

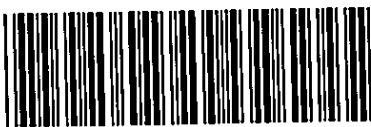
Registered No: 3184898

# **Lockheed Martin UK Holdings Limited**

## **Report and Financial Statements**

31 December 2008

WEDNESDAY



\*AT41YBK1\*

A34

15/07/2009

128

COMPANIES HOUSE

Registered No: 3184898

**Directors**

J H C Patten

G Page

C Kubasik

D Manning

S Ball

P Dewar

L Gooden

**Secretaries**

D Bailey

G Cole

D Heywood

D Smith

**Auditors**

Ernst & Young LLP

Wessex House

19 Threefield Lane

Southampton

SO14 3QB

**Solicitors**

MacRae & Co

59 Lafone Street

Shad Thames

London

SE1 2LX

**Registered Office**

MacRae & Co

59 Lafone Street

Shad Thames

London

SE1 2LX

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2008. This report and financial statements reflect the results and financial position of the company itself, and not its consolidated group.

### Results and dividends

The profit and loss account of the company is set out on page 7. During the year, the company did not pay interim dividends (2007: £nil). The directors do not recommend the payment of a final dividend for the year (2007: £nil).

### Principal activities and risks

The principal continuing activities of the company is to act as an investment holding company for the Lockheed Martin Corporation in the UK.

The Lockheed Martin UK Holdings group operates through its subsidiary undertakings Lockheed Martin UK Limited, Lockheed Martin Insys Limited, Lockheed Martin UK Integrated Systems and Solutions Limited and HMT Vehicles Limited as a total systems integrator and prime contractor on various defence and non-defence related platforms, and the design and manufacture of weapon simulators and training equipment. The company also holds investments in UK based joint venture entities, including AWE Management Limited and Ascent Flight Training (Holdings) Limited.

The group uses certain financial instruments to help manage its main operating risks. In particular it utilises inter-group funding balances, and cash and overdraft borrowing facilities provided by Lockheed Martin Corporation Group to manage the liquidity and cash flow risks faced. In addition the group also uses forward foreign currency contracts provided by Lockheed Martin Corporation Group to manage the foreign exchange risks faced on funding balances held.

### Directors

The directors during the year were as follows:

R B Coutts	(resigned 8 April 2008)
I R Stopps	
J H C Patten	
R H Trice Jr	
J Slater	(resigned 1 November 2008)
G Page	
C Kubasik	
D Manning	(appointed 1 November 2008)

Subsequent to the year end I Stopps and RH Trice Jr resigned as directors on 28 February 2009 and P Dewar, L Gooden & S Ball were appointed as directors on 1 March 2009.

The company has indemnified the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

### Post balance sheet event

On 30 April 2009, the company acquired 100% of the issued share capital of IMES Strategic Support Limited (ISSL) for an initial consideration of £12.9m, paid on 30 April 2009, with a further adjustment to be determined based on agreed net assets of IMES at the acquisition date. ISSL provides engineering, maintenance, repair, and support services for key sub-systems of the Royal Navy's Trident Strategic Weapons System program.

## Directors' Report

### Directors' statement as to disclosure of information to 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 group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to re-appoint Ernst & Young LLP as the Group's auditor will be put to the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

By order of the Board



Director

STEPHEN BALL

Date:

5 June 2009

## **Statement of directors' responsibilities in respect of the financial 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). The financial statements are required by law to 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 those 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;
- 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 disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Independent auditors' report**

**to the members of Lockheed Martin UK Holdings Limited**

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent auditors' report

to the members of Lockheed Martin UK Holdings Limited (continued)

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Southampton

Date: *9 June 2009*

# Profit and Loss Account

For the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
Investment income – dividends received from joint venture undertaking		20,007	19,678
Other income		84	-
Other operating costs		(786)	(14)
<b>OPERATING PROFIT</b>	<b>2</b>	<b>19,305</b>	<b>19,664</b>
Interest receivable and similar income	3	2,026	343
Interest payable and similar charges	4	(2,427)	(3,845)
		(401)	(3,502)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>18,904</b>	<b>16,162</b>
Tax charge on profit on ordinary activities	5	-	-
<b>RETAINED PROFIT FOR THE YEAR</b>	<b>11</b>	<b>18,904</b>	<b>16,162</b>

All amounts relate to continuing operations.

