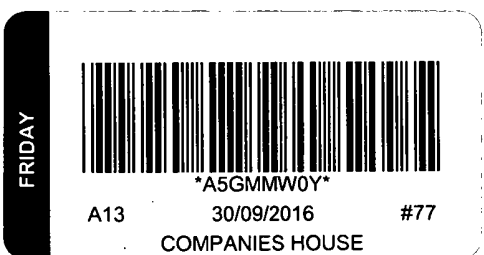


Registered No. SC353450

# Lockheed Martin UK Strategic Systems Limited

## Annual Report and Financial Statements

31 December 2015



**Directors**

P Ruddock  
P Burton  
E Scherff

**Auditors**

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

**Bankers**

Citibank  
Citibank House  
336 Strand  
London WC2R 1HB

**Solicitors**

Brodies WS  
15 Atholl Crescent  
Edinburgh EH3 8HA

**Registered Office**

15 Atholl Crescent  
Edinburgh EH3 8HA

Registered No. SC353450

## Directors' report

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

### Results and dividends

The profit for the year after taxation amounted to £3,047,000 (2014 – profit of £2,417,000). The directors do not recommend a final dividend (2014 – £nil).

The company's business activities, along with relevant factors likely to affect its future development and position, are described in the Business Review section of the Strategic Report on pages 4 to 5. The company participates in the group's centralised treasury arrangements and shares banking arrangements with its parent and fellow divisions.

### Going Concern

The directors, having assessed the company's financial position, have no reason to believe that a material uncertainty exists that casts significant doubt over the company to continue as a going concern or jeopardise its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made the directors expect that the company will be able to continue in operational existence for the foreseeable future. Therefore 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 and subsequently were as follows:

S Ball	(resigned 31 December 2015)
P Burton	(appointed 25 May 2016)
M Hunt	(resigned 20 August 2015)
M Joyce	(resigned 25 May 2016)
P Ruddock	(appointed 1 January 2016)
E Scherff	(appointed 25 May 2016)

### Directors' liabilities

The company has indemnified the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of 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.

### Employees

During the year, the policy of providing employees with information about the company has been continued. Employees have also been encouraged to present their suggestions and views, and regular meetings are held between local management and employees to allow a free flow of information and ideas.

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

## Directors' report

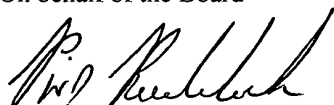
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



*P Ruddock*

*Director*

*Date: 28 SEP 16*

## Strategic Report

### Principal activities and review of the business

The principal continuing activities of the company are serving 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 uses a number of key performance indicators to monitor performance within the business. These include the following:

#### Financial

The company annually updates a rolling long-range plan (LRP) covering five years, which is supplemented by short-term forecasts (STFs), updated at least quarterly. The key components of these performance indicators include Revenue, Earnings before Interest and Tax (EBIT), Net cash and the associated average headcount. The results for 2015, compared to 2014 are shown in the table below:

	2015	2014
	£000	£000
Revenue	15,393	13,733
EBIT	3,639	2,580
Net cash	15,417	12,087
	2015	2014
Headcount	180	173

The business has delivered a strong financial performance in 2015. Contract amendments to existing contracts generated additional revenue in comparison to previous year. Further the business saw a considerable growth in internal revenue generated from supporting Lockheed Martin's Space Systems Company. Business profitability increased in line with this revenue growth.

#### Non-financial

The Corporation has a policy called 'Target Zero' for work-related accidents.

All employees undertook annual compliance and ethics training which was achieved to Schedule.

The company holds an Investors In People award which is subject to a three yearly review by external assessors.

The company holds ISO 9001:2008 and OHSAS 18001:2007 quality registrations which are also subject to regular surveillance visits and re-accreditation from external assessors.

#### Future developments

The business expects to maintain good relationships with Commercial and MoD Customers and sales from continuing operations are expected to remain consistent. The company continues to actively pursue new business opportunities.

#### Principal risks and uncertainties

The company's Operations Council periodically reviews a business-level and cross-programme risk register.

The Corporate risk register addresses risks at Business Unit level. The types of risk are mainly competitive, legislative and financial, but also process, critical resources, health and safety, business continuity and IT recovery planning are covered.

#### Competitive risks

Competitive risks address both the market evolution and Lockheed Martin's position in that market. Typical parameters are pricing, capability (enhancement), critical skills/resources and effects of current programme performance.

