



OS AA01

Statement of details of parent law and other information for an overseas company



Companies House

What this form is for
You may use this form to accompany your accounts disclosed under parent law.

What this form is NOT for
You cannot use this form to an alteration of manner of c with accounting requirements

FRIDAY



A07 *ABG1U1VK* 04/11/2022 #233
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ①	Northrop Grumman Sperry Marine B.V.
UK establishment number	B R 0 0 3 8 0 6

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

① This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Legislation ②	Please give the legislation under which the accounts have been prepared and audited. Dutch Civil Code
---------------	--

② This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts	Have the accounts been prepared in accordance with a set of generally accepted accounting principles? Please tick the appropriate box. <input type="checkbox"/> No. Go to Section A3. <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.
Name of organisation or body ③	Dutch Accounting Standards Board

③ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

No. Go to **Part 3 'Signature'**.

Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

❶ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ❶

Deloitte Accountants BV

Part 3**Signature**

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:
Director, Secretary, Permanent representative.

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Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Lianne Hovington				
Company name	Northrop Grumman Sperry Marine B.V.				
Address	118 Burlington Road				
Post town	New Malden				
County/Region					
Postcode	K	T	3	4	N R
Country	UK				
DX					
Telephone	0208 329 2034				

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and, if appropriate, the registered number, match the information held on the public Register.
- You have completed all sections of the form, if appropriate.
- You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:

The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

NORTHROP GRUMMAN SPERRY MARINE B.V.

Vlaardingen

The Netherlands

Annual Report 2021

Index

Annual Accounts 2021	3
Managing Directors' Report	4
General Information	4
Financials	5
Risk and Risk Management	6
Outlook	9
Post Balance Sheet Event	10
Financial Statements	11
Balance Sheet	11
Statement of Income	13
Notes to the Financial Statements	14
General	14
General Accounting Principles for the Preparation of the Financial Statements	15
Principles of Valuation of Assets and Liabilities	16
Principles for the Determination of the Result	18
Notes to the Balance Sheet and Statement of Income	19
Signing of the Financial Statements	33
Other Information	34
Appropriation of results according to the Company's Articles of Association	34
Branch Offices	34
Independent Auditor's Report	34

Annual Accounts 2021

- **Managing Directors' Report**
- **Financial Statements**
- **Other information**

Managing Directors' Report

The Managing Directors herewith present their report for the twelve months ended 31 December 2021 to the shareholder.

General Information

Activities of the Company

Northrop Grumman Sperry Marine B.V. ("the Company") is a manufacturer of radar and navigation equipment, incorporated in The Netherlands. The Company consists of 6 European branches and is functionally structured with management primarily based in the UK branch. The functional lead is responsible for all branches across the Company.

The Company is a wholly owned subsidiary of Northrop Grumman Corporation and operated as part of the group's Mission Systems sector. The ultimate parent company and controlling party is Northrop Grumman Corporation which is incorporated in the United States of America.

The principal activities of the Company are the sales, repair and service of marine navigation equipment. The market segments engaged in are the Deep Sea fleet, the Coastal and Ferry fleet, the Container fleet and various International Navies and Coast Guards.

Training of employees in skill-based, knowledge requirement and personal development is a major investment by the Company and recognises the changing needs of the individual and the Company.

For 2021 the average number of employees was 302 (2020: 443 employees).

During 2020 the Company announced a rationalisation and restructuring programme to generate operational cost savings in order to mitigate the impact of the pandemic on future profitability. Implementation of this plan commenced in 2020 and continued in 2021 and involved a reduction of approximately 50 heads and the closure of the branch in Norway.

On 1 May 2021, Northrop Grumman Sperry Marine B.V. sold its business focused on UK Government defence contracts to Northrop Grumman UK Limited (NGUK) for £1.8m to consolidate NGUK's domestic defence business and allow the Company to focus its efforts towards commercial customers. Both Northrop Grumman UK Limited and Northrop Grumman Sperry Marine B.V. are subsidiaries of the same parent company and the relevant assets and liabilities were acquired at book value. The fair market value of this activity was £29m at the time of transfer. The estimated impact of this transfer on Northrop Grumman Sperry Marine B.V. in 2021 is a reduction in sales of approximately EUR 26m and Operating Margin of EUR 3m compared to the plan for the year. 144 were employees transferred to NGUK in 2021 as part of this activity.

Management does not expect these changes to affect the Company's ability to continue as a going concern.

Aside from the transfer of the defence business, there have not been any significant changes in the Company's principal activities in the year under review.

Northrop Grumman Sperry Marine B.V.

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Financials

Trading Result

During the period to 31 December 2021 covered by these financial statements the Company made a loss before taxes of EUR 1.7m (2020: loss of EUR 1.8m).

Net sales for the period were EUR 75.8m (2020: EUR 93.4m). Interest to financial institutions to finance working capital amounted to EUR 0.0m (2020: EUR 0.0m).

The net equity of the Company amounts to EUR 44.1m (2020: EUR 45.2m). The Company did not pay any share premium repayments in the financial year (2020: EUR 0.0m). The Company did not pay any dividends in the financial year (2020: EUR 0.0m).

The Company's cash is invested in the cash pool scheme of Northrop Grumman Corporation. The cash pool scheme which also includes credit facilities is run by Northrop Grumman Finance Europe B.V.

Key performance indicators

The board reviews performance by reference to a number of key performance indicators which they monitor monthly. At the year end 31 December 2021 they showed:

Gross profit percentage

The Company's gross profit for the year of EUR 16.5m (2020: EUR 23.8m) represented a gross profit percentage of 21.7% (2020: 25.5%). 2021 gross profits were impaired by downward adjustments of prior year research and development expenditure credit (RDEC) claims of 1.8m EUR, and adverse inventory provisions for aging inventory of 0.8m EUR. After exclusion of these one off events underlying gross margin for 2021 is 19.1m EUR, representing gross profit percentage of 25.1% which is in line with management expectations.

