General Dynamics United Kingdom Limited

Annual report and financial statements

Registered number 1911653

31 December 2013

Contents

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal Activities

General Dynamics United Kingdom's ("GDUK") core activities are the design, delivery and through-life support of solutions in the Command, Control, Communications and Computers, Intelligence, Surveillance, Target Acquisition and Reconnaissance (C4ISTAR), Armoured Vehicle, and Aircraft mission computing domains. GDUK develops and delivers leading edge solutions to support air and land capabilities primarily for the UK MoD, but also has a limited international portfolio.

C4I (Command, Control, Communications, Computing and Information) is the delivery of vital information to a commander via integration of technology and networks. This information is used to observe and act decisively in the fields of public safety, border security, peacekeeping operations and battlespace management. GDUK delivers Bowman, one of the world's most advanced battlefield communications systems, to the UK MoD and offers C4I solutions to customers around the world.

GDUK are contracted for the Demonstration Phase of the Scout SV programme for the UK Army. Scout SV will offer unparalleled protection, weight and agility for a vehicle of its class, along with the most advanced Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR) capabilities on a single land platform. In service, users will benefit from the key advantages of the Scout SV's common base platform approach, including a lower cost of ownership and smaller logistics footprint thanks to the commonality of its components across the fleet.

The Scout Specialist Vehicle (SV) Programme has been operationally aligned with General Dynamics Land Systems (GDLS), who are globally recognized for world leading expertise in the design, testing, production and support of tracked and wheeled military vehicles. This realignment provides broad reach back capability to subject matter experts, resources and governance to underpin the successful delivery of the programme.

GDUK provides a range of best-in-class tactical "ground to air" network connectivity. Our capabilities include digital mapping and recording for Typhoon combat aircraft; this wealth of experience in the avionics business has made GDUK a key stakeholder in programmes such as Harrier and Wildcat.

GDUK's experience as a specialist in manufacturing and integrating deployed infrastructure has seen us work with customers worldwide. Our exacting high standards enable us to deliver varied solutions to government agencies to enable delivery of integrated, stand alone or containerized deployable surveillance systems.

Research and development

The Company has a policy of selective investment in the design and development of new technologies and products that support our business both in the security and defence markets, nationally and internationally.

Our current major areas of interest include the development of open systems architectures, modelling and simulation, Information Assurance and effective management of "big data". Work continues to maximise leverage from available technologies from within the larger General Dynamics Corporation.

We have also been successful in securing additional financial support from the Welsh Government for our Innovation for Growth programme and also for Open Innovation. These both complement our own investments in Research and Development. We continue to use our EDGE UK® facility to source potential solutions and thereby help provide Small and Medium Enterprises with new business opportunities.

Results and proposed dividend

Profit after taxation for the year ended 31 December 2013 was £0.9m compared to a £14.253m profit for the year ended 31 December 2012. The directors paid no dividend for the year (*2012: £nil*).

Directors' Report *(continued)*

Directors

The directors who held office during the year were as follows:

Sir A T Cahn
Lord P K Levene of Portsoken (Chairman)
C Marzilli (appointed 20 February 2013)
G L Whited (appointed 21 March 2013)
Dr A D Wilson (resigned 5 July 2013)
P R Edwards (resigned 1 March 2013)
G J DeMuro (resigned 12 February 2013)

Corporate Responsibility

During 2013, the Company continued to build on its solid progress and actively ensured delivery of our stakeholder commitments. Our website explains to stakeholders the Company policies, strategies and business progress, and is updated on a regular basis. Employees receive frequent updates on our progress and the latest Company initiatives through the weekly e-newsletter, which they all receive.

The Company strives to maintain the highest standards of ethical conduct and corporate responsibility. Our employees receive annual training on this subject, and support mechanisms are in place for employees through an information telephone line. By operating proactive policies, the Company manages its customer and supplier relationships responsibly.

The single greatest contribution to the communities in which the Company operates is the sustained wealth created by providing hundreds of highly skilled jobs. Charitable donations and community involvement are encouraged across all of our sites and employees are supported by well-developed policies and practices. In 2013 the Company signed up to the 'Armed Forces Covenant'.

Employees' involvement

Effective training and development of a highly skilled workforce is considered key to future business success. The Company also encourages the employment and retention of disabled persons. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues either in their current job or in a suitable alternative. The Company would endeavour to make any reasonable adjustments for disabled employees to fulfil their job role responsibility. It is the Company's policy to support disabled employees in all aspects of their training, development and promotion where it benefits the employee and the Company.

A comprehensive employee communications programme is active which includes bi-annual all-employee briefings in addition to monthly 'flow-down' meetings and the weekly e-bulletin, *Dynamics Extra*. Topics covered include market forecasts, product development, facilities and benefit changes and Company financial status.

The Company encourages participation and involvement in matters which affect their interests as employees. Encouragement is given to employees to provide feedback with the aim of achieving a common awareness on all aspects affecting the performance of the Company.

Political and charitable contributions

The company made no political contributions during the year *(2012: £nil)*. Donations to local community charities amounted to £26,853 in 2013 *(2012: £25,329)*.

