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**Computing Devices Company Limited  
and its subsidiary undertakings**

Consolidated financial statements  
for the year ended 31 December 2000  
together with directors' and auditors' reports

Registered number: 1911653



## **Directors' report**

For the year ended 31 December 2000

The directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2000.

### **Business Review and Principal Activities**

The principal activities of the Group are those of designing, manufacturing, marketing and supporting electronic equipment and associated software for use both on aircraft and in ground systems applications.

Almost all of the Group's current business is within the Defence Industry. Core UK programmes include Harrier II avionics and stores management systems and Tornado stores management and reconnaissance systems. The Group's European presence is dominated by key avionics systems on Eurofighter 2000 which have moved from development to tranche 1 production during 2000. The group also maintains a significant presence in the US on Air National Guard F16 and Naval F18 reconnaissance programmes and is working to grow US market share alongside General Dynamics Information Systems and other US Teaming Partners.

Planned growth prospects include diversification into the commercial enterprise network software and consultancy market with the launch of an Information Knowledge Management Division in July 2000.

### **Research and Development**

The Company is continuing with a policy of selective investment in the initial design and development of new technologies and products. Current major areas of interest include mass storage, processing, graphics and application software with work ongoing to maximise leverage from complementary investment strategies currently being pursued by General Dynamics Information Systems.

### **Results for the year**

The Group's result for the year ended 31st December 2000 was a profit of £599,000, compared to a loss of £261,000 for the year ended 31st December 1999.

The directors do not recommend the payment of a dividend (1999: £nil)

## Directors' report (continued)

### Directors

The directors and their interests in the ordinary shares of General Dynamics Corporation are:

	Restricted fully paid shares		Options to purchase shares			
	2000	1999	2000	Exercised	Granted	1999
J.E. Juntilla	4,450	3,300	20,500	-	9,300	11,200
T.J. Brammer	1,680	1,200	6,700	1,500	3,900	4,300
D.M. Spiers	-	-	-	-	-	-
J Gordon	-	-	-	-	-	-
M.F. Steeden	600	-	4,800	-	4,800	-

J.E. Juntilla resigned on 1 June 2000 and M.F. Steeden was appointed on 1 June 2000. The rest of the directors served throughout the year.

No director had any material interest in any contract or arrangement subsisting during the year with the Company.

### Employee involvement

The training and management of a highly skilled workforce is key to future business growth. The directors ensure that health and safety are given special attention within the Group. The Group has a general policy to encourage employment of disabled people and would if at all possible, encourage the retention of any employee who became disabled during their employment and also encourage career development by suitable training thereafter.

### Political and Charitable donations

The Group made no political contributions during the year. Donations to UK charities amounted to £14,348 (1999: £7,624).

### Employee involvement

It is the Group's policy to inform the employees as fully as possible of all areas of Group activity. Comprehensive communication to all employees takes place biannually in addition to more frequent company "flow down" briefings and departmental communication meetings. The subjects covered by these formal communication channels include market forecasts, product developments, facility and benefit changes, and the Group's financial position.

### Supplier Payment Policy

The Company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31<sup>st</sup> December 2000 were equivalent to 33 days' purchases (1999: 34 days), based on the average daily amount invoiced by suppliers during the year.

## Directors' report (continued)

### Directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Arthur Andersen have expressed their willingness to continue in office and a resolution to propose their reappointment will be made at the forthcoming Annual General Meeting.

21 Holborn Viaduct  
London  
EC1A 2DY

8 March 2001

By Order of the Board



T. J. Brammer  
Director

## Auditors' report

### To the Shareholders of Computing Devices Company Limited:

We have audited the financial statements on pages 5 to 20, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

#### Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

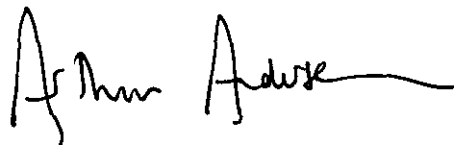
#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
Chartered Accountants and Registered Auditors

20 Old Bailey  
London  
EC4M 7AN

8 March 2001

# Consolidated profit and loss account

For the year ended 31 December 2000

	Notes	Year ended 31 December 2000 £'000	Year ended 31 December 1999 £'000
<b>Turnover</b>	2	41,954	35,236
Cost of sales		(34,358)	(28,114)
<b>Gross profit</b>		7,596	7,122
Administrative expenses		(7,250)	(7,296)
<b>Operating profit/(loss)</b>		346	(174)
Other interest receivable and similar income	4	503	105
Interest payable and similar charges	5	(218)	(185)
<b>Profit/(loss) on ordinary activities before taxation</b>	6	631	(254)
Tax on Profit/(Loss) on ordinary activities	8	(32)	(7)
<b>Retained profit/(loss) for the year</b>		599	(261)

Details of movements in reserves are shown in note 19.

