

Company registration number 05241591 (England and Wales)

ELBIT SYSTEMS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

ELBIT SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors	Mr B Machlis Mr M C S J Fausset Sir M W Poffley Mr C P Smith Mr J Gaspar	(Appointed 27 June 2022) (Appointed 20 March 2023) (Re-appointed 20 March 2023)
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Company number	05241591
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Registered office	77 Kingsway London WC2B 6SR
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Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ
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ELBIT SYSTEMS UK LIMITED

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ELBIT SYSTEMS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal activities and review of business

The principal activity of the company continued to be that of an intermediate parent undertaking. Since 2021 a number of contracts were entered into where the UK Ministry of Defence is the ultimate customer. The company reported a significant increase in turnover for the year ended 31 December 2022 driven by the delivery of the closing 2021 contract orderbook.

These contract activities involve the design, development, and assembly of products and technologies for the defence market including; integrated software solutions and 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.

The results for the year and the financial position at the year end reflect current market conditions, with the UK government actively spending in all the company's market sectors in light of current global affairs. The company moves into 2023 with a healthy orderbook and more than adequate liquidity through the support of its parent company (Elbit Systems Ltd, Israel) and cash collections from third party sources.

Some of the key financial performance indicators are shown below:

- Turnover - £64,619,000 (2021 - £33,738,000)
- Operating profit - £1,831,000 (2021 - £673,000)
- Profit after tax - £2,335,000 (2021 - £12,794,000)

Principal risks and uncertainties

The company ambition and purpose is to be a world leading source of innovative technology-based systems for diverse defence and civilian applications and to deliver solutions that provide a decisive advantage and freedom of actions to all our customers.

Therefore, the level of conflict in the world does have a bearing on the company's market activity. There is always the risk of government budgetary cutbacks in the defence programmes. However, in the current global political environment we do not expect immediate defence spending reductions in our market or product development areas.

At present the company's position in a number of contracts covering the air, land and naval sectors provides resilience in the event of a downturn in a single sector of the market. With our highly respected development capability, the company has confidence in its ability to react positively to all market conditions.

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

Development and performance

The company continues to commit resource and time, both in the UK and through its parent company in Israel, to the development of new product and product enhancements that reinforce the company's competitive position.

ELBIT SYSTEMS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

Key performance indicators are used to measure and evaluate company performance against targets and monitor various activities throughout the company. The main key performance indicators employed by the company are:

- Order Intake and orderbook
- Turnover
- Profit levels
- Staff headcount
- Staff productivity
- Cash flows

S172 statement

Under Section 172 of the Companies Act 2006, directors are required to promote the success of the Company for the benefit of its shareholders and, in doing so, to have regard to the interest of all of our stakeholders.

The Board of Directors of Elbit Systems UK Limited considers, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2022.

The board of directors have identified the key stakeholders that are impacted by the company's activities and have identified the activities through which the board can either directly or indirectly (through senior management or the wider group's engagement) engage with these stakeholders. The key stakeholders identified are customers, suppliers, employees, local community and parent company (Elbit Systems Limited) during 2022.

Examples of direct and indirect engagement activities with the stakeholders are:

Customers:

- Dedicated business unit teams covering disciplines and market sectors
- Project management responsible for sustainable solution design
- Sector specialist knowledge to build tailored solutions in response to customer needs
- Regular feedback from 'Voice of Customer' reviews, used to address customer specific issues
- Strategic review process providing information on the customer landscape across all the market in which we operate

Suppliers:

- Our terms and conditions require suppliers to act responsibly and to adhere to our conduct and other policies
- Conduct initial and periodic due diligence and expect suppliers to operate according to professional and quality assurance standards
- Periodically review and discuss significant supplier contracts, challenges and arrangements
- Modern slavery risk assessment

Employees:

- Systems for physical and mental wellbeing, health and safety
- Appealing employee value proposition that attracts talent
- Culture that encourages high levels of engagement and commitment
- Recognition of employees achievements through Outstanding Global awards
- Continuous learning and development opportunities
- Code of ethics, whistleblowing hotline and training
- Performance and development reviews
- All employee Town Hall meetings conducted with local and Parent management
- Employee engagement surveys, sharing of results and deliverable actions plans

