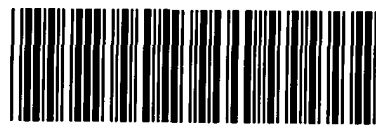


REGISTRATION NUMBER - 5989428

NORTHROP GRUMMAN UK LIMITED
Annual Report and Financial Statements
For the Year Ended 31 December 2022

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COMPANIES HOUSE

NORTHROP GRUMMAN UK LIMITED

Company Information

Directors

Nicholas Chaffey
Steven Spiegel
Roger Wiltshire

Company Secretary

Roger Wiltshire

Company Number

5989428

Registered Office

2nd Floor, Clareville House
26-27 Oxendon Street
London SW1Y 4EL

Auditor

Deloitte LLP
Reading
United Kingdom
RG1 3BD

NORTHROP GRUMMAN UK LIMITED

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NORTHROP GRUMMAN UK LIMITED STRATEGIC REPORT

The directors in preparing this strategic report have complied with S414C of the Companies Act of 2006. The directors present this strategic report and the audited financial statements of Northrop Grumman UK Limited (the 'Company' or 'NGUKL') for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

Northrop Grumman UK Limited was incorporated in 2006 for the purpose of becoming the primary operating entity in the United Kingdom ('UK') for the ultimate parent, Northrop Grumman Corporation ('NGC' or 'Northrop Grumman'). NGC is incorporated in the United States of America and uses its broad portfolio of capabilities and technologies to create and deliver innovative platforms, systems and solutions in space; manned and autonomous airborne systems, including strike; strategic deterrence systems; hypersonics; missile defense; weapons systems; cyber; command, control, communications and computers, intelligence, surveillance and reconnaissance (C4ISR); and logistics and modernization. The Company's principal activities include information technology services to the UK Government and a range of military and commercial programs for customers within and outside the UK.

REVIEW OF BUSINESS

The Company's results for the financial year ended 31 December 2022 and financial position at that date are enclosed on pages 13 and 14 of the financial statements.

Following a period of integration of the Northrop Grumman activities in the UK into NGUKL, and continued investment in building its local UK footprint and capabilities, the Company has focused on improvements in operational efficiency and program performance, which has driven improved margins across the business and which provides a basis for continued and sustainable investment and growth in the UK and related markets.

SECTION 172(1) STATEMENT

Companies Act Section 172(1)

This Section 172(1) Statement summarises the actions taken by the directors to demonstrate how they:

- have had regard to the matters set out in section 172(1)(a) to (f) when acting to promote the success of the Company;
- have engaged with the Company's employees, contractors, suppliers, customers, partners and others during the financial year; and
- have had regard to employee interest, the need to foster the Company's business relationships with its key stakeholders, and the effect of that regard on the principal decisions taken by the Company during the financial year.

In accordance with Section 172(1) of the Companies Act 2006 "A director of a Company must act in the way, they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the Company."

NORTHROP GRUMMAN UK LIMITED

STRATEGIC REPORT (continued)

SECTION 172(1) STATEMENT (continued)

As the Company has grown in size and maturity in recent years, our focus as directors has been to ensure that the governance structures we have in place allow us to discharge these duties. The board of directors consider, both individually and together, that we have acted in the way that we consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year.

As a board of directors, our intention is to behave responsibly and ethically at all times, very much in line with Northrop Grumman values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. Fundamentally, doing what is right because it is the right thing to do is the foundation for the Company's business culture and this is reflected in the following values which are made available publicly and are shared throughout the global corporation:

- **We do the right thing:** we earn trust, act with ethics, integrity and transparency, treat everyone with respect, value diversity and foster safe and inclusive environments.
- **We do what we promise:** we own the delivery of results, focused on quality outcomes.
- **We commit to shared success:** we work together to focus on the mission and take accountability for the sustainable success of our people, customers, shareholders, suppliers and communities.
- **We pioneer:** with fierce curiosity, dedication, and innovation, we seek to solve the world's most challenging problems.

In the following section, we set out examples of our approach to addressing the focus of section 172(1) and summarise the stakeholders that we take into account as we make decisions.

Who are our Stakeholders?

- Our customers
- Our people
- Our wider workforce including contractors
- Our partners and suppliers
- Our communities
- Our Shareholders

Why it is important we engage

- **Our customers-** We recognise that engagement with our customers is vital so that we understand their objectives and priorities and can tailor our product, service strategies and business plans accordingly. It is also very important that we regularly engage with customers throughout procurement and programme life cycles to ensure that we continue to deliver value for money and provide customer satisfaction, listening and taking action where any areas of concern are highlighted.
- **Our people-** Our success within the UK remains significantly dependent on the quality of our technical expertise and service delivery. As we continue to position our business for growth, maintaining and continuing to develop a highly skilled motivated workforce that is focused on solving challenging problems for our customers is critical. Engaging frequently with our people is essential to ensure that we understand how our workforce relates to our business and to ensure that we listen to and address employee concerns and integrate our employees' ideas and understanding into our own approaches and strategies.
- **Our wider workforce-** Because a significant proportion of our revenue is generated through the provision of services, having an agile workforce is important to us and we therefore engage a number of contractors across our business. Maintaining good relationships with our contractors is a key element of programme success and maintaining a high level of customer satisfaction.