The notes on pages 7 to 20 form an integral part of the financial statements.

There are no recognised gains or losses in either year other than the results for the financial year.

The profit for the year arises from continuing operations.

# Balance sheet

At 31 December 2000

	Notes	2000		1999	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>Fixed assets</b>					
Tangible fixed assets	9	8,128	8,128	7,107	7,107
Investments	10	-	-	-	-
		<u>8,128</u>	<u>8,128</u>	<u>7,107</u>	<u>7,107</u>
<b>Current assets</b>					
Debtors – amounts falling due in less than one year	11	16,614	16,614	16,125	16,125
Debtors – amounts falling due in more than one year	12	-	-	128	128
		<u>16,614</u>	<u>16,614</u>	<u>16,253</u>	<u>16,253</u>
Stock and work in progress	13	1,947	1,947	1,888	1,888
Cash at bank and in hand		<u>9,264</u>	<u>9,264</u>	<u>8,280</u>	<u>8,280</u>
		<u>27,825</u>	<u>27,825</u>	<u>26,421</u>	<u>26,421</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(21,398)</u>	<u>(23,269)</u>	<u>(20,337)</u>	<u>(22,208)</u>
<b>Net current assets</b>		<u>6,427</u>	<u>4,556</u>	<u>6,084</u>	<u>4,213</u>
<b>Total assets less current liabilities</b>		<u>14,555</u>	<u>12,684</u>	<u>13,191</u>	<u>11,320</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,304)</u>	<u>(2,304)</u>	<u>(2,402)</u>	<u>(2,402)</u>
Provision for liabilities and charges	17	<u>(2,147)</u>	<u>(2,147)</u>	<u>(1,284)</u>	<u>(1,284)</u>
<b>Net assets</b>		<u>10,104</u>	<u>8,233</u>	<u>9,505</u>	<u>7,634</u>
<b>Capital and reserves</b>					
Called-up share capital	18	9,262	9,262	9,262	9,262
Capital redemption reserve	19	88	88	88	88
Profit and loss account	19	<u>754</u>	<u>(1,117)</u>	<u>155</u>	<u>(1,716)</u>
		<u>10,104</u>	<u>8,233</u>	<u>9,505</u>	<u>7,634</u>
Equity shareholders' funds		<u>2,754</u>	<u>883</u>	<u>2,155</u>	<u>284</u>
Non-equity shareholders' funds		<u>7,350</u>	<u>7,350</u>	<u>7,350</u>	<u>7,350</u>
		<u>10,104</u>	<u>8,233</u>	<u>9,505</u>	<u>7,634</u>

Signed on behalf of the Board



M F Steeden  
Director



T. J. Brammer  
Director

8 March 2001

The accompanying notes are an integral part of these financial statements.

## Notes to financial statements

For the year ended 31 December 2000

### 1 Accounting policies

The principal accounting policies are summarised below. These have all been applied consistently throughout the year and the preceding year.

#### *i) Basis of Preparation and Consolidation*

- a) These financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.
- b) The consolidated financial statements include the financial statements of Computing Devices Company Limited and its subsidiary undertakings.
- c) Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company's parent undertaking prepares a consolidated cash flow statement which includes the results of the Company in its own published consolidated financial statements (see note 23).
- d) The Company has not presented its own Profit and Loss Account in accordance with Section 230(4) Companies Act 1985. (see note 19).
- e) 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).

#### *ii) Depreciation*

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost 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 and Machinery	4-8 years
Leasehold Plant and Machinery	3-5 years

#### *iii) Deferred Taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future.

#### *iv) Stock and work in progress*

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



## Notes to financial statements (continued)

### 1 Accounting policies (continued)

#### *v) Long Term Contracts*

Profit on long term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a basis to reflect the proportion of work carried out at the year end. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts included in cost of sales for long term contracts represent all costs incurred in the year, comprising direct materials and labour plus attributable overheads based on normal levels of activity. Amounts included in turnover for long term contracts represent the sales value of work carried out, calculated as costs incurred plus attributable profit or less foreseeable losses, net of VAT.

#### *vi) Short Term Contracts*

On short term contracts turnover represents amounts invoiced and authorised during the accounting period net of VAT.