ELBIT SYSTEMS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

S172 statement *(continued)*

Local Community:

- Protecting society
- Environmental impacts through indirect and direct actions
- Clear policies to making our operations more energy efficient
- Support local initiatives and charitable causes
- Support academic institutions and further education in promoting events

Parent company

- Regular interactions with Chief Executive and Financial Officers, who convey strategy and performance with shareholders and lenders
- Monthly management reviews of the business to review financial performance against budget and forecast
- Quarterly reporting to parent of financial and operational performance both at a legal and business unit entity level, with updates to ensure a good understanding of forecast expectations
- Directors reviews of the business and board meetings
- Submitting annual operating business unit budgets for Group approval

On behalf of the board

Mr M C S J Fausset
Director

13 December 2023

ELBIT SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. 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 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)
Mr C P Smith	(Appointed 20 March 2023)
Mr J Gaspar	(Resigned 21 September 2022 and re-appointed 20 March 2023)

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.

On behalf of the board

Mr M C S J Fausset

Director

13 December 2023

ELBIT SYSTEMS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

The directors are responsible for keeping 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 2022 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 2022 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

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 and revenue and profit recognition relating to long term contracts. 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 2023

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 2022

	Notes	2022 £	2021 £
Turnover	3	64,619,192	33,738,014
Cost of sales		(62,283,117)	(32,869,048)
		<hr/>	<hr/>
Gross profit		2,336,075	868,966
Administrative expenses		(504,838)	(196,088)
		<hr/>	<hr/>
Operating profit	4	1,831,237	672,878
Interest receivable and similar income	6	1,179,114	12,579,945
Interest payable to group undertakings	7	-	(14,549)
		<hr/>	<hr/>
Profit before taxation		3,010,351	13,238,274
Tax on profit	8	(675,510)	(444,251)
		<hr/>	<hr/>
Profit for the financial year		2,334,841	12,794,023
Retained earnings brought forward		43,870,060	40,076,037
Dividends	9	-	(9,000,000)
		<hr/>	<hr/>
Retained earnings carried forward		46,204,901	43,870,060
		<hr/> <hr/>	<hr/> <hr/>

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 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		2,041,596		-
Tangible assets	11		7,061,604		2,236,224
Investments	12		17,381,562		17,381,562
			<u>26,484,762</u>		<u>19,617,786</u>
Current assets					
Stocks	15	7,847,585		3,067,514	
Debtors falling due after more than one year	16	-		6,568,897	
Debtors falling due within one year	16	73,385,881		35,351,903	
Cash at bank and in hand		2,313,188		1,747,049	
		<u>83,546,654</u>		<u>46,735,363</u>	
Creditors: amounts falling due within one year	17	<u>(63,545,514)</u>		<u>(22,339,088)</u>	
Net current assets			<u>20,001,140</u>		<u>24,396,275</u>
Total assets less current liabilities			<u>46,485,902</u>		<u>44,014,061</u>
Provisions for liabilities					
Deferred tax liability	18	281,000		144,000	
		<u>(281,000)</u>		<u>(144,000)</u>	
Net assets			<u>46,204,902</u>		<u>43,870,061</u>
Capital and reserves					
Called up share capital	19		1		1
Profit and loss reserves			46,204,901		43,870,060
Total equity			<u>46,204,902</u>		<u>43,870,061</u>

The financial statements were approved by the board of directors and authorised for issue on 13 December 2023 and are signed on its behalf by:

Mr M C S J Fausset
Director

Company registration number 05241591 (England and Wales)

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 77 Kingsway, London, WC2B 6SR.

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 2022

1 Accounting policies (Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation 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:

Software	10 years straight line
Licences	3 - 5 years straight line

Amortisation is not recognised until assets are brought into use.