NORTHROP GRUMMAN UK LIMITED

STRATEGIC REPORT (continued)

SECTION 172(1) STATEMENT (continued)

Why it is important we engage (continued)

- **Our partners and suppliers-** One of Northrop Grumman's key values is to consider our suppliers and partners as essential members of our team and we recognise that, as a business with aspiration for further growth in the UK, our success and reputation is closely aligned with the performance and prosperity of this stakeholder group. We also recognise that, for those of our suppliers who are Small to Medium sized Enterprises (SMEs), they are heavily dependent on customers like Northrop Grumman to appropriately plan and maintain regular cash flow.
- **Our communities-** NGUKL is mindful of the Company's impact on and its responsibilities for the communities in which it operates. This is particularly relevant for our responsibility to our government customer and to the broader armed forces community, as well as the promotion and active support of STEM activities across schools and universities.

How we engage

- **Our customers-** We maintain customer contact plans and ensure that we engage in a coordinated manner throughout the organisation. We host an annual reception to ensure that our key customers have the opportunity to meet a variety of Northrop Grumman personnel (from NGUKL and also from NGC). At the director level, we hold regular meetings with our customer counterparts and ensure that throughout our business development, account management and commercial teams that similar meetings take place, together with regular performance reviews on our delivery programmes.
- **Our people-** We engage in a number of ways including frequent 'all-hands' meetings and regular 1-2-1 meetings between our staff and their direct managers. In addition, we undertake an annual engagement survey, and employee engagement plans are developed and communicated to staff at 'all hands' meetings following the publication of the survey results. Finally, we make sure that our employees have multiple channels through which any concerns about the Company can be raised quickly and safely including an anonymous ethics line.
- **Our wider workforce-** Formal engagement with our contractors related to their service provision is managed by our recruitment partner. Tasking managers engage frequently with our contractors to ensure that they understand our mission and processes.
- **Our partners and suppliers-** For strategic partners, engagement is held in person and remotely as required with an appropriate NG counterpart identified to undertake discussions. We work to maintain regular contact with key suppliers throughout our organisation and communicate through agreed channels within our supply chain team.
- **Our communities-** We promote and actively support a number of activities in support of STEM activities in schools. For example we run a nation-wide competition aimed at engaging hundreds of school teams with cyber challenges (Cyber Centurion). Furthermore we offer sponsorship and support to a number of charities related to our Government customer (SSAFA, RAF Museum, John Egging Trust) in addition to sponsoring a STEM Award as part of the annual Women in Defence awards within the UK. We also participate in the Summer Time Advanced Aerospace Residency (STAAR) programme, a residential camp for 14-15 year olds developed in partnership with the Royal Air Force and the Royal Air Force Museum.

What were the key topics of engagement and what feedback and input did we obtain?

- **Our customers-** In FY2022, we held a series of strategic meetings with key customers and obtained feedback in the following areas:
 - 1) Performance on delivery programmes.
 - 2) Planned customer procurements.
 - 3) Direction of customers' strategy.
- **Our people-** In FY2022, we continued to work with our employees to implement positive changes to ways of working including introducing a Compressed Working Fortnight and reduced office hours to promote a better work-life balance. We also continued to support hybrid working to ensure a proactive approach to staff attraction and retention.

NORTHROP GRUMMAN UK LIMITED

STRATEGIC REPORT (continued)

SECTION 172(1) STATEMENT (continued)

What were the key topics of engagement and what feedback and input did we obtain? (continued)

- **Our wider workforce-** In FY2022, key engagements related to:
 - 1) Assuring safe working practices were in place on site or away from sight in line with NG Policy and UK Government guidance with regard to COVID-19.
 - 2) Ensuring compliance for example with our export controls policies.
- **Our partners and suppliers-** Good examples of open dialogue with our supply chain and partners in FY2022 include:
 - 1) Discussions related to teaming to support strategically important bids in a competitive landscape.
 - 2) We have worked with our suppliers to improve ways of working and how we can make a strategic change to provision of teams to ultimately support outcome based initiatives rather than resource augmentation.
 - 3) Expansion of production and integration options to decrease risk in programmes.
 - 4) Working with key micro-electronic partners to alleviate supply constraints through the utilization of the broader NG Corporate landscape
- **Our communities-** We have received strong and positive feedback particularly from schools involved in the Cyber Centurion programme. We remain convinced that this is fundamentally consistent with our objective to be an advocate and champion for STEM development in the UK. In addition to the STEM initiatives mentioned above, we continue to make significant investments across the communities in which we operate including programmes supporting study and independent research at The University of Southampton and Birmingham University.

What were the outcomes and actions resulting from the engagement?

- **Our customers-** From the engagements held with our customers we have built a deeper understanding of their key interests and concerns which we consider important in building a long-term relationship. As a result the Company has taken the following actions:
 - 1) Implemented reward/recognition of high performing teams and taking action to address customer performance concerns.
 - 2) We have planned to support key competitions, aligning our resources accordingly.
 - 3) We have taken steps to align our own strategy taking into account customer direction. This impacts the type of capabilities we build within the business, what research and development we choose to fund and locations in which we chose to invest in developing physical presence.
- **Our people-** As a result of the engagement with our staff in FY2022, survey results showed a strong belief in our mission, that people valued our culture of respect and being able to speak up, and strong commitment to diversity in the workplace.
- **Our wider workforce-** As a result of our engagements we introduced revised methods for implementation of our procedures with any contractors in our workforce. We also made changes to our approach for deployment of some contractors based on what we learnt through our engagements on changes to the IR35 regulations impacting off-payroll staff.
- **Our partners and suppliers-** As a result of the engagements described:
 - 1) Northrop Grumman undertook a successful bid with a team which positioned Northrop Grumman and the associated partners for entry to a new market.
 - 2) Northrop Grumman was able to work with the impacted suppliers to support them through their transition and to mitigate resulting impact to Northrop Grumman's business.
- **Our communities-** Our continued activity and support in these areas has been positively received both by individual beneficiaries and by the broader (customer, industry and local) communities in which we as a Company operate. This has tended to confirm our belief that we have a positive role to play in the development and support for our communities as part of a broader industry objective.