Supplier payment policy

The Company's policy is to agree payment terms with suppliers for each contract. Trade creditors at 31 December 2013 were equivalent to 31 days purchases *(2012: 40)* based on the average £1.0m *(2012: £1.0m)* daily amount invoiced by suppliers during the year.

Directors' Report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

Lord P K Levene of Portsoken
Director

21 Holborn Viaduct
London
EC1A 2DY
21 July 2014

Strategic Report

Business Review

The year ended 31 December 2013 has been a difficult year with profit and cash flow below target. Total turnover decreased by 12% to £261m in 2013 compared to 2012. This turnover was lower than GDUK management expectations, primarily driven by planned orders that did not deliver follow on sales that we expected in the Middle East. The company also experienced lower sales as a result of slower throughput from the UK Ministry of Defence on Bowman. Total operating profit decreased by 116% (or £19m) to a loss of £3m in 2013 *(2012: profit of £16m)*; and our operating earnings as a percentage of sales decreased to (1%) in 2013 from 5.5% in 2012. Significant reductions in the workforce and facility closure programmes were the main reasons for the reduced operating profit. This restructuring project has enabled GDUK to cut its cost base and obtain a level of cost competitiveness that will support the company in achieving its goals.

During 2013 the management structure was revised to improve alignment of its core operations with the relevant parts of the GD Corporation. This resulted in the removal of the MD role, disbanding of the Executive Committee, and appointment of a Chief Operating Officer (COO).

- The COO is responsible for provision of infrastructure and business coherence, GDUK level governance, and communications.
- The C4S International and Land Systems lines of business are headed up by two Vice Presidents who are responsible for execution of programmes in their respective lines of business, and who work closely together to deliver UK capability for SV and tactical comms (plus other capabilities), develop business strategy, and pursue new business opportunities.
- The GDUK C4S International and Land Systems programmes are governed and supported by domain experts in GD C4 Systems and GD Land Systems.

Performance against top level strategic objectives was below expectations. Our goal to grow our business in the Middle East/North Africa region did not materialise. Assessments of likely performance against strategic objectives led to a revision of our goals for 2013, and a cost reduction exercise including site closures and workforce reduction was undertaken. Sites including London, Newbridge, Ashchurch, and Pershore were all closed. The company performed assessments of our supply and demand headcount requirements in line with affordability targets. In total our core GDUK headcount (excluding sales and acquisition) for 2013 decreased from 1250 in January to 715 by the end of the year.

The business line known as Security and Resilience was reduced significantly under the reduction in force project with responsibility added to our Electronic Systems business. The joint venture, established to support business in the Middle East/North Africa region reported a loss in 2013. The GDUK share of 49% was recorded at £2.3m.

Within the UK, we continue to focus on support to the deployed Bowman Communications System as an enabler to win the award of LE TacCIS, the Bowman successor program. We also received Typhoon awards in 2013 across the various programme tranches.

The Scout SV programme achieved a major Anchor Milestone following successful mine blast testing. This closed out the Preliminary Design Review, positioning the programme for a series of variant Critical Design Reviews in 2014. We will also deliver the first pre-production prototype vehicle in 2014. The schedule was re-baselined in 2013 to accommodate various changes and the addition of 3 variants (Ambulance, Command and Control, and Engineering Reconnaissance). The programme is robustly managed with a variety of metrics in addition to traditional financial measures. Risks and opportunities are reviewed thoroughly and regularly by executive management. Scout SV continues to be the UK Army's #1 Land Equipment priority minimising funding risk to the programme.

As a result of the events in North Africa we received a Letter of Credit claim for the non-completion of a contract with the government of Libya. The value of the claim in 2013 was £15m and was paid via the bond established. We have filed for arbitration in Switzerland to recover this bond, as it is our position the contract was not completed due to force majeure.

Strategic Report *(continued)*

In December 2013, management reached agreement to sell certain trade and assets of the Andover site. This deal was completed in March 2014. In December 2013 the trade and assets of General Dynamics Broadband UK were effectively transferred to GDUK.

Company risks and opportunities are reviewed regularly by the executive management at the individual programme and the enterprise levels. The major risks to the business associated with strategic, financial, or significant operating initiatives are obtaining target sales orders to fund existing infrastructure (as we continue to see order delays due to continued uncertainty surrounding UK MoD procurement funding levels), ensuring successful legal claim outcomes following the Libyan bond claim, commercial close out and recovery of monies following cancellation of our ECCS contract in the UAE, and cost growth within the Saudi Joint Venture.

The business is managed using several key performance indicators in addition to the traditional financial measures. These are focused on delivery performance in development and production, staff turnover, the success rate of new business pursuits and measures of cost effectiveness and productivity. Variance analysis is performed monthly.

