

Registered No. 3184898

Lockheed Martin UK Holdings Limited

Annual Report and Financial Statements

31 December 2015



Directors

T S Cahill
M A Evans
P Ruddock
G A Shultz
P S Sunderlin

Secretary

C M Bradden
J K Fasick
D A Heywood

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton SO14 3QB

Registered Office

Building 7000
Langstone Technology Park
Langstone, Havant
Hampshire, PO9 1SW

Registered No. 3184898

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation amounted to £9,689,000 (2014 – profit of £15,440,000). During the year, the company did not pay interim dividends (2014 – £nil). The directors do not recommend a final dividend (2014 – £nil).

Going concern

To complete the acquisition of Lockheed Martin Helicopter Company Limited, the company has received additional funding from its parent undertaking and converted a significant proportion of its cash on hand into non-current investment balances. As a result of this transaction, the company has reverted from a net current asset position to a net current liability position. Management continues to adopt the going concern basis in preparing the accounts as there is continued expectation of support and funding from the Company's ultimate parent along with expectations of continued positive cashflows via dividend income from its principle investments.

Directors

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

S R Ball	
J Band	(resigned 31 December 2015)
M L Bennett	(resigned 30 September 2015)
T S Cahill	
K C Darrenkamp	(resigned 30 September 2015)
P M Dewar	
M A Evans	
D G Manning	
A E Mullins	(resigned 8 May 2015)
S F O'Bryan	(resigned 30 September 2015)
J H C Patten	(resigned 31 December 2015)
G A Shultz	
R E Stevens	(appointed 8 May 2015)
P S Sunderlin	(appointed 30 September 2015)

The following director was appointed after the year end:

P Ruddock (appointed 1 January 2016)

The following directors resigned after the year end:

S R Ball	(resigned 30 June 2016)
P M Dewar	(resigned 7 March 2016)
D G Manning	(resigned 27 July 2016)
R E Stevens	(resigned 27 July 2016)

Directors' liabilities

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.

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 fellow directors and the company's auditor, each director has 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 reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



P Ruddock

Director

Date: 28 SEP 16

Principal activity and review of the business

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

The Lockheed Martin UK Holdings group operates through its direct and indirect subsidiary undertakings Lockheed Martin UK Limited, Lockheed Martin Ampthill Limited, Lockheed Martin UK Strategic Systems Limited, Lockheed Martin Helicopter Ltd, HMT Vehicles Limited, UK Seabed Resources Limited, Seabed Resources Development Limited, Amor Group Limited, Lockheed Martin Business Technology Solutions Limited and Beontra AG 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. During the year the company made a new investment when it purchased the Lockheed Martin Helicopter Company Limited increasing investments by £195.3m.

Key performance indicators for the company include Investment Income, EBT, and Net Assets. The results for 2015, compared to 2014 are shown in the table below:

	2015	2014
Investment Income	£17.9m	£16.8m
EBT	£9.7m	£15.4m
Net Assets	£232.3m	£217.0m

EBT was £5.7m lower for 2015 compared to 2014 largely due to foreign exchange losses.

Principal risks and uncertainties

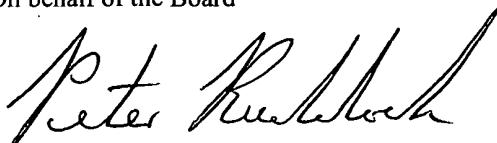
The principal risk is that the company acquires an unsuccessful venture, however this risk is mitigated by acquiring investments that align to the strategic objectives of Lockheed Martin Corporation with extensive due diligence completed prior to the acquisition.

The company 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 company 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 continuously looking for further investment opportunities that align with the strategic objectives of Lockheed Martin Corporation.

On behalf of the Board



P Ruddock

Director

Date: 28 SEP 16

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the strategic report and the company 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 FRS 102 – the financial reporting standard applicable in the UK. As this is the first year of transition, the 2014 financial statements have been restated to reflect the FRS 102 standard in order to disclose comparable data.