Indirect cost as a percentage of sales

The Company measures indirect costs (sales, marketing and administration costs) as a percentage of sales. For 2021 this was 24.3% (2020: 26.9%). This is in line with management expectations.

Result before tax

The Company's loss before tax for the year of EUR 1.7m (2020: loss EUR 1.8m) produces an operating percentage of -2.2% (2020: -1.9%). 2021 profits were impaired by downward adjustments of prior year RDEC claims of 1.8m EUR, and adverse inventory provisions for aging inventory of 0.8m EUR. After exclusion of these one off events underlying profit for 2021 is 0.9m EUR, representing operating percentage of 1.2% which is in line with management expectations.

Debtor days

At the financial year end the Company trade debtors represent 51 days sales (2020: 51 days). This is in line with management expectations.

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Current Ratio

At the financial year end the current ratio for the Company was 3.5 (2020: 3.0).

Directors

The directors during the period were:

R Wiltshire
J Collett

None of the directors held any beneficial interest in the Company.

Distribution of the Board

Gender allocation of seats between men and women in the board of directors: while the Civil Code recommends an equal distribution by gender of at least 30% of the seats to be allocated to women and at least 30% to men, insofar as such seats are allocated to natural persons, this allocation was achieved prior to the resignation of one director in June 2017. The Company will strive to comply with the legislation in view of its further appointments and nomination of directors.

Research and development

The Company has continued to invest in research and development (R&D). This has resulted in some new products and in significant improvements to existing products which are expected to contribute significant growth to the business. The directors regard investment in this area as a prerequisite for success in the medium to long-term future. Total research and development expenditure included in the Company's profit and loss account is EUR 3.7m. The Company expects to spend EUR 4.5m in 2022 on research and development of new generation of existing products.

Risk and Risk Management

Risk management

Due to its internationally-oriented activities in the development, production and distribution of nautical navigation and radar equipment, the Company is exposed to a number of risks which are reduced as far as possible through risk management.

The ultimate responsibility for effective risk management lies with the Senior Management Team. Internal management controls and measures based on Sperry and Northrop Grumman Corporation policies and procedures ensure an effective risk management. The management team regularly review the policies and procedures to ensure effectiveness and compliance.

Overall the management maintain a moderate risk appetite, finding the balance between operating in a fast moving commercial market that requires a flexible approach with maintaining the high standards of ethical practice and compliance expected of a subsidiary of Northrop Grumman Corporation.

Northrop Grumman Sperry Marine B.V.

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Northrop Grumman Corporation Internal Audit team perform regular internal audits on specific functions. The Independent Audit report is provided to the Company's Senior Management Team in addition to the Northrop Grumman Corporation management team. The Company's Mission assurance department also undertakes separate internal audits. Opportunities and risks are assessed and follow-up actions are documented and tracked through the Company's Corrective Action Register. The review of the status of these corrective actions is part of the standard management review cycles between functions and the senior management team.

The participation of an annual training on company compliance as part of the US Foreign Corrupt Practices Act training is mandatory for all employees.

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic and resulting economic downturn saw Northrop Grumman Sperry Marine B.V. underperform against budget expectations during 2020. To mitigate the impact on profit, the Company instituted appropriate reductions in discretionary spending and freezing of new hire positions. There has been a significant recovery in the global shipping market, and the Company's revenues in 2021.

During 2021, no employees were furloughed.

Where local government rules allow, there has been a gradual move to a mixture of office and home based working where appropriate. Some of the measures taken to continue protecting employees while allowing the return to office working are:

- Assessment of maximum capacity within all areas and on-site rotas used so that these capacities aren't exceeded
- Provision of Personal Protective Equipment to employees where social distancing cannot be maintained
- One-way systems implemented for moving around office areas and removal of doors (where they're not fire doors) so as to minimise contact points

The Company continues to operate a Hybrid working policy allowing employees to work in a flexible manner.

The extent to which the COVID-19 pandemic impacts the Company going forward will depend on numerous evolving factors we cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability.

Strategic risks - High

Northrop Grumman Sperry Marine B.V. is operating in a market that is seeing consolidation of competitors in the product and systems area so as to be able to offer more holistic solutions. To mitigate this, the Company is seeking to leverage the rapid digitalisation of its products to meet its key customers' demands through a collaborative approach to development.

Northrop Grumman Sperry Marine B.V.

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Operational risks - Low

The Company operates an outsourced production model and seeks to minimise the required inventory holding while still being able to be responsive to short term customer demands. The key operational risk is therefore the management of key suppliers and their ability to provide flexible support to demand. This risk is mitigated through having long term relationships in place with regular reviews of performance while retaining the ability to move to alternative suppliers should the need arise.

Market risks - High

Competitive pressure in the worldwide marine market place is a continuing risk for the Company, which could result in it losing sales to key competitors. The Company manages this risk by investing R&D in new products and product updates to offer marine navigation compliant products into the market space. Ongoing improvements on product reliability and cost reductions are part of the Company product strategy.

The Company furthermore is ensuring its distribution agents provide added value services to its customers, having fast response times not only in the supply of products, but by also having a worldwide network of service agents to deal with customers' needs and enquiries.

Foreign Exchange risks - Low

The Company's sales in Europe are made in a basket of currencies and it is therefore exposed to movements of these currencies to the Euro rate. The revenue is mainly in Euro whereby a large part of the Company expenses are in GBP. The Company does not enter into any hedging contracts. The Company minimises its exposure by buying and selling in the same currency wherever possible.

Credit and Liquidity risks - Low

Northrop Grumman Sperry Marine B.V. is financed through Northrop Grumman Corporation's cash pooling arrangement, where funds are made available to finance working capital and investment. The Company held at year end a net cash asset of EUR 13.7m (2020: EUR 17.5m) from this arrangement. The Company is exposed to interest income risk based on its cash pooling agreement. These funds are at free disposal of the Company and there are no other obligations or rights from the arrangement.

Environment, Health and Safety - Low

The Company has a robust set of controls in place to ensure compliance with various governance and compliance requirements. In addition, developments in various international maritime organisations are monitored regularly to ensure the Company remains compliant with relevant governance frameworks in the jurisdictions in which it operates.