Lord P K Levene of Portsoken
Director

21 Holborn Viaduct
London
EC1A 2DY
21 July 2014

Statement of directors' responsibilities in respect of the Directors' report and the Strategic report and the financial statements

The directors are responsible for preparing the Directors' Report and the Strategic 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Forest Gate
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Crawley
RH11 9PT
United Kingdom

Independent auditor's report to the members of General Dynamics United Kingdom Limited

We have audited the financial statements of General Dynamics United Kingdom Limited for the year ended 31 December 2013 set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

P Gresham

Paul Gresham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

31 July 2014

Profit and loss account

for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	2	**260,625**	294,662
Cost of sales		**(225,221)**	(251,947)
Gross profit		**35,404**	42,715
Administrative expenses before exceptional costs		**(27,263)**	(26,602)
Restructuring costs	6	**(10,795)**	-
Total administrative expenses		**(38,058)**	(26,602)
Operating (loss)/profit		**(2,654)**	16,113
Share of loss from Joint Venture undertaking	9a	**(2,283)**	-
Interest receivable and similar income	4	**193**	689
Interest payable and similar charges	5	**(62)**	(91)
(Loss)/profit on ordinary activities before taxation	6	**(4,806)**	16,711
Tax on (loss)/profit on ordinary activities	8	**5,712**	(2,458)
Retained profit for the financial year	18	**906**	14,253

The profit for the year and the preceding year arises entirely from continuing operations.

There is no material difference between the results reported in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 11 to 31 form part of these financial statements.

Balance sheet

At 31 December 2013

	Note	2013	2012
		£000	£000
Fixed assets			
Goodwill	*9*	**29,729**	30,859
Tangible assets	*10*	**18,735**	20,461
Investments	*9a*	**2,691**	-
		51,155	51,320
Current assets			
Stock and work in progress	*11*	**999**	8,693
Debtors	*12*	**287,090**	267,622
Cash at bank		**758**	647
		288,847	276,962
Creditors: amounts falling due within one year	*13*	**(142,878)**	(130,315)
Net current assets		**145,969**	146,647
Debtors: amounts falling due after more than one year	*12*	**2,300**	2,111
Total assets less current liabilities		**199,424**	200,078
Creditors: amounts falling due after more than one year	*14*	**(217)**	(264)
Provisions for liabilities and charges	*16*	**(2,215)**	(2,687)
Net assets excluding pension liability		**196,992**	197,127
Pension liability	*21*	**-**	(674)
Net assets including pension liability		**196,992**	196,453
Capital and reserves			
Called up share capital	*17*	**9,262**	9,262
Capital redemption reserve	*18*	**88**	88
Other reserves	*18*	**1**	1
Profit and loss account	*18*	**187,641**	187,102
Equity Shareholders' funds		**196,992**	196,453

These financial statements were approved by the board of directors on 21 July 2014 and were signed on its behalf by:

Lord P K Levene of Portsoken
Director

The notes on pages 11 to 31 form part of these financial statements.

Statement of Total Recognised Gains & Losses

	2013 £000	2012 £000
Profit for the financial year	**906**	14,253
Actuarial gain recognised on the pension scheme	**1,742**	2,194
Movement on deferred tax relating to actuarial gain on the pension scheme	**(348)**	(505)
Reversal of deferred tax on de-recognition of pension surplus	**348**	-
De-recognition of pension surplus	**(1,658)**	-
Total recognised gains and losses for the year	**990**	15,942

Reconciliation of Shareholders' Funds

	2013 £000	2012 £000
Retained profit for the financial year	**906**	14,253
Other recognised gains and losses relating to pensions	**1,742**	1,607
FRS 20 Share based payment reserves adjustments	**(451)**	338
De-recognition of pension surplus	**(1,658)**	-
Net increase in shareholders' funds	**539**	16,198
Shareholders' funds at beginning of year	**196,453**	180,255
Shareholders' funds at end of year	**196,992**	196,453

Notes
(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The accounting standards have been applied consistently.

Basis of Preparation

a) The company has taken the exemption within section 401 of the Companies Act 2006, not to present consolidated financial statements because its ultimate parent General Dynamics Corporation produces consolidated accounts in which the company is included. These financial statements therefore present financial information about the company and not about its group. These financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

b) Under Financial Reporting Standard 1 the Company is exempt from the requirement to present a cash flow statement on the grounds that its ultimate parent undertaking, General Dynamics Corporation, includes the company in its own published consolidated financial statements (see note 23).

c) In accordance with Financial Reporting Standard 8, no disclosure has been made in relation to the Company's transactions with other group undertakings, as it is a wholly owned subsidiary of General Dynamics Corporation whose consolidated financial statements are publicly available (see note 23).

d) The directors have assessed the Company's financial resources and forecasts and based on this review have concluded that it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

e) During the prior year the trade and net assets of a subsidiary undertaking were transferred to the company at their book value which was less than their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect of this departure is to increase the holding company's amount of goodwill by £30,850,000 (net of amortisation) in the holding company's balance sheet, and to decrease the value of the investment by £51,919,000 in the holding company's balance sheet.

Goodwill

Goodwill is amortised to nil by equal annual instalments over its estimated useful life of 18.5 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold Buildings:	50 years
Leasehold Land and Buildings:	Life span of lease
Plant, Machinery and Motor Vehicles:	4-8 years
Finance Lease Plant and Machinery:	3-5 years

Fixed asset investments

Investments in subsidiaries are carried at cost less provision for impairment (if any).