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 those 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 FRS102 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 to 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 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 5 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 Strategic Report and 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

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 LLP

Geraint Davies (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Southampton

Date: 30 September 2016

Income Statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Other income		286	-
Other operating costs		(739)	(48)
Operating loss	4	(453)	(48)
Investment income		17,870	16,781
Interest receivable and similar income	6	1,238	1,212
Interest payable and similar charges	7	(9,004)	(2,533)
Profit on ordinary activities before taxation		9,651	15,412
Tax	8	38	28
Profit for the financial year		<u>9,689</u>	<u>15,440</u>

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 31 December 2015

	2015 £000	2014 £000
Profit / (Loss) for the year	9,689	15,440
Cash flow hedges	5,585	956
Total other comprehensive income	<u>5,585</u>	<u>956</u>
Total comprehensive income for year	<u>15,274</u>	<u>16,396</u>

Statement of Financial Position

at 31 December 2015

Registered No. 3184898

		2015	2014
	Notes	£000	restated £000
Fixed assets			
Investments	9	367,826	172,538
Current assets			
Debtors	10	11,664	4,788
Cash at bank and in hand		34,920	87,211
		46,584	91,999
Creditors: amounts falling due within one year	11	(182,099)	(47,500)
		(135,515)	44,499
Net current (liabilities) / assets		232,311	217,037
Total assets less current liabilities		232,311	217,037
Net assets		232,311	217,037
Capital and reserves			
Called up share capital	12	11,105	11,105
Profit and loss account		221,206	205,932
		232,311	217,037
Shareholders' funds		232,311	217,037



P Ruddock

Director

Date: 28 Sep 16

Statement of Changes in Equity

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2014	11,105	197,173	208,278
Prior year adjustment (note 3)	-	(7,637)	(7,637)
Other comprehensive income	-	956	956
Profit for the year	-	15,440	15,440
At 1 January 2015	11,105	205,932	217,037
Other comprehensive income	-	5,585	5,585
Profit for the year	-	9,689	9,689
At 31 December 2015	11,105	221,206	232,311

Notes to the financial statements

at 31 December 2015

1. Accounting policies

Statement of compliance

Basis of preparation

Lockheed Martin UK Holdings Limited is a limited liability company incorporated in England. The Registered Office address is Lockheed Martin UK Limited, Legal Counsel Building 7000, Langstone Technology Park, Langstone, Havant, Hampshire, PO9 1SW.

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 FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Information on the impact of first-time adoption of FRS 102 is given in note 16.

The preparation of the financial statements in compliance with FRS102 requires the use of certain accounting estimates.

Going Concern

To complete the acquisition of Lockheed Martin Helicopter Company Limited, the company has received additional funding from its parent undertaking and converted a significant proportion of its cash on hand into non-current investment balances. As a result of this transaction, the company has reverted from a net current asset position to a net current liability position. Management continues to adopt the going concern basis in preparing the accounts as there is continued expectation of support and funding from the Company's ultimate parent along with expectations of continued positive cashflows via dividend income from its principle investments.

Group financial statements

The company has utilised the exemption available under section 401(1) 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.

The company has utilised the exemption under FRS 102 section 1.12 as a subsidiary undertaking whose ultimate parent undertaking prepares consolidated group financial statements that are publicly available, and has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes
- Financial instrument disclosures and hedge accounting disclosures
- Share-based payment arrangements
- Key management personnel compensation
- Transactions with other wholly owned subsidiaries of Lockheed Martin Corporation group.

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:

Notes to the financial statements

at 31 December 2015

- 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.

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.

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is designated and documented at its inception. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an regular basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price.

Notes to the financial statements

at 31 December 2015

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statement, the directors have made the following judgements:

- That the fair value of the company's investments are no lower the cost originally paid. Factors taken into account in reaching such a decision include the economic viability and expected future performance of the asset.

3. Prior Year adjustments

In preparing the financial statements for the year ended 31 December 2015, the following prior year errors were identified.

Summary of the prior year accounting impact	£000
Reduction in Amounts due from parent and fellow subsidiaries	6,555
Reduction in Other debtors	1,082
Reduction in Retained earnings / profit for the period	<u>7,637</u>

These adjustments relate to amounts that were incorrectly retained on the balance sheet which should have previously been written off to the income statement in periods preceding the year ended 31 December 2013.

4. Operating loss

Auditors' fees of £18,000 (2014 – £20,000) are paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation.

5. Directors' remuneration

	2015	2014
	£000	£000
Remuneration	<u>372</u>	<u>436</u>

Directors' remuneration above is paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation. One director was eligible and is a member of the company pension scheme (2014 – one director).

The amounts in respect of the highest paid director are as follows:

	2015	2014
	£000	£000
Remuneration	<u>168</u>	<u>308</u>

The company had no employees (2014: Nil).

