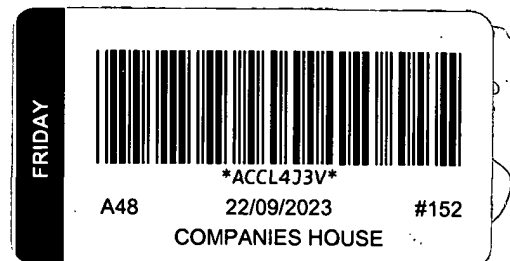


Registered number: 2372738

LOCKHEED MARTIN UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



LOCKHEED MARTIN UK LIMITED

COMPANY INFORMATION

Directors	J Diamond C McIntosh (appointed 1 November 2022) J Rambeau (appointed 15 February 2021, resigned 1 September 2022) E Taylor
Company secretary	D Davis-Washington (appointed 20 December 2022) C Bradden (resigned 20 December 2022)
Registered number	2372738
Registered office	Legal Counsel Building 7000 Langstone Park Langstone, Havant Hampshire PO9 1SW
Independent auditors	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton Hampshire SO15 2BE
Bankers	Citibank Citibank House 336 Strand London WC2R 1HB

LOCKHEED MARTIN UK LIMITED

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LOCKHEED MARTIN UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Results and dividends

The profit for the year after taxation amounted to £7,500,000 (2021 - £10,819,000). During the year the directors recommended, and the company paid, a dividend of £nil (2021 - £nil).

The company's business activities, key performance indicators, along with relevant factors likely to affect its future development and position, are described in the Business Review section of the Strategic Report on pages 3 to 7.

Going Concern

The directors, having assessed the company's financial position, have no reason to believe that a material uncertainty exists that casts significant doubt over the company's ability to continue as a going concern or jeopardise its ability to continue within the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made, the directors expect that the Company will be able to continue in operational existence for the foreseeable future. In addition, the directors have received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, for a period of at least 12 months to 30 September 2024. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors who served during the year and subsequently were:

J Diamond
C McIntosh (appointed 1 November 2022)
J Rambeau (appointed 15 February 2021)
E Taylor (appointed 4 March 2021)

Directors' liabilities

The company has indemnified the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

Political and charitable contributions

During the year the company made various charitable contributions totalling £145,900 (2021 - £303,800).

Employees

During the year, the policy of providing employees with information about the company has been continued. Employees have also been encouraged to present their suggestions and views, and regular meetings are held between local management and employees to allow a free flow of information and ideas.

Lockheed Martin is an equal opportunity employer and complies with equal opportunity obligations to avoid making hiring decisions using factors that are not relevant to the position. Characteristics such as gender, race or age, for example, cannot be a motivating factor when making any hiring decision. The Company gives full consideration to applications from people with disabilities in accordance with UK legislation. It is the Company's policy wherever practicable, to provide continuing employment under normal terms and conditions to existing employees who become disabled by providing training and appropriate working conditions.

The Company is also committed to providing a professional work environment with opportunities to grow and develop through different job roles. Job rotation and the ability to change jobs are important elements of career development.

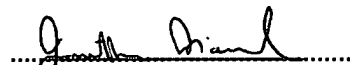
LOCKHEED MARTIN UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report was aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant information and to establish that the auditor is aware of that information.

This report was approved by the board and signed on its behalf.



J Diamond

Director

Date: 8 August 2023

LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal activities and review of the business

The principal continuing activities of the company are serving as a total systems integrator and prime contractor on various defence and non-defence related platforms, and the design and manufacture of weapon simulators and training equipment.

The company uses a number of key performance indicators to monitor performance within the business. These include the following:

Financial

The company annually updates a rolling long-range plan (LRP) covering three years, which is supplemented by short term forecasts (STFs), updated at least quarterly. The key components of these performance indicators include Revenue, Earnings Before Interest and Tax (EBIT), Net cash and the associated average headcount. The results for 2022, compared to 2021, are shown in the table below:

	2022	2021
Revenue	£222.2m	£250.8m
EBIT	£8.8m	£10.6m
Net cash	£155.1m	£166.4m
Headcount	856	848

The decrease in revenue is due to a slight reduction in the number of milestones being reached on a small number of the larger programmes. Whilst challenges have remained on certain major long-term contracts, costs have remained in line with revenue, and so a profit for the year has been achieved.

Non-financial

The Corporation has a policy called 'Target Zero' for work-related accidents.

