

Registered No. 3184898

Lockheed Martin UK Holdings Limited

Report and Financial Statements

31 December 2013



Directors

S R Ball
J Band
M L Bennett
S T Bruno
K C Darrenkamp
P M Dewar
M A Evans

R G Kirkland
D G Manning
AE Mullins (appointed 8 May 2014)
J H C Patten
G A Shultz

Secretary

G Cole
D Heywood
D Salinger

Auditors

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

Solicitors

MacRae & Co
100 Cannon Street
London EC4N 6EU

Registered Office

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100 Cannon Street
London EC4N 6EU

Registered No. 3184898

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The profit for the year after taxation amounted to £25,552,000 (2012 – profit of £31,573,000). During the year, the company did not pay interim dividends (2012 – £nil). The directors do not recommend a final dividend (2012 – £nil).

Going concern

The company has considerable financial resources together with income being generated from joint venture investments. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

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

Directors

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

S R Ball	
J Band	
M L Bennett	(appointed 8 October 2013)
S T Bruno	
C Burbage	(resigned 28 March 2013)
K C Darrenkamp	(appointed 8 October 2013)
P M Dewar	(appointed 8 October 2013)
R H Edwards	(appointed 28 March 2013 and resigned 8 October 2013)
M A Evans	(appointed 28 March 2013)
G A Fasano	(appointed 8 October 2013 and resigned 22 May 2014)
M A Hewson	(resigned 8 October 2013)
R G Kirkland	(appointed 8 October 2013)
P Lemmo	(resigned 8 October 2013)
L M Martin	(appointed 27 February 2013 and resigned 9 September 2013)
D G Manning	
J H C Patten	
G A Shultz	(appointed 8 October 2013)
J M Ward	(resigned 8 October 2013)

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.

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.

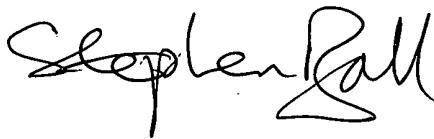
Directors' report

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

S. Ball
Director
Date:

A handwritten signature in black ink, appearing to read 'Stephen Ball', written over the printed name.

18 SEP 2014

Strategic Report

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.

During the year the company acquired 100% of the issued share capital of Seabed Resources Development Limited for cash consideration of £1,000,000. The company provided an additional £50,000,000 to its subsidiary undertaking, Lockheed Martin UK Limited, by way of subscription to additional shares to facilitate the acquisition by Lockheed Martin UK Limited of Amor Group Limited.

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 Integrated Systems and Solutions Limited, Lockheed Martin UK Strategic Systems Limited, HMT Vehicles Limited, UK Seabed Resources Limited, Seabed Resources Development Limited and Amor Group 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.

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

S. Ball
Director



Date:

18 SEP 2014

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 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 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 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 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 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 2013 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 and Strategic 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

Tony McCartney (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Southampton

Date: *19/9/2014.*

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover			
Investment income – dividends received from joint venture undertaking		25,511	30,906
Other income		-	-
Other operating costs		(52)	(52)
Operating profit	2	25,459	30,854
Interest receivable and similar income	4	2,606	2,322
Interest payable and similar charges	5	(2,273)	(1,603)
Profit on ordinary activities before taxation		25,792	31,573
Tax	6	(240)	-
Profit for the financial year	11	25,552	31,573

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £25,552,000 in the year ended 31 December 2013 (2012 – profit of £31,573,000).

Balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	7	147,288	96,288
Current assets			
Debtors	8	15,339	67,621
Cash at bank and in hand		91,195	64,843
		106,534	132,464
Creditors: amounts falling due within one year	9	(45,544)	(46,026)
Net current assets		60,990	86,438
Total assets less current liabilities		208,278	182,726
Net assets		208,278	182,726
Capital and reserves			
Called up share capital	10	11,105	11,105
Profit and loss account	11	197,173	171,621
Shareholders' funds	11	208,278	182,726

S. Ball
Director



Date:

18 SEP 2014

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

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

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 group 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 FRS 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:

- 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. 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.