1.5 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:

Leasehold land and buildings	25 - 30 years straight line (previously straight line over remaining lease term)
Plant and equipment	7 - 10 years straight line (previously 10 - 20% p.a. straight line)
Fixtures and fittings	5 - 7 years straight line (previously 10 - 20% p.a. straight line)
Computer equipment	3 - 4 years straight line (previously 10 - 20% p.a. straight line)
Office furniture	3 - 5 years straight line (previously 10 - 20% p.a. 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.

During the year there has been substantial investment in fixed assets, and as a result, the directors have reviewed existing depreciation rates in use. As a result, depreciation rates have been revised to better reflect the future estimated lifespans and residual values of fixed assets. The directors consider this to be a change in accounting estimate.

1.6 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.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

1.8 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.

1.9 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 not underwritten by group / parent undertakings 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 within trade debtors and represent turnover recognised in excess of payments on account. Payments on account are included within accruals and deferred income and represent payments on account received in excess of turnover recognised.

1.10 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.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Other financial liabilities

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

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

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.

1.11 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.

1.12 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.

1.13 Corresponding amounts

The directors have re-analysed certain corresponding amounts to make their disclosure more meaningful.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by geographical market		
UK/Europe	61,354,565	33,738,014
North America	3,264,627	-
	<u>64,619,192</u>	<u>33,738,014</u>
	2022	2021
	£	£
Other revenue		
Interest income	1,179,114	1,679,945
Dividends received	-	10,900,000
	<u>1,179,114</u>	<u>10,900,000</u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	135,312	(18,091)
Fees payable to the company's auditor for the audit of the company's financial statements	25,765	21,610
Depreciation of owned tangible fixed assets	125,751	151,273
Amortisation of intangible assets	79,148	-
	<u> </u>	<u> </u>

5 Employees

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

	2022	2021
	Number	Number
Management	9	6
Sales and administration	37	22
Operations	107	28
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </u>

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

6 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest receivable from group companies	1,175,141	1,678,418
Other interest income	3,973	1,527
	<u> </u>	<u> </u>
Total interest revenue	1,179,114	1,679,945
Other income from investments		
Dividends received	-	10,900,000
	<u> </u>	<u> </u>
Total income	<u> </u>	<u> </u>

7 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable to group undertakings	-	14,549
	<u> </u>	<u> </u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	538,510	423,108
Adjustments in respect of prior periods	-	(38,857)
Total current tax	<u>538,510</u>	<u>384,251</u>
Deferred tax		
Origination and reversal of timing differences	98,000	21,000
Adjustment in respect of prior periods	39,000	39,000
Total deferred tax	<u>137,000</u>	<u>60,000</u>
Total tax charge	<u>675,510</u>	<u>444,251</u>

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:

	2022	2021
	£	£
Profit before taxation	<u>3,010,351</u>	<u>13,238,274</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	571,967	2,515,272
Adjustments in respect of prior years	-	(38,857)
Effect of change in corporation tax rate	67,256	-
Depreciation on assets not qualifying for tax allowances	7,168	7,712
Deferred tax adjustments in respect of prior years	39,000	39,000
Dividends received not taxable	-	(2,071,000)
Other timing differences	-	(149)
Tax effect of enhanced capital allowances	(9,881)	(7,727)
Taxation charge for the year	<u>675,510</u>	<u>444,251</u>

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.

9 Dividends

	2022	2021
	£	£
Interim paid	-	9,000,000

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Intangible fixed assets

	Software £	Licences £	Total £
Cost			
At 1 January 2022	-	-	-
Additions	894,632	1,226,112	2,120,744
At 31 December 2022	894,632	1,226,112	2,120,744
Amortisation and impairment			
At 1 January 2022	-	-	-
Amortisation charged for the year	-	79,148	79,148
At 31 December 2022	-	79,148	79,148
Carrying amount			
At 31 December 2022	894,632	1,146,964	2,041,596
At 31 December 2021	-	-	-