All employees undertook annual compliance and ethics training which was achieved to schedule.

The company is an authorised economic operator, granted by HMRC in 2013, which is endorsed by the customs union of the European Community, recognised by the World Trade Organisation and commensurate with US trade partnership against terrorism.

The business units within the company hold ISO 9001, TickITplus, ISO 27001, and ISO/IEC20000 quality registrations which are also subject to regular surveillance visits and re-accreditation from external assessors.

Future developments

The business expects to maintain good relationships with Commercial and MoD Customers and sales from continuing operations are expected to remain consistent. The company continues to actively pursue new business opportunities.

Principal risks and uncertainties

The company's Operations Council periodically reviews business-level and cross-programme risk register.

The Corporate risk register addresses risks at Business Unit level. The types of risk are mainly competitive, legislative and financial, but also process, critical resources, health and safety, business continuity and IT recovery planning are covered.

LOCKHEED MARTIN UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Competitive risks

Competitive risks address both the market evolution and Lockheed Martin's position in that market. Typical parameters are pricing, capability (enhancement), critical skills/resources and effects of current programme performance.

Legislative risks

Legislative and commercial risks are also addressed in the risk registers of the individual programmes. They are mostly owned by the commercial department. Cross-programme trends are flowed up to the corporate risk register.

Financial risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The directors consider the credit risk to be low given that the principal customer is the UK Government. The liquidity and cash flow risks are also considered low as these are managed by the funding facilities available from its parent undertaking.

The company uses certain financial instruments to help manage its main operating risks. In particular it utilises inter-group funding balances through cash pooling, and cash and overdraft borrowing facilities provided by Lockheed Martin Corporation Group to manage the liquidity and cash flow risks faced. In addition, the company also uses foreign currency contracts provided by Lockheed Martin Corporation Group to manage the foreign exchange risks faced on contracts undertaken.

The company faces the risk that long term forecast contract profit margins are not met, however this risk is minimised by regular 'Estimate at Complete' updates and detailed monthly internal programme reviews.

The company also may suffer a loss-making programme, where due to unforeseen circumstances additional costs are incurred. This risk is kept to a minimum by the use of robust and mature contract pricing methodologies before submitting a bid.

LOCKHEED MARTIN UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

S172(1) Statement

This is the section 172(1) statement of the Company made pursuant to the Companies Act 2006 requirement. The company is a wholly owned subsidiary company of Lockheed Martin Corporation, which is registered in the USA. The directors and management of the Company understand the need for sound corporate governance practices in fulfilling their respective duties and responsibilities and its policies and procedures, applied throughout the wider Lockheed Martin group, complies with the corporate governance listing standards of the New York Stock Exchange and the rules and regulations of the US Securities and Exchange Commission. Group management has set Corporate Governance Guidelines, which provide the framework for governance within the group and the Corporate Governance Committee regularly reviews corporate governance developments and, as needed, makes recommendations to modify these guidelines. The Corporate Governance Guidelines can be obtained from the group's website at www.lockheedmartin.com.

The board of directors of Lockheed Martin UK Ltd ("the Company") have delegated operational management and decision-making of the company to its executive committee, which includes all of its statutory directors and other executive leadership. In turn this committee manages the Company through a series of executive and other meetings which are focussed on specific aspects of the Company's operations. Decisions are made within the parameters of the Company's delegation of authority system and in accordance with terms of reference which prescribe their scope of authority as delegated by the executive committee. Consequently, the directors exercise their obligations relating to s172 of the Companies Act through the aggregation of the board and these other meetings.

The main decisions which the board and committees of the Company have undertaken in the year relate to its performance of the Company's contracts with both its customers and other commercial partners.

In taking such decisions, the board and executive management of the company take into account the s172(1) factors as follows:

- Long term consequences: The nature of the Company's principal activities often require planning ahead for years so that it is able to respond to the requirements of its principal customers. Shorter-term decisions are taken within the context of longer-term plans which are developed and shared with our customers.
- Employee interests: The workforce of the Company is fundamental to its ability to discharge its role. In addition to the measure the company takes to ensure its employees are engaged and that regular dialogue takes place with employee representatives, it convenes regular executive meetings whose focus is employment strategy and oversight.
- Supplier, customer and other relationships: The directors of the Company recognise that fulfilling its mission requires close liaison with MOD and its other customers, together with careful management of internal resources and best-in-class resources drawn from its supply chain, which includes strategic partners, specialist providers, small and medium enterprises as well as ultimate shareholder resources. Recognising that work for the Company can be of particular significance to the prosperity of some of its specialist providers, the Company takes into account the sustainability of support from its supply chain.
- Community and environment: The Company maintain a regular executive meeting with focus on the engagement between the Company and the wider community and environment. This meeting considers both the impact and potential impact of the Company's operations on the local community and environment, and the opportunities for employment and educational benefits.
- Reputation for high standards of business conduct: The Company takes its corporate responsibility very seriously. As a company whose operations are of significant national importance, the Company is conscious that its actions are open to scrutiny from the press and public at large as well as parliamentary and other formal forums, and takes its decisions in the light not just of their operational appropriateness, but also in the light of potential scrutiny and associated requirement to demonstrate the integrity and fairness of its decision-making and relationships with others.

LOCKHEED MARTIN UK LIMITED**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****Streamlined Energy and Carbon reporting (SECR)**

In line with companies Directors' Report and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is required to report greenhouse gas (GHG) emissions.

This report covers all offices from which the company conducts its business. The activities of the company are in engineering and administration.

GHG reporting approach

The company GHG emissions are reported in tonnes of carbon dioxide equivalent (TCO₂e), and the current submission covers the period 1st January 2022 to 31st December 2022. This reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, the energy and emissions for the buildings owned and operated by the company are included.

The latest emission factors from the Department for Business, Energy and Industrial Strategy (updated 24th January 2022) have been used and gross emissions shown in the table below have been applied using the using location-based grid average emissions factors accounting methodology.

The intensity measure gross scope 1 and 2 emissions in tonnes of carbon dioxide, methane and nitrous oxide has been applied using the Gross Internal Area in Sqm to ensure a similar metric across the various offices and manufacturing buildings.

Energy Consumption and associated CO₂ emissions

	Consumption 2022	Consumption 2021
Total energy consumption (electricity) (KWh)	4,768,693	4,057,097
Total energy consumption (gas) (KWh)	26,761	49,275
Total vehicle fuel consumption (diesel & Petrol) (Litres)	18,157	10,473
	Emissions (Tonnes) 2022	Emissions (Tonnes) 2021
Scope 1 - Combustion of fuel (gas) - CO ₂ e, CO ₂ , CH ₄ & N ₂	14	26
Scope 2 - Electricity purchased for own use	1,845	1,723
Total annual gross emissions	1,859	1,749
	Annual GHG intensity measure (Tonnes/SQM) 2022	Annual GHG intensity measure (Tonnes/SQM) 2021
GHG emissions (CO ₂ e, CO ₂ , CH ₄ & N ₂ O)	0.16	0.15

Energy efficiency improvements

All projects include consideration of energy efficient material and assets, for example as light fittings fail they are replaced by LED fixtures.

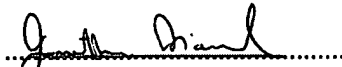
Specific green initiatives carried out across our sites include:

- 100% renewable electricity supply introduced
- Changing lighting to LED
- Reduced time external lights are on overnight
- Reduced water use through decommissioning water services in little used areas
- Introduction of HELP filters to AHUs to reduce need for fresh air requiring less gas to heat
- Automatic door closers to reduce heat loss from doors left open

LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

On behalf of the Board.


.....
J. Diamond
Director

Date: 8 August 2023

LOCKHEED MARTIN UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOCKHEED MARTIN UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCKHEED MARTIN UK LIMITED

Opinion

We have audited the financial statements of Lockheed Martin UK Limited for the year ended 31 December 2022, which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, Statement of changes in equity and the related Notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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 to 30 September 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

LOCKHEED MARTIN UK LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCKHEED MARTIN UK LIMITED
(CONTINUED)**

Opinion 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of other' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 8, 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.