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage caused by the Company's activities.

The Company has established processes which regularly assess the compliance with applicable Health and Safety legal requirements. Safety awareness training is conducted for all personnel, with additional specialist training for those undertaking higher risk activities. Tasks undertaken throughout the Company have been analysed and risk assessments conducted and documented in order to reduce the risk to personnel to as low a level as is reasonably practicable.

Cybersecurity risk - Medium

Northrop Grumman Sperry Marine B.V. operates in a sector that is a constant target for nefarious cyber activities. To defend, mitigate and reduce the organisation's exposure, the Company has implemented strategies that leverage the capabilities of people, processes and technology. Key operational risks are associated with the management and exposure to critical vulnerabilities and the ability to support and respond effectively to events that may disrupt business operations.

The Company has established processes that allow the recognition of its exposure to cybersecurity threats and their likely impact and has implemented mechanisms to reduce the attack surface. The organisation recognises the importance of mitigating and limiting its exposure to cybersecurity threats. As a result, the organisation provides cybersecurity awareness training to all its employees to aid the identification and reporting of policy violations and unauthorised activities. In addition, the organisation monitors its networks and information systems to detect and respond to potential violations.

Information Technology risk - Medium

Northrop Grumman Sperry Marine B.V. operate robust perimeter and internal security measures to defend and mitigate our exposure, in parallel to and supporting the measures in place within the Company's Cybersecurity function and wider Northrop Grumman security policies. These measures span platform, network (including firewall) and personal computing devices (including mobile telephony). Vendor hardware updates and software patches are applied in line with Northrop Grumman and Vendor recommendations to the Company's technology estate and services thus ensuring Northrop Grumman Sperry Marine B.V.'s IT service provisions maintain the highest available level of security posturing.

Vendor hardware updates and software patches are first tested internally within the Company's IT function, before being applied (or in the case of personal computing devices (including mobile telephony) made available to be applied) in a timely and acceptable fashion. The process of applying emergency updates and patches is considerably accelerated in line with Northrop Grumman policies.

Outlook

The directors consider that the Company is well positioned to respond to the prevailing economic situation. By the continuing investment in developing new and enhancing existing products (2021: EUR 3.7m; 2020: EUR 5.4m) it has a competitive range of products and services and a healthy forward order book.

The Company continues to invest in its facilities and infrastructure through capital spends (2021: EUR 0.3m; 2020: EUR 0.9m). Capital investment levels in 2022 are expected to be at a similar level as prior years, excluding ERP investment.

For 2021 the average number of employees was 302 (2020: 443 employees). This reduction is mainly due to the transfer of the UK Defence business to Northrop Grumman UK Limited on 1 May 2021 (144 employees). The transfer of the UK Defence business will allow the Company to focus its efforts towards its commercial business. The estimated impact of this transfer on the Company in 2021 is a reduction in sales of approximately EUR26m and Operating Margin of EUR 3m compared to the plan for the year.

During 2020 the Company announced a rationalisation and restructuring programme to generate operational cost savings in order to mitigate the impact of the pandemic on future profitability. Implementation of this plan commenced in 2020 and continued in 2021 and involved a reduction of approximately 50 heads and the closure of the branch in Norway, however this has not yet been deregistered. The reorganisation is expected to generate approximately EUR 7m of operational cost savings on a full year basis.

Northrop Grumman Sperry Marine B.V.

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Management does not expect these changes to affect the Company's ability to continue as a going concern.

We continue to follow the government guidelines in each of the territories in which we operate and use government support schemes where applicable. As members of the Northrop Grumman European Cash Pool scheme we do not foresee any liquidity challenges and we expect to be able to fully meet our financing needs in the coming period.

Post Balance Sheet Event

The conflict in Ukraine and subsequent international response have had significant and wide-ranging impacts on the shipping industry to which the Company is inextricably linked.

The Company took immediate action to pause all transactions involving Russia, Belarus and Ukraine (whether through direct association, partial ownership or potential use of sanctioned banks), whilst the new sanctions and company policy was assessed. New orders involving a party connected with these countries were no longer accepted. The Company provides safety critical navigation equipment to the maritime industry, and being cognisant of that is assessing all orders on a case-by-case basis to ensure compliance with sanctions whilst not denying proper maintenance of safety critical equipment where possible.

The initial assessment of this impact on the Company's revenues was estimated as a range between \$5m - \$7m USD. At the beginning of the conflict the Company had \$3m USD of orders not yet fulfilled. Since the initiation of the conflict there have been multiple structural moves of vessels and projects in the market and these unfulfilled orders remain under assessment. At the time of this filing, the Company has continued to deliver revenues over and above the 2022 plan, and to date have not yet formally cancelled any unfulfilled orders, however this is now expected to be in a range of \$1m to \$2m USD once all assessments are complete. It is management's assessment that global demand displacement does not materially impair the Company's plans for growth over the medium to long term.

On behalf of the directors,

J Collett 09 Sep 2022

R Wiltshire 09 Sep 2022

Vlaardingen, the Netherlands.

Financial Statements Balance Sheet

31 December 2021

(After proposed appropriation of result)

	Note	2021 EUR'000	2020 EUR'000
ASSETS			
Fixed assets			
Intangible fixed assets	1	4,428	5,398
Tangible fixed assets	2	1,496	1,830
Investment in subsidiary	3	1,005	1,005
Deferred income tax assets	4	3,837	3,275
Total fixed assets		<u>10,766</u>	<u>11,508</u>
Current assets			
Raw materials and consumables		7,011	6,350
Production work in progress		586	770
Finished products and goods for resale		13,609	14,134
Inventories	5	<u>21,206</u>	<u>21,254</u>
Work in progress	6	<u>1,043</u>	<u>5,644</u>
Trade account receivables		10,581	13,104
Affiliated companies		19,983	23,222
Other receivables and prepaid expenses		6,805	3,213
Receivables	7	<u>37,369</u>	<u>39,539</u>
Cash	8	<u>823</u>	<u>258</u>
Total current assets		<u>60,441</u>	<u>66,695</u>
TOTAL ASSETS		<u>71,207</u>	<u>78,203</u>

