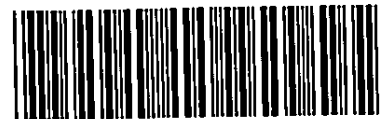


Lockheed Martin UK Holdings Limited

Report and Financial Statements

31 December 2009

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COMPANIES HOUSE

Directors

J H C Patten
D Manning
S Ball
P Dewar
L Gooden
M Hewson

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 2009. 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 any dividends (2008 – £nil). The directors do not recommend the payment of a final dividend for the year (2008 – £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, Lockheed Martin UK Strategic Systems 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.

Future Developments

The company is expected to maintain its footprint across a number of key areas central to the UK defence and civil markets.

Going Concern

The company expects to maintain its positive net asset position and continue to generate profit and positive cash flows on its own account for the foreseeable future.

The company participates in the group's centralised treasury arrangements and shares banking arrangements with its subsidiary companies.

The directors, having assessed the company have no reason to believe that a material uncertainty exists that casts significant doubt over the company to continue as a going concern or jeopardise its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made the directors reasonably expect that the company will be able to continue in operational existence for the foreseeable future.

Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report

Directors

The directors who served during the year were those listed below

J H C Patten	
G Page	
C Kubasik	(resigned 31 December 2009)
D Manning	
S Ball	(appointed 1 March 2009)
P Dewar	(appointed 1 March 2009)
L Gooden	(appointed 1 March 2009)
I Stopps	(resigned 28 February 2009)
R H Trice Jr	(resigned 28 February 2009)

Subsequent to the year end M Hewson was appointed to the board of directors on 11 January 2010 and G Page resigned on 31 March 2010

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 2006. 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.

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 the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

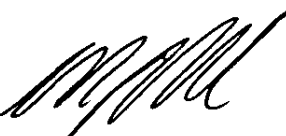
A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

S Ball

Director

Date:


11 May 2010

Statement of directors' responsibilities

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 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 Lockheed Martin UK Holdings Limited

We have audited the financial statements of Lockheed Martin UK Holdings Limited for the year ended 31 December 2009 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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.

Opinion on 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 2009 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 auditors' report

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

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

Ernst + Young UK

David Marshall (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

Date

17/5/2010

Profit and loss account

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover			
Investment income – dividends received from joint venture undertaking		24,602	20,007
Other income		5	84
Other operating costs		(1)	(786)
Operating Profit	2	24,606	19,305
Interest receivable and similar income	3	290	2,026
Interest payable and similar charges	4	(1,600)	(2,427)
		(1,310)	(401)
Profit on ordinary activities before taxation		23,296	18,904
Tax on profit on ordinary activities	5	–	–
Retained profit for the year	11	23,296	18,904

All amounts relate to continuing operations

There are no recognised gains or losses other than the profit of £23,296,000 attributable to the shareholders for the period ended 31 December 2009 (2008 – profit of £18,904,000)

Balance sheet

at 31 December 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	7	96,797	77,983
Current assets			
Debtors amounts falling due within one year	8	7,722	6,662
Cash at bank and in hand		47,984	80,086
		55,706	86,748
Creditors: amounts falling due within one year	9	(60,267)	(95,791)
		(4,561)	(9,043)
Net current liabilities			
		92,236	68,940
Total assets less current liabilities			
		92,236	68,940
Net assets			
Capital and reserves			
Called up share capital	10	11,105	11,105
Profit and loss account	11	81,131	57,835
Shareholders' funds	11	92,236	68,940

Approved by the Board

S Ball
Director

Date


11 May 2010

Notes to the financial statements

at 31 December 2009

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

Basis of preparation

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 401 of the Companies Act 2006, 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

Statement of cash flows

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 statement of cash flows

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

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

- 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

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

Notes to the financial statements

at 31 December 2009

2. Operating Profit

Auditors' fees of £12,000 (2008 – £12,000) and directors' emoluments of £45,000 (2008 – £37,500) are paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation

3. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	278	1,125
Interest due from parent undertaking	12	–
Foreign exchange gains	–	901
	<u>290</u>	<u>2,026</u>

4. Interest payable and similar charges

	2009 £000	2008 £000
Interest on loan notes issued	–	20
Interest on loan to parent undertaking	1,472	2,407
Foreign exchange losses	128	–
	<u>1,600</u>	<u>2,427</u>

5. Tax

(a) Tax on ordinary activities

	2009 £000	2008 £000
United Kingdom corporation tax at 28% (2008 – 28.5%)	–	–
Total current tax	<u>–</u>	<u>–</u>
Deferred tax	–	–
Tax on ordinary activities	<u>–</u>	<u>–</u>

Notes to the financial statements

at 31 December 2009

5. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% (2008 – 28.5%). The differences are set out below -

	2009 £000	2008 £000
Profit on ordinary activities before tax	23,296	18,904
Tax on ordinary activities multiplied by standard rate of corporation tax of 28% (2008 – 28.5%)	6,523	5,388
<i>Effects of</i>		
Dividend income and other costs not taxable	(6,888)	(5,478)
Group relief surrendered for nil consideration	365	90
Current tax for the year	-	-

(c) Future tax charges

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. Dividends

	2009 £000	2008 £000
Ordinary dividends	-	-
Interim dividends declared and paid during the year	-	-

Notes to the financial statements

at 31 December 2009

7. Investments

	<i>Subsidiary undertakings</i>	<i>Joint ventures</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 31 December 2008	76,734	1,249	77,983
Additions	18,814	—	18,814
At 31 December 2009	95,548	1,249	96,797
Provision against investment			
At 31 December 2008 and 31 December 2009	-	-	-
Net book value			
At 31 December 2009	95,548	1,249	96,797
At 31 December 2008	76,734	1,249	77,983

At 31 December 2009 the company owned directly the issued ordinary share capital in the following unlisted companies. These are also the main operating entities of the group.

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Percentage of ordinary shares</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
Lockheed Martin Strategic Systems Limited*	United Kingdom	100%	Defence contractor

* Subsidiary undertaking acquired during 2009

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 2009

<i>Joint venture undertakings</i>	<i>Country of incorporation</i>	<i>Percentage of ordinary shares</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 their book values

Notes to the financial statements

at 31 December 2009

8. Debtors

	2009 £000	2008 £000
Amounts falling due within one year		
Amount due from parent and fellow subsidiary undertakings	6,662	6,576
Other debtors	1,060	86
	<u>7,722</u>	<u>6,662</u>

9. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank overdrafts	8,076	–
Loan notes payable to subsidiary undertaking	445	445
Other loan notes payable	107	107
Amounts due to parent and fellow subsidiary undertakings	44,946	42,055
Amounts due to subsidiary undertakings	1,443	53,000
Other creditors and accruals	5,250	184
	<u>60,267</u>	<u>95,791</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 six months following the acquisition at the option of the holders. 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 £44,946,000 (2008 – £42,055,000). Interest is chargeable on this loan balance on a daily basis at interest rates linked to US dollar bank rates.

10. Issued share capital

		2009 £		2008 £
<i>Allotted, called up and fully paid</i>	<i>No</i>		<i>No</i>	
Ordinary shares of £1 each	11,105,130	<u>11,105,130</u>	11,105,130	<u>11,105,130</u>

Notes to the financial statements

at 31 December 2009

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2008	11,105	38,931	50,036
Profit for the year	–	18,904	18,904
At 31 December 2008	11,105	57,835	68,940
Profit for the year	–	23,296	23,296
At 31 December 2009	11,105	81,131	92,236

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 2009 was a gain of £608,000 (2008 – gain of £8,876,000).

13. Related parties transactions

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.

14. Ultimate parent undertaking and controlling party

The directors regard Lockheed Martin Corporation, a company registered in the USA, as the ultimate parent company and controlling party. 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.