

Elbit Systems UK Limited

Report and Financial Statements

31 December 2014

WEDNESDAY



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COMPANIES HOUSE

Registered No. 05241591

Directors

S R Warren
F Brinksman
J Gaspar
D B Temin

Secretary

F Brinksman

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Registered Office

Cairo House
Greenacres Road
Oldham
OL4 3JA

Registered No. 05241591

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Small company exemptions

The director's report has been prepared and strategic report exemption taken in accordance with the special provisions of section 415A of the Companies Act 2006 relating to small entities.

Results and dividends

The profit for the year after taxation amounted to £9,148,958 (2013 – profit of £15,946,497). A dividend of £4,000,000 was declared and paid in the year (2013 – £nil).

The only debts now outstanding are with two group companies owned by Elbit Systems Limited the ultimate parent undertaking.

The profit for the year included dividends received from its subsidiary UAV Tactical Systems Limited and dividends paid to its parent Elbit Systems Limited.

Principal activities

The company acts as an intermediate parent undertaking, and is expected to be so for the foreseeable future.

Directors

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

S R Warren
F Brinksman
J Gaspar
D B Temin

Political and charitable contributions

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

Small company exemptions

The director's report has been prepared and strategic report exemption taken in accordance with the special provisions of section 415A of the Companies Act 2006 relating to small entities.

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
28th September 2015

Registered No. 05241591

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 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 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 auditor's 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 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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 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 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 2014 and of its profit 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.

Independent auditor's report (continued)

to the members of Elbit Systems UK Limited

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.
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the Director's Report.

Ernst & Young LLP

Tehseen Ali (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

29/9/2015

Registered No. 05241591

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Administrative expenses		(6,615)	(6,633)
Operating loss	2	(6,615)	(6,633)
Income from investment	8	9,180,000	16,335,000
Interest receivable and similar income	4	45,142	404
Interest payable and similar charges	5	(69,750)	(389,391)
Profit on ordinary activities before taxation		9,148,777	15,939,380
Tax	6	181	7,117
Profit for the financial year	14	9,148,958	15,946,497

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £9,148,958 in the year ended 31 December 2014 (2013 – profit of £15,946,497).

Registered No. 05241591

Balance sheet

at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	7	-	12,482
Investments	8	17,421,410	17,421,410
		<u>17,421,410</u>	<u>17,433,892</u>
Current assets			
Debtors	9	5,150,794	5,471
Cash at bank and in hand		79,985	3,553
		<u>5,230,779</u>	<u>9,024</u>
Creditors: amounts falling due within one year	10	(4,259,800)	(4,199,485)
Net current assets / (liabilities)		<u>970,979</u>	<u>(4,190,461)</u>
Net assets		<u>18,392,389</u>	<u>13,243,431</u>
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	18,392,388	13,243,430
Shareholders' funds	13	<u>18,392,389</u>	<u>13,243,431</u>

These financial statements were approved by the board on 28 SEPT 2015 and were signed on its behalf by



F Brinksman
Director

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

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

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 16.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Fixtures, fittings, tools and equipment – 12.5-20% straight-line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Dividend income is recognised when the company's right to receive payment is established.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

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 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.

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:

	2014 £	2013 £
Auditors' remuneration:		
Audit of these financial statements	4,100	4,100
Other services relating to taxation	2,500	2,500
Depreciation	12,482	36,396

3. Directors' remuneration

The directors of the company are also directors of subsidiaries. The directors received total remuneration for the year of £278,000 (2013 – £288,000), 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 income

	2014 £	2013 £
Bank interest	-	404
On group loan	45,142	-
	45,142	404

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

5. Interest payable and similar charges

	2014	2013
	£	£
On bank loans and overdrafts	-	389,391
On group loans	69,750	-
	<u>69,750</u>	<u>389,391</u>

6. Tax

(a) Tax on profit on ordinary activities

The tax is made up as follows:

	2014	2013
	£	£
Current tax:		
UK corporation tax	-	-
Total current tax (note 6(b))	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	(181)	(5,150)
Adjustment in respect of prior years	-	(1,967)
Total deferred tax (note 6 (c))	<u>(181)</u>	<u>(7,117)</u>
Tax on profit on ordinary activities	<u>(181)</u>	<u>(7,117)</u>

