

### 3. Segmental analysis

The Group has five reportable segments which are organised around a combination of the different products and services they provide and the geographical area in which they operate:

- **Electronics, Intelligence & Support**, based primarily in the US, designs, develops, produces and services systems and subsystems for a wide range of military and commercial applications. It comprises four lines of business: Electronic Solutions, Information Solutions, Platform Solutions and Support Solutions, and includes the acquired MTC business (note 31);
- **Land & Armaments**, based primarily in the US, is a leader in the design, development, production, through-life support and upgrade of armoured combat vehicles, tactical wheeled vehicles, naval guns, missile launchers, artillery systems and munitions;
- **Programmes & Support** comprises the Group's UK-based air and naval activities, the Integrated System Technologies (Insyte) business and the acquired Detica business (note 31);
- **International** comprises the Group's businesses in Saudi Arabia and Australia, including the acquired Tenix Defence business (note 31), and its interests in the pan-European MBDA joint venture, Saab of Sweden and Air Astana; and
- **HQ & Other Businesses** comprises the regional aircraft asset management and support activities, head office and UK shared services activity, including research centres and property management.

Management monitors the results of these operating groups to assess performance and make decisions about the allocation of resources. Segment performance is evaluated based on underlying EBITA<sup>1</sup>. This is reconciled below to the operating group result and the operating profit in the consolidated financial statements. Finance costs and taxation expense are managed on a Group basis.

#### Analysis by operating group

	Combined sales of Group and equity accounted investments		Less: sales by equity accounted investments		Add: sales to equity accounted investments		Revenue	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Electronics, Intelligence & Support	4,459	3,916	–	(7)	–	–	4,459	3,909
Land & Armaments	6,407	3,538	(1)	(1)	1	–	6,407	3,537
Programmes & Support	4,638	5,327	(1,531)	(1,367)	983	1,111	4,090	5,071
International	3,333	3,359	(1,446)	(1,307)	–	–	1,887	2,052
HQ & Other Businesses	235	243	–	–	–	–	235	243
	<b>19,072</b>	<b>16,383</b>	<b>(2,978)</b>	<b>(2,682)</b>	<b>984</b>	<b>1,111</b>	<b>17,078</b>	<b>14,812</b>
Intra-operating group sales/revenue	(529)	(673)	25	–	97	170	(407)	(503)
	<b>18,543</b>	<b>15,710</b>	<b>(2,953)</b>	<b>(2,682)</b>	<b>1,081</b>	<b>1,281</b>	<b>16,671</b>	<b>14,309</b>

	Intra-operating group revenue		Revenue from external customers	
	2008 £m	2007 £m	2008 £m	2007 £m
Electronics, Intelligence & Support	94	97	4,365	3,812
Land & Armaments	30	11	6,377	3,526
Programmes & Support	248	361	3,842	4,710
International	11	10	1,876	2,042
HQ & Other Businesses	24	24	211	219
	<b>407</b>	<b>503</b>	<b>16,671</b>	<b>14,309</b>

	Capital expenditure <sup>2</sup>		Depreciation and amortisation <sup>2</sup>	
	2008 £m	2007 £m	2008 £m	2007 £m
Electronics, Intelligence & Support	105	92	104	84
Land & Armaments	98	82	227	144
Programmes & Support	85	77	92	110
International	212	60	46	18
HQ & Other Businesses	52	30	69	51
	<b>552</b>	<b>341</b>	<b>538</b>	<b>407</b>

<sup>1</sup> Earnings before amortisation and impairment of intangible assets, finance costs and taxation expense (EBITA) excluding profit/(loss) on disposal of businesses and uplift on acquired inventories. Restated to exclude profit/(loss) on disposal of businesses. See page 29.

<sup>2</sup> Includes intangible assets, property, plant and equipment, and investment property.

### 3. Segmental analysis continued

	Underlying EBITA <sup>1</sup> (restated)		Profit/(loss) on disposal of businesses		Uplift on acquired inventories		Amortisation of intangible assets		Impairment of intangible assets		Operating group result <sup>2</sup>	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Electronics, Intelligence & Support	506	437	61	(8)	-	-	(24)	(15)	-	-	543	414
Land & Armaments	566	324	-	-	-	(12)	(168)	(110)	(40)	-	358	202
Programmes & Support	491	456	177	-	-	-	(24)	(19)	(5)	(145)	639	292
International	435	435	-	-	-	-	(30)	(4)	(120)	-	285	431
HQ & Other Businesses	(101)	(203)	-	48	-	-	(1)	(1)	(12)	(3)	(114)	(159)
	<b>1,897</b>	<b>1,449</b>	<b>238</b>	<b>40</b>	<b>-</b>	<b>(12)</b>	<b>(247)</b>	<b>(149)</b>	<b>(177)</b>	<b>(148)</b>	<b>1,711</b>	<b>1,180</b>
Financial income of equity accounted investments											44	35
Taxation expense of equity accounted investments											(37)	(38)
<b>Operating profit</b>											<b>1,718</b>	<b>1,177</b>
Finance costs											653	58
<b>Profit before taxation</b>											<b>2,371</b>	<b>1,235</b>
Taxation expense											(603)	(335)
<b>Profit for the year from continuing operations</b>											<b>1,768</b>	<b>900</b>