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. For work in progress, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long Term Contracts

The amount of profit attributable to a stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen. Turnover is recognised on an ongoing basis, instigated by cost movement.

Contract work in progress is stated at costs incurred, less that transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on long term contracts are included in debtors and represent turnover recognised in excess of payments on account.

Short Term Contracts

On short term contracts turnover represents amounts invoiced during the year net of Value Added Tax. A short term contract is a contract that is started and completed within the same financial year.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Warranties

Provision is made for the estimated cost of work to be performed under warranty on products sold before the balance sheet date.

Research and Development

Expenditure on research and development is written off in the year in which it is incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Assets held under finance leases and other similar contracts which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their estimated useful life. The capital element of future lease obligations are recorded as liabilities, while the interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The Company operates a hybrid scheme, which includes a defined contribution element and also frozen 'final salary' benefits for pensioners and deferred pensioners. Further details are set out in note 21. The scheme is funded by contributions from both employer and employees. The valuation of the preserved benefits element of the scheme is determined by independent qualified actuaries. Pension contributions are invested separately from the Company's assets.

Any pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and shown in the accounts. The movement in the surplus or deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Government Grants

Capital based government grants are included within accruals and deferred income in the balance sheet and are credited to operating profit over the estimated useful lives of the assets to which they relate.

Revenue based government grants are credited to the profit and loss account in the period in which they are received.

Employee share schemes

The share option programme allows employees to acquire shares in the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20, is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black - Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Notes *(continued)*

2 Turnover

Turnover has been wholly derived from the operation of design, production and support of avionic, communications and associated electronic equipment, which originates in the United Kingdom. The analysis of turnover by geographical destination is as follows:

	2013	2012
	£000	£000
United Kingdom	**247,765**	260,000
Europe	**3,323**	16,347
North America	**200**	1,134
Rest of the World	**9,337**	17,181
	260,625	294,662

Further analysis of (loss)/profit before tax and net assets is considered to be seriously prejudicial to the interests of the Company.

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2013	2012
	Number of employees	
Administration	**198**	265
Production	**824**	1,060
	1,022	1,325

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	**42,751**	60,697
Social security costs	**5,221**	7,062
Other pension costs (see note 21)	**5,397**	7,415
	53,369	75,174

Notes *(continued)*

4 Other interest receivable and similar income

	2013 £000	2012 £000
Bank interest	**193**	448
On all other loans	**-**	241
	193	689

5 Interest payable and similar charges

	2013 £000	2012 £000
Interest on finance leases	**12**	13
On all other loans	**16**	3
Net pension finance expenditure	**34**	75
	62	91

6 (Loss)/profit on ordinary activities before taxation

	2013 £000	2012 £000
The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Operating leases		
- Land and buildings	**815**	2,452
- Motor vehicles	**107**	205
Research and development	**3,229**	2,082
Depreciation of owned fixed assets	**2,654**	2,946
Depreciation of leased assets	**840**	1,090
Amortisation	**1,763**	1,763
Government grants	**-**	(93)
Exchange loss	**196**	441
FRS 20 share based payment charges	**802**	1,454
Loss on disposal of fixed assets	**656**	37
Restructuring charge	**10,795**	-
Auditor's Remuneration		
Audit of these Financial Statements	**270**	287
Taxation compliance	**40**	58

The restructuring costs were due to the exit of various properties and redundancy costs.

Notes *(continued)*

7 Directors' remuneration

	2013	2012
	£000	£000
Directors' emoluments	**382**	779
Company contributions to money purchase pension schemes	**51**	66

3 Directors exercised share options of the ultimate parent company in the year *(2012: 2)*. The above amounts do not include any gains made on the exercise of share options. Gains made on the exercise of share options by these Directors were £296,060 *(2012:£94,000)*. These shares had an average market price of £51.71, *(2012:£44.54)* and include options exercised by the highest paid Director.

Pensions

The number of Directors who were members of pension schemes was as follows:

	2013	2012
	Number	Number
Money purchase scheme	**3**	2

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid Director:

	2013	2012
	£000	£000
Directors' emoluments	**186**	443
Company contributions to money purchase pension schemes	**41**	55

No Director had a direct or indirect interest in any transaction, arrangement or agreement, which in the opinion of the other Directors requires disclosure under the provisions of the Companies Act 2006.

Notes *(continued)*

8 Taxation

	2013	2012
	£000	£000
UK corporation tax	**(987)**	3,875
Adjustments in respect of prior periods	**(3,511)**	571
Loss carry back from 2013 to 2012	**(1,040)**	-
Total current tax	**(5,538)**	4,446
Deferred tax (see note 16)	**(174)**	(1,988)
Tax on (loss)/profit on ordinary activities	**(5,712)**	2,458

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (*2012: higher*) than the standard rate of corporation tax in the UK of 23¼% (*2012: 24½%*). The differences are explained below:

	2013	2012
	£000	£000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(4,806)**	16,711
Current tax at 23¼% (*2012: 24½%*)	**(1,117)**	4,094
Effects of:		
Expenses not deductible for tax purposes	**172**	752
Income not chargeable for tax purposes	**(881)**	(1,210)
Capital allowances for year in excess of depreciation	**839**	239
Adjustments in respect of prior periods	**(3,511)**	571
Loss carry back from 2013 to 2012	**(1,040)**	-
Total current tax charge (see above)	**(5,538)**	4,446

On 20 March 2013, the Chancellor announced proposed changes to reduce the main rate of corporation tax to 21% by 1 April 2014 and 20% by 1 April 2015. The corporation tax rate reductions to 21% and 20% have been substantively enacted and therefore are included in the figures above for deferred tax.

