

**General Dynamics Global Holdings  
Limited**

**Annual report and financial statements**

**Registered number 8778567**

**31 December 2018**



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## Strategic report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

### Principal activities

The principal activity of General Dynamics Global Holdings Limited ("GDGH" or the "company") is to act as intermediate holding company for most of the European and Canadian businesses owned indirectly by General Dynamics Corporation ("General Dynamics"). In this function, the company facilitates capital deployment among General Dynamics and the company's businesses.

### Principal Risk & Uncertainties

GDGH and certain of its subsidiaries are parties to structural inter-company balances. For a variety of business and treasury reasons, the company desires to address these balances and clear them to the extent feasible. The plan(s) the company develops to address these balances may involve transactions that have an element of risk or uncertainty.

In addition, General Dynamics will continue to develop and execute its global capital deployment plan for its international group companies and, as such, GDGH may be involved in future treasury transactions such as supporting European and Canadian borrowings or cash redeployments that may contain risk or uncertainty in one or more areas.

### Future Developments & Strategies

GDGH will remain a holding company for most of General Dynamics' European and Canadian businesses. GDGH is likely to participate in transactions to resolve inter-company balances within its structure and also may support group company borrowings from affiliates or third parties. Additionally, GDGH will participate in transactions to support General Dynamics' investments in the company's Canadian and European operating businesses, or participate in acquiring and capitalizing new Canadian or European businesses.

### Business review, results and dividends

Profit after taxation for the year ended 31 December 2018 was USD 50.8m compared to a loss of USD 43.4m for the year ended 31 December 2017. The 2017 loss primarily arose as a result of dividend receipts of USD 182m being less than the impairments recognised of USD 212m following an impairment review of the net assets.

May 2018 – General Dynamics Global Holdings Ltd subscribed for one ordinary share of £1 in General Dynamics Swiss Financial Management Ltd for total consideration of CHF 58,090,202. The USD equivalent of the share premium recorded in the accounts of General Dynamics Global Holdings Limited is \$58,617,777.

### Dividends received and paid

Below is a summary of dividends received and paid in the year.

Date	Paid by			Currency of distribution	Gross distribution (000)	USD (gross) \$000	Withholding tax (\$000)
April 2018	General Finance Ltd	Dynamics	European	USD	USD 626	\$626	-
May 2018	General Finance Ltd	Dynamics	European	CHF	CHF 58,090	\$58,618	-
June 2018	General Finance Ltd	Dynamics	European	USD	USD 336	\$336	-
August 2018	General Finance Ltd	Dynamics	European	USD	USD 677	\$677	-
September 2018	General Finance Ltd	Dynamics	European	USD	USD 240	\$240	-
December 2018	General Finance Ltd	Dynamics	European	USD	USD 1,017	\$1,016	-
						<u>\$61,513</u>	<u>-</u>

## Strategic Report (continued)

### Dividends received and paid (continued)

The directors paid no dividend for the year (2017: USD 92.6m).

### Impairment

During the year ended 31 December 2018, an impairment review of the investment entities took place resulting in no impairment being recognised in the year (2017: USD 194.3m in *General Dynamics Canadian Holdings Inc* and USD 39.4m in *General Dynamics European Finance Ltd* of which USD 21.7m was recognised in equity to reduce the assets revaluation reserve ).

### Brexit Note to the Accounts

On the 23 June 2016, the UK decided to leave the European Union in June 2016. The EU has granted the UK extensions to Article 50, the latest of which expires on 31 October 2019.

The implications of Brexit for the Company have been discussed in the General Dynamics Tax Department and communicated at the Global Holding's board meetings. Developments continue to be monitored.

There remains a level of uncertainty around the trading conditions with the E.U. post Brexit, and as such the Company has looked at the potential tax (both direct and indirect) impact in the circumstances of a 'No-deal', as laid out hereafter;

#### VAT and Other Indirect Taxes

As General Dynamics Global Holdings Limited is primarily a governance instrument which active operations are limited to the holding of shares and cash as well as the provision of services, the indirect tax consequences are limited. Brexit is however likely to have direct consequences to some of the Company's subsidiaries, which have taken active counter-measures to prevent disruptions in case of a No-deal Brexit.

