

31. Acquisition of subsidiaries

The Group made a number of acquisitions during the year, the most significant of which was of Armor Holdings, Inc. in the US. The acquisitions took place throughout the year, but if they had occurred on 1 January 2007, combined sales of Group and equity accounted investments would have been £17.4bn, revenue £16.0bn and profit for the year from continuing operations £946m.

Armor Holdings, Inc.

On 31 July 2007, the Group acquired 100% of the issued share capital of Armor Holdings, Inc. (Armor), in the US, for a consideration of £1,696m, excluding transaction costs incurred by the acquiree (£26m). Goodwill arising on consolidation amounted to £1,554m. Armor is a major manufacturer of tactical wheeled vehicles and a leading provider of vehicle and individual armour systems and survivability technologies for the military and for the law enforcement and commercial security markets.

In the period from acquisition to 31 December 2007, Armor contributed EBITA¹ of £77m and profit after tax of £18m to the Group's consolidated results.

Mobile International, a subsidiary of Armor, was acquired with a view to immediate resale. Accordingly, it has been classified as held for sale in the acquisition balance sheet and as at 31 December 2007 (note 19).

The acquisition of Armor complements the existing US business in the Land & Armaments business group creating synergy potential. It allows for continued development of the Mine Resistant Ambush Protected (MRAP) vehicles and Family of Medium Tactical Vehicles (FMTV) programmes, as well as advanced ceramics for body armour. The opportunities presented by these circumstances do not translate to separately identifiable intangible assets, but represent much of the assessed value within the Land & Armaments business group supporting the recognised goodwill.

Certain of the fair values assigned to the net assets acquired are provisional. These will be amended as necessary in light of subsequent knowledge or events to the extent that these reflect conditions as at the date of acquisition.

1 earnings before amortisation and impairment of intangible assets, finance costs and taxation expense

Notes to the Group accounts (continued)

31. Acquisition of subsidiaries (continued)

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £m	Accounting policy alignments £m	Fair value adjustments £m	Fair value £m
Intangible assets	172	–	581	753
Property, plant and equipment	85	(1)	8	92
Inventories	163	(5)	(4)	154
Receivables	158	(1)	(1)	156
Current tax receivable	33	–	2	35
Deferred tax assets	23	3	–	26
Payables	(204)	(1)	(20)	(225)
Deferred tax liabilities	(87)	–	(145)	(232)
Retirement benefit obligations	(24)	4	(2)	(22)
Provisions	(13)	–	(57)	(70)
Cash and cash equivalents	6	–	–	6
Loans	(386)	(5)	(147)	(538)
Held for sale	14	–	(7)	7
Net (liabilities)/assets acquired	(60)	(6)	208	142
Goodwill				1,554
Consideration				1,696
Consideration satisfied by:				
Cash				1,682
Directly attributable costs:				
Paid				14
Accrued				–
				1,696

The intangible assets acquired as part of the acquisition of Armor can be analysed as follows:

	£m
Programmes	551
Customer relationships	129
Trademarks	69
Patents	4
	753

Other acquisitions

Other acquisitions include the acquisition of Pitch Technologies AB and iSC for a consideration of £5m and £4m, respectively. In each case, 100% of the shares were acquired. As a result of these acquisitions, an additional £9m of goodwill was generated in the year.

During 2006, the Group acquired 100% of the shares of National Sensor Systems, LLC. for £5m in cash and paid deferred consideration of £7m in respect of its acquisition, in May 2005, of OMC Group.