LOCKHEED MARTIN UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCKHEED MARTIN UK LIMITED (CONTINUED)

Auditors' 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 auditors' 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those related to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and the United Kingdom direct and indirect tax regulations. In addition, owing to the sector the company operates in, we considered laws and regulations that had a significant impact on the operations of the company, including defence contracting and anti – bribery and corruption legislation. The company must also comply with the operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how Lockheed Martin UK Limited is complying with those frameworks by making inquiries of senior finance personnel and those charged with governance on a regular basis regarding any non-compliance of laws and regulations. We have corroborated these discussions by inspecting all the board minutes to date and have identified no issues. We have also reviewed the Lockheed Martin code of conduct handbook which all employees need to adhere to.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override relating to revenue recognition, margin forecasts and booking rates on long term contracts. The risk identified relating to revenue and gross margin on long term contracts is due to the judgemental nature of determining the percentage of completion and overall profitability of the contract given the long-term nature. To address the risk in revenue and gross margin, we selected a representative sample of contracts and performed substantive procedures to gain assurance over the balance. This included vouching milestone payments, reviewing changes in contracts and testing uplifts recognised in contract values to signed amendments, plus meetings with project managers to understand the contract progress, risks and accounting. We have also performed cut off testing procedures.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing manual journals based on specific risk criteria, reviewing the financial statement amounts and disclosures and reviewing of public records to ascertain any risks relevant to Lockheed Martin UK, including adverse media searches. We held discussions with senior management and internal legal counsel on compliance with laws and regulations.

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

LOCKHEED MARTIN UK LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCKHEED MARTIN UK LIMITED
(CONTINUED)**

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 auditors' 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.

DocuSigned by:

Ernst & Young LLP

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Nikki Forster (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date: 10 August 2023

LOCKHEED MARTIN UK LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	3	222,203	250,762
Cost of sales		(214,447)	(241,764)
Gross profit		<u>7,756</u>	<u>8,998</u>
Other operating income	4	1,582	1,818
Other operating charges	5	(1,572)	(175)
Operating profit		<u>7,766</u>	<u>10,641</u>
Interest receivable and similar income	9	1,073	-
Interest payable and similar expenses	10	(4)	(6)
Profit before tax		<u>8,835</u>	<u>10,635</u>
Tax on profit	11	(1,335)	184
Profit for the financial year		<u><u>7,500</u></u>	<u><u>10,819</u></u>

LOCKHEED MARTIN UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

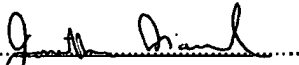
	Note	2022 £000	2021 £000
Profit for the financial year		7,500	10,819
Other comprehensive income			
Gain on cash flow hedges		7,589	1,099
Remeasurement (loss) recognised on defined benefit pension scheme (note 18)	18	(3,058)	(3,058)
Current and Deferred tax (note 11)	11	(1,900)	(415)
Other comprehensive gain / (loss) for the year		2,631	(2,374)
Total comprehensive income for the year		10,131	8,445

LOCKHEED MARTIN UK LIMITED
REGISTERED NUMBER: 2372738

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	12	7,818	9,123
		<u>7,818</u>	<u>9,123</u>
Current assets			
Stocks	13	12,801	9,432
Debtors: amounts falling due within one year	14	172,198	147,498
Cash at bank and in hand		155,103	166,393
		<u>340,102</u>	<u>323,323</u>
Creditors: amounts falling due within one year	15	(261,155)	(257,464)
Net current assets		<u>78,947</u>	<u>65,859</u>
Total assets less current liabilities		<u>86,765</u>	<u>74,982</u>
Net assets		<u><u>86,765</u></u>	<u><u>74,982</u></u>
Capital and reserves			
Cash flow hedge reserve		9,261	1,672
Profit and loss account		77,504	73,310
		<u>86,765</u>	<u>74,982</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


J. Diamond
 Director

Date: 8 August 2023

LOCKHEED MARTIN UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	573	64,152	64,725
Comprehensive income for the year			
Profit for the year	-	10,819	10,819
Share-based payment	-	1,638	1,638
Other comprehensive loss	1,099	(3,299)	(2,200)
Total comprehensive gain for the year	<u>1,099</u>	<u>9,158</u>	<u>10,257</u>
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2022	<u>1,672</u>	<u>73,310</u>	<u>74,982</u>
Comprehensive income for the year			
Profit for the year	-	7,500	7,500
Share-based payment	-	1,652	1,652
Other comprehensive income	7,589	(4,958)	2,631
Total comprehensive gain for the year	<u>7,589</u>	<u>4,194</u>	<u>11,783</u>
At 31 December 2022	<u><u>9,261</u></u>	<u><u>77,504</u></u>	<u><u>86,765</u></u>

The total number of Ordinary shares of 65,000,003 has a value of £0.00000001538 each and provides us with a total ordinary share value of £1.