	Assets excluding intangible assets and equity accounted investments		Intangible assets		Equity accounted investments		Total assets		Total liabilities	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Electronics, Intelligence & Support	1,954	1,406	5,272	4,491	4	3	7,230	5,900	(1,470)	(1,164)
Land & Armaments	2,019	1,510	5,712	4,435	-	-	7,731	5,945	(1,505)	(1,191)
Programmes & Support	866	1,035	875	575	217	45	1,958	1,655	(3,506)	(3,696)
International	1,899	1,106	429	27	813	733	3,141	1,866	(1,933)	(1,778)
HQ & Other Businesses	1,690	882	18	31	-	-	1,708	913	(3,035)	(1,705)
	<b>8,428</b>	<b>5,939</b>	<b>12,306</b>	<b>9,559</b>	<b>1,034</b>	<b>781</b>	<b>21,768</b>	<b>16,279</b>	<b>(11,449)</b>	<b>(9,534)</b>
Disposal groups held for sale (note 19)							-	94	-	(30)
Tax							1,040	602	(784)	(539)
Retirement benefit obligations							40	59	(3,365)	(1,629)
Cash/(debt) as defined by the Group (note 29)							2,827	3,226	(2,788)	(2,526)
<b>Consolidated total assets/(liabilities)</b>							<b>25,675</b>	<b>20,260</b>	<b>(18,386)</b>	<b>(14,258)</b>

- 1 Earnings before amortisation and impairment of intangible assets, finance costs and taxation expense (EBITA) excluding profit/(loss) on disposal of businesses and uplift on acquired inventories. See page 29.
- 2 The analysis by operating group of the share of results of equity accounted investments is provided in note 14.

#### Analysis of non-current assets by geographical location

Asset location	Carrying value of non-current assets	
	2008 £m	2007 £m
United Kingdom	1,774	1,529
Rest of Europe	1,272	1,147
Saudi Arabia	704	400
United States	11,703	9,351
Asia and Pacific	554	60
Africa, Central and South America	22	11
<b>Non-current operating group assets</b>	<b>16,029</b>	<b>12,498</b>
Financial instruments	985	149
Inventories	926	701
Trade and other receivables	3,828	2,931
<b>Total operating group assets</b>	<b>21,768</b>	<b>16,279</b>

### 3. Segmental analysis continued

#### Analysis of sales and revenue by geographical location

Customer location	Sales		Revenue	
	2008 £m	2007 £m	2008 £m	2007 £m
United Kingdom	<b>3,398</b>	3,433	<b>2,908</b>	3,179
Rest of Europe	<b>2,647</b>	2,611	<b>1,633</b>	1,750
Saudi Arabia	<b>1,626</b>	1,903	<b>1,538</b>	1,836
Rest of Middle East	<b>130</b>	158	<b>87</b>	91
United States	<b>9,417</b>	6,264	<b>9,401</b>	6,216
Canada	<b>129</b>	119	<b>125</b>	117
Asia and Pacific	<b>808</b>	978	<b>692</b>	930
Africa, Central and South America	<b>388</b>	244	<b>287</b>	190
	<b>18,543</b>	15,710	<b>16,671</b>	14,309

#### Analysis of revenue by category

	2008 £m	2007 £m
Sale of goods	<b>6,042</b>	4,559
Construction contracts	<b>8,176</b>	7,611
Services	<b>2,376</b>	2,070
Lease income	<b>68</b>	63
Royalty income	<b>9</b>	6
	<b>16,671</b>	14,309

#### Analysis of revenue by major customer

Revenue from the Group's three principal customers is as follows:

	2008 £m	2007 £m
UK Ministry of Defence	<b>3,669</b>	3,871
US Department of Defense	<b>7,094</b>	4,389
Kingdom of Saudi Arabia Ministry of Defence and Aviation	<b>1,531</b>	1,808

Revenue from the UK Ministry of Defence amounted to £3,669m (2007 £3,871m) arising from sales by all five operating groups. Revenue from the US Department of Defense was £7,094m (2007 £4,389m) from sales by the Programmes & Support, Electronics, Intelligence & Support, Land & Armaments and International operating groups. Revenue from the Kingdom of Saudi Arabia Ministry of Defence and Aviation was £1,531m (2007 £1,808m) from sales by the Electronics, Intelligence & Support and International operating groups.