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Elbit Systems UK Limited

Report and Financial Statements

31 December 2011

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COMPANIES HOUSE

Directors

S R Warren
F Brinksman
J Gasper
D B Temin

Secretary

F Brinksman

Auditors

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

Registered Office

Cairo House
Greenacres Road
Waterhead
Oldham
OL4 3JA

Registered No 05241591

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The loss for the year after taxation amounted to £472,017 (2010 – loss of £295,704) The directors do not recommend a final dividend (2010 – £nil)

Principal activities and review of the business

The company acts as an intermediate holding company, and is expected to do so for the foreseeable future

Directors

The directors who served the company during the year were as follows

S R Warren
F Brinksman
J Gasper
D B Temin

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board



F Brinksman
Secretary

25th September 2012

Directors responsibilities statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Elbit Systems UK Limited

We have audited the financial statements of Elbit Systems UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2011 and of its losses for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

to the members of Elbit Systems UK Limited

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

Gary Harding (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester
Date 26 September 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Administrative expenses		(38,180)	(6,659)
Operating Loss		(38,180)	(6,659)
Interest receivable and similar income	4	29,351	33,156
Interest payable and similar charges	5	(463,188)	(322,201)
Loss on ordinary activities before taxation		(472,017)	(295,704)
Tax	6	—	—
Loss on ordinary activities after taxation	13	(472,017)	(295,704)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £472,017 in the year ended 31 December 2011 (2010 – loss of £295,704)

Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	7	17,421,410	11,610,910
Tangible assets	8	114,485	–
		<u>17,535,895</u>	<u>11,610,910</u>
Current assets			
Debtors	9	129,500	301,366
Cash at bank and in hand		146	212
		<u>129,646</u>	<u>301,578</u>
Creditors amounts falling due within one year	10	<u>(1,041,720)</u>	<u>(816,650)</u>
Net current liabilities		<u>(912,074)</u>	<u>(515,072)</u>
Total assets less current liabilities		<u>16,623,821</u>	<u>11,095,838</u>
Creditors amounts falling due after more than one year	11	<u>(19,000,000)</u>	<u>(13,000,000)</u>
Net Liabilities		<u>(2,376,179)</u>	<u>(1,904,162)</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	<u>(2,376,180)</u>	<u>(1,904,163)</u>
Shareholders' funds	14	<u>(2,376,179)</u>	<u>(1,904,162)</u>

These financial statements were approved by the board on 25/1/12 and were signed on its behalf by



SR Warren

Managing Director

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

Elbit Systems UK Limited has net liabilities of £2,376,179. The Directors have received a commitment from the parent undertaking Elbit Systems Ltd that they will continue to provide the company with financial support so that the company can meet its liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements

Group financial statements

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of Elbit Systems Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The group financial statements of Elbit Systems Limited, within which this company is included, can be obtained from the website given in note 14.

Statement of cash flows

Under FRS 1 the company is exempt from the requirement to prepare a statement of cash flows on the grounds that a parent undertaking includes the company in its own published group financial statements.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

2. Operating Loss

This is stated after charging/(crediting)

	2011 £	2010 £
Depreciation	14,522	-
Auditors' remuneration		
Audit of these financial statements undertaken by current auditors	4,100	4,100
Other services relating to taxation undertaken by current auditors	2,500	2,500

3. Directors' remuneration

The directors of the company are also directors of subsidiaries. The directors received total remuneration for the year of £283,000 (2010: £297,000), all of which was paid by Ferranti Technologies Limited. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the subsidiary companies.

4. Interest receivable and similar charges

	2011 £	2010 £
Intercompany loan interest	(29,351)	(33,156)
	<u>(29,351)</u>	<u>(33,156)</u>

5. Interest payable and similar charges

	2011 £	2010 £
On bank loans and overdrafts	463,188	322,201
	<u>463,188</u>	<u>322,201</u>

Notes to the financial statements

at 31 December 2011

6. Tax

(a) Tax on loss on ordinary activities

The tax loss is made up as follows

	2011 £	2010 £
Current tax		
Payment receivable for group relief	–	–
Prior year adjustment in respect of payment for group relief no longer receivable	–	–
Tax on loss on ordinary activities (note 6(b))	–	–

