

# **Lockheed Martin (UK) INSYS Group Limited**

## **Report and Financial Statements**

31 December 2006



## Directors' report

The directors present their annual report and the financial statements of the Company, registration number 4141148 for the year ended 31 December 2006

### Principal activities and business review

The Company is a holding company, whose subsidiaries are involved in the design, development, trial and manufacture of defence equipment

### Directors' and officers' liability insurance

Lockheed Martin (UK) INSYS Group Limited maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties

### Directors

The directors of the Company during the period to the date of this report were

Mr B E Hibbert - Managing Director	Resigned 14/12/2006
Mrs K J Kerchner	Appointed 06/04/2006
Mr R D Abbott	Appointed 14/12/2006
Ms D J Newton	
Mr B L Tanner	Resigned 03/04/2006
Mr G A Zionie	Resigned 14/12/2006
Mr J P Baynes	Resigned 14/12/2006
Mr I R Stopps	
Mr S Ball	Appointed 01/09/2006
Dr D Filbee	Appointed 14/12/2006
Mr M Eagles	Appointed 14/12/2006

There were no contracts with the Company during the year in which any of the directors had a material interest

### Directors' interests

None of the other directors held any interest in the Company

### Risks and Uncertainties

The directors' are using the small companies exemption as per Schedule 7(5A) of the Companies Act 1985 to disclose the company's exposure to financial risks and the company's financial risk management objectives and policies

### Auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

A resolution to reappoint Ernst & Young LLP as auditors was put to the members at the Annual General Meeting and was carried

## Directors' report

The directors' 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

M K Eagles  
Company Secretary  
Reddings Wood  
Amphill  
BEDFORD  
MK45 2HD



17/8/07

## **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 these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

# **Independent auditors' report**

**to the members of Lockheed Martin (UK) INSYS Group Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the reconciliation of movements in shareholders funds, the Balance Sheet and the related notes 1 to 13. 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) INSYS Group Limited

## 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 2006 and of its loss 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

Luton

Date 22 August 2007

## Profit and loss account

for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
<b>Turnover</b>		-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Administrative expenses			
Before exceptional items		(18)	(232)
Impairment of fixed asset investments		-	(8,000)
Management charge		-	232
		<hr/>	<hr/>
<b>Loss on ordinary activities before interest</b>		(18)	(8,000)
Net interest payable		-	-
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(18)	(8,000)
Tax on loss on ordinary activities	3	-	-
		<hr/>	<hr/>
<b>Loss for the financial period attributable to members of the company</b>	11	(18)	(8,000)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses for the year other than those recognised in the profit and loss account

## Reconciliation of movements in shareholders' funds

for the year ended 31 December 2006

	2006 £000	2005 £000
Total recognised gains and losses relating to the year	(18)	(8,000)
Dividends	-	(359)
Retained loss for the year	(18)	(8,359)
Redemption of Preference Shares	-	(1,614)
Net reduction to shareholders' funds	(18)	(9,973)
Opening shareholders' funds	2,941	12,914
Closing shareholders' funds	2,923	2,941



## Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
<b>Fixed assets</b>			
Investments	6	29,837	29,837
<b>Current assets</b>			
Debtors	7	-	162
Cash at bank and in hand		-	5
		-	167
<b>Creditors</b> amounts falling due within one year	8	(20)	(53)
<b>Net current (liabilities)/assets</b>		(20)	114
<b>Total assets less current liabilities</b>		29,817	29,951
<b>Creditors</b> amounts falling due after more than one year	9	(26,894)	(27,010)
<b>Net assets</b>		2,923	2,941
<b>Capital and reserves</b>			
Called up share capital	10	9	9
Capital redemption reserve	11	9,325	9,325
Share premium account	11	502	502
Profit and loss account deficit	11	(6,913)	(6,895)
<b>Shareholders' funds</b>		2,923	2,941
The analysis of shareholders' funds is as follows			
Equity share capital		2,923	2,941
<b>Shareholders' funds</b>		2,923	2,941

Approved by the Board on



M K Eagles  
Director

17/8/07

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### *Basis of Accounting*

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards, and in compliance with the Companies Act 1985

The ultimate parent undertaking has prepared a cash flow statement in accordance with FRS 1 Cash Flow Statements (Revised 1996) As permitted by FRS 1 Cash Flow Statements (Revised 1996) the Company has not prepared its own cash flow statement

The financial statements are prepared on a going concern basis due to the support provided by the ultimate parent undertaking, the Lockheed Martin Corporation for a period of at least 12 months from the date the financial statements are signed

#### *Capital Instruments*

Shares are included in shareholders' funds, other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and they are not included in shareholders funds The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument and at a constant rate on the carrying amount