(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 21.5% (2013 – 23.25%). The differences are explained below:

	2014	2013
	£	£
Profit on ordinary activities before tax	<u>9,148,777</u>	<u>15,939,380</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	1,966,987	3,705,906
Effects of:		
Expenses not deductible for tax purposes	6,447	14,534
Depreciation in excess of capital allowances	194	6,050
Dividend income/expenditure not subject to tax	(1,973,700)	(3,797,888)
Group relief surrendered for nil consideration	72	71,398
Total current tax charge (note 6(a))	<u>-</u>	<u>-</u>

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

6. Tax (continued)

(c) Deferred tax

	£
Deferred tax asset at 1 January 2014	5,471
Credit to profit and loss account(note 6(a))	181
Deferred tax asset at 31 December 2014 (note 9)	<u>5,652</u>

The elements of deferred taxation are as follows:

	2014 £	2013 £
Asset:		
Depreciation in excess of capital allowances	5,652	5,471
Recognised deferred tax asset	5,652	5,471
Tax losses	60,809	60,809
Unrecognised deferred tax asset	60,809	60,809

The deferred tax asset relating to the tax losses has not been recognised on the basis of the uncertainty in the timing of their utilisation.

In accordance with FRS 19, the unrecognised deferred tax asset has been calculated using a tax rate of 20%, the rate at which the provision is expected to reverse (2013 – 20%).

(d) Factors that may affect future tax charges

In his annual Budget announcement of March 20 2013, the Chancellor of the Exchequer announced certain tax changes which will have a significant effect on the company's future tax position. The proposal included phased reductions in the UK corporation tax rate to 20% from 1 April 2015.

As at 31 December 2014, the previously announced reduction in the rate to 20% had been 'substantively enacted' and this has been reflected in the company's financial statements as at 31 December 2014.

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

7. Tangible fixed assets

	<i>Fixtures, fittings, tools and equipment £</i>
Cost or valuation:	
At 1 January 2014 and 31 December 2014	49,645
Depreciation:	
At 1 January 2014	37,163
Charged in year	12,482
At 31 December 2014	49,645
Net book value:	
At 31 December 2014	-
At 1 January 2014	12,482

8. Investments

	<i>Shares in group undertakings £</i>
Cost:	
At 1 January 2014	17,421,410
Additions	-
At 31 December 2014	17,421,410
Provisions:	
At 1 January 2014 and 31 December 2014	-
Net book value:	
At 31 December 2014	17,421,410
At 1 January 2014	17,421,410

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

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

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

During the year the company received a dividend of £9,180,000 (2013 - £16,335,000) from UAV Tactical Systems Limited, a related party. No amounts were due from or to UAV Tactical Systems Limited at either 31 December 2014 or 31 December 2013.

9. Debtors

	<i>2014 £</i>	<i>2013 £</i>
Deferred tax asset (note 6(c))	5,652	5,471
Amounts owed by parent undertakings	5,145,142	-
	<u>5,150,794</u>	<u>5,471</u>

10. Creditors: amounts falling due within one year

	<i>2014 £</i>	<i>2013 £</i>
Amounts owed to parent undertaking	3,275,681	3,218,413
Amounts owed to group undertakings	977,519	974,472
Accruals and deferred income	6,600	6,600
	<u>4,259,800</u>	<u>4,199,485</u>

11. Issued share capital

	<i>2014</i>		<i>2013</i>	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

Registered No. 05241591

Notes to the financial statements

at 31 December 2014

12. Movements on reserves

	<i>Profit and loss account</i>
	<i>£</i>
At 1 January 2014	13,243,430
Profit for the year	9,148,958
Dividend	(4,000,000)
At 31 December 2014	<u>18,392,388</u>

During the year the company paid a dividend of £4,000,000 (2013 - £nil) which equates to £4million per ordinary share.

13. Reconciliation of shareholders' funds

	2014	2013
	<i>£</i>	<i>£</i>
Profit for the financial year	9,148,958	15,946,497
Dividend	(4,000,000)	-
Net increase in shareholders' funds	5,148,958	15,946,497
Opening shareholders' funds/(deficit)	13,243,431	(2,703,066)
Closing shareholders' funds	<u>18,392,389</u>	<u>13,243,431</u>

14. 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 and controlling party.

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.