Notes to the financial statements

at 31 December 2015

6. Interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	882	787
Interest due from parent undertaking/ fellow subsidiary	-	55
Interest due from joint venture	356	370
	<u>1,238</u>	<u>1,212</u>

7. Interest payable and similar charges

	2015 £000	2014 £000
Interest on loan to parent undertaking	2,200	1,465
Foreign exchange losses	6,804	1,068
	<u>9,004</u>	<u>2,533</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015 £000	2014 £000
Current tax:		
UK corporation tax on the profit for the year	-	-
Total current tax	<u>(65)</u>	<u>(1)</u>
	(65)	(1)
Deferred tax:		
Origination and reversal of timing differences	-	(29)
Adjustments in respect of previous periods	27	-
Effect of changes in tax rates	-	2
Total deferred tax	<u>27</u>	<u>(27)</u>
Tax on profit on ordinary activities (note 8(b))	<u>(38)</u>	<u>(28)</u>

Notes to the financial statements

at 31 December 2015

8. Tax (continued)

(a) Factors affecting tax profit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%). The standard rate of corporation tax for the year represents a tax rate of 21% for the period from 1 January 2015 to 31 March 2015 and 20% for the period from 1 April 2015 to 31 December 2015. The differences between the actual tax rate and the standard rate of corporation tax are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	9,651	15,412
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	1,954	3,312
<i>Effects of:</i>		
Dividend income not taxable	(3,618)	(3,607)
Expenses not deductible	141	–
Adjustments in respect of previous periods	(38)	–
Effects of group relief / other reliefs	1,523	205
Effects of tax rate changes	–	2
Utilisation of losses	–	60
Total tax for the year (note 8(a))	(38)	(28)

(b) Factors that may affect 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.

Notes to the financial statements

at 31 December 2015

9. Investments

	<i>Subsidiary undertakings £000</i>	<i>Joint ventures £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2015	171,289	1,249	172,538
Additions in the year	195,288	-	195,288
At 31 December 2015	366,577	1,249	367,826
Provision against investment:			
At 1 January 2015 and 31 December 2015	-	-	-
Net book value:			
At 31 December 2015	366,577	1,249	367,826
At 1 January 2015	171,289	1,249	172,538

At 31 December 2015 the company owned directly and indirectly the issued ordinary share capital in the following unlisted companies. These are also the main operating entities of the group. All shares are owned directly unless otherwise noted. Additions in the year relate to the purchase of the Lockheed Martin Helicopter Company Limited.

<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 Ampthill Limited	United Kingdom	100%	Defence contractor and integrator
HMT Vehicles Limited	United Kingdom	100%	Defence research and Development
Lockheed Martin UK Strategic Systems Limited	United Kingdom	100%	Defence contractor
UK Seabed Resources Limited	United Kingdom	100%	Undersea exploration
Seabed Resources Development Limited	United Kingdom	100%	Undersea exploration
Lockheed Martin Helicopter Limited	United Kingdom	100%	Holding Company

Notes to the financial statements

at 31 December 2015

9. Investments (continued)

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Percentage of ordinary shares</i>	<i>Nature of business</i>
<i>Amor Group Limited</i>	<i>United Kingdom</i>	<i>100%*</i>	<i>Business technology solutions to the Energy, Transport and Public Services sectors</i>
<i>Lockheed Martin Business Technology Solutions Limited</i>	<i>United Kingdom</i>	<i>100%**</i>	<i>Business technology solutions to the Energy, Transport and Public Services sectors</i>
<i>Beontra AG</i>	<i>Germany</i>	<i>100%***</i>	<i>Business technology solutions to the Energy, Transport and Public Services sectors</i>
<i>Polskie Zakłady Lotnicze sp. z o.o</i>	<i>Poland</i>	<i>100%****</i>	<i>Helicopter service and repair</i>

* Shares in Amor Group Limited and Lockheed Martin UK Integrated Systems & Solutions Ltd are held indirectly through Lockheed Martin UK Limited

** Shares in Lockheed Martin BTS are held indirectly through Amor Group Limited

*** Shares in Beontra AG are held indirectly through Lockheed Martin Business Technology Solutions Limited

**** Shares in Polskie Zakłady Lotnicze sp. z o.o are held indirectly through Lockheed Martin Helicopter Limited

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

<i>Joint venture undertakings</i>	<i>Country of incorporation</i>	<i>Ordinary shares</i>	<i>Nature of business</i>
<i>AWE Management Limited *****</i>	<i>United Kingdom</i>	<i>33%</i>	<i>Management and operation of the UK's Atomic Weapons Establishment</i>
<i>Ascent Flight Training (Holdings) Limited</i>	<i>United Kingdom</i>	<i>50%</i>	<i>Parent undertaking for Defence related flying training services</i>

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

On 16 August 2016, the ownership structure of the AWE Management Limited joint operation was revised with the other shareholders reducing their interests in the business. Consequently, Lockheed Martin now owns a 51% interest in this business and will recognise the investment as a subsidiary in future periods. In conjunction with the above reorganisation the ownership of AWE Management Limited was transferred to Lockheed Martin UK Strategic Systems Limited and the business will therefore be an indirectly held subsidiary through that entity in future periods.