## Strategic Report

### Legislative risks

Legislative and commercial risks are also addressed in the risk registers of the individual programmes. They are mostly owned by the commercial department. Cross-programme trends are flowed up to the Corporate risk register.

### Financial risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

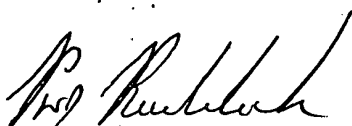
Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The directors consider the credit risk to be low given that the principal customer is the UK Government. The liquidity and cash flow risk is also considered low as this is managed by the funding facilities available from its parent undertaking.

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 contracts undertaken.

The company faces the risk that long term forecast contract profit margins are not met, however this risk is minimised by regular 'Estimate at Complete' updates and detailed monthly internal programme reviews.

The company also may suffer a loss making programme, where due to unforeseen circumstance additional costs are incurred. This risk is kept to a minimum by the use of very robust and mature contract pricing methodologies before submitting a bid.

On behalf of the Board



P Ruddock

Director

Date: 28 SEP 16

## Statement of directors' responsibilities

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 FRS 102 – the financial reporting standard applicable in the UK. As this is the first year of transition, the 2014 financial statements have been restated to reflect the FRS 102 standard in order to disclose comparable data under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 FRS102 standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

## **Independent auditors' report**

### **to the members of Lockheed Martin UK Strategic Systems Limited**

We have audited the financial statements of Lockheed Martin UK Strategic Systems Limited for the year ended 31 December 2015 which comprise the Income statement, Statement of comprehensive income, Statement of changes in equity, Statement of financial position and the related notes 1 to 19. 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 Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the 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 Strategic Systems Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

*Geraint Davies (Senior Statutory Auditor)*

*For and on behalf of Ernst & Young LLP (Statutory Auditor)*

*Southampton*

*[Date] 30 September 2016*

## Income statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
<b>Turnover</b>	3	15,393	13,733
Cost of sales		(9,318)	(8,814)
<b>Gross Profit</b>		6,075	4,919
Other operating income		-	-
Other operating expense		(2,436)	(2,352)
<b>Operating Profit</b>	4	3,639	2,567
Interest receivable and similar income	7	1	13
<b>Profit on ordinary activities before taxation</b>		3,640	2,580
Taxation	8	(593)	(163)
<b>Profit for the financial year</b>		3,047	2,417

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2015

	2015 £000	2014 £000
<b>Profit for the year</b>	3,047	2,417
Remeasurement gain/(loss) recognised on defined benefit pension schemes	226	(124)
Movement on deferred tax relating to pension liability	(44)	32
<b>Total other comprehensive income/(loss)</b>	182	(92)
<b>Total comprehensive income for year</b>	3,229	2,325

## Statement of changes in equity

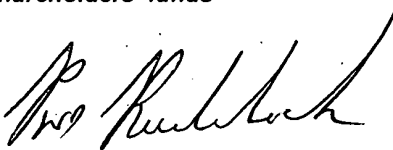
at 31 December 2015

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Retained earnings</i> £000	<i>Total share-holders' funds</i> £000
At 1 January 2014	40	74	5,953	6,067
Profit for the year	—	—	2,417	2,417
Net actuarial loss recorded	—	—	(92)	(92)
At 1 January 2015	40	74	8,278	8,392
Profit for the year	—	—	3,047	3,047
Net actuarial gain recorded	—	—	182	182
At 31 December 2015	40	74	11,507	11,621

## Statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	9	318	368
		318	368
<b>Current assets</b>			
Debtors	10	2,419	1,872
Cash at bank and in hand		15,417	12,087
		17,836	13,959
<b>Creditors: amounts falling due within one year</b>	11	(6,506)	(5,742)
		11,330	8,217
<b>Net current assets</b>			
		11,648	8,585
<b>Total assets less current liabilities</b>			
		11,648	8,585
<b>Net assets excluding pension liability</b>			
Pension liability	14	(27)	(193)
		11,621	8,392
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	12	40	40
Share premium		74	74
Profit and loss account		11,507	8,278
		11,621	8,392
<b>Shareholders' funds</b>			

  
Director

Date 28 SEP 16

## Notes to the Financial Statements

at 31 December 2015

### 1. Accounting policies

The financial statements of Lockheed Martin UK Strategic Systems Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

#### **Statement of compliance**

Lockheed Martin UK Strategic Systems Limited is a limited liability company incorporated in Scotland. The Registered Office is 15 Atholl Crescent, Edinburgh, EH3 8HA.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. Information on the impact of first-time adoption of FRS 102 is given in note 19.