31 December 2021

(After proposed appropriation of result)

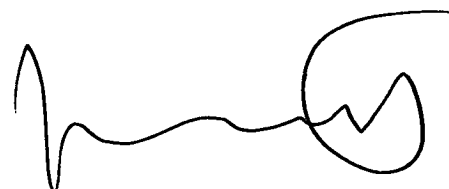
	Note	2021 EUR'000	2020 EUR'000
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		34	34
Share premium		35,215	35,215
Currency translation adjustment		-382	-1,342
Legal reserves		4,426	5,391
Retained earnings		4,789	5,905
Total shareholder's equity	9	<u>44,082</u>	<u>45,203</u>
Provisions			
Provision for post-employment benefits	10	9,265	10,207
Other provisions	11	691	850
Deferred income tax liabilities	4	0	0
Total provisions		<u>9,956</u>	<u>11,057</u>
Trade account payables		4,953	6,132
Due to affiliated companies		2,689	4,362
Other payables and accrued expenses	12	9,527	11,449
Current liabilities		<u>17,169</u>	<u>21,943</u>
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		<u>71,207</u>	<u>78,203</u>



Statement of Income

Period ended 31 December 2021

	Note	2021 EUR'000	2020 EUR'000
Turnover	14	75,807	93,378
Cost of sales	15-16,19	<u>-59,354</u>	<u>-69,547</u>
Gross margin		16,453	23,831
Selling and distribution expenses		-8,366	-9,519
General and administrative expenses		<u>-10,040</u>	<u>-15,628</u>
Total overhead expenses	15-19	-18,406	-25,147
Net margin		-1,953	-1,316
Interest and foreign exchange gains/losses	20	<u>252</u>	<u>-440</u>
		252	-440
Result from ordinary activities before income taxes		-1,701	-1,756
Taxation on result of ordinary activities	21	-554	699
Net result for the year		<u>-2,255</u>	<u>-1,057</u>



Notes to the Financial Statements

General

Activities

Northrop Grumman Sperry Marine B.V. ('the Company'), Vlaardingen, the Netherlands, is engaged in the design, procurement, assembling, marketing, selling and servicing of nautical and marine systems. Chamber of Commerce number: 24233711.

Group Structure

The immediate parent company is NGC UK Limited whose registered office is 2nd Floor Clareville House, 26-27 Oxendon Street, London SW1Y 4EL, United Kingdom. The ultimate parent company is Northrop Grumman Corporation, registered in Delaware, USA.

Consolidation Principles

Financial information relating to the branches of Northrop Grumman Sperry Marine B.V. is consolidated in the financial statements of Northrop Grumman Sperry Marine B.V.

In consolidating these branches intercompany relationships and transactions are eliminated.

The Company applies Art 2.408.1 of the Netherlands Civil Code. Northrop Grumman Sperry Marine B.V. acts as an intermediate holding company and Northrop Grumman Canada (2004) Inc. is ultimately controlled by the US parent. Investments are therefore valued at cost accordingly and if applicable less any impairment in value.

Cash Flow

The Company has opted not to disclose a cash flow statement by virtue of the exemption allowed under DAS 360.104. For the cash flow statement reference may be made to the cash flow statement included in the 2021 annual report of Northrop Grumman Corporation which is the Company's ultimate parent company and incorporated in the United States of America:

<https://www.northropgrumman.com/who-we-are/annual-reports/>

Copies of the consolidated group financial statements of Northrop Grumman Corporation which represent the accounts of the largest group in which Northrop Grumman Sperry Marine B.V. is consolidated are available at the trade register of the Chamber of Commerce in Rotterdam and from the corporate offices at 2980 Fairview Park Drive, Falls Church, Virginia 22042, USA.

General Accounting Principles for the Preparation of the Financial Statements

The financial statements are prepared according to the stipulations in Title 9 Book 2 of the Netherlands Civil Code and the Standards of the Dutch Council on Annual Reporting. Management are required to make estimates and assumptions about future events that affect the amounts reported in our financial statements.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial Instruments

Financial instruments comprise primary financial instruments, such as receivables and payables. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

Besides financial instruments mentioned in the general accounting policies no other derivative financial instruments are generally applied. The Company participates in the cash pool scheme under the ultimate parent company, Northrop Grumman Corporation.

Translation of Foreign Currencies

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date.

Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Foreign entities and branches outside the Netherlands qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the Company. For the translation of the financial statements of these foreign entities and branches the balance sheet items are translated at the exchange rate as at balance sheet date and the profit and loss account items at the average exchange rate for the year. The exchange rate differences that arise are directly deducted from or added to group equity and recognized in the translation differences reserve. This likewise applies to the translation differences on loans that form part of the net investment in the business operations abroad.

Going Concern

During 2020 the Company announced a rationalisation and restructuring programme to generate operational cost savings in order to mitigate the impact of the pandemic on future profitability. Implementation of this plan commenced in 2020 and continued in 2021 and involved a reduction of approximately 50 heads and the closure of the branch in Norway, however this has not yet been deregistered.

Northrop Grumman Sperry Marine B.V.

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On 1 May 2021, Northrop Grumman Sperry Marine B.V. sold its business focused on UK Government defence contracts to Northrop Grumman UK Limited for £1.8m to consolidate NGUK's domestic defence business and allow the Company to focus its efforts towards commercial customers. Both Northrop Grumman UK Limited and Northrop Grumman Sperry Marine B.V. are subsidiaries of the same parent company and the relevant assets and liabilities were acquired at book value. The fair market value of this activity was £29m at the time of transfer. The estimated impact of this transfer on Northrop Grumman Sperry Marine B.V. in 2021 is a reduction in sales of approximately EUR 26m and Operating Margin of EUR 3m compared to the plan for the year. 144 were employees transferred to NGUK in 2021 as part of this activity.

Management does not expect these changes to affect the Company's ability to continue as a going concern.

