limited paid dividends amounting to £268,629,764 (£0.40 per share) to Raytheon United Kingdom Limited. These were paid in two instalments of £81,464,145 (16 March 2018) and £187,195,618 (29 March 2018).

The first instalment was a pass through dividend of dividend of £81,464,145 from Raytheon Australia Pty Limited.

The second instalment of £187,195,618 included a pass through dividend of £31,195,618 from Raytheon Canada Limited and a dividend from retained earnings of £156,000,000 to Raytheon United Kingdom Limited.