#### Direct Taxes

Given the Company's shareholdings of group companies within the European Union, it is important to consider the direct tax consequences of the transactions across borders between the UK and the EU post Brexit. The following directives have been reviewed;

Parent Subsidiary Directive

Interest and Royalties Directive

Merger Directive



J W Aiken  
Director

21 Holborn Viaduct  
London  
EC1A 2DY

24 September 2019

## Directors' report

### Directors and directors' interests

The directors who held office during the year were as follows:

JW Aiken  
KL Connell (resigned 08/11/2018)  
GS Gallopoulos  
SE Rowbotham

### Political and charitable contributions

The Company made no political or charitable contributions during the year.

### Supplier payment policy

The Company's policy is to agree payment terms with suppliers. Liabilities are settled in accordance with these agreed terms.

### Provision of information to the auditor

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 auditor is 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 auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



J W Aiken  
Director

21 Holborn Viaduct  
London  
EC1A 2DY

**24** September 2019

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 Reduced Disclosure Framework.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

## **Independent auditor's report to the members of General Dynamics Global Holdings Limited**

We have audited the financial statements of General Dynamics Global Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Income and other comprehensive income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors including the carrying value of investments, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Independent auditor's report to the members of General Dynamics Global Holdings Limited** *(continued)*

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



**Independent auditor's report to the members of General Dynamics Global Holdings Limited (continued)**

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Huw Brown (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square  
Bristol  
BS1 4BE

30/2/19

**Statement of Income and Other Comprehensive Income**  
*for the year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b>	<b>2017</b>
		<b>USD</b>	<b>USD</b>
		<b>000</b>	<b>000</b>
Turnover		<b>358</b>	<b>310</b>
Income from shares in group undertakings		<b>61,513</b>	<b>181,871</b>
Administration expenses		<b>(544)</b>	<b>(1,958)</b>
Impairment of investment		<b>-</b>	<b>(212,002)</b>
<b>Operating profit/(loss)</b>		<b>61,327</b>	<b>(31,779)</b>
Net finance (loss)/income	<b>4</b>	<b>585</b>	<b>248</b>
<b>Profit/(loss) before taxation</b>	<b>5</b>	<b>61,912</b>	<b>(31,531)</b>
Tax charge on profit	<b>6</b>	<b>(11,097)</b>	<b>(11,849)</b>
<b>Profit/(Loss) for the year</b>		<b>50,815</b>	<b>(43,380)</b>

All results arose from continuing operations.

There were no recognised gains or losses for the period other than the retained loss for the period above.

The company incurred no other comprehensive income in the year.

The notes on pages 11 to 20 form part of these financial statements.

**Balance sheet**  
*at 31 December 2018*

	Note	2018		2017	
		USD	USD	USD	USD
		000	000	000	000
<b>Fixed assets</b>					
Investments	7		5,578,688		5,520,070
<b>Current assets</b>					
Debtors	9	42,887		38,449	
Cash at bank and in hand		163		320	
		<hr/>		<hr/>	
<b>Creditors: amounts falling due within one year</b>	10	43,050 (10,059)		38,769 (9,001)	
<b>Net current Assets</b>			<hr/> 32,991		<hr/> 29,768
			<hr/>		<hr/>
<b>Total assets less current Liabilities</b>			5,611,679		5,549,838
<b>Creditors: greater than one year</b>					
<b>Provisions for liabilities and charges</b>	11		(56,252)		(45,226)
			<hr/>		<hr/>
<b>Total net asset</b>			5,555,427		5,504,612
<b>Capital and reserves</b>					
Called up share capital	12		787		787
Share premium			3,636,266		3,636,266
Profit and loss account			1,154,338		1,103,523
Revaluation reserve			764,036		764,036
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>			5,555,427		5,504,612
			<hr/>		<hr/>

The notes on pages 11 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 24 September 2019 and were signed on its behalf by:

  
J W Aiken  
Director

## Statement of Changes in Equity

	Called up Share capital	Share premium	Revaluation reserve	Profit & Loss account	Total
	USD	USD	USD	USD	USD
At 1 January 2018	000	000	000	000	000
Profit for the year	787	3,636,266	764,036	1,103,523	5,504,612
Dividend paid	-	-	-	50,815	50,815
Revaluation	-	-	-	-	-
Impairment of revalued investment	-	-	-	-	-
<b>At 31 December 2018</b>	<b>787</b>	<b>3,636,266</b>	<b>764,036</b>	<b>1,154,338</b>	<b>5,555,427</b>

	Called up Share capital	Share premium	Revaluation reserve	Profit & Loss account	Total
	USD	USD	USD	USD	USD
At 1 January 2017	000	000	000	000	000
Loss for the year	787	3,636,266	-	1,239,521	4,876,574
Dividend paid	-	-	-	(43,380)	(43,380)
Revaluation	-	-	785,736	(92,618)	(92,618)
Impairment of revalued investment	-	-	(21,700)	-	(21,700)
<b>At 31 December 2017</b>	<b>787</b>	<b>3,636,266</b>	<b>764,036</b>	<b>1,103,523</b>	<b>5,504,612</b>

During the year ended 31 December 2017 there was a revaluation of investments. The revaluation reserve is not a distributable reserve.

## Notes to the financial statements (forming part of the financial statements)

### General information

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Company's operations and principal activities are set out in the Strategic Report.

### 1 Accounting policies

General Dynamics Global Holdings Limited (the "Company") is a company incorporated and domiciled in the UK

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 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.

### Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, General Dynamics Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of General Dynamics Corporation are prepared in accordance with US GAAP Standards and are available to the public and may be obtained from 2941 Fairview Park Drive, Suite 100, Falls Church, VA 22042.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Functional currency*

General Dynamics Global Holdings Limited indirectly holds investments in various holding and governance entities that were established in order to align with the functional currency of the operating companies they hold. The functional currency of General Dynamics Global Holdings Limited is the US Dollar, which is both the currency of its parent company and a major contracting currency for some contracts of its indirectly held operating daughter companies.

#### *Going Concern*

The Company participates in group cash pooling arrangements which enables the Company to have access to continued funding. Loans payable and receivable represent amounts owing to and from other group companies and there are no loans payable or receivable from a third party. Based on the principal purpose of the Company as an intermediate holding company, for which transactions are predominantly restricted within the group and, following an assessment of the Company's resources and forecasts, and the forecasts and expected surplus cash in its principle subsidiaries, the directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

#### *New and amended standards*

The accounting policies adopted are consistent with those of the previous financial year, with the exception of those resulting from the first application of IFRS9 (Financial Instruments). Following due consideration, the Directors concluded that the new IFRS9 effective as of 1 January 2018 did not have an impact on the annual financial statements of the Company.

#### *Fixed asset investments*

Investments in subsidiaries are carried at cost less provision for impairment (if any).

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### *Foreign Currencies*

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### Classification of financial instruments issued by the Company

Following the adoption of IFRS9, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

#### Trade and other debtors and creditors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### 2 Remuneration of directors

The directors received remuneration for their services to the company during the year of \$1,000.

### 3 Staff numbers

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	2018 Number of employees	2017 Number of employees
Administration	4	3
	<hr/> 4	<hr/> 3

The aggregate payroll costs of these persons were as follows:

	2018 USD 000	2017 USD 000
Wages and salaries	378	332
Social security costs	41	36
	<hr/> 419	<hr/> 365

**Notes (continued)**

**4 Finance income and expense**

	2018 USD 000	2018 USD 000	2017 USD 000	2017 USD 000
<b>Interest receivable</b>				
Intercompany interest income	660		241	
Interest income - other	9		9	
	<u>669</u>		<u>250</u>	
<b>Interest payable and similar charges</b>				
On bank loans and overdrafts	(2)		(2)	
Intercompany (expenditure)	(68)		(21)	
	<u>(70)</u>		<u>(23)</u>	
		<u>599</u>		<u>227</u>
<b>Loss/(Gain) on foreign exchange</b>		<u>(14)</u>		<u>21</u>
<b>Net finance income</b>		<u>585</u>		<u>248</u>