Notes *(continued)*

9 Goodwill

	£000
Cost at 1 January 2013	32,622
Additions (see note 25)	328
Anteon contracts addition	305
Cost at 31 December 2013	**33,255**
Amortisation at 1 January 2013	1,763
Amortisation charge	1,763
Amortisation at 31 December 2013	**3,526**
Net book value at 31 December 2013	**29,729**
Net book value at 31 December 2012	30,859

On 21st June 2010, the Company acquired the entire ordinary share capital of Kylmar (Holdings) Limited for a cash consideration of £52,126,000 which included £1,144,000 of directly attributable costs. Through its investment in Kylmar (Holdings) Limited, the company indirectly held the entire ordinary share capital of Kylmar (KMC) Limited.

On 1 January 2012 the trade and net assets of Kylmar (KMC) Limited were hived up to GDUK and the Company was liquidated. Further information is included in note 1.
The resulting goodwill is being amortised over 18.5 years which represents 20 years from the original acquisition date.

The Anteon contracts addition is as a result of a number of contracts novated over to GDUK during the year.

9a Investments

Investment entity	Holding company	Share capital	Proportion held	Loss in year £'000
Kylmar Holdings Ltd	General Dynamics UK Ltd	£52,126,000	100%	-
General Dynamics Informations Systems and Technology Arabia Company	General Dynamics UK Ltd	SAR12,000,000	49%	(£2,283)

	£000
Cost at 1 January 2013	-
Additions	2,691
Cost at 31 December 2013	**2,691**

The addition during the year was a result of the increase in investment in the joint venture.

Notes *(continued)*

10 Tangible fixed assets

	Premises land and buildings £000	Short leasehold land and buildings £000	Plant machinery and motor vehicles £000	Total £000
Cost				
At 1 January 2013	14,104	8,461	38,705	61,270
Adjustment to b/fwd	-	(499)	499	-
Asset transfer	-	(84)	84	-
Additions	14	98	1,600	1,712
Acquisition (see note 25)	-	-	5,307	5,307
Disposals	(447)	(1,527)	(4,107)	(6,081)
At 31 December 2013	**13,671**	**6,449**	**42,088**	**62,208**
Depreciation				
At 1 January 2013	3,042	6,880	30,887	40,809
Adjustment to b/fwd	-	226	(226)	-
Charge for year	328	180	2,986	3,494
Acquisition (see note 25)	-	-	4,595	4,595
Disposals	(442)	(1,060)	(3,923)	(5,425)
At 31 December 2013	**2,928**	**6,226**	**34,319**	**43,473**
Net book value				
At 31 December 2013	**10,743**	**223**	**7,769**	**18,735**
At 31 December 2012	11,062	1,581	7,818	20,461

The net book value of plant and machinery and motor vehicles above includes a net book value of £565,000 (*2012: £757,000*) in respect of assets held under finance leases. Depreciation charged in the year on these assets was £651,000 (*2012: £660,000*).

11 Stocks and work in progress

	2013 £000	2012 £000
Raw materials and consumables	**999**	2,374
Work in progress	**-**	6,319
	999	8,693

Notes *(continued)*

12 Debtors: amounts falling due within one year

	2013	2012
	£000	£000
Amounts owed by fellow subsidiary	**212,758**	206,300
Amounts recoverable on contracts	**38,964**	31,400
Trade debtors	**30,397**	22,502
Prepayments and other debtors	**3,236**	5,283
Deferred tax asset (note 16)	**1,735**	1,360
Intercompany amounts owed by subsidiaries	**-**	777
	287,090	267,622
Trade debtors amounts falling due over one year	**2,300**	2,111
	289,390	269,733

13 Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Obligations under finance leases (see note 15)	**369**	498
Payments on account on long term contracts	**57,898**	59,401
Trade creditors	**28,558**	27,228
Amounts owed to group companies	**8,119**	4,241
Taxation and social security	**8,861**	4,632
Accruals and deferred income	**39,073**	34,315
	142,878	130,315

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2013 **£000**	2012 £000
Obligations under finance leases (see note 15)	**217**	264

15 Obligations under finance leases

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2013 **£000**	2012 £000
Within one year	**369**	498
In the second to fifth years	**217**	264
	586	762

16 Provisions for liabilities and charges

	Deferred tax **£000**	**Warranty provision** **£000**	**Total** **£000**
At 1 January 2013	**(1,561)**	**2,687**	**1,126**
Profit and loss	(174)	(472)	(646)
At 31 December 2013	**(1,735)**	**2,215**	**480**

The (asset)/liability at 31 December 2013 is split as follows:	
Debtors (see note 12)	(1,735)
Provision for liabilities and charges	2,215
	480

The elements of deferred taxation are as follows:

	2013 **£000**	2012 £000
Difference between accumulated depreciation and capital allowances	**425**	(609)
Other timing differences	**(2,160)**	(952)
Deferred tax asset	**(1,735)**	(1,561)

Notes *(continued)*

17 Share capital

The share capital of the Company comprises ordinary shares of 50p each.

