

Company Registration No. 02691211 (England and Wales)

UAV ENGINES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

UAV ENGINES LIMITED

COMPANY INFORMATION

Directors Mr N Yarden
Mr E Sayag
Mr R Applegate
Mr N Geva

Secretary Mr C J Biddulph

Company number 02691211

Registered office Lynn Lane
Shenstone
Lichfield
Staffordshire
WS14 0EA

Auditor Edwards
34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

Business address Lynn Lane
Shenstone
Lichfield
Staffordshire
WS14 0EA

UAV ENGINES LIMITED

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UAV ENGINES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

As anticipated by the directors, the company reported an increase in turnover for the year ended 31 December 2019. With the increase in activity and additional stock requirements, the company maintained strong gross profit margins. The company was able to report an operating profit of £2,484,692 which was in line with the expectations of management.

The results for the year and the financial position at the year end reflect current market conditions with many governments actively spending in all the company's market sectors in light of current global affairs. The company moves into 2020 with a healthy order-book and more than adequate liquidity.

Principal risks and uncertainties

The level of conflict in the world does have a bearing on the company's market activity, however the company has, over the years, developed strong after-sales spares and support business. This, together with its highly respected research and development capability, the company has great confidence in its ability to react positively and profitably to all market conditions.

Research and development

The company continues to commit significant resource and time to the development of new engines and product enhancements that reinforce the competitive edge of the company's range of engines. In addition, the company holds certain patents over its products to protect its future business worldwide.

Key performance indicators

Key performance indicators are used to measure and evaluate company performance against targets and monitor various activities throughout the company. The main key performance indicators employed by the company are:

- Turnover levels (by product and market)
- Profit levels (gross and net)
- Staff productivity
- Cash flows

On behalf of the board

Mr E Sayag

Director

27 April 2020

UAV ENGINES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S Sarid	(Resigned 24 February 2020)
Mr N Yarden	
Mr E Sayag	
Mr R Applegate	
Mr N Geva	(Appointed 24 February 2020)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

The company finances its operations through retained profits and the use of operational bank accounts.

The company makes use of financial instruments principally through its operational bank accounts and group loans. The directors' objectives are to retain sufficient liquid funds to enable the company to meet its day to day requirements as they fall due and to maximise returns on surplus funds. The directors also seek to minimise the company's exposure to foreign exchange movements through the operation of foreign currency bank accounts.

The company's funds are held primarily in short term deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and allows them to take advantage of changing conditions in finance markets as they arise.

Post reporting date events

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the company, the economy and the general population. We currently have an appropriate response plan in place and we will continue to monitor and assess the ongoing development and respond accordingly.

Auditor

In accordance with the company's articles, a resolution proposing that Edwards be reappointed as auditors of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr E Sayag

Director

27 April 2020

UAV ENGINES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 judgements and accounting 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;
- 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.

UAV ENGINES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UAV ENGINES LIMITED

Opinion

We have audited the financial statements of UAV Engines Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

UAV ENGINES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UAV ENGINES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

UAV ENGINES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UAV ENGINES LIMITED

Use of our report

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.

Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
for and on behalf of Edwards

28 April 2020

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

UAV ENGINES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	11,101,695	10,972,897
Cost of sales		(7,133,220)	(7,377,199)
Gross profit		3,968,475	3,595,698
Administrative and selling expenses		(1,483,783)	(1,655,265)
Operating profit	4	2,484,692	1,940,433
Interest receivable and similar income	6	178,630	134,942
Profit before taxation		2,663,322	2,075,375
Taxation	7	(227,777)	(111,753)
Profit for the financial year		2,435,545	1,963,622
Retained earnings at 1 January		10,760,144	8,796,522
Retained earnings at 31 December		13,195,689	10,760,144

The statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

UAV ENGINES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	8		197,767		195,259
Current assets					
Stocks	9	4,026,181		2,588,197	
Debtors	10	12,207,762		6,583,133	
Cash at bank and in hand		2,097,573		4,481,105	
		<u>18,331,516</u>		<u>13,652,435</u>	
Creditors: amounts falling due within one year	11	<u>(5,021,094)</u>		<u>(2,775,050)</u>	
Net current assets			<u>13,310,422</u>		<u>10,877,385</u>
Total assets less current liabilities			<u><u>13,508,189</u></u>		<u><u>11,072,644</u></u>
Capital and reserves					
Called up share capital	14	312,500		312,500	
Profit and loss reserves		13,195,689		10,760,144	
Total equity			<u><u>13,508,189</u></u>		<u><u>11,072,644</u></u>

The financial statements were approved by the board of directors and authorised for issue on 27 April 2020 and are signed on its behalf by:

Mr E Sayag
Director

Company Registration No. 02691211

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

UAV Engines Limited is a company limited by shares incorporated in England and Wales. The registered office is Lynn Lane, Shenstone, Lichfield, Staffordshire, WS14 0EA.