Principles of Valuation of Assets and Liabilities

Intangible Fixed Assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost. The useful life and the amortisation method are reassessed at the end of each financial year and the useful life is as follows: Enterprise Resource Planning (ERP) software 5 years; other intangible assets 5 to 10 years.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, less accumulated depreciation and, if applicable, less impairments in value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows: buildings 50 years; plant and machinery 3 to 15 years. Land is not depreciated.

Repair and maintenance cost is included in the Statement of Income, except for when major repair or maintenance cost results in an extended economic life, in which case the cost is capitalised and depreciated over its estimated economic life.

Investment in Subsidiary

The Company applies Art 2.408 of the Netherlands Civil Code. Northrop Grumman Sperry Marine B.V. acts as an intermediate holding company and Northrop Grumman Canada (2004) Inc is ultimately controlled by the US parent. Investments are therefore valued at cost accordingly and if applicable less any impairment in value.

Deferred Income Tax Assets

Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be realized in due course. These deferred tax assets are valued at nominal value and are predominantly long-term in nature. Deferred tax assets related to losses carried forward have only been recognized to the extent that they are recoverable within the foreseeable future.

Work in Progress

Work in progress covers service contracts and jobs as well as third party projects. Work in progress is valued at the lower of cost value and net realizable value. This lower net realizable value is determined by individual assessment of work in progress.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

Income from service contracts and jobs as well as third party projects is recognized in the profit and loss account as income and costs in proportion to the completed performance as at balance sheet date. The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs.

Work in progress includes direct materials used, direct wages and other direct costs of manufacture, together with applicable production overhead. Net realizable value is based on estimated selling price, less any future costs to be incurred for completion and disposal.

Inventories

Inventories of raw materials, consumables and goods for resale are valued individually at acquisition price or lower net realizable value. This lower net realizable value is determined by individual assessment of the inventories. The valuation of inventories of raw materials and consumables is based on average cost. Provision is made for obsolete, slow moving or defective items.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost, which equals the face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon measurement and is disclosed in the notes.

Other Assets and Liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred. Amounts are stated net of a provision for obsolescence or doubtful accounts if necessary.

Provision for Post-employment Benefits

The Company values its pension and other post-employment benefits in accordance with US GAAP ASC 715, as allowed by Dutch Accounting Standard 271 paragraph 101, as this is also the basis used by the Company for reporting to its ultimate parent Northrop Grumman Corporation.

Deferred Income Tax Liabilities

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences multiplied by the enacted rate of taxation that is applicable for the reporting periods in which those differences are reversed or realised. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement and that settlement is expected to take place on a net basis. The provision for deferred tax liabilities is valued at nominal value.

Principles for the Determination of the Result

Sales and Cost of Sales

Sales represent amounts invoiced for goods and services supplied during the financial year reported on, net of discounts and value added taxes.

Sales ensuing from the sale of goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of total contract value.

Sales from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

Cost of Sales

The cost of sales consists of the cost of goods sold and delivered, consisting of direct use of material, direct wages and machine costs and other direct and indirect production costs that can attributed to the production.

Direct Engineering Expenses

Direct Engineering expenses are allocated to the year to which they relate. Direct engineering expenses relate to the Company's activities regarding the service and maintenance of those products sold by the Company.

Income Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes and local tax regulations.

Notes to the Balance Sheet and Statement of Income

1) Intangible fixed assets

	Other Intangibles EUR'000	Intangible Assets under Construction EUR'000	Intangible Assets ERP system EUR'000	Total EUR'000
Cost				
Balance 1 January	22	0	6,342	6,364
Additions	0	0	0	0
Disposals	0	0	0	0
Currency revaluation	0	0	467	467
Balance 31 December	<u>22</u>	<u>0</u>	<u>6,809</u>	<u>6,831</u>
Accumulated amortisation				
Balance 1 January	15	0	951	966
Amortisation for the period	5	0	1,362	1,367
Disposals	0	0	0	0
Currency Revaluation	0	0	70	70
Balance 31 December	<u>20</u>	<u>0</u>	<u>2,383</u>	<u>2,403</u>
Net book value at 31 December 2021	<u>2</u>	<u>0</u>	<u>4,426</u>	<u>4,428</u>
Net book value at 1 January 2021	<u>7</u>	<u>0</u>	<u>5,391</u>	<u>5,398</u>

Amortisation expenses are included in the general and administrative expenses in the Statement of Income.

A legal reserve is held under equity for the ERP system.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

2) Tangible fixed assets

	Land and Building EUR'000	Plant and Machinery EUR'000	Operating Assets under Construction EUR'000	Total EUR'000
Cost				
Balance 1 January 2021	5,930	6,701	8	12,639
Other - transfer between categories	0	-11	11	0
Additions	0	208	84	292
Disposals	-32	-136	0	-168
Currency revaluation	334	404	1	739
Balance 31 December 2021	<u>6,232</u>	<u>7,166</u>	<u>104</u>	<u>13,502</u>
Accumulated depreciation				
Balance 1 January 2021	5,747	5,062	0	10,809
Depreciation for the period	93	641	0	734
Disposals	-32	-136	0	-168
Currency revaluation	328	303	0	631
Balance 31 December 2021	<u>6,136</u>	<u>5,870</u>	<u>0</u>	<u>12,006</u>
Net book value at 31 December 2021	<u>96</u>	<u>1,296</u>	<u>104</u>	<u>1,496</u>
Net book value at 1 January 2021	<u>183</u>	<u>1,639</u>	<u>8</u>	<u>1,830</u>

3) Investment in Subsidiary

	2021 EUR'000	2020 EUR'000
Cost		
Balance 1 January	1,005	1,005
Additions	0	0
Liquidation	0	0
Balance 31 December	<u>1,005</u>	<u>1,005</u>

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

Name	Place of Incorporation	Proportion of ownership	Proportion of voting power held
Northrop Grumman Canada (2004) Inc	Canada	100%	100%

For 2021, Northrop Grumman Canada (2004) Inc had a net profit of EUR 0.1m. The net equity of the subsidiary amounts to EUR 2.2m.