	2013 Number of Shares	**£000**	2012 Number of Shares	£000
Allotted, called-up and fully paid	**18,523,150**	**9,262**	18,523,150	9,262

18 Reserves

	Capital redemption reserve £000	**Other reserves £000**	**Profit and loss account £000**	**Total £000**
At 1 January 2013	**88**	**1**	**187,102**	**187,191**
Retained profit for the year	-	-	906	906
Actuarial gain on pension schemes	-	-	1,742	1,742
FRS 20 share based payment charges	-	-	(451)	(451)
De-recognition of pension surplus	-	-	(1,658)	(1,658)
At 31 December 2013	**88**	**1**	**187,641**	**187,730**

19 Financial commitments

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2013 £000	2012 £000
Contracted	**252**	298
Authorised but not contracted	**1,958**	438

(b) Annual commitments under non-cancellable operating leases are as follows:

	2013 Land and buildings £000	**Other £000**	2012 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**32**	**15**	58	116
In the second to fifth years inclusive	**2,211**	**54**	4,024	99
Over five years	**124**	-	288	-
	2,367	**69**	4,370	215

Notes *(continued)*

20 Contingent liabilities

	2013	2012
	£000	£000
Performance guarantees	**11,513**	36,743

Performance guarantees in 2013 are in the main made up of one deferment guarantee of £150,000 *(2012: £150,000)*, one guarantee of £9,636,000 *(2012:£9,636,000)*, and one project bond of £1,473,000 *(2012: £1,473,000)*.

21 Pension scheme

The Company sponsors the General Dynamics Retirement and Death Benefit Scheme ('the Scheme'). The Scheme is a hybrid arrangement which includes both a defined contribution section and a defined benefit section comprising of current and deferred pensioners. The defined benefit section of the Scheme was closed from 6 April 1997, at which time members ceased to accrue benefits on a defined benefit basis and were given the option to transfer their benefits to the defined contribution section of the Scheme. The assets of the Scheme are held separately from those of the Company, being invested with an external fund manager. The expenses of the Scheme are borne by the Company.

Defined contribution element

The pension cost for the year was £5,397,000, *(2012: £7,415,000)*. There were no outstanding or prepaid contributions at 31 December 2013 *(2012: £nil)*.

Defined Benefit Section

A full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2010. This has been updated on an approximate basis to 31 December 2013. The actuarial valuation resulted in an asset. This was based on assumptions taking a worst case scenario of all eligible employees retiring early.

The contributions made by the Company totalled £672,000 *(2012: £672,000)*. The pension costs for the year were £nil *(2012: £nil)* on the basis that the Directors consider it unlikely that all eligible employees will retire early and therefore the scheme is in balance.

Notes *(continued)*

21 Pension scheme *(continued)*

Assumptions

The mortality assumptions utilised were PMA92 and PFA92, projected using the medium cohort mortality improvement rates.

The mortality assumptions adopted at 31 December 2013 imply the following life expectancies:

Male retiring at age 65 in 2013	22.0
Female retiring at age 65 in 2013	24.5
Male retiring at age 65 in 2033	23.9
Female retiring at age 65 in 2033	26.3

Expected long term rates of return

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long term rates of return applicable for each period are as follows:

	Period commencing 01/01/2013 % per annum	Period commencing 01/01/2012 % per annum
Equity	6.73%	5.80%
Bonds	4.57%	4.68%
Gilts	2.73%	2.80%
Property	6.23%	5.30%
Cash	4.57%	4.68%
Overall for scheme	5.41%	5.38%

Notes *(continued)*

21 Pension scheme *(continued)*

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2013	2012	2011
Revaluation rate for deferred pensioners	**2.54%**	2.22%	2.87%
Rate of increase in pensions in payment and deferred pensions	**2.54%**	2.22%	2.87%
Discount rate applied to scheme liabilities	**4.48%**	4.57%	4.68%
Inflation assumption	**3.44%**	2.92%	2.87%

In valuing the liabilities of the pension fund at 31 December 2013 mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2013 would have increased by £397,000 before deferred tax.

The table below sets out the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus of assets below the FRS 17 liabilities (which equals the gross pension asset).

Scheme assets

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and therefore inherently uncertain, were:

	2013 £000	2012 £000
Fair value of plan assets	**15,760**	13,804
Present value of funded deferred benefit obligations	**(14,155)**	(14,679)
Actuary contributions timing adjustment	**53**	-
Surplus/(deficit)	**1,658**	(875)
Related deferred tax (liability)/asset	**-**	201
De-recognition of surplus	**(1,658)**	-
Net pension asset/(liability)	**-**	(674)

The pension surplus of £1,658k has been de-recognised as it is not recoverable in accordance with FRS17.