In addition to the focus applied above, in FY2022, the board of directors for NGUKL continued focus on environmental aspects, submitting reporting as required to achieve both ISO 14001 certification and the Energy Savings Opportunity Scheme. In addition we published our Carbon Reduction Plan PPN 06/21 setting out our emission reduction targets and carbon reduction initiatives.

NORTHROP GRUMMAN UK LIMITED

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

	<u>2022</u>	<u>2021</u>	<u>Movement</u>
Turnover	£164.4m	£154.7m	6% Increase
Operating profit before tax	£8.9m	£21.8m	59% Decrease

Turnover increased by £9.7M due to growth from new lines of business with the UK Government.

Operating profit before tax decreased by £12.9M primarily due to the closure of the AWACS program and cost pressure on programs as a result of inflation.

PRINCIPAL RISKS AND UNCERTAINTIES

Inflation risk

The global economy has experienced significant inflationary pressure however the Company remains positive about the opportunities for 2023 given the sector that it operates and the terms and provisions of the contracts entered into.

Contract risk

A number of the Company's contracts are firm, fixed price and therefore carry commercial risk relating to its ability to estimate, price and negotiate acceptable terms and conditions. The Company manages this risk by performing complex statistical risk analysis prior to entering into contracts and conducting an internal independent review process drawing on subject matter experts from the parent corporation where appropriate.

Credit risk

The Company is exposed to credit risk in respect of trade debtors as they primarily relate to amounts recoverable on long-term contracts and the eventual outcome of these contracts over time. To minimise this risk, the Company negotiates milestone payments based on clearly defined deliverables and all major customers are credit checked.

Cash flow risk

The Company's operations are exposed to foreign exchange risks where contracts with customers are entered in U.S. dollars or Euros. The foreign currency risk is managed centrally by the US group through the use of currency or exchange contracts. No such contracts have been used in the current or prior period.

Liquidity risk

The Company is a member of the Northrop Grumman European Cash Pool and has access to sufficient funding to minimise any short or medium term liquidity risk. The use of financial instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial instruments to manage these risks. The Company does not use financial instruments for speculative purposes.

FUTURE DEVELOPMENTS

Sales to customers outside the USA, including the UK, are an increasingly important component of the Company's strategy. Management believes the Company is well positioned to support and to benefit from NGC's international strategy.

Approved by the Board on 28 September 2023.
On behalf of the Board



Steven Spiegel
Director

Date: 28 September 2023

NORTHROP GRUMMAN UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of Northrop Grumman UK Limited (the 'Company') for the year ended 31 December 2022.

DIRECTORS

The following persons were directors of the Company during the year and up to the date of this report:

Nicholas Chaffey
 Steven Spiegel
 Roger Wiltshire

DIRECTORS' INDEMNITIES

The Company's ultimate parent, Northrop Grumman Corporation ('NGC'), has a corporate insurance program that provides insurance coverage for directors and officers of NGC and its wholly owned subsidiaries. This insurance program contains qualifying third party indemnity provisions for the benefit of the Company's directors in respect of proceedings brought by third parties. Such provisions remain in force as at the date of this report.

DIVIDENDS

No dividends were paid or declared in 2022 (2021: £nil).

GOING CONCERN

The financial statements have been prepared on the going concern basis, as explained more fully in note 1 to the financial statements.

SUBSEQUENT EVENTS

The directors note no significant events since 31 December 2022.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

In 2022, the Board of Directors for the Company applied renewed attention to environmental aspects, submitting reporting as required to achieve both ISO 14001 certification and the Energy Savings Opportunity Scheme (ESOS). We recognise that focus on energy usage is important as part of our wider corporate and social responsibility and therefore we take our reporting in this area seriously under both the ESOS and the Streamlined Energy and Carbon Reporting regime (the "SECR regime").

Our reporting under SECR provided the following data for our UK facilities:

Greenhouse gas emissions and energy usage data	31 December 2022	31 December 2021
Energy consumption used to calculate emissions (kWh)	2,578,123 kWh	2,919,223 kWh
Emissions from combustion of gas (Scope 1 – tonnes of CO2e)	68.5 tCO2e	120.5 tCO2e
Emissions from business travel in company owned vehicles (Scope 1 – tonnes of CO2e)	20.4 tCO2e	0.9 tCO2e
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO2e)	336.0 tCO2e	440.9 tCO2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 – tonnes of CO2e)	94.0 tCO2e	44.6 tCO2e
Total gross tonnes CO2e based on above	518.9 tCO2e	606.9 tCO2e

NORTHROP GRUMMAN UK LIMITED

DIRECTORS' REPORT (continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (continued)

Greenhouse gas emissions and energy usage data	31 December 2022	31 December 2021
Number of employees	656	564
Intensity ratio: tCO2e per employee	0.8 tCO2e per employee	1.1 tCO2e per employee

Methodology

The Company gathered input from a number of sources such as billing/invoice data, organisation mileage data and employee transport data. Using the latest figures provided by The Department for Business, Energy and Industrial Strategy (BEIS) and The Department for Environment, Food and Rural Affairs (DEFRA), the data was converted into Tonnes of Carbon Dioxide equivalent (tonnes of CO2 Energy Efficiency).

