

**Elbit Systems UK Limited**

**Directors' report and financial  
statements**

**Registered number 05241591**

**31 December 2007**



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## Directors' report

The directors present their directors' report and financial statements for the 15 month period ended 31 December 2007

### Principal activities

The company acts as an intermediate holding company

### Proposed dividend

The directors do not recommend the payment of a dividend

### Directors

The directors who held office during the period were as follows

M Carmon

I Dvir

I Fisher (appointed 22 October 2007)

### Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year


### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

X  
  
M Carmon  
Secretary

C/O Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London  
EC4R 9HA

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' 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 2007 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Elbit Systems UK Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

*23 October 2008*

**Profit and Loss Account**  
*for the 15 month period ended 31 December 2007*

	<i>Note</i>	<b>15 month period ended 31 December 2007</b>	<b>12 month period ended 30 September 2006</b>
		<b>£</b>	<b>£</b>
Administrative expenses		(6,600)	-
<b>Operating loss</b>		<b>(6,600)</b>	<b>-</b>
Interest payable and similar charges	3	(461,237)	-
<b>Loss on ordinary activities before taxation</b>	2-3	<b>(467,837)</b>	<b>-</b>
Tax on profit on ordinary activities	4	49,138	-
<b>Loss for the financial year</b>		<b>(418,699)</b>	<b>-</b>

**Statement of Total Recognised Gains and Losses**  
*for the 15 month period ended 31 December 2007*

There were no gains and losses in the current or preceding year other than those passing through the profit and loss account

**Balance Sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> £	<b>2007</b> £	<b>2006</b> £	<b>2006</b> £
<b>Fixed assets</b>					
Investments	5		14,972,910		51
			<u>14,972,910</u>		<u>51</u>
<b>Current assets</b>					
Debtors	6	49,138			
Cash at bank and in hand		252,809		-	
		<u>301,947</u>		<u>-</u>	
<b>Creditors</b> amounts falling due within one year	7	(693,555)		(50)	
<b>Net current liabilities</b>			(391,608)		(50)
<b>Total assets less current liabilities</b>			14,581,302		1
<b>Creditors</b> amounts falling due after more than one year	8		(15,000,000)		-
<b>Net (liabilities)/assets</b>			<u>(418,698)</u>		<u>1</u>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Profit and loss account	11		(418,699)		-
<b>Shareholders' funds</b>			<u>(418,698)</u>		<u>1</u>

These financial statements were approved by the board of directors on 22.9.08 and were signed on its behalf by

  
I Dvir  
Director



**Reconciliation of Movements in Shareholders' Deficit**  
*for the 15 month period ended 31 December 2007*

	2007	2006
	£	£
Loss for the financial year	(418,699)	-
Net reduction in shareholders' funds	(418,699)	-
Opening shareholders' funds	1	-
Closing shareholders' deficit	(418,698)	-

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The Company is exempt by virtue of s228A of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Elbit Systems Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Elbit Systems Limited, within which this Company is included, can be obtained from the website given in note 10.

#### *Investments*

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Interest bearing borrowings*

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## Notes (continued)

### 2 Notes to the profit and loss account

#### *Auditors' remuneration*

	15 month period ended 31 December 2007 £	12 month period ended 30 September 2006 £
Audit of these financial statements	4,100	-
Other services relating to taxation	2,500	-
	<u>6,600</u>	<u>-</u>

### 3 Interest payable and similar charges

	15 month period ended 31 December 2007 £	12 month period ended 30 September 2006 £
On bank loans and overdrafts	94,205	-
On all other loans	367,032	-
	<u>461,237</u>	<u>-</u>

## Notes (continued)

### 4 Taxation

#### *Analysis of charge in period*

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the period (group relief receivable)	(49,138)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(49,138)	-
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower than (2006 equal to) the standard rate of corporation tax in the UK of 30% (2006 30 %). The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	(467,837)	-
	<hr/>	<hr/>
Current tax at 30% (2006 30 %)	(140,351)	-
	<hr/>	<hr/>
<i>Effects of</i>		
Creation of tax losses	91,213	-
	<hr/>	<hr/>
Total current tax charge (see above)	(49,138)	-
	<hr/>	<hr/>

#### *Factors that may affect future current and total tax charges*

The UK tax rate will be reduced from 30% to 28%, effective from 1 April 2008

## Notes (continued)

### 5 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning of year	51
Additions	14 972,859
	<hr/>
At end of year	14 972 910
	<hr/>
<i>Provisions</i>	
At beginning of year	-
Provided in year	-
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2007	14,972,910
	<hr/>
At 30 September 2006	51
	<hr/>

The companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Ferranti Technologies (Group) Limited	England	Aerospace and defence	100%
UAV Tactical Systems Limited	England	Defence contractor	51%

### 6 Debtors

	2007 £	2006 £
Amounts owed by group undertakings	49,138	-
	<hr/>	<hr/>
	49,138	-
	<hr/>	<hr/>

## Notes (continued)

### 7 Creditors, amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	592,750	-
Accruals and deferred income	100,805	-
	<u>693,555</u>	<u>-</u>

### 8 Creditors, amounts falling due after more than one year

	2007 £	2006 £
Bank loans and overdrafts	15,000,000	-
	<u>15,000,000</u>	<u>-</u>

The bank loan attracts interest at a rate of 0.875% above the 3 month LIBOR rate and is secured against the assets of parent company Elbit Systems Limited. The loan expires on 31 October 2010.

### 9 Deferred taxation

	2007 £	
Deferred tax provision at the beginning and end of the year	-	
	<u>-</u>	
The elements of deferred taxation are as follows		
	2007 £	2006 £
Tax losses	85,132	-
Unrecognised deferred tax asset	<u>85,132</u>	<u>-</u>

The deferred tax asset has not been recognised on the basis that it is uncertain that these tax losses will be utilised in the near future.

The UK tax rate will be reduced from 30% to 28%, effective from 1 April 2008. In accordance with FRS 19, the unrecognised deferred tax asset has been calculated using a tax rate of 28%, the rate at which the provision is expected to reverse.

## Notes (continued)

### 10 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
1 000 Ordinary shares of £1 each	1,000	1 000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

### 11 Share premium and reserves

	Profit and loss account £
At beginning of year	-
Loss for the year	(418,699)
	<hr/>
At end of year	(418,699)
	<hr/>

### 12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Elbit Systems Limited, a company incorporated in Israel, which is the ultimate parent company

Elbit Systems Limited is the largest and smallest group for which consolidated financial statements are prepared. The consolidated financial statements of this group are available to the public and may be obtained from [www.elbitsystems.com](http://www.elbitsystems.com)

### 13 Change in accounting reference date

The accounting reference period ending 30 September 2007 was extended so as to end on 31 December 2007 in order to comply with the ultimate parent company year end