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2013 £000	2012 £000
Scheme liabilities at start of year	**14,679**	15,117
Interest cost	**664**	698
Actuarial (gains)	**(746)**	(734)
Benefits paid, death in service insurance premiums and expenses	**(476)**	(402)
Past service costs	**34**	-
Scheme liabilities at end of year	**14,155**	14,679

Notes *(continued)*

21 Pension scheme *(continued)*

Reconciliation of opening and closing balances of the fair value of scheme assets

	2013 **£000**	2012 £000
Fair value of scheme assets at start of year	**13,804**	11,451
Expected return on scheme assets	**664**	623
Actuarial gains	**996**	1,460
Contributions by employer	**772**	672
Benefits paid, death in service insurance premiums and expenses	**(476)**	(402)
Fair value of scheme assets at end of year	**15,760**	13,804

Movement in the surplus/ (deficit) during the year

	2013 **£000**	2012 £000
Deficit in the Scheme at 1 January	**(875)**	(3,666)
Contribution	**772**	672
Other finance expense	**(34)**	(75)
Actuarial gain	**1,742**	2,194
Actuary contributions timing adjustment	**53**	-
Surplus/(deficit) in the Scheme at 31 December	**1,658**	(875)

Analysis of amounts included in other finance (expense)/income:

	2013 **£000**	2012 £000
Expected return on pension scheme assets	**(664)**	(623)
Interest on pension scheme liabilities	**664**	698
Past service costs	**34**	-
	34	75

Analysis of amount recognised in statement of total recognised gains and losses:

	2013 **£000**	2012 £000
Actual return less expected return on Scheme assets	**996**	1,460
Experience gains arising on Scheme liabilities	**1,426**	95
Changes in assumptions underlying the present value of Scheme liabilities	**(680)**	639
De-recognition of pension surplus	**(1,658)**	-
	84	2,194

Notes *(continued)*

21 Pension scheme *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2013 £000	2012 £000
Equity	**4,299**	6,375
Bonds	**4,711**	4,162
Gilts	**2,321**	2,167
Property	**1,175**	1,098
Cash	**190**	2
Diversified growth	**3,064**	-
Total	**15,760**	13,804
Actual return on plan assets	**1,660**	2,083

A history of experience gains and losses at 31 December 2013 would have been as follows:

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets:	**£000**	£000	£000	£000	£000
Amount	**996**	1,460	398	800	778
Percentage of scheme assets (at end of year)	**7%**	11%	3%	8%	9%
Experience losses on scheme liabilities:					
Amount	**1,426**	95	(207)	(528)	83
Percentage of present value of scheme liabilities (at end of year)	**10%**	1%	1%	4%	1%
Total amount recognised in statement of total recognised gains and losses:					
Amount	**84**	2,194	(2,214)	(54)	(2,120)
Percentage of present value of scheme liabilities (at end of year)	**1%**	15%	15%	1%	20%

History of plans

The history of the plans for the current and prior periods is as follows:

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(14,155)**	(14,679)	(15,117)	(12,079)	(10,864)
Fair value of scheme assets	**15,760**	13,804	11,451	10,056	8,595
Actuary contribution timing	**53**	-	-	-	-
Surplus/(deficit)	**1,658**	(875)	(3,666)	(2,023)	(2,269)

Notes *(continued)*

21 Pension scheme *(continued)*

The expected contribution to be paid to the scheme in the next financial year is £672,000.

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £137,000 *(2012: £2,194,000)*.

Cumulative actuarial gains and losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £(4,734,000) *(2012:(£4,871,000))*.

22 Related party disclosures

The Company is controlled by its immediate parent undertaking General Dynamics Ltd. The ultimate controlling party is General Dynamics Corporation (See note 23).

23 Ultimate parent company

The Company is a 100% owned subsidiary undertaking of General Dynamics Limited, a company incorporated in Great Britain. General Dynamics Corporation is the ultimate parent company incorporated in the USA.

The largest and smallest group in which the results of the Company are consolidated is that headed by General Dynamics Corporation, incorporated in the USA. The consolidated accounts of the group are available to the public and may be obtained from 2941 Fairview Park Drive, Suite 100, Falls Church, VA 22042 – 4513, USA.

24 Employee share schemes

Share based payments

General Dynamics Corporation operates 3 share schemes. The SAYE scheme is offered to all employees once a year and employees have the option of entering either a 3 year or 5 year scheme. The Restricted Stock scheme is for those employees who have been given a special EC grant by the Managing Director. The T&M options (awarded under the same scheme as EC Options) are granted to employees at their manager's discretion.

