

Company Registration No. 05241591 (England and Wales)

ELBIT SYSTEMS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



ELBIT SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors	Mr J Gaspar	
	Mr D Block-Temin	
	Mr B Machlis	(Appointed 1 May 2016)
	Mr R Kril	(Appointed 1 May 2016)
	Mr M.C S J. Fausset	(Appointed 6 May 2016)

Company number	05241591
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Registered office	2 Temple Back East Temple Quay Bristol BS1 6EG
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Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ
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ELBIT SYSTEMS UK LIMITED

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ELBIT SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Principal activities

The principal activity of the company continued to be that of an intermediate parent undertaking, and is expected to be so for the foreseeable future.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J Gaspar	
Mr D Block-Temin	
Mr F Brinksman	(Resigned 30 April 2016)
Mr S R Warren	(Resigned 20 October 2015)
Mr B Machlis	(Appointed 1 May 2016)
Mr R Kril	(Appointed 1 May 2016)
Mr M C S J Fausset	(Appointed 6 May 2016)

Results and dividends

The results for the year are set out on page 5.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

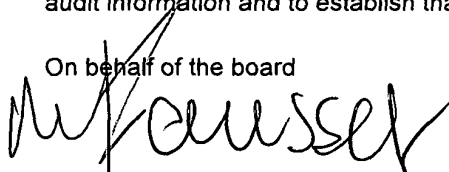
Auditor

During the year, Ernst & Young LLP resigned as the company's auditors and Edwards were appointed. In accordance with section 485 of the Companies Act 2006, a resolution proposing that Edwards be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr M C S J Fausset

Director

8 September 2016

ELBIT SYSTEMS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate 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.

ELBIT SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ELBIT SYSTEMS UK LIMITED

We have audited the financial statements of Elbit Systems UK Limited for the year ended 31 December 2015 which comprise the Statement of Income and Retained Earnings, the Statement Of Financial Position and the related notes. 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, 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 annual report 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 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

ELBIT SYSTEMS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ELBIT SYSTEMS UK 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.



Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
for and on behalf of Edwards

16 SEPTEMBER 2016
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Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

ELBIT SYSTEMS UK LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 £	2014 £
Administrative expenses	Notes	(6,798)	(6,615)
Interest receivable and similar income	4	5,723,030	9,225,142
Interest payable to group undertakings	5	(68,517)	(69,750)
Profit before taxation		5,647,715	9,148,777
Taxation	6	(1,017)	181
Profit for the financial year		5,646,698	9,148,958
Retained earnings at 1 January 2015		18,392,388	13,243,430
Dividends	7	-	(4,000,000)
Retained earnings at 31 December 2015		<u>24,039,086</u>	<u>18,392,388</u>

The income statement has been prepared on the basis that all operations are continuing operations.

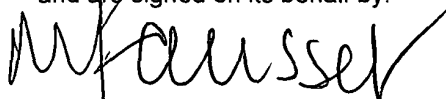
ELBIT SYSTEMS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
Fixed assets					
Investments	9	17,421,410		17,421,410	
Current assets					
Debtors	11	8,262,806		5,150,794	
Cash at bank and in hand		931,637		79,985	
		<u>9,194,443</u>		<u>5,230,779</u>	
Creditors: amounts falling due within one year	12	<u>(2,576,766)</u>		<u>(4,259,800)</u>	
Net current assets		<u>6,617,677</u>		<u>970,979</u>	
Total assets less current liabilities		<u>24,039,087</u>		<u>18,392,389</u>	
Capital and reserves					
Called up share capital	14		1		1
Profit and loss reserves		<u>24,039,086</u>		<u>18,392,388</u>	
Total equity		<u>24,039,087</u>		<u>18,392,389</u>	

The financial statements were approved by the board of directors and authorised for issue on 8 September 2016 and are signed on its behalf by:



Mr M C S J Fausset
Director

Company Registration No. 05241591

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Elbit Systems UK Limited is a company limited by shares incorporated in England and Wales. The registered office is 2 Temple Back East, Temple Quay, Bristol, BS1 6EG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Elbit Systems UK Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The company has also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes;
- the requirement to disclose related party transactions and balances under Section 33 Related Party Disclosures paragraph 33.7;
- financial instrument disclosure including, categories of financial instruments, items of income, expenses and gains or losses relating to financial instruments.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Elbit Systems UK Limited is a wholly owned subsidiary of Elbit Systems Limited and the results of Elbit Systems UK Limited are included in the consolidated financial statements of Elbit Systems Limited which are available from www.elbitsystems.com.