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 Basis of preparation

The financial statements of Lockheed Martin UK Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

1.2 Statement of compliance

Lockheed Martin UK Limited is a limited liability company incorporated in England. The Registered Office is Building 7000, Langstone Park, Langstone, Havant, Hampshire, PO9 1SW.

The financial statements have been prepared in accordance with FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102).

The preparation of the financial statements in compliance with FRS 102 requires the use of certain accounting estimates. Key estimates and judgements are given in note 2.

1.3 Group financial statements

The company has utilised the exemption available under section 401 of the Companies Act 2006, as a wholly owned subsidiary undertaking whose ultimate parent undertaking has prepared applicable group financial statements which include the company and its subsidiary and joint venture undertakings. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

1.4 FRS 102 exemptions

The company has utilised the exemption under FRS 102 section 1.12 as a subsidiary undertaking whose ultimate parent undertaking prepares consolidated group financial statements that are publicly available, and has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes;
- Financial instrument disclosures and hedge accounting disclosures;
- Share-based payment arrangements;
- Key management personnel compensation; and
- Disclosure of related party transactions with other wholly owned subsidiaries of Lockheed Martin Corporation group.

1.5 Going concern

The directors, having assessed the company's financial position, have no reason to believe that a material uncertainty exists that casts significant doubt over the company's ability to continue as a going concern or jeopardise its ability to continue within the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made, the directors expect that the Company will be able to continue in operational existence for the foreseeable future. In addition, the Directors have received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, for a period to 30 September 2024. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.6 Investments

Investments are recorded at cost. The carrying value of investments are reviewed for impairment if events indicate that the carrying value may not be recoverable.

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost, together with any incidental expenses of acquisition, and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, generally using accelerated methods during the first half of the estimated useful lives of the assets and the straight-line method thereafter. No depreciation expense is recorded on construction in progress until such assets are placed into operation.

The principal annual rates used for this purpose are:

Plant office and computer equipment	- double declining method over 5 - 13 years
Software	- 3 or 6 year straight line
Leasehold improvements	- straight line over 7 - 20 years
Construction in progress	- not provided

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

1.8 Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

1.9 Contract turnover and work in progress

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as work in progress balances.

1.10 Research and development

Research and development expenditure is either attributable directly to, and recoverable from work programmes and is charged specifically to work in progress, or written off as privately funded research and development as appropriate.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.11 Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.12 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling of the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the income statement in the year in which they arise. On certain long-term contracts forward foreign currency contracts are taken out to hedge the exchange risk in line with the anticipated foreign exchange cash flows.

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.13 Derivative financial instruments and hedging

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is designated and documented at its inception. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on a regular basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

1.14 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.15 Creditors

Short term trade creditors are measured at the transaction price.

1.16 Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

1.17 Pensions

The company's pension scheme is the LM UK Pension Plan as detailed in Note 18. The pension fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.18 Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the parent undertaking's equity instruments at the date at which they are granted and is recognised as an expense to the company over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The business estimates its profit margins based on robust Estimate at Completion (EAC) forecasts for all projects. The profit included is calculated to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen. Turnover in respect of long-term contracts is calculated to fairly reflect the level of completion of the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.
- The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in Note 18.

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****3. Turnover**

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	216,870	237,373
North America	1,691	9,573
Europe	3,642	3,816
	<u>222,203</u>	<u>250,762</u>

All turnover originates in the United Kingdom and is attributable to the company's principal activity as detailed in the Strategic Report. Turnover is stated net of VAT and trade discounts.

4. Other operating income

	2022 £000	2021 £000
Billed profit for international subsidiary business	1,582	1,818
	<u>1,582</u>	<u>1,818</u>

5. Other operating expenditure

	2022 £000	2021 £000
Foreign exchange loss including matured foreign currency contracts	1,572	175
	<u>1,572</u>	<u>175</u>

6. Operating Profit / (Loss)

This is stated after charging:

		2022 £000	2021 £000
Auditors' remuneration	- audit services	155	142
	- non-audit services	<u>20</u>	<u>35</u>
Fixed assets	- depreciation charge for the year	2,158	2,602
	- loss on disposal of fixed assets	<u>255</u>	<u>-</u>
Operating lease rentals	- plant and machinery	21	22
	- land and buildings	<u>3,459</u>	<u>3,511</u>

Unfunded research and development expenditure amounted to £8,813,591 (2021: £8,478,625) in the year.