#### *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

### 2. Operating loss

	2006 £000	2005 £000
Operating loss is stated after charging the following amounts		
Auditors' remuneration		
Audit of the financial statements	10	3
Taxation services	-	14
	<u>          </u>	<u>          </u>

### 3. Tax on loss on ordinary activities

#### a) Tax on loss on ordinary activities

	2006 £000	2005 £000
Current Tax		
UK corporation tax at 30% (2005 30%)	-	-
	<u>          </u>	<u>          </u>
Deferred Tax		
Origination and reversal of timing differences	-	-
	<u>          </u>	<u>          </u>
Tax on loss on ordinary activities	-	-
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 31 December 2006

### 3. Tax on loss on ordinary activities (continued)

#### b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are reconciled below

	2006 £000	2005 £000
Loss on ordinary activities before tax	(18)	(8,000)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(5)	(2,400)
Expenses not deductible for tax purposes	-	2
Impairment of fixed asset investments	-	2400
Group relief surrendered/(claimed) for nil proceeds	5	(2)
Total current tax	-	-

#### c) Factors that may affect future tax charges

There are no factors which may affect future tax charges

### 4. Employees

	Number	Number
Weekly average number of persons employed by the company		
Administration and support staff	-	1
Staff costs	£000	£000
Wages and salaries	-	120
Social security costs	-	15
Other pension costs	-	-
	-	135

### 5. Directors' emoluments

Directors' emoluments were £nil (2005 £nil)

No directors received any emoluments for their services as directors of the company for the year (2005 £nil)

## Notes to the financial statements

at 31 December 2006

### 6. Investments

	<i>Shares in subsidiaries £000</i>
Cost	
At 1 January 2006 and 31 December 2006	37,837
Amounts provided	
At 1 January 2006 and 31 December 2006	8,000
Net book value	
At 1 January 2006 and 31 December 2006	29,837

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital is as follows

	<i>Holding</i>	<i>Country of Registration / Incorporation</i>	<i>Nature of Business</i>
Lockheed Martin (UK) INSYS Ltd	100%	England & Wales	Defence
Lockheed Martin (UK) INSYS Services Ltd	100%	England & Wales	Dormant

### 7. Debtors: amounts falling due within one year

	<i>2006 £000</i>	<i>2005 £000</i>
Amounts owed by group undertakings	-	162
	-	162

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

	<i>2006 £000</i>	<i>2005 £000</i>
Other creditors	20	53
	20	53

### 9. Creditors: amounts falling due after more than one year

	<i>2006 £000</i>	<i>2005 £000</i>
Owing to group undertakings	26,894	27,010
	26,894	27,010

## Notes to the financial statements

at 31 December 2006

### 10. Share capital

	2006 £000	2005 £000
Allotted, called up and fully paid		
Ordinary Shares (300,000 shares of £0.01 each)	3	3
B Ordinary Shares (48,500 shares of £0.01 each)	—	—
Preferred Ordinary Shares (625,000 shares of £0.01 each)	6	6
Share Capital as at 31 December 2006	9	9
Authorised		
Ordinary Shares (300,000 shares of £0.01 each)	3	3
B Ordinary Shares (75,000 shares of £0.01 each)	1	1
Preferred Ordinary Shares (625,000 shares of £0.01 each)	6	6
Preference Shares (9,325,000 shares of £1 each)	9,325	9,325
Share Capital as at 31 December 2006	9,335	9,335

The B Ordinary shares carry no voting rights. The voting rights for preferred ordinary shares and ordinary shares are that

On a show of hands each shareholder shall have one vote

On a poll each shareholder shall have one vote per type of share they hold (ie one for their preferred ordinary shareholding and one for their ordinary shareholding)

The preference shareholders are entitled to receive notice of all general meetings but they are not entitled to attend or vote at any general meeting

On a winding up of the Company, priority shall be given to the shareholders in the following order

Each preference shareholder shall receive 100% of the issue price of each preference share and an amount equal to the relevant redemption premium and any unpaid dividends

Each preferred ordinary shareholder shall receive an amount equal to the issue price thereof and the amount of any unpaid declared dividends

Each ordinary and B ordinary shareholder shall receive an amount equal to the issue price thereof and the amount of any unpaid declared dividends

The balance of any assets remaining shall be distributed amongst the holders of the preferred ordinary shares, the ordinary shares and the B ordinary shares according to the amount paid up on each share

### 11 Reserves

	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000
At 1 January 2006	502	9,325	(6,895)
Loss for the period	-	-	(18)
31 December 2005	502	9,325	(6,913)

## Notes to the financial statements

at 31 December 2006

### 12. Related party 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.

### 13. Ultimate parent undertaking

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's immediate parent undertaking is Lockheed Martin UK Holdings Limited.