4) Deferred income tax assets

	2021 EUR'000	2020 EUR'000
Balance at 1 January	3,275	2,972
Adjustment in respect of prior year	369	-292
Deferred tax charge for the year	186	920
Foreign exchange difference on translation/ Rate change	14	-33
Pension movement taken (to)/ from reserves	-7	-292
Balance at 31 December	<u>3,837</u>	<u>3,275</u>
Presented as follows:		
Deferred tax asset	3,837	3,275
Deferred tax liability	0	0
Balance at 31 December	<u>3,837</u>	<u>3,275</u>

The Company has capitalized tax credits of approximately EUR 0.91m (2020 EUR 0.96m) as a result from the carry forward of previous double taxation in the Dutch Branch. The gross amount of the tax credits is approximately EUR 5.9m (2020 EUR 6.6m) and is available for offset against future taxable profits. These tax credits have no expiry date and are ring fenced to the Dutch Branch. The current Dutch Branch fiscal profitability relates to supportive activities in respect of Sales, Service and Warehousing.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

5) Inventories

At 31 December 2021 a provision for obsolete, slow-moving and defective part of EUR 5.2m (2020: EUR 4.4m) has been included.

The carrying amount (before provision) of inventory valued at net realizable value amounts to EUR 26.4m (2020: EUR 25.7m). The carrying amount of inventory (after provision) valued at net realizable value amount to EUR 21.2m (2020: EUR 21.3m)

	2021 EUR'000	2020 EUR'000
Inventory provisions (excluding service WIP)	5,234	4,425
Net realisable Inventory after provisions:		
Raw materials and consumables	7,011	6,350
Production work in progress	586	770
Finished products and goods for resale	13,609	14,134
	<u>21,206</u>	<u>21,254</u>
Carrying amount of inventory at NRV	26,440	25,679

6) Work in progress

Work in progress on construction projects:

	Production Value EUR'000	Provision EUR'000	Invoiced EUR'000	Balance 2021 EUR'000	Balance 2020 EUR'000
Projects with financing surplus	0	0	0	0	-3,913
Projects with financing deficit	852	0	0	852	8,839
Service contracts and jobs	191	0	0	191	718
	<u>1,043</u>	<u>0</u>	<u>0</u>	<u>1,043</u>	<u>5,644</u>

Revenue recognized in the profit and loss account based on the percentage of completion method amounts to EUR 14.7m in 2021 (2020: EUR 45.9m).

Northrop Grumman Sperry Marine B.V.

Vlaardingen

7) Receivables

	2021 <u>EUR'000</u>	2020 <u>EUR'000</u>
Trade account receivables	10,581	13,104
Affiliated companies	19,983	23,222
Other receivables and prepaid expenses	6,804	3,213
Receivables	<u>37,368</u>	<u>39,539</u>

All trade account receivable balances are due within a year. At 31 December 2021 a provision for doubtful third party receivables of EUR 848k (2020: EUR 1,068k) has been included.

	2021 <u>EUR'000</u>	2020 <u>EUR'000</u>
Balance 1 January	-1,068	-736
Utilised	9	122
Additional provision released/(provided)	216	-492
Currency revaluation	-5	38
Balance 31 December	<u>-848</u>	<u>-1,068</u>

Receivables due from affiliated companies include EUR 13.7m (2020: EUR 17.5m) re. Northrop Grumman Finance Europe B.V. (cash pool accounts). These funds are at the Company's free disposal.

8) Cash

At 31 December 2021 a balance of EUR 57k relates to a security deposit account in Norway equal to 6 month rent. Remaining cash amounts included are at the Company's free disposal and can be made available immediately.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

9) Shareholder's equity

	Share capital EUR'000	Share premium account EUR'000	Currency translation adjustment EUR'000	Retained earnings EUR'000	Actuarial loss EUR'000	Legal reserves EUR'000	Total EUR'000
Opening balance as at 1 January 2021	34	35,215	-1,342	8,015	-2,110	5,391	45,203
Translation adjustments	0	0	960	0	0	0	960
Actuarial loss on pension obligation	0	0	0	0	174	0	174
Reserve for intangible assets	0	0	0	965	0	-965	0
Profit/(loss) for the year	0	0	0	-2,255	0	0	-2,255
Closing balance as at 31 December 2021	34	35,215	-382	6,725	-1,936	4,426	44,082

The issued and fully paid up Share Capital of the Company comprises of 68,906 shares at a par value of EUR 0.50.

The currency translation adjustment and the legal reserves are legal and statutory reserves which are not freely distributable.

Appropriation of result for the financial year 2020

The annual report 2020 was adopted at the general meeting of shareholders held on 30 June 2021. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2021

According to the Company's articles of association, the annual meeting of shareholders determines the appropriation of the Company's net income for the year.

Management proposes to deduct the current year net loss from the retained earnings balance. This proposal has been reflected in the financial statements.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

10) Provision for post-employment benefits

The Company operates defined benefit plans in Germany and the United Kingdom. Indexation of vested benefits and pension payments is generally conditional. The expected conditional indexation is taken into account in determining the pension obligations. In the other countries the Company operates defined contribution schemes.

United Kingdom Defined Benefit Pension Scheme

Northrop Grumman Sperry Marine B.V. UK Branch was a participating employer in the Scheme before it ceased to participate under the terms of a Deed of Confirmation, Participation, Substitution of Principal Employer, Cessation of Participation, Amendment and Apportionment relating to the Scheme dated 23 September 2016 (the "Apportionment Deed"). The sole participating employer is now Northrop Grumman Global Holdings Ltd (NGGH) and NGGH are responsible for all liabilities of the scheme. Northrop Grumman Sperry Marine B.V. has agreed to continue to make monthly payments to the scheme or to NGGH as appropriate. Accordingly, no provision has been recognized.