Notes to the financial statements

at 31 December 2015

10. Debtors

	2015 £000	2014 restated £000
Amounts falling due within one year:		
Amount due from parent and fellow subsidiary undertakings	5,657	4,383
Other debtors	56	77
Derivative financial instruments	5,857	272
Deferred tax asset	-	27
Corporation tax recoverable	94	29
	<u>11,664</u>	<u>4,788</u>

Financial instruments above include the fair value of forward contracts of £5,857,000 (2014 £272,000).

11. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Loan notes payable to subsidiary undertaking	-	319
Other loan notes payable	-	105
Amounts due to parent and fellow subsidiary undertakings	182,099	47,076
	<u>182,099</u>	<u>47,500</u>

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 \$268,395,000 (£182,099,000) at 31 December 2015 and \$73,403,000 (£47,076,000) at 31 December 2014. Interest is chargeable on this loan balance on a daily basis at interest rates linked to US dollar bank rates.

12. Issued share capital

	2015		2014	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
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 2015

13. Related party transactions

Lockheed Martin UK Holdings Limited received dividend income from its Joint Venture undertaking in AWE Management Limited totalling £17,870,000 (2014 – £16,781,000). There were no balances outstanding due to/from AWE Management Limited at 31 December 2015 (2014– £nil).

During the year Lockheed Martin UK Holdings Ltd received from its Joint Venture undertaking in Ascent Flight Training (Holdings) Limited loan capital repayments of £121,000 (2014-£121,000) and had a loan capital receivable balance outstanding at year end of £2,902,723 (2014-£3,023,723). The company also credited interest income in the year of £356,154 (2014-£370,127), and at year end had accrued interest receivable from Ascent Flight Training (Holdings) Limited of £87,904 (2014-£91,457).

There were no other related party transactions.

14. Post balance sheet events

On 16 August 2016, the ownership structure of the AWE Management Limited joint operation was revised with the other shareholders reducing their interests in the business. Consequently, Lockheed Martin now owns a 51% interest in this business and will recognise the investment as a subsidiary in future periods. In conjunction with the above reorganisation the ownership of AWE Management Limited was transferred to Lockheed Martin UK Strategic Systems Limited and the business will therefore be an indirectly held subsidiary through that entity in future periods.

During 2015, Lockheed Martin Corporation (the Corporation) had announced that it was conducting a strategic review of the government IT infrastructure services business within its Information Systems & Global Solutions (IS&GS) business segment and the technical services business within its Missiles and Fire Control business segment. On 1 August 2016 the corporation completed a Reverse Morris transaction to transfer the IS&GS business segment to Leidos Holdings Inc.

As part of the above transaction Lockheed Martin UK Limited disposed of its subsidiary Amor Group Ltd, along with that company's subsidiaries, with effect from 1 August 2016.

15. Ultimate parent undertaking and controlling party

The directors regard Lockheed Martin Corporation, a company registered in the USA, as the ultimate parent undertaking and controlling entity. Copies of the ultimate parent's group 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.

Notes to the financial statements

at 31 December 2015

16. First time adoption of FRS 102

The company transitioned to FRS102 from previously extant UK GAAP as at 1 January 2014.

There are no GAAP differences on transition at 1 January 2014

	<i>Equity as at 1 January 2014</i>	<i>Profit for the year ended 31 December 2014</i>	<i>Other compre- hensive income</i>	<i>Equity as at 31 December 2014</i>
<i>Note</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As previously stated under former UK GAAP	197,173	16,396	—	213,569
Prior year adjustment – correction of error	a (7,637)	—	—	(7,637)
As restated under former UK GAAP	189,536	16,396	—	205,932
Transitional adjustments:				
Cash flow hedges	b —	(956)	956	—
As stated in accordance with FRS 102	<u>189,536</u>	<u>15,440</u>	<u>956</u>	<u>205,932</u>

Explanation of changes to previously reported profit and equity:

- An error was identified in the financial statements as previously issued for the year ended 31 December 2014. See note 3 for explanation.
- Previously under UK GAAP, derivative financial instruments were not value at the balance sheet date. Under FRS 102, and in line with the Company's accounting policy, derivative financial instruments for forward currency contracts are now revalued, with the resulting gain or loss recorded in other comprehensive income where the hedge is considered to meet the effective hedge requirements.