Actions

- During 2022, the principal energy efficiency actions taken by the Company were:
- Fully change the Pool car vehicle fleet from 3ltr petrol to Green Hybrid or electric Cars
 - Install E/V Charge points at agreed locations with the landlords
 - Continual efforts to divert waste to Landfill via refurbishment projects or specific identified scenarios
 - Optimising controls for HVAC across offices to reduce energy consumption – set timers to operating hours and temperatures within a specified range (19 – 21°C)
 - Undertook out of hours energy audits at our larger offices to understand where the energy wastage hotspots are, so we can more accurately target our energy reduction
 - Held sessions with landlords to understand any upcoming opportunities that may improve data collection/ accuracy, and any opportunities for energy reduction

DISABLED PERSONS AND DIVERSITY

The Company is focused on creating a team and a workplace that values diversity and fosters inclusion as pivotal to promoting innovation and increasing productivity and profitability. The Enterprise Diversity Equity & Inclusion Leadership Council (EDEILC) sets our DE&I strategy and serves as the governing body over DE&I actions, including developing our Company-wide strategic direction, policies and initiatives, partnering with the DE&I Working Group based in the United Kingdom. Our Employee Resource Groups (ERGs) are key to our commitment to DE&I, and we are a Disability Confident committed employer, working to improve support to people with disabilities and reducing the disability employment gap.

OTHER INFORMATION

A review of business and details of the Company's future developments and financial risk management objectives and policies can be found in the strategic report.

PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information has been taken.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

NORTHROP GRUMMAN UK LIMITED DIRECTORS' REPORT (continued)

PROVISION OF INFORMATION TO THE AUDITOR (continued)

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 28 September 2023.

On behalf of the Board



Steven Spiegel

Director

Date: 28 September 2023

NORTHROP GRUMMAN UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHROP GRUMMAN UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Northrop Grumman UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in shareholder's equity;
- the statement of cash flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHROP GRUMMAN UK LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are relevant to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pension legislation and taxation legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection Regulation (GDPR), anti-bribery and corruption legislation, defence contracting regulation and employment laws.

We discussed among the audit engagement team including relevant internal specialists such as IT and pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue recognition in relation to the company's open fixed price contracts are accounted for on a percentage of completion basis and therefore there is judgement involved in estimating the costs to complete. We tested the design and implementation of relevant controls around management's process for estimating project costs. We assessed the accuracy of management's estimates of costs to complete against the company's work plans and inquired with the relevant project managers.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHROP GRUMMAN UK LIMITED (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicki Pickering, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
28 September 2023

NORTHROP GRUMMAN UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

<i>£ in thousands</i>	Note	Year Ended 31 December	
		2022	2021
Turnover	3	£ 164,449	£ 154,666
Staff costs	4	(52,773)	(42,562)
Operating expenses		(102,803)	(90,325)
Operating profit	5	8,873	21,779
Net finance income	3	1,604	362
Impairment on investments	8	—	(12,779)
Profit before taxation		10,477	9,362
Tax on profit	6	(1,819)	(4,024)
Profit for the year		8,658	5,338
Actuarial (loss)/gain on net pension asset	14	(546)	327
Related movement in deferred tax liability	11	132	(144)
Other comprehensive (loss)/income for the year		(414)	183
Total comprehensive income for the year		£ 8,244	£ 5,521

All activities derive from continuing operations.

The accompanying notes form an integral part of these financial statements

NORTHROP GRUMMAN UK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 AND 2021

<i>£ in thousands</i>	Note	31 December	
		2022	2021
Fixed assets			
Tangible assets	7	£ 4,396	£ 4,262
Investments	8	—	—
Deferred tax asset	6	825	783
		<u>5,221</u>	<u>5,045</u>
Current assets			
Cash at bank		48	12
Debtors	9	137,632	110,512
		<u>137,680</u>	<u>110,524</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(82,360)	(62,651)
Net current assets		<u>55,320</u>	<u>47,873</u>
Total assets less current liabilities			
		<u>60,541</u>	<u>52,918</u>
Provision for liabilities	11	(1,321)	(3,497)
Creditors: amounts falling due after one year	10	(1,313)	(285)
Net assets excluding pension asset		<u>57,907</u>	<u>49,136</u>
Net pension asset	14	798	1,325
Net assets including pension asset		<u>£ 58,705</u>	<u>£ 50,461</u>
Capital and reserves			
Share capital	12	£ 1	£ 1
Share premium	12	231	231
Profit and loss account	12	58,473	50,229
Shareholder's equity		<u>£ 58,705</u>	<u>£ 50,461</u>

The financial statements of Northrop Grumman UK Limited, registered number 5989428, were approved by the Board of Directors and authorised for issue on 28 September 2023.