**5 Profit before taxation**

The loss before taxation is stated after charging:

	2018 USD 000	2017 USD 000
Audit of these Financial Statements	29	26
Tax Compliance	9	17



**Notes (continued)**

**6 Taxation**

	2018 USD 000	2017 USD 000
UK deferred tax	11,026	11,790
Canadian withholding tax on dividends	-	75
Current tax for the year	76	14
Provision adjustment from prior year	(5)	(30)
Profit and loss account	11,097	11,849
<b>Reconciliation of effective tax rate</b>	<b>2018 USD 000</b>	<b>2017 USD 000</b>
(Loss)/profit for year	50,810	(43,380)
Total tax expense	11,097	11,849
(Loss)/profit excluding taxation	61,097	(31,531)
Tax using the UK corporate tax rate of 19% (2017: 19.25%)	11,763	(6,070)
Non-deductible expenses	1	41,094
Tax exempt revenues	(11,688)	(35,010)
Canadian withholding tax on dividends received	-	75
Canadian withholding tax on dividends not yet distributed	11,026	11,790
Prior year adjustments	(5)	(30)
Total tax expense (including tax on discontinued operations)	11,097	11,849

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), and to 17% (effective from 1 April 2020) have also been substantively enacted.

**Notes (continued)**

**7 Investments**

Investment entity	Country of Incorporation	Proportion held	Class of share	Cost USD
General Dynamics Canadian Holdings Inc., 644 Main Street, Suite 400, Moncton, NB E1C 1E2, Canada	Canada	90%	1 Common Stock	3,343,999,999
General Dynamics Ltd., 21 Holborn Viaduct, London, EC1A 2DY	United Kingdom	100%	Ordinary	359,794,000
General Dynamics European Land Systems - Austria GmbH, Bleibtreustrasse 2, 1110 Wien, Austria	Austria	100%	Ordinary	1,807,367
General Dynamics European Finance Ltd., 21 Holborn Viaduct, London, EC1A 2DY	United Kingdom	100%	Ordinary	462,287,000
General Dynamics European Land Systems S.L., Calle Vía de los Poblados, 3, P.E. Cristalia, Edificio 7/8, 28003, Madrid, Spain	Spain	100%	Ordinary	1
ELCS – CZ s.r.o., Praha 1, Klimentská 1216/46, PSČ 110 02, Prague Czech Republic	Czechoslovakia	100%	Ordinary	1
General Dynamics Swiss Financial Management Ltd., 21 Holborn Viaduct, London, EC1A 2DY	UK	100%	Ordinary	1,410,800,143
				<u>5,578,688,511</u>
				USD
Opening investment				5,520,070,733
Additions				58,617,778
				<u>5,578,688,511</u>
Cost at 31 December 2018				USD
Opening investment				4,890,517,847
Revaluation				785,735,977
Additions				160,136,706
Transfer of preference shares to Eagle Enterprise				(82,618,000)
Impairments				(233,701,797)
				<u>5,520,070,733</u>
Cost at 31 December 2017				

During the year ended 31 December 2018, an impairment review of the investment entities took place resulting in no impairment being recognised in the year (2017: USD 194.3m in General Dynamics Canadian Holdings Inc and USD 39.4m in General Dynamics European Finance Ltd of which USD 21.7m was recognised in equity to reduce the assets revaluation reserve). Notes (continued)

## 8 Related party undertakings

The voting rights of the shares are the same as the percentage held unless indicated otherwise.