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before tax	(472,017)	(295,704)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	(125,085)	(82,797)
Effects of		
Adjustment in respect of group relief	–	–
Group relief surrendered for nil consideration	125,085	82,797
Total current tax charge (note 6(a))	–	–

Notes to the financial statements

at 31 December 2011

6. Tax (continued)

(c) Deferred tax

	<i>2011</i>
	<i>£</i>
Deferred tax provision at the beginning and end of the year	<u>–</u>

The elements of deferred taxation are as follows

	<i>2011</i>	<i>2010</i>
	<i>£</i>	<i>£</i>
Tax losses	<u>76,011</u>	<u>82,092</u>
Unrecognised deferred tax asset	<u>76,011</u>	<u>82,092</u>

The deferred tax asset has not been recognised on the basis that it is uncertain that these tax losses will be utilised in the near future

In accordance with FRS 19, the unrecognised deferred tax asset has been calculated using a tax rate of 25%, the rate at which the provision is expected to reverse

7. Investments

	<i>Shares in group undertakings £</i>
Cost	
At 1 January 2011	11,610,910
Additions	5,810,500
At 31 December 2011	<u>17,421,410</u>
Provisions	
At 1 January 2011 and 31 December 2011	<u>–</u>
Net book value	
At 31 December 2011	<u>17,421,410</u>
At 1 January 2011	<u>11,610,910</u>

Notes to the financial statements

at 31 December 2011

7. Investments (continued)

The companies in which the company's interest at the year end is more than 20% are as follows

	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
	£	£
<i>Subsidiary undertakings</i>		
Ferranti Technologies (Group) Limited	Aerospace and defence	100%
UAV Tactical Systems Limited	Defence contractor	51%
Elite Automotive Systems Ltd	Defence contractor	100%

The increase in the year was as a result of the acquisition of Elite Automotive Systems Limited, completed during 2011

8. Tangible fixed assets

	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	£	£
Cost or valuation		
At 1 January 2011	—	—
Additions	129,037	129,037
At 31 December 2011	129,037	129,037
Depreciation		
At 1 January 2011	—	—
Charged in year	14,552	14,552
At 31 December 2011	14,552	14,552
Net Book Value		
At 31 December 2011	114,485	114,485
At 1 January 2011	—	—

9. Debtors

	<i>2011</i>	<i>2010</i>
	£	£
Other debtors	129,500	—
Loan to subsidiary undertakings	—	301,366
	129,500	301,366

Notes to the financial statements

at 31 December 2011

10. Creditors: amounts falling due within one year

	2011	2010
	£	£
Amounts owed to parent undertaking	958,310	772,750
Amounts due to group undertakings	54,058	37,300
Accruals and deferred income	29,352	6,600
	<u>1,041,720</u>	<u>816,650</u>

11. Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Bank loans and overdrafts	19,000,000	13,000,000
	<u>19,000,000</u>	<u>13,000,000</u>

Bank loans (£13M and £6M) mature on the 31st March 2013 and on 31st March 2014 respectively, both loans are secured against the assets of the parent undertaking, Elbit Systems Limited

12. Issued share capital

	2011	2010
	No	No
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1 <u>1</u>	1 <u>1</u>

13. Movements on reserves

	<i>Profit and loss account</i>
	£
At 1 January 2011	(1,904,163)
Loss for the year	(472,017)
At 31 December 2011	<u>(2,376,180)</u>

14. Reconciliation of shareholders' funds

	2011	2010
	£	£
Loss for the financial year	(472,017)	(295,704)
Net reduction in shareholders' funds	(472,017)	(295,704)
Opening shareholders' funds	<u>(1,904,162)</u>	<u>(1,608,458)</u>
Closing shareholders' funds	<u>(2,376,179)</u>	<u>(1,904,162)</u>

Notes to the financial statements

at 31 December 2011

15. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Elbit Systems Limited, a company incorporated in Israel, which is the ultimate parent undertaking

Elbit Systems Limited is the largest and smallest group for which group financial statements are prepared
The group financial statements of this group are available to the public and may be obtained from
www.elbitsystems.com