There are no recognised gains or losses other than the profit of £18,904,000 attributable to the shareholders for the year ended 31 December 2008 (2007: profit £16,162,000).



# Balance Sheet

At 31 December 2008

	Notes	2008 £000	2007 £000
<b>FIXED ASSETS</b>			
Investments	7	77,983	77,184
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	6,662	1,195
Cash at bank and in hand		80,086	13,647
		86,748	14,842
<b>CREDITORS: amounts falling due within one year</b>	9	(95,791)	(41,990)
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		(9,043)	(27,148)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		68,940	50,036
<b>NET ASSETS</b>		68,940	50,036
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	11,105	11,105
Profit and loss account	11	57,835	38,931
<b>SHAREHOLDERS' FUNDS</b>	11	68,940	50,036

Approved by the Board

*Stephen Ball*

Director

STEPHEN BALL

Date:

5 June 2009

## Notes to the Financial Statements

At 31 December 2008

### 1. Accounting policies

The financial statements of Lockheed Martin UK Holdings Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

The financial statements have been prepared in accordance with the historical cost convention and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### *Preparation of group financial statements*

The company has utilised the exemption available under section 228A of the Companies Act 1985, as a wholly owned subsidiary undertaking whose ultimate parent undertaking has prepared applicable consolidated financial statements which include the company and its subsidiary and joint venture undertakings. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

#### *Cash flow statement*

The company has utilised the exemption under Financial Reporting Standard No. 1 (revised) as a subsidiary undertaking whose ultimate parent undertaking prepares consolidated group financial statements that are publicly available, and has not presented a cash flow statement.

#### *Investments*

Investments are valued at cost. The carrying values of investments in subsidiary undertakings and joint venture entities are reviewed for impairment if events indicate that the carrying value may not be recoverable.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling of the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise. On certain funding loan balances forward foreign currency contracts are taken out to hedge the exchange risk in line with the anticipated foreign exchange cash flows relating to the loans. Profits and losses arising on these are recorded as the foreign currency contracts mature.

#### *Deferred taxation*

Deferred tax 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 a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation of fixed assets, and 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; and
- 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 at the balance sheet date.

# Notes to the Financial Statements

At 31 December 2008

## 2. Operating profit

Auditors fees of £12,000 (2007: £11,500) and directors' emoluments of £37,500 (2007: £37,500) are paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation.

## 3. Interest receivable and similar income

	2008	2007
	£000	£000
Bank interest receivable	1,125	341
Other finance income	-	2
Foreign exchange gains	901	-
	<u>2,026</u>	<u>343</u>

## 4. Interest payable and similar charges

	2008	2007
	£000	£000
Interest on loan notes issued	20	21
Interest on loan to parent undertaking	2,407	3,374
Foreign exchange losses	-	450
	<u>2,427</u>	<u>3,845</u>

## Notes to the Financial Statements

At 31 December 2008

### 5. Taxation

a) Tax charge/(credit) on profit on ordinary activities is made up as follows:

	2008 £000	2007 £000
United Kingdom corporation tax at 28.5% (2007: 30%)	-	-
Total current tax	-	-
Deferred tax	-	-
Total tax charge/(credit) for the year	-	-

b) Factors affecting current and future tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are set out below:-

	2008 £000	2007 £000
Profit on ordinary activities before tax	18,904	16,162
Profit before tax multiplied by standard rate of corporation tax of 28.5% (2007: 30%)	5,388	4,849
Dividend income and other costs not taxable	(5,478)	(5,903)
Group relief surrendered for nil consideration	90	1,054
Total current tax charge/(credit)	-	-

Future tax rates for the company are expected to continue below the standard tax rate mainly due to the expected continuation of non-taxable dividend income from joint venture undertakings.

### 6. Dividend

	2008 £000	2007 £000
<i>Ordinary dividends:</i>		
Interim dividends declared and paid during the year	-	-

## Notes to the Financial Statements

At 31 December 2008

### 7. Investments

	<i>Subsidiary undertakings</i>	<i>Joint ventures</i>	<i>Total</i>
	£000	£000	£000
<i>Cost:</i>			
At 31 December 2007	76,734	450	77,184
Additions	-	799	799
At 31 December 2008	76,734	1,249	77,983
<i>Provision against investment:</i>			
At 31 December 2007 and 31 December 2008	-	-	-
<i>Net book value:</i>			
At 31 December 2008	76,734	1,249	77,983
At 31 December 2007	76,734	450	77,184

At 31 December 2008, the company owned directly the issued ordinary share capital in the following unlisted companies. These are also the main operating entities of the group.