Company name and address	Accounting period	Country of Incorporation	GDGH Ownership %	Class of share
GD ELS Austria GmbH, Teinfaltstrasse 8 1010 Vienna, Austria	31/12/2018	Austria	100	Ordinary/Common
GD ELS Holding GmbH, Bleibtreustrasse 2 A-1110 Wien, Austria	31/12/2018	Austria	100	Ordinary/Common
GD ELS Steyr GmbH, Bleibtreustrasse 2 A-1110 Wien, Austria	31/12/2018	Austria	100	Ordinary/Common
Jet Aviation Vienna GmbH, Hangar 7, 1300 Wien-Flughafen, Austria	31/12/2018	Austria	40	Ordinary/Common
Jet Aviation (Bermuda) Ltd, Suite 306, The Commerce Building, One Chancery Lane, Hamilton 12, Bermuda	31/12/2018	Bermuda	100	Ordinary/Common
Expro Finance Inc., 5 Montee Des Arsenaux, Repentigny QC JSZ 2P4, Canada	31/12/2018	Canada	90	Ordinary/Common
GD Canadian Finance Inc., 570 Queen Street Suite 600, Fredericton NB, E3B 6Z6	31/12/2018	Canada	90	Ordinary/Common
GD Canadian Holdings Inc., 644 Main Street, Suite 400, Moncton, NB E1C 1E2, Canada	31/12/2018	Canada	90	Ordinary/Common
GD Land Systems Canada Corporation, 1991 Oxford Street East Bldg., 15 London, Ontario, N5V 2Z7, Toronto, Canada	31/12/2018	Canada	90	Ordinary/Common
GDLS Canada Intl. Services Inc., 570 Queen Street Suite 600, Fredericton NB, E3B 6Z6	31/12/2018	Canada	45.9	Voting shares
GDLS Canada Services Inc. 570 Queen Street Suite 600, Fredericton NB, E3B 6Z6	31/12/2018	Canada	90	Ordinary/Common
GDLS Canadian Services Limited, 570 Queen Street Suite 600, Fredericton NB, E3B 6Z6	31/12/2018	Canada	90	Ordinary/Common
GD-OTS Canada Inc., 5 Montee Des Arsenaux, Repentigny QC JSZ 2P4, Canada	31/12/2018	Canada	90	12,000 ordinary shares and 58,768,171 preferred Class A shares
GD-OTS Canada Valleyfield, 55, rue Masson, Valleyfield (Quebec) Canada J6S 4V9	31/12/2018	Canada	90	Ordinary/Common
Beijing BAC Co. Ltd., Nan Fa Xin Zhang Xin Hua Ji Di #01-1, Beijing, CH	31/12/2018	China	43	Ordinary/Common
Jet Aviation (Hong Kong) Ltd, Room 1112-3, AFFC, 2 Chun Wan Road, Chek Lap Kok, Hong Kong	31/12/2018	China (Hong Kong)	100	Ordinary/Common
Jet Aviation Business Jets (Hong Kong) Ltd., 801, Citygate Outlets, 20 Tat Tung Rd, Lantau Island, Hong Kong	31/12/2018	China (Hong Kong)	100	Ordinary/Common
ELCS-CZ s.r.o. Praha 1, Klimentůvská 1216/46, PSČ 110 02, Prague Czech Republic	31/12/2018	Czech Republic	100	Ordinary/Common
GD ELS Czech s.r.o. Náchodská 469/137, Horní Počernice, 193 00 Praha 9, Czech Republic	31/12/2018	Czech Republic	100	Ordinary/Common
GD ELS Denmark ApS, c/o DELACOUR Advokatpartnerselskab, Langebrogade 4, DK-1411 Copenhagen K	31/12/2018	Denmark	100	Ordinary/Common
Jet Aviation France SAS, 23 Rue Du Roule, 75001 Paris, France	31/12/2018	France	100	Ordinary/Common
Jet Aviation Business Jets Deutschland GmbH, Hangar 3, Cologne- Bonn Airport, Cologne 51147 Germany	31/12/2018	Germany	48.9	Ordinary/Common
Jet Aviation Services GmbH, Flughafenstraße 60, 40474 Düsseldorf, Germany	31/12/2018	Germany	100	Ordinary/Common