Steven Spiegel
 Director

The accompanying notes form an integral part of these financial statements

NORTHROP GRUMMAN UK LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

<i>£ in thousands</i>	Share capital	Share premium	Profit and loss account	Total shareholder's equity
At 31 December 2020	<u>£ 1</u>	<u>£ 231</u>	<u>£ 44,708</u>	<u>£ 44,940</u>
Profit for the year	—	—	5,338	5,338
Other comprehensive income for the year	—	—	183	183
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>5,521</u>	<u>5,521</u>
At 31 December 2021	<u>1</u>	<u>231</u>	<u>50,229</u>	<u>50,461</u>
Profit for the year	—	—	8,658	8,658
Other comprehensive loss for the year	—	—	(414)	(414)
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>8,244</u>	<u>8,244</u>
At 31 December 2022 (note 12)	<u>£ 1</u>	<u>£ 231</u>	<u>£ 58,473</u>	<u>£ 58,705</u>

The accompanying notes form an integral part of these financial statements

NORTHROP GRUMMAN UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Cash flows from operating activities		
Operating profit	£ 8,873	£ 21,779
Adjustments for:		
Depreciation of tangible assets	1,344	1,209
Loss on disposal of tangible assets	85	—
(Increase)/decrease in debtors	(9,413)	1,991
Increase/(decrease) in creditors	20,737	(1,566)
Decrease in provision for liabilities	(2,176)	(3,026)
Income taxes paid	(1,687)	(4,168)
Movement in deferred tax asset	(42)	(158)
Contributions to defined benefit pensions scheme	(32)	(33)
<i>Net cash provided by operating activities</i>	<u>17,689</u>	<u>16,028</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,563)	(992)
Investment in joint venture	—	(2,873)
Interest received	1,604	362
<i>Net cash provided by/(used in) investing activities</i>	<u>41</u>	<u>(3,503)</u>
Cash flows from financing activities		
Net lending to the Northrop Grumman European Cash Pool	(17,707)	(12,555)
Net cost on pension asset	13	19
<i>Net cash used in financing activities</i>	<u>(17,694)</u>	<u>(12,536)</u>
Net increase/(decrease) in cash at bank	36	(11)
Cash at bank at beginning of year	12	23
Cash at bank at end of year	<u>£ 48</u>	<u>£ 12</u>

The accompanying notes form an integral part of these financial statements

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information and Basis of Accounting

Northrop Grumman UK Limited (the 'Company') is a private company limited by shares that is incorporated in the United Kingdom ('UK') under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on the Company Information page.

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council. The functional currency of the Company is pounds sterling as that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to financial instruments, share-based payment arrangements and remuneration of key management personnel.

The Company has taken advantage of the exemption available under S401 of the Companies Act 2006 not to prepare group accounts as it is a subsidiary of Northrop Grumman Corporation ('NGC') which prepares consolidated accounts that are publicly available and may be obtained at www.northropgrumman.com.

Going Concern

The directors have concluded that the Company will continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue and therefore it is appropriate to use the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2022.

In carrying out this assessment the directors' findings are:

- At 31 December 2022, the Company had a net current asset position of £55,320,000 and shareholder's equity of £58,705,000;
- The cash pooling resources are adequate to cover existing and all likely future liabilities for a period of at least one year from the date of approval of the statutory accounts; and
- The profit for the year amounted to £8,658,000; and
- The directors have made enquiries and are satisfied that the Company has adequate resources to continue in operational existence.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Office equipment and computer hardware	2-5 years
Leasehold improvements	Shorter of useful economic life or length of the lease

Financial Instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets classified at fair value through profit or loss are initially measured at fair value (which is normally the transaction price excluding transaction costs). If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. All other financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the Statement of Financial Position if there exists a legally enforceable right to do so and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Debt instruments which meet certain conditions are subsequently measured at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost less impairment.

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Financial assets are derecognised only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company retains some of the significant risks and rewards of ownership but has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Company did not have any financial instruments measured at fair value through profit or loss in either the current year or the preceding year. All basic financial instruments were measured at amortised cost.

Investments

Investments in subsidiaries and joint ventures are measured at cost less impairment. Investments are assessed for indicators of impairment at each reporting date. If any such indication exists, the recoverable amount is estimated to determine the extent of the impairment loss (if any). In determining the recoverable amount, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money. If the recoverable amount is estimated to be less than the carrying amount of an investment, the carrying amount is reduced to its recoverable amount and an impairment loss is recognised immediately.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 31 December, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on timing differences that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrealised tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Turnover

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable net of value-added tax ('VAT'). Where a contract has only been partially completed at 31 December, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at 31 December. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors: falling due within one year. The amount of cumulative revenue in excess of amounts invoiced is recorded as amounts recoverable on contracts.

Turnover is derived from the following sources:

Contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at 31 December. This is normally measured by the proportion that contract costs incurred for work performed to date bear the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Judgement is required and exercised when determining estimated costs for long term contracts. These estimates have a significant impact on the determination of revenue recognition and related amounts as well as deferred and accrued amounts recognised in the financial statements.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Turnover (continued)

Contracts (continued)

Turnover on time and material contracts is recognised as costs are incurred. The Company also provides license and support services. Generally the customer pays up-front in full for these services therefore deferred revenue is recognised at the time of the initial sales transaction and is released over the support period on a straight-line basis. During 2022, the method of accounting for time and material contracts was aligned with group policies (stage of completion) which had an immaterial impact on revenue recognized in the current year and prior year.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Group Undertakings

The Company provides services to group undertakings at cost plus fee. Related party transactions are discussed in further detail below.