#### *vii) Foreign Currency Translation*

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or the contract rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at a forward contract rate.

#### *viii) Warranties*

Provision is made for the estimated cost of work to be performed under warranties.

#### *ix) Research and Development*

Expenditure on research and development is written off against profits in the accounting period in which it is incurred.

#### *x) Leasing Commitments*

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 useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest element of the rental obligations is charged to profits 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 profits on a straight line basis over the term of the lease.

#### *xi) Pensions*

The Group operates a defined contribution pension scheme which also incorporates frozen 'final salary' benefits for pensioners and deferred pensioners. 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. These contributions are invested separately from the Group's assets.

## Notes to financial statements (continued)

### 1 Accounting policies (continued)

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 economic lives of the assets to which they relate.

### 2 Turnover

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

	2000 £'000	1999 £'000
United Kingdom	22,962	18,015
Europe	16,354	13,616
North America	2,490	2,713
Rest of World	148	892
	<u>41,954</u>	<u>35,236</u>

### 3 Staff number and costs

The average monthly number of employees (including directors) was:

	2000 Number	1999 Number
Administration	120	118
Production	371	371
	<u>491</u>	<u>489</u>

Aggregate remuneration comprised:

	2000 £'000	1999 £'000
Wages and salaries	13,608	12,791
Social security costs	1,360	1,303
Pension contributions and expenses (note 22)	541	522
	<u>15,509</u>	<u>14,616</u>

Wages and salaries include redundancy costs of £63,364 (1999: £67,497)

# Notes to financial statements (continued)

## 4 Other interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest	503	104
Staff loan interest	-	1
	<u>503</u>	<u>105</u>

## 5 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	-	27
Interest on finance leases	218	158
	<u>218</u>	<u>185</u>

## 6 Profit/(loss) on ordinary activities before taxation

	2000 £'000	1999 £'000
After charging:		
Operating leases		
- Land and buildings	180	146
- Other	36	33
Research and development	688	456
Equipment rental	-	3
Depreciation of owned fixed assets	1,023	1,029
Depreciation of leased assets	984	650
Auditors' remuneration		
- for audit services	46	53
- for other services	42	53
	<u></u>	<u></u>
After crediting:		
Government grants	(16)	(16)
	<u></u>	<u></u>

## Notes to financial statements (continued)

### 7 Directors' emoluments

	2000 £'000	1999 £'000
Directors' emoluments as directors	<u>257</u>	<u>210</u>
Company contributions to money purchase Pension schemes	<u>13</u>	<u>6</u>

1 director exercised share options in the period (1999:nil), and the above amounts do not include any gains made on the exercise of the share options.

#### *Pensions*

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

	2000 number	1999 number
Money purchase scheme	<u>2</u>	<u>1</u>

#### *Highest paid director*

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

	2000 £'000	1999 £'000
Emoluments	129	106
Company contributions to money purchase scheme	<u>9</u>	<u>6</u>
	<u>138</u>	<u>112</u>

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 December 2000 was £12,606 (1999 - £NIL)

No director had a direct or indirect interest in any transaction arrangement or agreement which in the opinion of the other directors requires disclosure.

## Notes to financial statements (continued)

### 8 Tax on Profit/(Loss) on ordinary activities

The charge for taxation comprises:

	2000 £'000	1999 £'000
UK corporation tax at 30.0% (1999: 30.25%)	30	-
Overseas taxation	2	7
Deferred taxation (note 17)	-	-
	<u>32</u>	<u>7</u>

### 9 Tangible fixed assets

<u>Group and Company</u>	<u>Long leasehold land and buildings £'000</u>	<u>Short leasehold land and buildings £'000</u>	<u>Plant machinery and motor vehicles £'000</u>	<u>Totals £'000</u>
<b>Cost</b>				
At 1 January 2000	2,274	261	12,117	14,652
Additions	80	-	2,948	3,028
Disposals	-	-	(166)	(166)
At 31 December 2000	<u>2,354</u>	<u>261</u>	<u>14,899</u>	<u>17,514</u>
<b>Depreciation</b>				
At 1 January 2000	833	62	6,650	7,545
Charge for year	51	26	1,930	2,007
Depreciation on disposals	-	-	(166)	(166)
At 31 December 2000	<u>884</u>	<u>88</u>	<u>8,414</u>	<u>9,386</u>
<b>Net book value</b>				
At 31 December 2000	<u>1,470</u>	<u>173</u>	<u>6,485</u>	<u>8,128</u>
At 31 December 1999	<u>1,441</u>	<u>199</u>	<u>5,467</u>	<u>7,107</u>

The net book value of plant and machinery and motor vehicles above of £6,485,438 (1999: £5,467,241) includes a net book value of £3,442,989 (1999: £3,172,373) together with an associated depreciation charge of £1,716,725 (1999: £733,093) in respect of assets held under finance leases.