The preparation of the financial statements in compliance with FRS102 requires the use of certain accounting estimates. Key estimations and judgments are given in note 2.

#### **Basis of preparation**

The company transitioned from the previously extant UK GAAP to FRS 102 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 19. The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 31 December 2015.

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

- The requirement to present a statement of cash flows and related notes;
- Financial instrument disclosures and hedge accounting disclosures;
- Share-based payment arrangements;
- Key management personnel compensation; and
- Disclosure of related party transactions with other wholly owned group companies.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Leasehold improvements and cost of relocating fixed assets are depreciated over 5 years, or if shorter, the period of the lease.

Depreciation on other fixed assets is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line and reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	-	over the life of the lease
Furniture, Fixture and Fittings	-	2-4 years
Computer Equipment	-	2-8 years

## Notes to the Financial Statements

at 31 December 2015

### 1. Accounting policies (continued)

#### **Contract turnover and work in progress**

Turnover represents revenue earned on contracts to provide maintenance services. Turnover is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Turnover is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of turnover reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors as amounts recoverable on contracts and payments on account in excess of the relevant amount of revenue are included in creditors.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

#### **Deferred taxation**

Deferred taxation 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 right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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 or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling of the date of the transaction. 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 income statement in the year in which they arise.

#### **Debtors**

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

#### **Creditors**

Short term trade creditors are measured at the transaction price.

#### **Operating leases**

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

#### **Pensions**

The Company's pension scheme is the LM UK Pension Plan. The pension fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the income statement. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet.

## Notes to the Financial Statements

at 31 December 2015

### 1. Accounting policies (continued)

#### *Share-based payments*

The cost of equity-settled transactions with employees is measured by reference to the fair value of the parent undertaking's equity instruments at the date at which they are granted and is recognised as an expense to the company over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgments have had the most significant effect on amounts recognised in the financial statements;

- Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The business estimates its profit margins based on robust Estimate at Completion (EAC) forecasts for all projects. The profit included is calculated to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen. Turnover in respect of long-term contracts is calculated to fairly reflect the level of completion of the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.
- The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 14.

### 3. Turnover

All continuing turnover originates in the United Kingdom, and is attributable to the company's principal activity as detailed in the Directors' Report. Turnover is stated net of VAT and trade discounts.

## Notes to the Financial Statements

at 31 December 2015

### 4. Operating Profit

This is stated after charging:

	2015 £000	2014 £000
Auditors' remuneration – audit services	12	12
– non-audit services	8	-
Depreciation charge for the year	115	142
Operating lease rentals – plant and machinery	25	30
– land and buildings	20	33

### 5. Directors' remuneration

	2015 £000	2014 £000
Remuneration	-	-

Directors' remuneration is not payable through the Company. One director is accruing retirement benefits under money purchase pension schemes.

### 6. Staff costs

	2015 £000	2014 £000
Wages and salaries	7,049	6,550
Social security costs	696	639
Other pension costs	914	893
	8,660	8,081

The average monthly number of employees during the year was made up as follows:

	No.	No.
Production (including research and development)	169	164
Administration	11	9
	180	173



## Notes to the Financial Statements

at 31 December 2015

### 7. Interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	-	-
Other interest income (note 14)	1	13
	<u>1</u>	<u>13</u>

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015 £000	2014 £000
<b>Current tax:</b>		
UK corporation tax on the profit for the year	763	162
UK corporation tax overprovided in previous years	(162)	-
Total current tax	<u>601</u>	<u>162</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(13)	5
Adjustments in respect of previous years	-	(3)
Effect of changes in tax rates	5	(1)
Tax charge on profit on ordinary activities (note 8(b))	<u>593</u>	<u>163</u>

## Notes to the Financial Statements

at 31 December 2015

### 8. Tax (continued)

#### (b) Factors affecting the current tax charge for the year

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

	2015 £000	2014 £000
Profit / (Loss) on ordinary activities before tax	3,640	2,580
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	737	555
<i>Effects of:</i>		
Expenses not deductible for tax purposes	14	8
Effects of group relief/ other relief	-	(396)
Adjustments in respect of prior years	(163)	(3)
Tax rate changes	5	(1)
Income tax expense for the year (note 8(a))	593	163

#### (c) Proposed tax legislation that may affect future tax charges

The UK corporation tax rate was reduced from 21% to 20% effective 1 April 2015.

During the year, the Finance Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and by a further 1% to 18%, with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date, deferred tax is recognised at 18% at the year-end date.