Related Party Transactions

The terms of related party transactions are approved by the Company's management. These transactions are expected to be settled in the normal course of business and have no specific repayment terms. Amounts due from/due to related parties are included in debtors and creditors, respectively, in the Statement of Financial Position. The outstanding balance with the Northrop Grumman European Cash Pool is unsecured and subject to variable interest rates. All other related party balances are unsecured and not subject to interest.

The Company has taken advantage, as a wholly owned subsidiary, of the exemption under section 33 of FRS 102, related party disclosures, from disclosure of transactions and balances with group companies. Accordingly, transactions with NGC and its subsidiaries are not disclosed separately.

Foreign Exchange

Balances denominated in foreign currencies are translated either at the original rate applied to the transaction where there is no current intention to arrange settlement or at agreed group settlement rates where transactions are to be settled in the short term. Transactions denominated in foreign currencies are translated into pound sterling at the rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at 31 December are translated at the rates ruling at that date. These translation differences are included within the profit and loss account.

Research and Development

Research and development ('R&D') expenses are recognised in the period in which they are incurred. An internally generated intangible asset from the Company's development (or from the development phase of an internal project) is recognised only if certain conditions have been demonstrated. The Company has assessed its R&D expenses and concluded that there are no expenses that meet the definition of an intangible asset.

Retirement Benefits

Retirement benefits are provided for certain employees through a defined contribution scheme. The amount charged to the profit and loss account represents the contributions payable in the year.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement Benefits (continued)

Retirement benefits for certain employees are also provided through the Park Air Pension Plan ('the Plan'), which is a group defined benefit pension plan. Northrop Grumman Global Holdings, a fellow subsidiary of NGC, is legally responsible for the Plan however the independent actuary is able to identify the share of the underlying assets and obligations that are attributable to Company employees, with expenses split on a pro rata basis, therefore the Company has accounted for its share of the Plan within these financial statements. In 2017, the Plan was closed to new members.

The assets of the pension scheme are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at an appropriate rate of return. The surplus or deficit of the scheme is recognised as an asset or liability on the Statement of Financial Position.

All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are recognised immediately in other comprehensive income/(loss). The Plan is discussed further in note 14.

Stock Compensation Plan

At 31 December 2022, the Company had stock-based compensation awards outstanding under the NGC 2011 Long-Term Incentive Stock Plan ('2011 Plan'). The 2011 Plan provides for stock awards which include restricted performance stock rights ('RPSR') and restricted stock rights ('RSR'). RPSRs generally vest and are paid following the completion of a three-year performance period, based primarily on achievement of financial objectives determined by the NGC Board of Directors. RSRs generally vest 100% after three years. Each includes dividend equivalents, which are paid concurrently with the RPSR or RSR. The terms of equity awards granted under the 2011 Plan provide for accelerated vesting, and in some instances forfeiture, of all or a portion of an award upon termination of employment.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rentals under finance leases are recognised at amounts equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments.

Where the Company has a legal obligation, a dilapidation provision is recorded at the inception of a lease. These provisions are a best estimate of the cost required to return the leased property to its original condition upon termination of the lease.

Net Finance Income

Interest income is recognised in the profit and loss account using the effective interest rate method and is recorded in the period in which it is earned.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, revisions are recognised in the period of the revision and future periods.

Critical Judgements in Applying the Company's Accounting Policies

There are no critical judgements, apart from those involving estimations (which are discussed below).

Key Source of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

Estimate-At-Completion ('EAC') Adjustments

Judgement is required and exercised when determining estimated costs for long term contracts. These estimates have a significant impact on the determination of revenue recognition and related amounts recognised in the financial statements. Significant EACs and related program risks are reviewed regularly by management as part of ongoing program reviews. On the basis of these reviews, individual EAC's are updated as necessary.

Pension Commitments

The Company's pension scheme assets, obligations and related expenses are dependent upon the investment performance of scheme assets and various assumptions, including discount rates, mortality and the estimated long-term rates of return on scheme assets. Investment performance and changes in assumptions associated with our pension scheme could have a material adverse effect on our financial position, results of operations and/or cash flows.

3. TURNOVER AND INCOME

Turnover represents amounts derived from the provision of services after the deduction of trade discounts and VAT. The Company's turnover is derived from its principal activity and arises wholly within the UK.

The destination is analysed by geographical market as follows:

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
United Kingdom	£ 149,625	£ 141,300
Rest of Europe	1,475	1,734
United States of America	13,313	11,568
Rest of the World	36	64
Total turnover	<u>£ 164,449</u>	<u>£ 154,666</u>

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. TURNOVER AND INCOME (continued)

An analysis of the Company's income is as follows:

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Turnover	£ 164,449	£ 154,666
Interest income from group undertakings	1,593	363
Interest income from pension scheme (note 14)	139	97
	<u>£ 166,181</u>	<u>£ 155,126</u>

Net finance income on the Statement of Comprehensive Income includes interest income as disclosed above, net interest expense on pension scheme liabilities of £115,000 (2021: £84,000) and other interest expense of £13,000 (2021: £14,000).

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration and transactions

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Emoluments and other short-term benefits	£ 565	£ 544
Amounts received under long-term incentive schemes	924	459
Company contributions to pension scheme	20	20
	<u>£ 1,509</u>	<u>£ 1,023</u>

During 2022 and 2021, one director received remuneration from the Company in respect to their services. This highest paid director exercised share options in the year and had shares receivable under long-term incentive schemes. The remaining directors were remunerated by other Northrop Grumman companies.

