

Company registration number 05241591 (England and Wales)

ELBIT SYSTEMS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

ELBIT SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors	Mr B Machlis Mr M C S J Fausset Sir M W Poffley	(Appointed 27 June 2022)
Company number	05241591	
Registered office	2 Temple Back East Temple Quay Bristol BS1 6EG	
Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ	

ELBIT SYSTEMS UK LIMITED

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ELBIT SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of an intermediate parent undertaking. During 2021 a number of contracts were entered into where the UK Ministry of Defence is the ultimate customer.

Fair review of the business

These contracts activities involve the design, development, and assembly of products and technologies for the defence market, including:

- Integrated software solutions
- Training and simulation

Key to the on-going success of the company is its ability to deliver innovative and bespoke products and services to help provide solutions to our key customers' needs. This is delivered through Elbit Systems UK Limited's own development and assembly capabilities as well as leveraging the links that exist through the larger Elbit Systems group.

Some of the key financial and other performance indicators are shown below:

	2021	2020
	£000	£000
Turnover	33,738	8,123
Operating profit (2020 loss)	673	(432)
Profit after tax	12,795	6,660

The directors report turnover of £33,738,000 (2020 - £8,122,000) and an operating profit of £673,000 (2020 – loss £432,000) for the year to 31 December 2021. The increase in operating profit from 2020 is attributable to additional contract orders during the year. In 2019, dividend receipts were retained in the company.

Principal risks and uncertainties

There is always the threat of Government budgetary cut backs in defence programmes. However, in the current global political environment we do not expect immediate defence spending reductions.

At present the company's position in a number of contracts covering the air, land and naval sectors also provides resilience in the event of a downturn in a single sector of the market.

In 2021 only a very limited number of procurement contracts were denoted in US Dollars. It must be recognised that the instability of the pound could impact these contracts. The company manages foreign exchange risk using hedging techniques relevant to the size and duration of each contract in order to minimize where possible any exposure

The company has considerable financial resources together with a number of long term contracts with various customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors know of no reason to believe that any uncertainty exists that would cast any doubt over the ability of the group to continue as a going concern and therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The results for the year are set out on page 7.

ELBIT SYSTEMS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Ordinary dividends were paid amounting to £9,000,000. The directors do not recommend payment of a final dividend.

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	(Resigned 21 September 2022)
Mr B Machlis	
Mr M C S J Fausset	
Mr D A Hook CBE	(Resigned 30 June 2022)
Mr R R Goldsmid	(Resigned 16 September 2022)
Sir M W Poffley	(Appointed 27 June 2022)
Mr J G Rogers	(Appointed 18 August 2022 and resigned 21 September 2022)

Auditor

The auditor, Edwards, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

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.

Other matters

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management continues to closely monitor the long term effects of this pandemic, including how it may affect the company, the economy and the general population further into the future. The threat from the pandemic is now dwindling, however we currently have an appropriate response plan in place, and we will continue to monitor and assess the future effects and respond accordingly.

On behalf of the board

Mr M C S J Fausset
Director

13 December 2022

ELBIT SYSTEMS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Opinion

We have audited the financial statements of Elbit Systems UK Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of income and retained earnings, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation and health & safety regulations compliance.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the following areas: recognition of income, the override of controls by management, revenue journals, inappropriate treatment of non-routine transactions and areas of estimation uncertainty specifically relating to the valuation of fixed asset investments, revenue and profit recognition relating to long term contracts and depreciation calculations. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

ELBIT SYSTEMS UK LIMITED

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

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

19 December 2022

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 2021

	Notes	2021 £	2020 £
Turnover		33,738,014	8,122,727
Cost of sales		(32,869,048)	(8,081,604)
Gross profit		868,966	41,123
Administrative expenses		(196,088)	(473,440)
Operating profit/(loss)	3	672,878	(432,317)
Interest receivable and similar income	5	12,579,945	7,356,831
Interest payable to group undertakings	6	(14,549)	(44,250)
Profit before taxation		13,238,274	6,880,264
Tax on profit	7	(444,251)	(219,912)
Profit for the financial year		12,794,023	6,660,352
Retained earnings brought forward		40,076,037	33,415,685
Dividends	8	(9,000,000)	-
Retained earnings carried forward		43,870,060	40,076,037

The statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

ELBIT SYSTEMS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	9	2,236,224		1,438,326	
Investments	10	17,381,562		17,381,562	
		<u>19,617,786</u>		<u>18,819,888</u>	
Current assets					
Stocks	13	3,067,514		248,330	
Debtors falling due after more than one year	14	6,568,897		8,936,195	
Debtors falling due within one year	14	30,955,028		20,592,133	
Cash at bank and in hand		1,747,049		1,464,867	
		<u>42,338,488</u>		<u>31,241,525</u>	
Creditors: amounts falling due within one year	15	<u>(17,942,213)</u>		<u>(9,901,375)</u>	
Net current assets			24,396,275		21,340,150
Total assets less current liabilities			<u>44,014,061</u>		<u>40,160,038</u>
Provisions for liabilities					
Deferred tax liability	16	144,000		84,000	
		<u>(144,000)</u>		<u>(84,000)</u>	
Net assets			<u>43,870,061</u>		<u>40,076,038</u>
Capital and reserves					
Called up share capital	17		1		1
Profit and loss reserves			43,870,060		40,076,037
Total equity			<u>43,870,061</u>		<u>40,076,038</u>

The financial statements were approved by the board of directors and authorised for issue on 13 December 2022 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 2021

1 Accounting policies

Company information

Elbit Systems UK Limited is a private 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. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Elbit Systems Limited. These consolidated financial statements are available from www.elbitsystems.com.

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.

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 Turnover

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and services provided as a principal.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of services and long-term contracts are recognised when the outcome of the transaction can be reliably estimated. Turnover is recognised by reference to the stage of completion based on services performed to date as a percentage of the total contractual obligation.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 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:

Land and buildings leasehold	Straight line over the remaining lease term
Fixtures, fittings and equipment	10% - 20% straight line

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 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.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.8 Contract accounting

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represents turnover recognised in excess of payments on account.

Payments on account in excess of amounts matched with turnover and offset against long-term contract balances are separately disclosed within creditors.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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.

Basic financial liabilities

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.

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 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.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Long-term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

3 Operating profit/(loss)

	2021	2020
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange gains	(18,091)	-
Fees payable to the company's auditor for the audit of the company's financial statements	14,250	12,500
Depreciation of owned tangible fixed assets	151,273	139,116
Operating lease charges	-	239,689
	<u> </u>	<u> </u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (excluding directors) employed by the company during the year was:

	2021 Number	2020 Number
Employees	56	33

There are no employment costs expensed in the company as all such amounts are recharged to other group companies.

5 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest receivable from group companies	1,678,418	1,546,793
Other interest income	1,527	38
Total interest revenue	1,679,945	1,546,831
Other income from investments		
Dividends received	10,900,000	5,810,000
Total income	12,579,945	7,356,831

6 Interest payable and similar expenses

	2021 £	2020 £
Interest payable to group undertakings	14,549	44,250

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	423,108	206,037
Adjustments in respect of prior periods	(38,857)	-
Total current tax	384,251	206,037
Deferred tax		
Origination and reversal of timing differences	21,000	13,875
Adjustment in respect of prior periods	39,000	-
Total deferred tax	60,000	13,875
Total tax charge	444,251	219,912

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

	2021 £	2020 £
Profit before taxation	13,238,274	6,880,264
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	2,515,272	1,307,250
Adjustments in respect of prior years	(38,857)	-
Depreciation on assets not qualifying for tax allowances	7,712	6,957
Deferred tax adjustments in respect of prior years	39,000	-
Dividends received not taxable	(2,071,000)	(1,103,900)
Other timing differences	(149)	9,605
Tax effect of enhanced capital allowances	(7,727)	-
Taxation charge for the year	444,251	219,912

Factors that may affect future tax charges

In October 2022, the UK Government announced that the proposed increase in the UK Corporation Tax rate to 25% will go ahead as planned starting 1 April 2023. As such, the deferred tax has been recognised at future tax rates based on the estimated timing of reversal.

8 Dividends

	2021 £	2020 £
Interim paid	9,000,000	-

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Tangible fixed assets

	Land and buildings leasehold	Assets under construction	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 January 2021	944,232	-	776,597	1,720,829
Additions	155,451	793,720	-	949,171
Transfers	-	292,948	(292,948)	-
At 31 December 2021	1,099,683	1,086,668	483,649	2,670,000
Depreciation and impairment				
At 1 January 2021	109,983	-	172,520	282,503
Depreciation charged in the year	97,823	-	53,450	151,273
At 31 December 2021	207,806	-	225,970	433,776
Carrying amount				
At 31 December 2021	891,877	1,086,668	257,679	2,236,224
At 31 December 2020	834,249	-	604,077	1,438,326

10 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	11	17,381,412	17,381,412
Investments in joint ventures	12	150	150
		17,381,562	17,381,562