1.2 Going concern

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

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	12.5% - 20% straight line
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ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.4 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

Trade debtors

Short term trade debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Trade creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Valuation of investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

3 Operating loss

	2015	2014
	£	£
Operating loss for the year is stated after charging/(crediting):		
Auditors remuneration		
- audit of financial statements	4,100	4,100
- other services relating to taxation	2,500	2,500
Depreciation	-	12,482
	<u> </u>	<u> </u>

4 Interest receivable and similar income

	2015	2014
	£	£
Interest income		
Interest receivable from group companies	113,030	45,142
Income from fixed asset investments		
Income from shares in group undertakings	5,610,000	9,180,000
Total income	<u>5,723,030</u>	<u>9,225,142</u>

5 Interest payable and similar charges

	2015	2014
	£	£
Interest payable to group undertakings	<u>68,517</u>	<u>69,750</u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6 Taxation

	2015 £	2014 £
Deferred tax		
Origination and reversal of timing differences	1,017	(181)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2015 £	2014 £
Profit before taxation	5,647,715	9,148,777
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2014: 21.50%)	1,129,543	1,966,987
Tax effect of expenses that are not deductible in determining taxable profit	-	5,832
Group relief	(6,526)	-
Dividend income not subject to tax	(1,122,000)	(1,973,000)
Tax expense for the year	1,017	(181)

Factors that may affect future tax charges:

The Finance (No 2) Act 2015, which was passed on 18 November 2015, provided that the main UK corporation tax rate will be reduced to 19% from 1 April 2016 and to 18% from 1 April 2020. In addition, the UK Chancellor of the Exchequer announced in his 2016 Summer Budget that from 1 April 2020, the rate will be reduced to 17%.

7 Dividends

	2015 £	2014 £
Final paid	-	4,000,000

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 January 2015 and 31 December 2015	49,645
Depreciation and impairment	
At 1 January 2015 and 31 December 2015	49,645
Carrying amount	
At 31 December 2015	-
At 31 December 2014	-

9 Fixed asset investments

	Notes	2015 £	2014 £
Investments in subsidiaries	10	17,421,410	17,421,410

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2015 & 31 December 2015	17,421,410
Carrying amount	
At 31 December 2015	17,421,410
At 31 December 2014	17,421,410

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking and country of Incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Ferranti Technologies (Group) Limited	England and Wales	Aerospace and defence	Ordinary	100.00
Elite KL Limited	England and Wales	Defence contractor	Ordinary	100.00
UAV Tactical Systems Limited	England and Wales	Defence contractor	Ordinary	51.00

During the year the company received a dividend of £5,610,000 (2014 - £9,180,000) from UAV Tactical Systems Limited, a related party. No amounts were due from or to UAV Tactical Systems Limited at either 31 December 2015 or 31 December 2014.

11 Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Amount due from parent undertaking	8,258,171	5,145,142
Deferred tax asset (note 13)	4,635	5,652
	<u>8,262,806</u>	<u>5,150,794</u>

12 Creditors: amounts falling due within one year

	2015 £	2014 £
Amounts due to parent undertaking	1,720,047	3,275,681
Amounts due to group undertakings	850,119	977,519
Accruals and deferred income	6,600	6,600
	<u>2,576,766</u>	<u>4,259,800</u>

13 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2015 £	Assets 2014 £
Balances:		
Decelerated capital allowances	<u>4,635</u>	<u>5,652</u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

13 Deferred taxation

(Continued)

	2015 £
Movements in the year:	
Liability/(Asset) at 1 January 2015	(5,652)
Charge to profit or loss	1,017
	<u> </u>
Liability/(Asset) at 31 December 2015	<u>(4,635)</u>

14 Share capital

	2015 £	2014 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary share of £1 each	1	1
	<u> </u>	<u> </u>

15 Events after the reporting date

On 6 February 2016, the company passed a special resolution to sub-divide its existing share capital of 1 ordinary share of £1 each into 1,000 ordinary shares of 0.1p each.

On 31 May 2016, the company issued 262 ordinary shares of 0.1p each at par.

16 Controlling party

The company is a subsidiary undertaking of Elbit Systems Limited, a company incorporated in Israel, which is the ultimate parent undertaking and controlling party.

Elbit Systems Limited is the largest and smallest group for which group financial statements are prepared. The group financial statements of this group are available to the public and may be obtained from www.elbitsystems.com.