## Notes to financial statements (continued)

### 10 Investments

<u>Company:</u> interest in subsidiary undertakings	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
<b>Cost</b>			
At 1 January 2000 and 31 December 2000	950	4,500	5,450
<b>Provisions</b>			
At 1 January 2000 and 31 December 2000	(950)	(4,500)	(5,450)
<b>Net book value</b>			
At 1 January 2000 and 31 December 2000	-	-	-

The Company's subsidiary undertakings, Computing Devices Hastings Limited and Computing Devices Eastbourne Limited, are incorporated in Great Britain and registered in England and Wales. As at 31 December 2000, both subsidiaries were non-trading.

Computer Devices Company Limited owns 100% of the ordinary share capital of each of the companies.

### 11 Debtors: amounts falling due within one year

<u>Group and Company</u>	2000 £'000	1999 £'000
Amounts owed by parent undertaking	699	-
Amounts recoverable on contracts	3,371	4,188
Trade debtors	11,248	11,405
Other debtors	168	28
Prepayments	835	504
Other taxes	293	-
	<u>16,614</u>	<u>16,125</u>

### 12 Debtors: amounts falling due after more than one year

<u>Group and Company</u>	2000 £'000	1999 £'000
Other debtors	-	128

## Notes to financial statements (continued)

### 13 Stock and work in progress

	2000	1999
<u>Group and Company</u>	<u>£'000</u>	<u>£'000</u>
Raw materials and consumables	57	111
Long term contract balances	1,890	1,777
	<u>1,947</u>	<u>1,888</u>
Long term contract balances represent		
Net cost less foreseeable loss	2,555	2,641
Applicable payments on account	(665)	(864)
	<u>1,890</u>	<u>1,777</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

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

	2000	1999
<u>Group</u>	<u>£'000</u>	<u>£'000</u>
Obligations under finance leases (note 16)	1,139	770
Bank overdraft (secured)	-	-
Payments on account on long term contracts	14,766	14,758
Trade creditors	2,642	2,281
Amounts owed to subsidiary undertaking	790	381
Other creditors including taxation and social security	451	403
Accruals	1,610	1,744
	<u>21,398</u>	<u>20,337</u>

## Notes to financial statements (continued)

### 14 Creditors: amounts falling due within one year (continued)

<u>Company</u>	2000 £'000	1999 £'000
Obligations under finance leases (note 16)	1,139	770
Bank overdraft (secured)	-	-
Payments on account on long term contracts	14,766	14,758
Trade creditors	2,642	2,281
Amounts owed to subsidiary undertaking	1,871	1,871
Amounts owed to parent undertaking	790	381
Other creditors including taxation and social security	451	403
Accruals	1,610	1,744
	<u>23,269</u>	<u>22,208</u>

Other creditors including taxation and social security comprise:

<u>Group and company</u>	2000 £'000	1999 £'000
UK corporation tax	30	-
Social security	187	160
Other taxes	234	243
	<u>451</u>	<u>403</u>

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

<u>Group and company</u>	2000 £'000	1999 £'000
Obligations under finance leases (note 16)	<u>2,304</u>	<u>2,402</u>



## Notes to financial statements (continued)

### 16 Obligations under finance leases

<u>Group and Company</u>	2000 £'000	1999 £'000
Maturity of these amounts is as follows:		
Amounts payable		
Within one year	1,139	770
In second to fifth inclusive	2,274	2,372
Over five years	30	30
	<u>3,443</u>	<u>3,172</u>

### 17 Provision for liabilities and charges

<u>Group and Company</u>	Taxation including deferred taxation £'000	Long term contract provisions £'000	Total £'000
At 1 January 2000	-	1,284	1,284
Created during the year	-	946	946
Utilised during the year	-	(83)	(83)
At 31 December 2000	<u>-</u>	<u>2,147</u>	<u>2,147</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2000		1999	
<u>Group</u>	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	-	(3)	-	53
Other timing differences	-	(125)	-	(372)
	<u>-</u>	<u>(128)</u>	<u>-</u>	<u>(319)</u>
 <u>Company</u>				
Difference between accumulated depreciation and capital allowances	-	(3)	-	53
Other timing differences	-	(125)	-	(372)
	<u>-</u>	<u>(128)</u>	<u>-</u>	<u>(319)</u>

## Notes to financial statements (continued)

### 18 Share capital

The share capital of the Company is organised in two classes, ordinary Shares of £0.50p each and redeemable preference shares of £0.50p each.