Accumulated benefit obligation

The accumulated benefit obligation of the assigned employee benefit plan amount to:

	2021	2020
	EUR'000	EUR'000
The Germany Defined Benefit Pension Scheme	<u>9,148</u>	<u>10,015</u>

Projected benefit obligation

The projected benefit obligation of the assigned employee benefit plan amount to:

	2021	2020
	EUR'000	EUR'000
The Germany Defined Benefit Pension Scheme	<u>9,265</u>	<u>10,207</u>

Germany Defined Benefit Pension Scheme

The most important actuarial assumptions used by the Company are as follows:

	2021	2020
	<u>EUR'000</u>	<u>EUR'000</u>
	%	%
Discount rate	1.10	0.65
Expected return on plan assets	0.00	0.00
Salary increase	2.80	3.00
Inflation	3.00	3.00
Expected indexation of vested rights and pensions	4.20	4.10

The provision included in the balance sheet in respect of the defined benefit obligations is as follows:

	2021	2020
	<u>EUR'000</u>	<u>EUR'000</u>
Net present value of projected benefit obligation	9,265	10,207
Fair value of plan assets	0	0
Net pension obligation at 31 December	<u>9,265</u>	<u>10,207</u>

The pension obligation is reported under provisions.

The following amounts are included in the profit and loss account in respect of this defined benefit plan:

	2021	2020
	<u>EUR'000</u>	<u>EUR'000</u>
Current year service cost	29	28
Interest	63	107
Expected return on plan assets	0	0
Net periodic pension cost	<u>92</u>	<u>135</u>

The net periodic pension cost is included under the line general and administrative expense in the Statement of Income.

Northrop Grumman Sperry Marine B.V.
Vlaardingen

Movements in the project benefit obligation are as follows:

	2021 EUR'000	2020 EUR'000
Projected benefit obligation at 1 January	10,207	10,777
Service cost	29	28
Impact of early retirement obligation	-75	-16
Interest	63	107
Actuarial results	-247	46
Benefits paid	-712	-735
Projected benefit obligation at 31 December	<u>9,265</u>	<u>10,207</u>

There are no significant changes in the benefit obligation in 2021.

Movements in the unrecognized actuarial results are as follows:

	2021 EUR'000	2020 EUR'000
Actuarial losses /(gains) realized for the reporting period	-247	46
Recognition of actuarial results in retained earnings	247	-46
Unrecognised actuarial losses / (gains) at 31 December	<u>0</u>	<u>0</u>

The accumulated benefit obligation for all defined benefit plans amount to EUR 9.1m at 31 December 2021 (2020: EUR 10.0m).

Expected employer contribution for 2022 is EUR 733k (2021: EUR 713k).

Expected future benefit payments:

	2021 EUR'000	2020 EUR'000
Next year	733	713
Next year + 1	716	715
Next year + 2	685	701
Next year + 3	658	671
Next year + 4	627	645
	<u>3,419</u>	<u>3,445</u>

Northrop Grumman Sperry Marine B.V.

Vlaardingen

Components of projected net periodic benefit cost for the next financial year:

	2021 EUR'000	2020 EUR'000
Service cost	10	29
Interest cost	96	63
	<u>106</u>	<u>92</u>

11) Other provisions

Following the closure of the defined benefit pension scheme in the Netherlands on 31 December 2017, the Company agreed to pay an annual cash amount to those employees previously in the scheme. Employees who were employed as at 31 December 2017 are entitled to an annual payment for each year in which they remain employed by the Company as at 1st January of every year. A total provision of EUR 0.7m has been included in 2021 (2020 EUR 0.8m). A discount rate of 1.9% has been applied to the annual payment each year along with an attrition rate of 1.75% to allow for future employee turnover.

12) Other payables and accrued expenses

	2021 EUR'000	2020 EUR'000
Advance payments	2,886	2,773
Taxes and social security charges	383	493
Pension liabilities	469	620
Other liabilities	1,914	2,334
Accruals and deferred income	3,875	5,229
	<u>9,527</u>	<u>11,449</u>

The corporation income tax balances included in the taxes and social charges payable balance above amounts to EUR 0.1m (2020: EUR 0.05m). Other accounts payable and accrued expenses include cost of sales accruals and general overhead accruals. All amounts are due within 12 months.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

13) Commitments and contingent liabilities

The Company has long-term rental commitments amounting to approximately EUR 9,469k (2020: EUR 10,433k) made up as follows:

	2021 EUR'000	2020 EUR'000
Due in under 1 year	2,104	2,334
2 years and under 5 years	7,156	6,736
Over 5 years	209	1,363
Balance at 31 December	<u>9,469</u>	<u>10,433</u>

As of 31 December 2021, the Company has granted guarantees amounting to EUR 0.8m (2020: EUR 1.6m).

As of 31 December 2021, future purchase commitments amount to EUR 20.1m (2020: EUR 13.5m).

14) Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax.

	2021 EUR'000	2020 EUR'000
European Union	27,563	58,922
Asia	12,745	11,197
Rest of the world	35,499	23,259
	<u>75,807</u>	<u>93,378</u>
Products / Programs	40,509	60,447
Service	35,298	32,931
	<u>75,807</u>	<u>93,378</u>

Included within turnover are sales of EUR 11.7m (2020: EUR 9.8m) made to companies within the worldwide Northrop Grumman group. These sales are performed using an arm's length principle.

Northrop Grumman Sperry Marine B.V.

Vlaardingen

15) Depreciation and amortisation

	2021 EUR'000	2020 EUR'000
Intangible fixed assets	1,342	970
Tangible fixed assets	723	955
	<u>2,065</u>	<u>1,925</u>

16) Wages, salaries and social security charges

	2021 EUR'000	2020 EUR'000
Wages and salaries	21,956	31,659
Social security costs	2,354	3,140
Pension costs	4,049	5,895
	<u>28,359</u>	<u>40,694</u>

The average number of personnel employed during the period was:

	2021 EUR'000	2020 EUR'000
Assembly and service	173	297
Sales	65	82
Administration	64	64
	<u>302</u>	<u>443</u>

The average number of employees working abroad amounted to 263 (2020: 389).