11 Tangible fixed assets

	Leasehold land and buildings £	Assets under construction £	Fixtures and fittings £	Total £
Cost				
At 1 January 2022	1,099,683	1,066,668	483,649	2,670,000
Additions	221,065	4,491,599	238,467	4,951,131
At 31 December 2022	1,320,748	5,578,267	722,116	7,621,131
Depreciation and impairment				
At 1 January 2022	207,806	-	225,970	433,776
Depreciation charged in the year	37,726	-	88,025	125,751
At 31 December 2022	245,532	-	313,995	559,527
Carrying amount				
At 31 December 2022	1,075,216	5,578,267	408,121	7,061,604
At 31 December 2021	891,877	1,066,668	257,679	2,236,224

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	13	17,381,412	17,381,412
Investments in joint ventures	14	150	150
		<u>17,381,562</u>	<u>17,381,562</u>

Movements in fixed asset investments

	Shares in subsidiaries and joint ventures £
Cost or valuation	
At 1 January 2022 & 31 December 2022	17,381,562
Carrying amount	
At 31 December 2022	<u>17,381,562</u>
At 31 December 2021	<u>17,381,562</u>

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 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

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Subsidiaries (Continued)

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

14 Joint ventures

Details of the company's joint ventures at 31 December 2022 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.

15 Stocks

	2022 £	2021 £
Work in progress	7,847,585	3,067,514

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Debtors	2022	2021
	£	(as restated) £
Amounts falling due within one year:		
Trade debtors	54,979,402	17,266,952
Corporation tax recoverable	169,157	86,892
Amounts owed by group undertakings	11,075,820	15,208,351
Amounts owed by undertakings in which the company has a participating interest	6,765,963	2,635,384
Other debtors	78,824	154,324
Prepayments and accrued income	316,715	-
	<u>73,385,881</u>	<u>35,351,903</u>
	2022	2021
	£	£
Amounts falling due after more than one year:		
Amounts owed by undertakings in which the company has a participating interest	-	6,568,897
	<u>-</u>	<u>6,568,897</u>
Total debtors	<u>73,385,881</u>	<u>41,920,800</u>
17 Creditors: amounts falling due within one year	2022	2021
	£	(as restated) £
Trade creditors	2,786,901	1,121,552
Amounts owed to group undertakings	33,663,714	6,351,129
Taxation and social security	105,421	8,003
Accruals and deferred income	26,989,478	14,858,404
	<u>63,545,514</u>	<u>22,339,088</u>

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 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 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	281,000	144,000
	<u>281,000</u>	<u>144,000</u>
		2022
Movements in the year:		£
Liability at 1 January 2022		144,000
Charge to profit or loss		137,000
		<u>281,000</u>
Liability at 31 December 2022		<u>281,000</u>

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital issued and fully paid				
Ordinary shares of 0.1p each	1,491	1,491	1	1
	<u>1,491</u>	<u>1,491</u>	<u>1</u>	<u>1</u>

20 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	2021 £
Acquisition of tangible fixed assets	667,599	3,450,000
	<u>667,599</u>	<u>3,450,000</u>

21 Events after the reporting date

Subsequent to the year end, the directors of Elbit Systems UK Limited ("ESUK") have undertaken a strategic review of their UK activities and have, as part of that review, made the decision to consolidate certain contracts previously managed by a subsidiary company, ESUK Aerospace and Simulation Limited ("ESUK A&S") into ESUK's core Aerospace and Simulation business unit, an operating division of ESUK, during 2023. At the date these financial statements are approved, this consolidation process is underway and still ongoing.

ELBIT SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Operating lease commitments

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:

	2022	2021
	£	£
Within one year	511,230	548,850
Between two and five years	1,863,462	2,044,920
In over five years	345,744	675,515
	<u>2,720,436</u>	<u>3,269,285</u>

23 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 £945,271 (2021 - £1,208,592) to AFTSL in relation to loans advanced. At 31 December 2022 included within debtors is an amount of £6,765,963 (2021 - £9,204,281) due from AFTSL.

In addition, during the year, the company received dividends of £Nil (2021 - £1,250,000) from ACWL and £Nil (2021 - £650,000) from AFSL.

24 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.

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