**Notes (continued)**

**8 Related party undertakings (continued)**

Company name and address	Accounting period	Country of Incorporation	GDGH Ownership %	Class of share
Vertex Ant. GmbH, Baumstr 46-50, 47198 Duisburg, Germany	31/12/2018	Germany	100	Ordinary/Common
FBD Fahrzeug und Bremsendienst GmbH, Pasenow 43, D-17348 Woldegk, Germany	31/12/2018	Germany	100	Ordinary/Common
GD ELS-Deutschland GmbH, Pariser Platz 4a, 1. OG 10117 Berlin, Germany	31/12/2018	Germany	100	Ordinary/Common
GD ELS-FWW GmbH, Oertzenhof, 2 D-17348 Woldegk, Germany	31/12/2018	Germany	100	Ordinary/Common
Page Europa SRL, Viale Egeo, 100-106, 00144 Roma, Italy	31/12/2018	Italy	100	Ordinary/Common
Jet Aviation Lebanon S.a.l, Assaf Center, Adnan El Hakim Street, JNAH, Beirut, LEBANON	31/12/2018	Lebanon	51	Ordinary/Common
Jet Aviation ME S.a.l, Ras Beirut, Adnan Hakim Street-Assa, Beirut, Lebanon	31/12/2018	Lebanon	51	Ordinary/Common
Jet Aviation (Malaysia) SDN, Level 22, Quill 7, No 0 Jalan Sentr Sentral 5, Kuala Lumpur, 50470 Malaysia	31/12/2018	Malaysia	100	Ordinary/Common
Jet Aviation Flight Services (Malta) Limited, Vision Exchange Building, Level 2, Territorials Street, Mriehel BKR 3000, Malta	31/12/2018	Malta	49	Ordinary/Common
Jet Aviation Netherlands BV, Amsterdam Airport, Evert van de Beekstraat 202, 1118 CP Schiphol, Netherlands	31/12/2018	Netherlands	100	Ordinary/Common
GD ELS Romania S.R.L., 96B Nordului Avenue, 1st Floor, Apt. 2, Office No. 1, District 1, Bucharest	31/12/2018	Romania	100	Ordinary/Common
OOO Jet Aviation Vnukovo, Airport Vnukovo, House3 Building 1 Office 229, 119027 Moscow, Russia	31/12/2018	Russia	100	Ordinary/Common
General Dynamics IS & T Arabia Company, Olaya Street, PO Box 30505, Riyadh 11361, Kingdom of Saudi Arabia	31/12/2018	Saudi Arabia	49	Ordinary/Common
Jet Aviation Saudi Arabia Co. Ltd Private Aviation Terminal, King Abdulaziz International Airport, Jeddah 21499	31/12/2018	Saudi Arabia	12	Ordinary/Common
Jet Aviation (Asia Pacific) Private Ltd., Seletar Airport, 1075 West Camp Road, Singapore 797800	31/12/2018	Singapore	100	Ordinary/Common
SATS Seletar Aviation Services Limited, Seletar Airport 21 Seletar Aerospace Road 1, Singapore 797405	31/12/2018	Singapore	24	Ordinary/Common
GD ELS SL, Calle Vía de los Poblados, 3, P.E. Cristalia, Edificio 7/8, 28003, Madrid, Spain	31/12/2018	Spain	100	Ordinary/Common
Jet Aviation Malaga SA, Aeropuerto de Malaga, Malaga, Spain	31/12/2018	Spain	100	Ordinary/Common
GD ELS Mowag GmbH, Unterseestrasse 65, 8280 Kreuzlingen, Switzerland	31/12/2018	Switzerland	100	Ordinary/Common
Jet Aviation AG Basel, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2018	Switzerland	100	Ordinary/Common
Jet Aviation Business Jets AG, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2018	Switzerland	100	Ordinary/Common
Jet Aviation Holding GmbH, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2018	Switzerland	100	Ordinary/Common
Jet Aviation Management AG Obstgartenstrasse 27, CH-8302 Kloten, Switzerland	31/12/2018	Switzerland	100	Ordinary/Common
Flugplatz Dübendorf AG, Überlandstrasse 103, CH-8600 Dübendorf	31/12/2018	Switzerland	12	Ordinary/Common
General Dynamics Mission Systems International Middle East LLC, M4 Bin Hilal Building, Al Falah St., P.O. Box 7349, Abu Dhabi, UAE	31/12/2018	UAE	44.1	Ordinary/Common
Jet Aviation Business Jets FZ Co, Dubai Airport Free Zone, Suite No. 3E-109, Dubai, UAE	31/12/2018	UAE - Dubai	100	Ordinary/Common