	2000		1999	
	Number of shares	£'000	Number of shares	£'000
Authorised				
- Ordinary	4,000	2,000	4,000	2,000
- Redeemable preference	36,000	18,000	36,000	18,000
	<u>40,000</u>	<u>20,000</u>	<u>40,000</u>	<u>20,000</u>
Allotted, called-up and fully paid				
- Ordinary	3,824	1,912	3,824	1,912
- Redeemable preference	14,700	7,350	14,700	7,350
	<u>18,524</u>	<u>9,262</u>	<u>18,524</u>	<u>9,262</u>

The 14,700,000 50p redeemable preference shares are required to be repurchased at Par by the company no later than 31 December 2006.

The nominal value of the preference shares will be repaid in preference to other classes of shares on a winding-up of the Company. In such an instance following repayment of the issued share capital, the holders of the redeemable preference shares will have no further rights to participate in surplus assets of the Company.

Holders of the redeemable preference shares on a poll shall have one vote for every share held but only on a resolution for the winding-up of the company, a resolution approving the purchase by the Company of any of its own shares, or a reduction of capital of the Company or on a resolution affecting the special rights and privileges attached to the preference shares. If the vote is on a show of hands, every holder present in person shall have one vote.

## Notes to financial statements (continued)

### 19 Reconciliation of movements in shareholders' funds

#### Group

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2000	9,262	88	155
Profit for the financial year	-	-	599
At 31 December 2000	9,262	88	754

#### Company

At 1 January 2000	9,262	88	(1,716)
Profit for the financial year	-	-	599
At 31 December 2000	9,262	88	(1,117)

### 20 Capital commitments

#### Group and Company

i) Capital commitments at the end of the financial year for which no provision has been made.

	2000 £'000	1999 £'000
Contracted	204	323
Authorised but not contracted	213	139

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

	As at 31.12.2000		As at 31.12.1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Other operating leases which expire:				
Within one year	5	7	10	6
In the second to fifth years inclusive	20	39	20	16
Over five years	174	-	119	-
	199	46	149	22

## Notes to financial statements (continued)

### 21 Contingent liabilities

	2000	1999
<u>Group and Company</u>	<u>£'000</u>	<u>£'000</u>
Group VAT registration	500	500
Performance guarantees	3,376	2,422
Carnets	179	303

The company has guaranteed the overdraft of its subsidiaries, the amount outstanding at the year end was £NIL (1999: £NIL).

Products previously supplied by Computing Devices Company Limited and currently under development rely on computer software and hardware which has the potential to suffer from the Year 2000 problem. Any potential problems may result in remedial costs to be incurred by Computing Devices Company Limited. A high level review and risk assessment has been performed with respect to the potential impact of Year 2000 problems on products and infrastructure. The results indicate a low instance of potential Year 2000 issues. Where instances have been identified they are categorised as "low risk" with the exception of one product. In that case resources have been allocated internally to carry out redesign. On the basis of this assessment, as at 31 December 2000, the Directors consider that costs to complete, and hence profit recognition, on current development contracts need not be adjusted for any remedial costs. Similarly, the Directors consider that no provisions are required in respect of remedial costs of redesigning legacy products.

### 22 Pensions

The Group operates a defined contribution benefits pension scheme which also incorporates frozen "final salary" for pensioners and deferred pensioners. The scheme was introduced from 6 April 1997 at which time members ceased to secure benefits on a final salary 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 Group, being invested with an external fund manager. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The most recent actuarial valuation of the final salary liabilities was carried out at 1 June 1998. It was assumed that the investment returns would be 8.5% p.a. compound and that the increases in pensions in payment would be 3% of GMP's accrued after 6 April 1988. The valuation showed that the market value of the assets relating to final salary liabilities was £3,780,995 and that the actuarial value of those assets represented 118% of the liabilities. The pension cost for the year ended 31 December 2000 was £541,000 (1999: £522,000) (see note 3).

The expenses of the scheme are borne by the Group.

## Notes to financial statements (continued)

### **23 Ultimate parent company**

The Company is a 100% subsidiary undertaking of General Dynamics Corporation, which is the ultimate parent company registered 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 3190 Fairview Park Drive, Falls Church, VA 22042, USA.