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****7. Staff costs**

Staff costs, including directors' remuneration, were as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Wages and salaries	60,377	57,796
Social security costs	6,785	6,175
Other pension costs	5,210	4,827
	<u>72,372</u>	<u>68,798</u>

The average monthly number of employees during the year was as follows:

	2022	<i>2021</i>
	No.	No.
Production (including research and development)	637	629
Selling and distribution	50	51
Administration	169	166
	<u>856</u>	<u>846</u>

Other pension costs noted above relate to normal pension contributions paid in the year by the company.

Also included in wages and salaries is an expense of £1,652,000 (2021: £1,638,000) arising from transactions accounted for as equity-settle share-based payment transactions.

8. Directors' remuneration

	2022	<i>2021</i>
	£000	<i>£000</i>
Directors' emoluments	427	449
Company contributions to defined contribution pension schemes	14	29
	<u>441</u>	<u>478</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £217,000 (2021 - £263,000).

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Interest receivable and similar income

	2022 £000	2021 £000
Bank interest receivable	1,073	-
	<u>1,073</u>	<u>-</u>

10. Interest payable and similar charges

	2022 £000	2021 £000
Bank loans and overdrafts	4	6
	<u>4</u>	<u>6</u>

11. Tax

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2022 £000	2021 £000
Current tax		
UK corporation tax on the profit for the year	1,055	808
UK corporation tax under-provided in previous years	42	35
	<u>1,097</u>	<u>843</u>
Total current tax (note 11(b))	<u>1,097</u>	<u>843</u>
Deferred tax		
Origination and reversal of timing differences	31	1,002
Effect of changes in tax rates	-	(1,011)
Adjustments in respect of previous years	207	(1,018)
Total deferred tax	<u>238</u>	<u>(1,027)</u>
Tax charge on profit on ordinary activities	<u>1,335</u>	<u>(184)</u>

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Tax (continued)

(b) Factors affecting the tax charge for the year

The standard rate of corporation tax for the year represents a tax rate of 19% for 2022 (2021 - 19%). The differences between the actual tax and the standard rate of corporation tax are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	<u>8,835</u>	<u>10,635</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,679	2,021
Effects of:		
Expenses not deductible for tax purposes	(9)	107
Adjustments in respect of prior years	249	(977)
Tax rate changes	-	(1,018)
Current tax charged to OCI	(763)	(581)
Share based payments	-	38
Group and other reliefs	179	226
Total tax for the year (note 11(a))	<u>1,335</u>	<u>(184)</u>

(c) Deferred tax (liability)/asset

	2022 £000	2021 £000
At 1 January	3,487	3,457
Adjustment in respect of prior years	(207)	1,011
Charge to income statement	(31)	16
(Charge) / credit to other comprehensive income	<u>(2,663)</u>	<u>(997)</u>
At 31 December	<u>586</u>	<u>3,487</u>

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****11. Tax (continued)**

Deferred taxation balance provided in the financial statements are as follows:

	2022	2021
	£000	£000
Capital allowances	675	777
Other timing differences	(1,194)	296
Losses	1,105	2,414
Deferred tax asset	<u>586</u>	<u>3,487</u>

(d) Proposed tax legislation that may affect future tax charges.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end.

12. Tangible fixed assets

	Leasehold improvements £000	Plant, office and computer equipment £000	Software £000	Construction in progress £000	Total £000
Cost or valuation					
At 1 January 2022	6,416	18,312	2,395	501	27,624
Additions	-	47	-	1,061	1,108
Disposals	(556)	(1,883)	-	-	(2,439)
Transfers between classes	33	468	-	(501)	-
At 31 December 2022	<u>5,893</u>	<u>16,944</u>	<u>2,395</u>	<u>1,061</u>	<u>26,293</u>
Depreciation					
At 1 January 2022	3,293	12,813	2,395	-	18,501
Charge for the year on owned assets	651	1,507	-	-	2,158
Disposals	(556)	(1,628)	-	-	(2,184)
At 31 December 2022	<u>3,388</u>	<u>12,692</u>	<u>2,395</u>	<u>-</u>	<u>18,475</u>
Net book value					
At 31 December 2022	<u>2,505</u>	<u>4,252</u>	<u>-</u>	<u>1,061</u>	<u>7,818</u>
At 31 December 2021	<u>3,123</u>	<u>5,499</u>	<u>-</u>	<u>501</u>	<u>9,123</u>

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Stocks

	2022 £000	2021 £000
Contract work in progress	12,801	9,432
	<u>12,801</u>	<u>9,432</u>