#### (d) Movements on deferred tax asset

	2015 £000	2014 £000
Deferred tax asset at 1 January	67	36
Amounts in respect of prior periods	-	3
Deferred tax credit/(charged) to the income statement in the period	8	(4)
Deferred tax credit in OCI for the period	(44)	32
Other debtors	31	67

## Notes to the Financial Statements

at 31 December 2015

### 9. Tangible fixed assets

	<i>Leasehold improvement £000</i>	<i>Plant, office and computer equipment £000</i>	<i>Construction in progress £000</i>	<i>Total £000</i>
Cost or valuation:				
At 1 January 2015	409	501	75	985
Additions	—	41	36	77
Disposals	—	—	—	—
Reclassifications	—	75	(75)	—
At 31 December 2015	409	617	36	1,062
Depreciation:				
At 1 January 2015	308	320	—	628
Charge for year	46	69	—	115
Depreciation eliminated on disposals	—	—	—	—
At 31 December 2015	354	389	—	743
Net book value:				
At 31 December 2015	54	228	36	318
At 1 January 2015	111	181	75	368

### 10. Debtors

	<i>2015 £000</i>	<i>2014 £000</i>
Trade debtors	1,811	1,349
Amounts owed by parent and fellow subsidiary undertakings	—	31
Deferred tax asset (note 8(d))	31	67
Other debtors	577	425
	<u>2,419</u>	<u>1,872</u>

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

	<i>2015 £000</i>	<i>2014 £000</i>
Trade creditors	279	119
Payment received on account	2,020	1,374
Amounts owed to parent and fellow subsidiary undertakings	127	127
Other taxes and social security costs	1,088	866
Corporation Tax payable	240	162
Other creditors and accruals	2,752	2,973
	<u>6,506</u>	<u>5,742</u>

## Notes to the Financial Statements

at 31 December 2015

### 12. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2015</i>	<i>No.</i>	<i>2014</i>
		<i>£000</i>		<i>£000</i>
Ordinary shares of £1 each	40,000	<u>40</u>	40,000	<u>40</u>

### 13. Capital commitments

There were no contracted or non-contracted capital commitments at 31 December 2015 (2014 – £nil).

### 14. Pensions

For the purposes of FRS 102, the pension obligations have been reported separately for these companies' respective financial statements.

The defined benefit section of the plan is for 'TUPE'd' staff on the ABL contract only and closed to new employees. The existing defined contribution section is available to all new employees.

The valuations used for FRS 102 disclosures have been based on the most recent formal actuarial valuation at 31 December 2015 for the Citrus Pension Scheme. The scheme is funded by the payment of contributions to separately administered trust funds.

The valuations have been updated by the company's independent actuarial advisors Hymans Robertson, qualified independent actuaries, using the projected unit credit method to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2015 and 31 December 2014.

The major assumptions used in the valuations were:

	<i>2015</i>	<i>2014</i>	<i>2013</i>
Rate of increase in salaries	4.3%	4.2%	4.53%
Rate of increase for pensions in payment and deferred	2.3%	2.7%	3.03%
Discount rate	3.85%	3.2%	4.36%
Inflation assumption	2.3%-3.3%	2.7%-3.2%	3.03%-3.53%

The market value of plan assets and fair value of scheme liabilities as at the balance sheet date are as follows:

	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Total market value of plan assets	1,479	1,063	—
Present value of liabilities	<u>(1,506)</u>	<u>(1,256)</u>	<u>—</u>
Gross pension liability	<u>(27)</u>	<u>(193)</u>	<u>—</u>

## Notes to the Financial Statements

at 31 December 2015

### 14. Pension (continued)

Profit and loss account disclosures under FRS 102

	2015 £000	2014 £000
<i>Analysis of amounts charged to operating profit</i>		
Employers' part of the current service cost	448	876
Administrative costs	25	74
Loss /(gain) on curtailments / past settlements	-	(14)
Total operating charge	473	936
<i>Analysis of amounts credited/(charged) to other finance income</i>		
Expected return on pension scheme assets	41	19
Interest on pension scheme liabilities	(40)	(6)
Total finance income	1	13
<i>Analysis of amount recognised in other comprehensive income</i>		
Actual return less expected return on pension scheme assets	(29)	41
Experience (losses) arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	255	(165)
Actuarial gain / (loss) recognised in STRGL	226	(124)
<i>Movement in scheme deficit during the year</i>		
(Deficit) at 1 January	(193)	-
Current service cost in year	(473)	(950)
Past service gain	-	14
Employer contributions to the schemes in year	412	854
Finance income	1	13
Actuarial gain / (loss) recognised in STRGL	226	(124)
(Deficit) at 31 December	(27)	(193)

### 15. Other financial commitments

(a) Operating lease commitments

At 31 December 2015 the company had commitments under non-cancellable operating leases as set out below:

	2015 £000	2014 £000
Operating leases which expire:		
Within one year	8	-
In two to five years	122	178
Over five years	-	-
	130	178

## Notes to the Financial Statements

at 31 December 2015

### 16. Related party transactions

The company has utilised the exemption under FRS 102 as a subsidiary undertaking not to disclose transactions with other wholly owned subsidiaries of Lockheed Martin Corporation group.