17) Remuneration of the directors

During 2021 the total remuneration paid to directors amounted to EUR 429k (2020: EUR 332k).

18) Remuneration of the auditors

The total remuneration of auditors included in the general and administrative expenses in the Statement of Income amounts to

	Deloitte Accountants B.V. EUR'000	Other Deloitte Accountants B.V. Network EUR'000	Total Network EUR'000
2021			
Audit of financial statements	68	295	363
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	<u>68</u>	<u>295</u>	<u>363</u>
2020			
Audit of financial statements	79	296	375
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	<u>79</u>	<u>296</u>	<u>375</u>

19) Summary cost of sales and overheads:

	2021 EUR'000	2020 EUR'000
Cost of sales and overheads:		
Depreciation and amortisation	2,065	1,925
Wages, salaries and social security charges	28,359	40,694
COS related to product and service	34,025	33,579
Other overhead costs	13,311	18,496
	<u>77,760</u>	<u>94,694</u>

Total research and development expenditure included in the Company's profit and loss account is EUR 3.7m. The Company expects to spend EUR 4.5m in 2022 on research and development of new generation of existing products.

20) Interest and foreign exchange gains/losses

	2021 EUR'000	2020 EUR'000
Interest income, third party	0	0
Interest income, affiliated companies	93	99
	<u>93</u>	<u>99</u>
Interest expense, third party	-5	-2
Interest expense, affiliated companies	-21	-34
	<u>-26</u>	<u>-36</u>
Net interest	<u>67</u>	<u>63</u>
Net foreign exchange gains/(losses)	<u>185</u>	<u>-503</u>
Net interest and foreign exchange gains/(losses)	<u>252</u>	<u>-440</u>

21) Taxation on result of ordinary activities

	2021 EUR'000	2020 EUR'000
Netherlands normal taxation		
- current tax, current year	0	0
- current tax, prior years	0	0
25%		
- deferred tax, current year	88	51
- deferred tax, prior years	-46	-10
Foreign taxation		
- current tax, current year	514	-137
- current tax, prior years	577	-31
- deferred tax, current year	-266	-984
- deferred tax, prior years	-313	412
	<u>554</u>	<u>-699</u>

Foreign tax was charged at an average percentage of 25% on profits arising in foreign permanent establishments due to higher profits in higher tax rate branches. The effective current tax charge for the Company in the current year is lower, mainly due a prior year tax adjustment for RDEC in the UK. The applicable tax rate for the Company is around 25% on profits including those arising in foreign permanent establishments.

22) Subsequent Events

The conflict in Ukraine and subsequent international response have had significant and wide-ranging impacts on the shipping industry to which the Company is inextricably linked.

The Company took immediate action to pause all transactions involving Russia, Belarus and Ukraine (whether through direct association, partial ownership or potential use of sanctioned banks), whilst the new sanctions and company policy was assessed. New orders involving a party connected with these countries were no longer accepted. The Company provides safety critical navigation equipment to the maritime industry, and being cognisant of that is assessing all orders on a case-by-case basis to ensure compliance with sanctions whilst not denying proper maintenance of safety critical equipment where possible.

The initial assessment of this impact on the Company's revenues was estimated as a range between \$5m - \$7m USD. At the beginning of the conflict the Company had \$3m USD of orders not yet fulfilled. Since the initiation of the conflict there have been multiple structural moves of vessels and projects in the market and these unfulfilled orders remain under assessment. At the time of this filing, the Company has continued to deliver revenues over and above the 2022 plan, and to date have not yet formally cancelled any unfulfilled orders, however this is now expected to be in a range of \$1m to \$2m USD once all assessments are complete. It is management's assessment that global demand displacement does not materially impair the Company's plans for growth over the medium to long term.

Signing of the Financial Statements

Vlaardingen,

Managing Directors:

J Collett

09 Sep 2022

R Wiltshire

09 Sep 2022

Other Information

Appropriation of results according to the Company's Articles of Association

According to the Company's articles of association, the allocation of profits accrued in a financial year shall be determined by the General Meeting. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at least immediately after the adoption of the annual accounts, the profits will be reserved.

The General Meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the General Meeting to distribute shall have effect without the consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts.

Branch Offices

Trade name	Country
Northrop Grumman Sperry Marine B.V., UK branch	United Kingdom
Northrop Grumman Sperry Marine B.V., Danish branch	Denmark
Northrop Grumman Sperry Marine B.V., Norway branch	Norway
Northrop Grumman Sperry Marine B.V., Belgium branch	Belgium
Northrop Grumman Sperry Marine B.V., German branch	Germany

Independent Auditor's Report

Reference made is to the Independent Auditor's report on the following page.

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Managing Directors of Northrop Grumman Sperry Marine B.V.

Report on the audit of the financial statements 2021 included in the annual accounts 2021

Our opinion

We have audited the accompanying financial statements 2021 of Northrop Grumman Sperry Marine B.V., based in Vlaardingen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Northrop Grumman Sperry Marine B.V. as at 31 December 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2021.
2. The profit and loss account for 2021.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Northrop Grumman Sperry Marine B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the impact of the Russia-Belarus-Ukraine crisis

The Russia/Ukraine crisis also impacts Northrop Grumman Sperry Marine B.V. Management disclosed the estimated impact on financial performance and health of Northrop Grumman Sperry Marine B.V. and her plans to deal with these events or circumstances in page 33 of the financial statements. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual accounts 2021

In addition to the financial statements and our auditor's report thereon, the annual accounts 2021 contain other information.

The other information consists of:

- Managing Director's Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Managing Directors are responsible for the preparation of the other information, including the Managing Director's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of Managing Directors for the financial statements

Managing Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Managing Directors are responsible for such internal control as Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, Managing Directors are responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, Managing Directors should prepare the financial statements using the going concern basis of accounting unless Managing Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Managing Directors.
- Concluding on the appropriateness of Managing Directors's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.



We communicate with Managing Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Rotterdam, 9 September 2022

Deloitte Accountants B.V.

Signed on the original: A. Fokker