14. Debtors

	2022 £000	2021 £000
Trade debtors	18,667	18,146
Amounts owed by parent and fellow subsidiary undertakings	113,947	109,688
Other debtors	4,075	2,696
Prepayments and accrued income	871	1,103
Amounts recoverable on contracts	19,112	7,323
Derivative financial instruments - assets	14,000	2,895
Corporation Tax Recoverable	940	2,160
Deferred Tax asset (note 11(c))	586	3,487
	<u>172,198</u>	<u>147,498</u>

15. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Payments received on account	46,362	43,678
Trade creditors	61,553	60,778
Amounts owed to parent and fellow subsidiary undertakings	114,736	116,697
Other taxation and social security	1,751	1,601
Accruals and deferred income	32,363	33,643
Derivative financial instruments - liabilities	4,390	1,067
	<u>261,155</u>	<u>257,464</u>

16. Issued share capital

	2022		2021	
Allotted, called up and fully paid	No.	£	No.	£
Ordinary shares of £0.00000001538 each	65,000,003	<u>1</u>	65,000,003	<u>1</u>

17. Capital commitments

There were no contracted or non-contracted capital commitments at 31 December 2022 (2021: £nil).

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****18. Pension commitments - defined benefit pension scheme****FRS 102 Disclosures
The Lockheed Martin Pension Plan**

On 1 April 2011 the assets and liabilities of the plan were merged with the Lockheed Martin (UK) Ampthill Limited pension plan. The annual contributions payable for each entity are calculated by the company's actuary when completing the triannual valuation, and are based on the proportion of Technical Provisions liabilities calculated at that time. For the purpose of FRS 102, the pension obligations have been reported separately for these companies' respective financial statements.

The defined benefit section of the plan was closed to new entrants from January 2008 and at the same time a new defined contribution section was set up for new employees.

On 20 August 2015, the Company announced the closure of its defined benefit pension scheme to all future benefit accruals effective from April 2016. The defined benefit pension scheme was replaced by a defined contribution scheme.

The valuation for FRS 102 purposes has been based on a full assessment of the liabilities of the Plan as at 5 April 2020. The present values of the projected benefit obligation and the related current service cost were measured using the projected unit credit method.

The major assumptions used in the valuations were:

	31 December 2022	31 December 2021	31 December 2020
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase for pensions in payment and deferred	2.1%-3.0%	2.2%-3.2%	2.1%-2.9%
Discount rate	4.8%	2.0%	1.4%
Inflation assumption (CPI-RPI)	2.6%-3.3%	2.8%-3.3%	2.3%-3.0%
Mortality base table adopted	99%/105%	94%/100%	94%/100%
Post-retirement mortality	SAPS S3 CMI_2021	SAPS S3 CMI_2020	S3PA light CMI_2013

The assets of the scheme and the expected rates of return were:

	2022 £000	2021 £000
Total market value of assets	152,605	248,197
Present value of liabilities	<u>(131,757)</u>	<u>(203,558)</u>
Gross pension asset	20,848	44,639
Asset recognition restriction	<u>(20,848)</u>	<u>(44,639)</u>
Net pension asset/liability	<u>-</u>	<u>-</u>

The Company does not recognise a surplus arising in the Plan as the Trustees have control of payments made out of assets of the Plan. Accordingly, the pension asset is not recognised on the balance sheet.

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****18. Pension commitments – defined benefit pension scheme (continued)**

Income statement disclosures under FRS 102

	2022	2021
	£000	£000
Amounts recognised in the Income Statement		
Current service cost	-	-
Past service cost (including curtailments)	-	-
Total operating charge/(gain)	-	-
Total pension expense/(income) recognised in Income Statement	-	-
Amounts recognised in Other Comprehensive Income		
Asset (losses)/gain arising during the year	(98,106)	11,843
Liability gains arising during the year	70,332	16,098
Change in effect of asset ceiling	24,716	(30,999)
Total amount recognised in Other Comprehensive Income	(3,058)	(3,058)
Movement in scheme surplus/(deficit) during the year:		
As at 1 January	-	-
Current service cost in year	-	-
Curtailment gain	-	-
Employer contributions to the schemes in year	3,058	3,058
Actuarial gain/(loss) recognised in Other Comprehensive Income	(3,058)	(3,058)
Past service cost recognised in Income Statement	-	-
(Deficit) at 31 December	-	-

19. Pension commitments - defined contribution pension scheme

Lockheed Martin UK Limited operates a defined contribution pension scheme. Contributions in the year amounts to £4.6m (2021: £4.9m).