The principal activity of the company continued to be that of the design, manufacture and sale of high performance rotary engines for unmanned air vehicles.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel and disclosure of related party transactions and balances.

The financial statements of the company are consolidated in the financial statements Elbit Systems Limited. These consolidated financial statements are available from its website; www.elbitsystems.com.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT. Sales are recognised at the point at which the company has fulfilled its contractual obligations to the customer.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Over the lease term
Plant and machinery	10 - 20% straight line
Fixtures, fittings & equipment	10% straight line
Computer equipment	33.3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

1.7 Stocks

Stock and work in progress is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Short term trade debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, less any impairment.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Short term trade creditors are measured at transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost.

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.9 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs. At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

3 Turnover and other revenue

Turnover is wholly attributable to the company's principal activity. Segmental analysis of turnover has not been given because the directors consider that such disclosure would be seriously prejudicial to the commercial interest of the company.

4 Operating profit

2019

2018

£

£

Operating profit for the year is stated after charging/(crediting):

Research and development costs	203,099	342,729
Fees payable to the company's auditors for the audit of the company's annual accounts	15,500	15,000
Depreciation of owned tangible fixed assets	98,231	110,435
Profit on disposal on tangible fixed assets	(8,000)	-
Cost of goods sold recognised as an expense	4,908,018	5,210,641
Operating lease charges	96,264	96,397
	<u> </u>	<u> </u>

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees

The average number of persons (excluding subcontract labour) employed by the company during the year was:

	2019 Number	2018 Number
Administration	5	5
Manufacturing	28	26
Total	33	31

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,334,941	1,263,778
Social security costs	148,660	143,205
Pension costs	114,045	78,091
Total	1,597,646	1,485,074

6 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	19,670	5,875
Other interest income	158,960	129,067
Total income	178,630	134,942

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	228,636	157,844
Adjustments in respect of prior periods	(859)	(46,091)
Total current tax	227,777	111,753

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	2,663,322	2,075,375
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	506,031	394,321
Tax effect of expenses that are not deductible in determining taxable profit	1,408	2,577
Adjustments in respect of prior years	(859)	(46,091)
Research and development tax credits	(79,919)	(80,663)
Deferred tax not recognised	8,437	(4,550)
Patent box deduction	(207,321)	(153,841)
Taxation for the year	227,777	111,753

Factors that may affect future tax charges:

The Finance Act 2016, which was passed on 15 September 2016, provided that the main UK corporation tax rate was reduced to 19% from 1 April 2017 and will be reduced to 17% from 1 April 2020.

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 January 2019	945,165	1,154,020	166,044	1,046,569	3,311,798
Additions	11,071	45,596	15,421	28,651	100,739
Disposals	-	(32,950)	-	-	(32,950)
At 31 December 2019	956,236	1,166,666	181,465	1,075,220	3,379,587
Depreciation and impairment					
At 1 January 2019	896,057	1,087,921	150,706	981,855	3,116,539
Depreciation charged in the year	24,871	27,721	3,344	42,295	98,231
Eliminated in respect of disposals	-	(32,950)	-	-	(32,950)
At 31 December 2019	920,928	1,082,692	154,050	1,024,150	3,181,820
Carrying amount					
At 31 December 2019	35,308	83,974	27,415	51,070	197,767
At 31 December 2018	49,108	66,099	15,338	64,714	195,259

9 Stocks

	2019 £	2018 £
Raw materials and consumables	3,436,065	2,290,828
Work in progress	590,116	297,369
	4,026,181	2,588,197

10 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	2,697,721	1,678,573
Corporation tax recoverable	-	58,682
Amount due from parent and group undertakings	9,035,466	4,607,156
Other debtors	294,690	64,945
Prepayments and accrued income	179,885	173,777
	12,207,762	6,583,133

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	472,722	335,107
Amounts due to parent and group undertakings	-	135,000
Corporation tax	158,672	-
Other taxation and social security	42,979	51,496
Other creditors	3,715,826	1,858,279
Accruals and deferred income	630,895	395,168
	<u>5,021,094</u>	<u>2,775,050</u>

Included in other creditors at 31 December 2019 are advances from customers amounting to £3,707,018 (2018 - £1,847,703).

12 Deferred taxation

A deferred tax asset of £43,036 (2018 - £38,684) has not been recognised as, in the opinion of the directors, it is not probable that the asset will be recovered in the foreseeable future.

13 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge in respect of defined contribution schemes	<u>114,045</u>	<u>78,091</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount included in other creditors at 31 December 2019 arising from the company's obligations in respect of its defined contribution scheme is £11,909 (2018 - £10,603).

14 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
312,500 Ordinary shares of £1 each	<u>312,500</u>	<u>312,500</u>

UAV ENGINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	111,560	101,402
Between two and five years	31,833	103,252
	<u>143,393</u>	<u>204,654</u>

16 Ultimate 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. The company's immediate parent undertaking is Elbit Systems UK Limited.

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.

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