Staff costs (including director emoluments)

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Wages and salaries	£ 41,649	£ 33,823
Social security costs	5,022	3,950
Pension costs	6,036	4,767
Other benefits	66	22
	<u>£ 52,773</u>	<u>£ 42,562</u>

Average number of persons employed (including directors)

	Year Ended 31 December	
	2022	2021
Direct	491	379
Indirect	165	185
	<u>656</u>	<u>564</u>

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OPERATING PROFIT

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Operating profit is stated after charging:		
Depreciation and amortisation - owned assets	£ 1,344	£ 1,209
Loss/(gain) on foreign currency exchange	£ 435	£ (683)
Auditor's remuneration for the audit of the Company's annual accounts	£ 324	£ 290
Rentals under operating leases:		
Land and buildings	£ 1,670	£ 1,521
Others	£ 52	£ 118
Impairment on investments	£ —	£ 12,779

6. TAX ON PROFIT

(a) Analysis of Tax

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Current tax:		
UK corporation tax on profit	£ (1,506)	£ (3,813)
Adjustment in respect of prior periods	(354)	(369)
Deferred tax:		
Origination and reversal of timing differences	41	120
Effect of tax rate change on opening balance	—	38
Total current tax	<u>£ (1,819)</u>	<u>£ (4,024)</u>

(b) Factors Affecting Tax

The differences between the total current tax and the amount calculated by applying the standard UK corporation tax rate of 19% (2021: 19%) are explained below.

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Profit on ordinary activities before taxation	£ 10,477	£ 9,362
Tax at standard rate	(1,991)	(1,779)
Differences:		
Expenses not deductible for tax purposes	(68)	(2,525)
Fixed asset differences	(69)	(85)
Other permanent differences	104	—
Income not taxable for tax purposes	428	529
Other tax adjustments, reliefs, and transfers	—	(62)
Deferred tax not recognised	89	(24)
Adjustment for change in tax rates	42	291
Adjustment in respect of prior periods	(354)	(369)
Total tax on profit	<u>£ (1,819)</u>	<u>£ (4,024)</u>

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX ON PROFIT (continued)

(b) Factors Affecting Tax (continued)

The Company has an unrecognised deferred tax asset in relation to historical trading losses and other short term timing differences. These have not been recognised in the financial statements to the extent these amounts are not expected to be recovered in the future. The amount of the asset not recognised at 31 December 2022 is £0.9M (2021: £1.2M). The Company recognized a deferred tax asset related to accelerated capital allowances, pension contributions and accrued remuneration and a deferred tax liability related to the defined benefit pension asset (note 11).

(c) Factors That May Affect Future Tax

In March 2021, the UK government announced an increase in the corporation tax rate from 19% to 25% with certain exemptions and phase in provisions with effect from 1 April 2023.

7. TANGIBLE FIXED ASSETS

<i>£ in thousands</i>	Leasehold improvements		Office equipment, and computer hardware		Total
Cost					
At 31 December 2021	£	9,600	£	5,395	£ 14,995
Additions		1,214		349	1,563
Disposals		(2,591)		(497)	(3,088)
At 31 December 2022	£	8,223	£	5,247	£ 13,470
Accumulated Depreciation					
At 31 December 2021	£	6,412	£	4,321	£ 10,733
Charge for the year		904		440	1,344
Disposals		(2,506)		(497)	(3,003)
At 31 December 2022	£	4,810	£	4,264	£ 9,074
Net Book Value					
At 31 December 2021	£	3,188	£	1,074	£ 4,262
At 31 December 2022	£	3,413	£	983	£ 4,396

8. INVESTMENTS

<i>£ in thousands</i>	Cost	Provision for impairment	Net book value
At 31 December 2020	£ 9,906	£ —	£ 9,906
Investment in joint venture	2,873	—	2,873
Provision for impairment	—	(12,779)	(12,779)
At 31 December 2021	£ 12,779	£ (12,779)	£ —
At 31 December 2022	£ 12,779	£ (12,779)	£ —

In 2021 the Company fully impaired its investment in Sealand Support Services Limited through a charge to the Statement of Comprehensive Income.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

Details of subsidiary undertakings, including joint ventures, are as follows:

Name of Company	Country of Incorporation	Registered office	Holding	Directly Owned
Sealand Support Services Limited	United Kingdom	MoD Sealand, Welsh Road, Sealand, Deeside Flintshire, CH5 2LS	Ordinary shares and C Preference shares	33% Ordinary and 100% Preference

9. DEBTORS

<i>£ in thousands</i>	31 December	
	2022	2021
Amounts falling due within one year:		
Trade debtors	£ 5,868	£ 9,387
Amounts owed by group undertakings	104,526	84,884
Prepayments and other debtors	2,897	2,399
Accrued income	24,341	13,842
	£ 137,632	£ 110,512

Amounts owed by group undertakings are payable upon demand. The terms and conditions of transactions with related parties are further described in note 1.