## Notes (continued)

### 8 Related party undertakings (continued)

Company name and address	Accounting period	Country of Incorporation	GDGH Ownership %	Class of share
Jet Aviation Dubai LLC, Behind Dubai Airport Free Zone Authority, Al Quds Street, Dubai, UAE	31/12/2018	UAE - Dubai	49	Ordinary/Common
General Dynamics Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	100	Ordinary/Common
General Dynamics European Finance Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	100	Ordinary/Common
Force Protection Europe Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	100	Ordinary/Common
General Dynamics United Kingdom Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	100	Ordinary/Common
General Dynamics Swiss Financial Management Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	100	Ordinary/Common
Integrated Survivability Technologies Limited, 21 Holborn Viaduct, London, EC1A 2DY	31/12/2018	United Kingdom	50	Ordinary/Common
Steyr Spezial-fahrzeug AG de Venez., C.A., Avendia Pichincha, Sector San Romain, Caracas, 1060 VE	31/12/2018	Venezuela	100	Ordinary/Common
Steyr-Daimler-Puch SSF de Venez., C.A., Pichincha Avenue, La Noria Tower, Floor 4, Office 4 A. 1060, Miranda Caracas	31/12/2018	Venezuela	100	Ordinary/Common

Related party undertakings include both direct and indirect subsidiary companies owned by General Dynamics Global Holdings Limited.

### 9 Debtors

	2018 USD 000	2017 USD 000
Intercompany cash pool	33,793	30,848
Intercompany accounts receivable	9,094	7,601
	<u>42,887</u>	<u>38,449</u>

The intercompany cash pool debtor represents the cash held by General Dynamics European Finance Ltd on behalf of General Dynamics Global Holdings Ltd as a result of a sweeping of the Principal Accounts as part of the management of collective cash needs of the members of the cash pool. As such, this is considered payable on demand. Interest is calculated and received at Libor.

### 10 Creditors: amounts falling due within one year

	2018 USD 000	2017 USD 000
Corporation tax	54	29
Intercompany accounts payable	9,859	8,925
Accruals	34	29
Net VAT	14	18
Amount due to group undertakings	98	-
	<u>10,059</u>	<u>9,001</u>

## Notes (continued)

### 11 Provisions for liabilities and charges

	2018 USD 000	2017 USD 000
The elements of deferred taxation are as follows:		
Other timing differences	56,252	45,226
Deferred tax liability	<u>56,252</u>	<u>45,226</u>

**Note:**

Arises on a potential withholding tax liability from unremitted dividends on General Dynamics Canadian Holdings Ltd.

### 12 Share capital

The share capital of the Company comprises ordinary shares of £1 each.

	2018		2017	
	Number of shares	USD 000	Number of shares	USD 000
<i>Allotted, called up and fully paid</i>	483	787	483	787
	<u>483</u>	<u>787</u>	<u>483</u>	<u>787</u>

### 13 Ultimate parent company

Eagle Enterprise, Inc. is the sole immediate shareholder of the Company. General Dynamics Corporation remains the ultimate parent company, incorporated in the USA.

The largest and smallest group in which the results of the Company are consolidated is that headed by General Dynamics Corporation, incorporated in the USA. The consolidated accounts of the group are available to the public and may be obtained from 2941 Fairview Park Drive, Suite 100, Falls Church, VA 22042 – 4513, USA.

### 14 Accounting Estimates and Judgements

#### *Accounting estimates and judgements*

The preparation of the consolidated financial statements in conformity with FRS101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reported amounts and note disclosures reflect management's best estimate of the most probable set of economic conditions and planned course of actions. Actual results may differ from these estimates.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements include:

#### *Investment Value/Impairment*

The key estimate and judgement exercised by the directors is the investment value in its subsidiaries. Consideration is given to the net asset position of the subsidiaries and their expected future profitability.