2. Operating profit

Auditors' fees of £18,000 (2012 – £16,000) are paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation.

Notes to the financial statements

at 31 December 2013

3. Directors' remuneration

	2013 £000	2012 £000
Remuneration	341	353

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 (2012 – one director).

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

	2013 £000	2012 £000
Remuneration	274	285

4. Interest receivable and similar income

	2013 £000	2012 £000
Bank interest receivable	671	782
Interest due from parent undertaking/ fellow subsidiary	953	1,038
Interest due from joint venture	384	502
Foreign exchange gain	598	-
	2,606	2,322

5. Interest payable and similar charges

	2013 £000	2012 £000
Interest on loan to parent undertaking	2,273	1,503
Foreign exchange losses	-	57
Other interest	-	43
	2,273	1,603

Notes to the financial statements

at 31 December 2013

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 £000	2012 £000
Current tax:		
UK corporation tax on the profit for the year	67	–
Total current tax (note 6(b))	173	–
	240	–
Deferred tax:		
Deferred tax	–	–
Tax on profit on ordinary activities	240	–

(b) 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 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	25,792	31,573
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	5,997	7,735
Effects of:		
Dividend income not taxable	(5,930)	(7,561)
Adjustments in respect of previous periods	173	–
Group relief surrendered for nil consideration	–	(174)
Current tax for the year (note 6(a))	240	–

(c) 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 2013

7. Investments

	<i>Subsidiary undertakings</i>	<i>Joint ventures</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2013	95,039	1,249	96,288
Additions in the year	51,000	-	51,000
At 31 December 2013	146,039	1,249	147,288
Provision against investment:			
At 1 January 2013 and 31 December 2013	-	-	-
Net book value:			
At 31 December 2013	146,039	1,249	147,288
At 1 January 2013	95,039	1,249	96,288

At 31 December 2013 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.

<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
Amor Group Limited	United Kingdom	100%*	Business technology solutions to the Energy, Transport and Public Services sectors

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

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 2013

7. Investments (continued)

<i>Joint venture undertakings</i>	<i>Country of incorporation</i>	<i>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%	Parent undertaking 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>2013</i>	<i>Restated 2012</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Amount due from parent and fellow subsidiary undertakings	14,226	66,372
Other debtors	1,105	1,170
Corporation tax recoverable	8	79
	<u>15,339</u>	<u>67,621</u>

9. Creditors: amounts falling due within one year

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Loan notes payable to subsidiary undertaking	319	319
Other loan notes payable	105	105
Amounts due to parent and fellow subsidiary undertakings	<u>45,120</u>	<u>45,602</u>
	<u>45,544</u>	<u>46,026</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 £45,002,000 (2012 – £45,602,000). 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 2013

10. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2013</i>	<i>No.</i>	<i>2012</i>
		<i>£</i>		<i>£</i>
Ordinary shares of £1 each	11,105,130	<u>11,105,130</u>	11,105,130	<u>11,105,130</u>

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2012	11,105	140,048	151,153
Profit for the year	–	31,573	31,573
At 1 January 2013	11,105	171,621	182,726
Profit for the year	–	25,552	25,552
At 31 December 2013	<u>11,105</u>	<u>197,173</u>	<u>208,278</u>

12. Other 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 2013 was a loss of £523,000 (2012 – loss of £358,000).

13. Related party transactions

The company has utilised the exemption under FRS 8 as a subsidiary undertaking not to disclose transactions with other wholly owned subsidiaries of Lockheed Martin Corporation group.

Lockheed Martin UK Holdings Limited received dividend income from its Joint Venture undertaking in AWE Management Limited totalling £25,510,500 (2012 – £30,906,000). There were no balances outstanding due to/from AWE Management Limited at 31 December 2013 (2012 – £nil).

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 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.