The terms and conditions of grants are as follows:

Grant date/ Employees entitled/ nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
2012 Equity-settled award of restricted stock awarded to employees receiving a special EC grant. Awarded by General Dynamics Corporation on 07/03/12	6,610	2 years following award	2 years
2013 Equity-settled award of restricted stock awarded to employees receiving a special EC grant. Awarded by General Dynamics Corporation on 06/03/13	3,150	2 years following award	2 years
2012 Equity-settled award of EC Options awarded to key employees at the Managing Directors discretion. Granted by General Dynamics Corporation on 07/03/12.	71,000	50% at end of 1st year, 50% at end of 2nd year	5 years
2013 Equity-settled award of EC Options awarded to key employees at the Managing Directors discretion. Granted by General Dynamics Corporation on 06/03/13.	49,520	50% at end of 1st year, 50% at end of 2nd year	5 years
2011 Equity-settled award of T&M Options awarded to GDUK employees at their managers discretion. Granted by General Dynamics Corporation on 02/03/11	29,400	33% at end of 1st year, 33% at end of 2nd year, 33% at end of 3rd year	5 years

Notes *(continued)*

24 Employee share schemes *(continued)*

Share based payments *(continued)*

2009 Cash-settled 5 year SAYE award to GDUK employees. Granted by parent on 27/11/09.	9,819	5 years from start of contract	5 years
2010 Cash-settled 3 year SAYE award to GDUK employees. Granted by parent on 30/11/10.	18,596	3 years from start of contract	3 years
2010 Cash-settled 5 year SAYE award to GDUK employees. Granted by parent on 30/11/10.	5,254	5 years from start of contract	5 years
2011 Cash-settled 3 year SAYE award to GDUK employees. Granted by parent on 30/11/11.	49,536	3 years from start of contract	3 years
2011 Cash-settled 5 year SAYE award to GDUK employees. Granted by parent on 30/11/11.	7,174	5 years from start of contract	5 years
2012 Cash-settled 3 year SAYE award to GDUK employees. Granted by parent on 30/11/12.	21,553	3 years from start of contract	3 years
2012 Cash-settled 5 year SAYE award to GDUK employees. Granted by parent on 30/11/12.	2,795	5 years from start of contract	5 years
2013 Cash-settled 3 year SAYE award to GDUK employees. Granted by parent on 5/12/13.	7,979	3 years from start of contract	3 years
2013 Cash-settled 5 year SAYE award to GDUK employees. Granted by parent on 5/12/13.	2,448	5 years from start of contract	5 years

The number and weighted average exercise prices of share options are as follows:

	2013 Weighted Average exercise price £	**2013 Number of options**	2012 Weighted average exercise price £	2012 Number of options
Outstanding at the beginning of the period	**41.54**	**575,671**	37.50	718,613
Granted during the period	**44.96**	**63,762**	42.50	111,242
Forfeited during the period	**41.80**	**(187,522)**	45.32	(136,202)
Exercised during the period	**52.32**	**(225,020)**	43.92	(117,982)
Outstanding at the end of the period	**41.30**	**226,891**	41.54	575,671
Exercisable at the end of the period	**45.78**	**53,506**	43.61	262,214

Notes *(continued)*

24 Employee share schemes *(continued)*

Share based payments *(continued)*

The weighted average share price at the date of exercise of share options exercised during the period was £52.32 *(2012: £43.92)*.

The options outstanding at the year-end have an exercise price in the range of £28.42 to £48.78 and a weighted average remaining contractual life of 2.12 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes model.

Scheme	Fair Value at measurement date (£)	Share price on date of grant (£)	Exercise price (£)	Expected volatility	Option life (months)	Expected dividends	Risk free interest rate
EC Share Options:							
March 2, 2011 (all years)	9.4891	45.8282	45.8282	30.77%	43	2.0%	1.509%
March 7, 2012 (all years)	8.3917	45.2120	45.2120	31.33%	43	2.7%	0.550%
March 6, 2013 (all years)	5.2076	44.9684	44.9684	21.81%	43	3.0%	0.545%
Restricted Stock:							
March 2, 2011 (all years)	45.8282	45.8282	45.8282	30.77%	43	2.0%	1.509%
March 7, 2012 (all years)	45.2120	45.2120	45.2120	31.33%	43	2.7%	0.550%
March 6, 2013 (all years)	44.9684	44.9684	44.9684	21.81%	43	3.0%	.545%
SAYE:							
November 30, 2012 3 year	4.1908	41.2610	36.1438	21.860%	39	2.7%	0.413%
November 30, 2012 5 year	6.7711	41.2610	36.1438	28.040%	63	2.7%	0.808%
December 5, 2013 3 year	4.9936	53.2719	45.2852	20.76%	39	3.0%	0.949%
December 5, 2013 5 year	8.7985	53.2719	45.2852	28.1%	63	3.0%	1.692%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The total expenses recognised for the year arising from share based payments are as follows:

	2013	2012
	£000	£000
Equity settled share based payments	**558**	1,170
Cash settled share based payments	**244**	284
	802	1,454
Total carrying amount of liabilities relating to cash settled share based payments	**1,496**	638

Notes *(continued)*

25 Acquisitions

On 31 December 2013 the Company acquired the trade and net assets of General Dynamics Broadband UK Limited.

	Book value
	£000
Fixed assets	
Tangible	**712**
Current assets	
Stock	**639**
Debtors	**2,411**
Cash	**596**
Total assets	**4,358**
Liabilities	
Creditors	**(4,358)**
Total liabilities	**(4,358)**
Net assets	**-**
Goodwill	**328**
Purchase consideration	**328**

General Dynamics Broadband UK Ltd is a research and development technologies and products company. The total consideration (exclusive of VAT) payable for the business and the assets was £328,000 ($543,000).