20. Share-based payments**Equity-settle share-based payments**

Employees of the company may receive options to purchase restricted stock units in the ultimate parent undertaking, Lockheed Martin Corporation. These are given under the terms of the Lockheed Martin Amended and Restated 2003 Incentive Performance Award Plan, full details of which are given in the 31 December 2022 financial statements of Lockheed Martin Corporation.

Restricted stock units (RSUs) generally vest over a three-year period. During the vesting period holders of restricted stock units receive dividend-equivalent cash payments from the parent, but the shares are not issued until the end of the vesting period.

A number of performance stock units (PSUs) were granted in February 2021 and February 2022, which vest three years from the date of grant based on continuous service with the number of shares earned depending on the extent to which we achieve certain financial and market performance targets measured over the vesting period. The number of shares earned can range from 0% to 200% of the target award.

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Share-based payments (continued)

Details of the number of restricted stock units and performance stock units to which FRS 102 applies which were outstanding during the year are as follows:

	RSU's 2022 No.	RSU's 2021 No.	PSU's 2022 No.	PSU's 2021 No.
Outstanding at 1 January	19,143	14,154	1,238	1,437
Granted during the year	4,877	8,592	393	460
Transferred in during year	-	24	-	-
Exercised or forfeited during the year	(6,125)	(3,627)	(506)	(659)
Outstanding at 31 December	<u>17,895</u>	<u>19,143</u>	<u>1,125</u>	<u>1,238</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

About half of the PSUs awarded are linked to financial targets and are therefore valued in a similar manner to the RSUs. The fair value of this component of PSU awards has been calculated at US\$388.07 (2021: US\$341.53). The remaining component of PSU awards is linked to total shareholder return (TSR) of the parent company relative to its peer group. These have been measured using a Monte Carlo model and the grant date fair value has been calculated at US\$537.32 per share (2021: US\$301.03).

Restricted stock units are valued based on the fair value of the common stock of Lockheed Martin Corporation on the date of grant. Employees who are granted RSUs receive the right to receive shares of stock of the parent after completion of the vesting period, however, the shares are not issued, and the employees cannot sell or transfer shares prior to vesting and have no voting rights until the RSUs vest, generally 3 years from the date of award. Employees who are granted RSUs receive dividend-equivalent cash payments from the parent only upon vesting. For these RSU awards, the grant-date fair value is equal to the closing market price of the stock on the date of grant less a discount to reflect the delay in payment of dividend-equivalent cash payments.

The company recognised total expense of £1,652,000 (2021: £1,638,000) related to equity-settled share-based payment transactions during the year.

21. Operating lease commitments

At 31 December 2022, the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Not later than one year	3,555	12	3,486	19
Later than one year and not later than five years	9,007	7	11,501	20
Later than five years	-	-	-	-
	<u>12,562</u>	<u>19</u>	<u>14,987</u>	<u>39</u>

LOCKHEED MARTIN UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****22. Related party transactions**

During the year the company entered into transactions, in the ordinary course of business, with Advance Jet Training Limited a 50% owned associate undertaking of Lockheed Martin Corporation group. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to associate undertaking £000	Purchases from associate undertaking £000	<i>Amounts owed from associate undertaking £000</i>	<i>Amounts owed to associate undertaking £000</i>
Advanced Jet Training Limited				
2022	22,362		-	-
2021	<u>22,856</u>		<u>276</u>	<u>-</u>

23. Post balance sheet events

Subsequent to the year end, the Company resolved a dispute with a supplier and an acceptable settlement was agreed. This has been treated as a non-adjusting post balance sheet event.

24. Ultimate parent undertaking and controlling party

The directors regard Lockheed Martin Corporation, a company registered in the USA, as the ultimate parent undertaking and controlling entity. Copies of the ultimate parent's group financial statements may be obtained from Lockheed Martin Investor Department, 6801 Rockledge Drive, Bethesda, Maryland, 28017, USA. Lockheed Martin Corporation is the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member.

The company's immediate parent undertaking is Lockheed Martin UK Holdings Limited. Copies of the financial statements of this company may be obtained from its registered office, Building 7000, Langstone Technology Park, Langstone, Havant, Hampshire, PO9 1SW.