#### *Subsidiary undertakings*

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Percentage of ordinary shares held</i>	<i>Nature of business</i>
Lockheed Martin UK Limited	United Kingdom	100%	Systems integration and development of weapons simulation equipment
Lockheed Martin UK Integrated Systems & Solutions Limited	United Kingdom	100%	Specialist IT consultancy
Lockheed Martin UK Insys Limited	United Kingdom	100%	Defence contractor and integrator
HMT Vehicles Limited	United Kingdom	100%	Defence research and development

The directors consider that the values of the subsidiary undertakings are not less than their book values.

# Notes to the Financial Statements

At 31 December 2008

## 7. Investments (continued)

### Joint venture undertakings

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Percentage of ordinary share held</i>	<i>Nature of business</i>
AWE Management Limited	United Kingdom	33%	Management and operation of the UK's Atomic Weapons Establishment
Ascent Flight Training (Holdings) Limited	United Kingdom	50%	Holding company for defence related flying training services

The directors consider that the values of the joint venture undertakings are not less than its book values.

## 8. Debtors

	<i>2008 £000</i>	<i>2007 £000</i>
<i>Amounts falling due within one year:</i>		
Amount due from parent and fellow subsidiary undertakings	6,576	734
Other debtors	86	459
Corporation tax recoverable	-	2
	<u>6,662</u>	<u>1,195</u>

## 9. Creditors: amounts falling due within one year

	<i>2008 £000</i>	<i>2007 £000</i>
Loan notes payable to subsidiary undertaking	445	445
Other loan notes payable	107	534
Amounts due to parent and fellow subsidiary undertakings	42,055	40,644
Amounts due to subsidiary undertakings	53,000	-
Other creditors and accruals	184	51
Other taxes and social security costs	-	316
	<u>95,791</u>	<u>41,990</u>

The loan notes payable were issued relating to the acquisition of Lockheed Martin UK Integrated Systems & Solutions Limited on 28 February 2005. These loan notes are redeemable after 6 months following the acquisition at the option of the holders, and all must be redeemed by 31 December 2009. Interest is chargeable on the loan notes on a daily basis at an interest rate of 2% below LIBOR.

The amounts due to parent and fellow subsidiary undertakings includes a US dollar denominated interest bearing funding loan from the company's parent undertaking of £42,055,000 (2007: £40,644,000). Interest is chargeable on this loan balance on a daily basis at interest rates linked to US dollar bank rates.

## Notes to the Financial Statements

At 31 December 2008

### 10. Called up share capital

	2008 £	2007 £
<i>Authorised:</i>		
Ordinary shares of £1 each	15,000,000	15,000,000
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	11,105,130	11,105,130
	<u>          </u>	<u>          </u>

### 11. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit and loss account £000	Total £000
As at 31 December 2006	11,105	22,769	33,874
Profit for the year	-	16,162	16,162
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2007	11,105	38,931	50,036
Profit for the year	-	18,904	18,904
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2008	11,105	57,835	68,940
	<u>          </u>	<u>          </u>	<u>          </u>

### 12. Financial commitments

The company had forward foreign currency contracts outstanding at the year end which are not included in the financial statements at fair value. The fair value of these forward foreign currency contracts at 31 December 2008 was a gain of £8,876,000 (2007: loss of £3,753,000).

### 13. Post balance sheet event

On 30 April 2009, the company acquired 100% of the issued share capital of IMES Strategic Support Limited (ISSL) for an initial consideration of £12.9m, paid on 30 April 2009, with a further adjustment to be determined based on agreed net assets of IMES at the acquisition date. ISSL provides engineering, maintenance, repair, and support services for key sub-systems of the Royal Navy's Trident Strategic Weapons System program.

### 14. Related parties and controlling entity

The directors regard Lockheed Martin Corporation, a company registered in the USA, as the ultimate parent company and controlling entity. Copies of the ultimate parent's consolidated financial statements may be obtained from Lockheed Martin Investor Department, 6801 Rockledge Drive, Bethesda, Maryland, 28017, USA. Lockheed Martin Corporation is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member.

The company has utilised the exemption under Financial Reporting Standard No.8 as a subsidiary undertaking not to disclose transactions with other entities that are part of, or investors of, the Lockheed Martin Corporation group. There were no other related party transactions.