10. CREDITORS

<i>£ in thousands</i>	31 December	
	2022	2021
Amounts falling due within one year:		
Trade creditors	£ 3,071	£ 4,555
Amounts owed to group undertakings	39,297	33,835
Payments received on account in respect of long-term contracts	19,862	11,742
VAT payable, net	2,416	2,252
Other taxes	—	46
Accrued expenses	17,714	10,221
	£ 82,360	£ 62,651

Amounts owed to group undertakings are payable upon demand. The terms and conditions of transactions with related parties are further described in note 1.

Creditors falling due after one year of £1,313,000 (2021: £285,000) represents accrued lease incentives and accrued payments under long-term incentive schemes.

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROVISION FOR LIABILITIES

<i>£ in thousands</i>	Dilapidation	Deferred tax (note 6)	Volume rebate	Onerous contracts	Total
At 31 December 2021	£ 1,759	£ 330	£ 803	£ 605	£ 3,497
Charged to profit or loss	93	—	—	(474)	(381)
Charged to other comprehensive income/(loss)	—	(132)	—	—	(132)
Use of provision	(860)	—	(803)	—	(1,663)
At 31 December 2022	<u>£ 992</u>	<u>£ 198</u>	<u>£ —</u>	<u>£ 131</u>	<u>£ 1,321</u>

Dilapidation reserves represent the expected future obligations relating to the maintenance of leasehold property arising from lease terminations.

Volume rebate represents amounts due back to a customer which was fully utilised during 2022.

Provision for onerous contracts represents the expected losses on contracts when it is probable that total contract costs will exceed total contract revenues.

12. SHARE CAPITAL AND RESERVES

Share Capital

<i>£ in thousands</i>	31 December	
	2022	2021
Called-up, allotted and fully paid:		
1,003 ordinary shares of £1 each	<u>£ 1</u>	<u>£ 1</u>

Each share carries one vote and ranks equally in all respects. The nominal value of each share is £1.

Reserves

Share premium contains the premium arising on issue of equity shares, net of issue costs.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments, and distributable reserves.

13. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

<i>£ in thousands</i>	31 December	
	2022	2021
Not later than 1 year	£ 1,566	£ 1,565
Later than 1 year and not later than 5 years	4,167	3,069
Later than 5 years	—	44
Total	<u>£ 5,733</u>	<u>£ 4,678</u>

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PENSION COMMITMENTS

Retirement benefits for certain employees are provided through the Park Air Pension Plan ('the Plan'), a group defined benefit pension scheme. A actuarial valuation report dated 17 March 2023 was prepared by a qualified independent actuary. The actuary is able to identify the share of the underlying assets and obligations that are attributable to the Company, with expenses split on a pro rata basis, therefore the Company has accounted for its share of the Plan within these financial statements. The valuation report includes the following disclosures:

Key assumptions used	31 December	
	2022	2021
Discount rate	4.75 %	1.85 %
Pension increases	2.70 %	2.85 %
Deferred pension increases	2.75 %	2.90 %
Price inflation	3.15 %	3.30 %

Investigations have been carried out within the past three years into the mortality experience of the defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

Mortality Assumptions <i>In years</i>	31 December	
	2022	2021
Retiring today	22.4	22.4
Retiring in 25 years	24.1	24.1

Amounts recognised in profit or loss are as follows:

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
Interest income on plan assets	£ (139)	£ (97)
Interest expense on defined benefit obligations	115	84
Net interest income	(24)	(13)
Administrative expenses	37	32
Cost recognised in profit on ordinary activities	13	19
Actuarial loss/(gain) recognised in other comprehensive income/(loss)	546	(327)
Total expense/(income) related to defined benefit scheme	£ 559	£ (308)

NORTHROP GRUMMAN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PENSION COMMITMENTS (continued)

Movements in the present value of defined benefit obligation are as follows:

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
At 1 January	£ 6,235	£ 6,521
Interest expense	115	84
Effect of changes in assumptions	(2,958)	(297)
Effect of experience adjustments	748	—
Benefit payments	(68)	(73)
At 31 December	<u>£ 4,072</u>	<u>£ 6,235</u>

Movements in the fair value of scheme assets are as follows:

<i>£ in thousands</i>	Year Ended 31 December	
	2022	2021
At 1 January	£ 7,560	£ 7,505
Interest income	139	97
Return on plan assets (excluding interest income)	(2,756)	30
Employer contributions	32	33
Benefit payments and administrative expenses	(105)	(105)
At 31 December	<u>£ 4,870</u>	<u>£ 7,560</u>

An analysis of scheme assets and the amounts included in the Statement of Financial Position are as follows:

<i>£ in thousands</i>	31 December	
	2022	2021
Cash and cash equivalents	£ 99	£ 108
Debt instruments	4,173	6,333
Equity instruments	354	860
Other	175	191
Real estate	69	68
Total	<u>4,870</u>	<u>7,560</u>
Present value of defined benefit obligation	<u>(4,072)</u>	<u>(6,235)</u>
Net pension asset	<u>£ 798</u>	<u>£ 1,325</u>

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company and controlling party is NGC UK Limited, a company registered in England and Wales with its registered office at Clareville House, 26-27 Oxendon Street, London SW1Y 4EL. The largest and smallest group in which the results of the Company are consolidated is that headed by NGC, the ultimate parent undertaking and controlling party incorporated in Delaware in the United States of America (USA) and located at 2980 Fairview Park Drive, Falls Church, VA 22042, USA, which is also the entity's registered office. The consolidated accounts of this company may be viewed at the company website which is www.northropgrumman.com. In addition, the Securities and Exchange Commission (SEC) also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including NGC.