Movements in fixed asset investments

	Shares in subsidiaries and joint ventures £
Cost or valuation	
At 1 January 2021 & 31 December 2021	17,381,562
Carrying amount	
At 31 December 2021	17,381,562
At 31 December 2020	17,381,562

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shareholding	% Held Direct
ESUK Aerospace and Simulation (Group) Limited	Cairo House, Greenacres Road, Waterhead, Oldham, OL4 3JA.	Aerospace and defence	Ordinary	100.00
Elite KL Limited	Elite House, Sandy Way, Amington Industrial Estate, Tamworth, Staffs, B77 4DS.	Defence contractor	Ordinary	100.00
UAV Tactical Systems Limited	Unit F Meridian East, Meridian Business Park, Braunstone Town, Leicester, LE19 1WZ.	Defence contractor	Ordinary	51.00
UAV Engines Limited	Lynn Lane, Shenstone, Lichfield, Staffs, WS14 0EA.	Aerospace and defence	Ordinary	100.00
Instro Precision Limited	Sentinel House, Artillery Way, Discovery Park, Sandwich, Kent, CT13 9FL.	Defence contractor	Ordinary	100.00
Name of undertaking	Registered office	Nature of business	Class of shareholding	% Held Indirect
ESUK Aerospace and Simulation (Holdings) Limited	Cairo House, Greenacres Road, Waterhead, Oldham, OL4 3JA.	Aerospace and defence	Ordinary	100.00
ESUK Aerospace and Simulation Limited	Cairo House, Greenacres Road, Waterhead, Oldham, OL4 3JA.	Aerospace and defence	Ordinary	100.00

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Joint ventures

Details of the company's joint ventures at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Affinity Flying Training Services Limited	See below	Defence contractor	Ordinary	50.00
Affinity Flying Services Limited	See below	Defence contractor	Ordinary	50.00
Affinity Capital Works Limited	See below	Defence contractor	Ordinary	50.00

The registered office of the above companies is Hill Park Court, Springfield Drive, Leatherhead, Surrey, KT22 7NL.

13 Stocks

	2021 £	2020 £
Work in progress	3,067,514	248,330

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	12,870,077	1,271,904
Corporation tax recoverable	86,892	73,961
Amounts owed by group undertakings	15,208,351	16,809,333
Amounts owed by undertakings in which the company has a participating interest	2,635,384	2,434,089
Other debtors	154,324	2,846
	30,955,028	20,592,133

	2021 £	2020 £
Amounts falling due after more than one year:		
Amounts owed by undertakings in which the company has a participating interest	6,568,897	8,936,195
Total debtors	37,523,925	29,528,328

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,121,552	287,795
Amounts owed to group undertakings	6,351,129	3,430,708
Taxation and social security	8,003	768,686
Accruals and deferred income	10,461,529	5,414,186
	<u>17,942,213</u>	<u>9,901,375</u>

16 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:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	<u>144,000</u>	<u>84,000</u>
Movements in the year:		2021 £
Liability at 1 January 2021		84,000
Charge to profit or loss		60,000
Liability at 31 December 2021		<u>144,000</u>

17 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 0.1p each	<u>1,491</u>	<u>1,491</u>	<u>1</u>	<u>1</u>

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2020 £
Acquisition of tangible fixed assets	<u>3,450,000</u>	<u>-</u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	548,850	508,014
Between two and five years	2,044,920	1,210,212
In over five years	675,515	932,704
	<u>3,269,285</u>	<u>2,650,930</u>

20 Related party transactions

The company has taken advantage of the exemption conferred within FRS102 section 33.1A not to disclose transactions between wholly owned members of the same group.

The company owns 50% of the share capital of Affinity Flying Training Services Limited ("AFTSL"), Affinity Capital Works Limited ("ACWL") and Affinity Flying Services Limited ("AFSL"). The company also owns 51% of UAV Tactical Systems Limited ("UTACS").

During the year, the company charged interest of £1,208,592 (2020 - £1,445,835) to AFTSL in relation to loans advanced. At 31 December 2021 included within debtors is an amount of £9,204,281 (2020 - £11,370,284) due from AFTSL.

During the year, the company received dividends of £1,250,000 (2020 - £2,050,000) from ACWL.

During the year, the company received dividends of £650,000 (2020 - £700,000) from AFSL.

During the year, the company received dividends of £Nil (2020 - £3,060,000) from UTACS. At 31 December 2021, included within creditors is an amount of £Nil (2020 - £195,188) due to UTACS.

21 Ultimate 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.