On 16 August 2016 the company acquired 51% of AWE Management Limited from Lockheed Martin UK Holdings Limited. During the year ended 31 December 2015 the company entered into, in the ordinary course of business, transactions with AWE Management Limited, and had trading balances outstanding at 31 December, as follows:

	<i>Sales to associate undertaking</i>	<i>Purchases from associate undertaking</i>	<i>Amounts owed from associate undertaking</i>	<i>Amounts owed to associate undertaking</i>
<i>AWE PLC</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
2015	3,515	—	845	—
2014	3,432	—	351	—

### 17. Post balance sheet events

On 16 August 2016, 450,000 B Ordinary shares of £1 of AWE Management Limited, equating to 51% of the total share capital of the business, were transferred from Lockheed Martin UK Holdings Limited to the Company. AWE Management Limited is therefore expected to be recognised as an investment in subsidiary undertakings in future periods.

### 18. 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.

The company's immediate parent undertaking is Lockheed Martin UK Holdings Limited. Copies of the financial statements of this company may be obtained from its registered office, 100 Cannon Street, London EC4N 6EU.

# Notes to the Financial Statements

at 31 December 2015

## 19. First time adoption of FRS 102

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with the previously extant United Kingdom generally accepted accounting practice (UK GAAP). The company transitioned to FRS102 from previously extant UK GAAP as at 1 January 2014.

Accordingly the company has prepared financial statements which comply with FRS 102 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102. As such, this note explains the principal adjustments made by the company in restating its income statement and other comprehensive income for the year ended 31 December 2014. There are no GAAP differences between UK GAAP and FRS 102 in respect of the statement of financial position as at 1 January 2014 or 31 December 2014.

### *Reconciliation of Statement of financial position for the year ended 31 December 2014*

	<i>UK GAAP</i>	<i>FRS 102</i>	
	<i>£000</i>	<i>Adjustments</i>	<i>FRS 102</i>
		<i>£000</i>	<i>£000</i>
<b>Fixed assets</b>			
Tangible assets	368	-	368
<b>Current assets</b>			
Debtors	1,833	39	1,872
Cash at bank and in hand	12,087	-	12,087
	13,920	39	13,959
<b>Creditors:</b> amounts falling due within one year	(5,742)	-	(5,742)
<b>Net current assets</b>	8,178	39	8,217
<b>Total assets less current liabilities</b>	8,546	39	8,585
Pension liability	(154)	(39)	(193)
<b>Net assets</b>	8,392	-	8,392
<b>Capital and reserves</b>			
Called up share capital	40	-	40
Share premium	74	-	74
Profit and loss account	8,278	-	8,278
<b>Shareholders' funds</b>	8,392	-	8,392

## Notes to the Financial Statements

at 31 December 2015

### 19. First time adoption of FRS 102 (continued)

*Reconciliation of Total Comprehensive Income for the year ended 31 December 2014*

	UK GAAP £000	FRS 102 Adjustments £000	FRS 102 £000
<b>Turnover</b>	13,733	-	13,733
Cost of sales	(8,769)	(45)	(8,814)
<b>Gross Profit / (Loss)</b>	4,964	(45)	4,919
Other operating income	-	-	-
Other operating expense	(2,352)	-	(2,352)
<b>Operating Profit / (Loss)</b>	2,612	(45)	2,567
Interest receivable and similar income	-	13	13
<b>Profit / (Loss) on ordinary activities before taxation</b>	2,612	(32)	2,580
Taxation	(170)	7	(163)
<b>Profit / (Loss) for the financial year</b>	2,442	(25)	2,417
Remeasurement gain/(loss) recognised on defined benefit pension schemes	(156)	32	(124)
Movement on deferred tax relating to pension liability	39	(7)	32
<b>Total other comprehensive income</b>	(117)	25	(92)
<b>Total comprehensive income</b>	2,325	-	2,325