



Annual Report

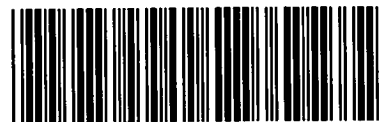
For the Year Ended 31 December 2022

Raytheon Systems Limited (Registered Number 00406809)



Raytheon
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Directors and Advisers

Executive Directors

Barbara J Borgonovi
David Broadbent
Mike Guinan
Jeff Lewis
Sinead O'Donnell
John Reilly
Bryan Rosselli
Chander Nijhon

Secretary and Registered Office

John Reilly
Kao One
Kao Park
Harlow
Essex
England
CM17 9NA

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

JP Morgan Chase
1 Chaseside
Bournemouth
Dorset
BH7 7DA

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022 for Raytheon Systems Limited (the Company).

Principal activities and review of business

Revenue for the year from continuing operations amounted to £368,135,000 (2021: £367,867,000). The profit for the year, after taxation, amounted to £65,805,000 (2021: £17,030,000). The net asset position amounted to £209,753,000 (2021: £160,500,000).

The operating subsidiaries of Raytheon Systems Limited are set out in note 11. In 2022 the Company purchased Northern Space and Security Limited, a UK based specialist in space domain awareness, orbital analysis, space surveillance and tracking. The assets and liabilities were subsequently hived up to Raytheon Systems Limited in 2022. Refer to note 11 and 26 for further details.

The principal activity of the Company is that of a major supplier of electronic systems, products, components, training and associated support services to the defence and commercial markets, both in the UK and overseas.

This activity embraces systems integration as well as the design, development and manufacture of a wide range of

advanced electronic products and integrated systems including surveillance systems, airport radars, identification friend or foe systems, anti-jamming, global navigation systems and power and control systems. The Directors anticipate that this activity will continue.

Key performance indicators (KPI)

The Directors are of the opinion that analysis using Key Performance Indicators is not necessary to understand the development, performance or position of the business, given the Directors monitor revenue, profit and cash.

Business environment

The Company is a subsidiary of its ultimate parent, RTX. The Company operates in a number of core markets as set out in the strategy section below. The principal territories that the Company operates within are set out in note 2.

The Company met the challenges of a dynamic business environment in 2022 and performed well with solid execution driving strong operating results.

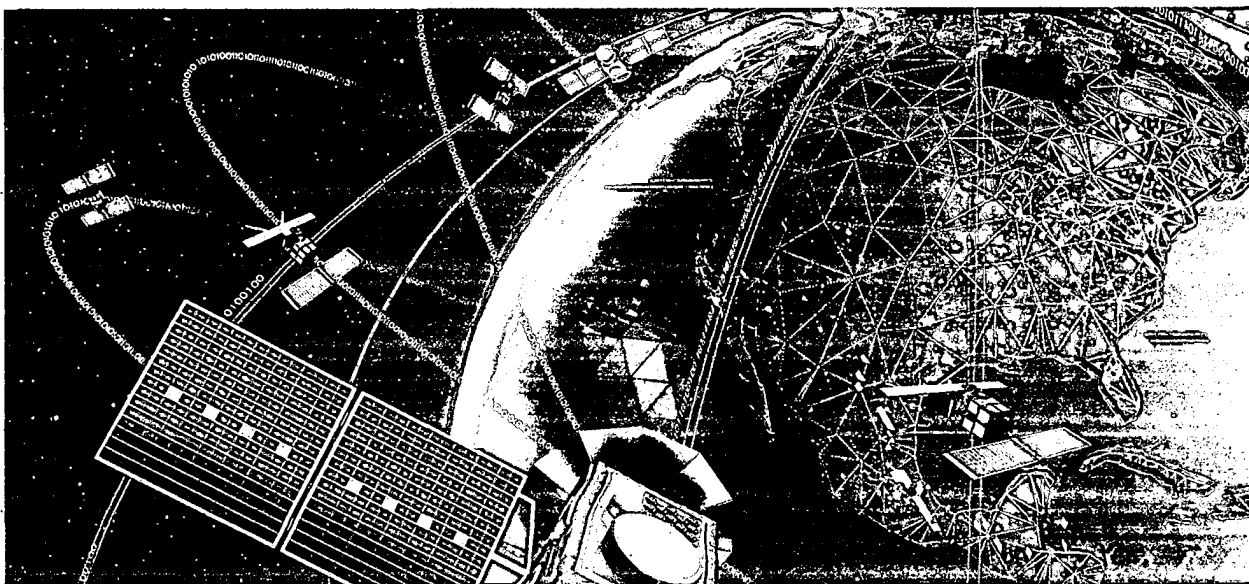
STRATEGY

The Company's strategy is to:

- Strengthen our identity
- Expand the core
- Enter new markets
- Export

The core markets are:

- National security
- Sensors
- Weapons
- Training
- Intelligence Surveillance & Reconnaissance
- Space



Strategic Report for the Year Ended 31 December 2022 (continued)

Future outlook

Based on the size of the Company's order book, the level of highly liquid assets and credit quality of customers and counterparties, the Company is confident in its future outlook.

Risk Management

The Company's multi-national operations expose it to a variety of risks that include changes in foreign currency exchange rates, credit, people, continuity, geopolitical, reputational and cyber risks. The Company has a process for identifying enterprise level risks. These risks are reviewed on a regular basis with the leadership team and mitigated as deemed appropriate.

Foreign exchange risk:

The Company mainly enters into contracts within the UK, US, Middle East and Continental Europe. The Company is exposed to foreign exchange risk primarily with respect to US dollars. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by using foreign currency forward contracts to manage the foreign exchange risk.

Credit risk:

The Company has no significant concentrations of credit risk. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence. The amount of exposure to any individual counterparty is subject to a limit which is reassessed periodically by the Board of Directors.

People risk:

The Company recognises that its employees are key to delivering its strategy and business plan and focuses on developing the existing workforce and hiring talented people to meet current and future requirements.

Continuity risk:

The Company performed a cash flow sensitivity analysis to assess the impact a series of severe but plausible downside scenarios to the Company's working capital position. Following this analysis the Directors have concluded that the Company has adequate resources to operate as a going concern. Refer to the going concern note in the Directors' report and Note 1 Accounting policies for further detail.

Geopolitical risk:

The Company recognises that due to the nature of our products we must obtain licences and authorisations from various government agencies. Our ability to obtain these licences and authorisations are subject to risks and uncertainties including changing government policies or delays in governmental approvals.



Reputational risk:

The Company is subject to various regulations and the business reputation could be negatively affected if the Company fails to comply with these. The Company has implemented procedures to help ensure regulations are met and adhered to.

Cyber risk:

As a defence contractor the Company is the target of advanced and persistent cyber-attacks from a variety of assailants. We believe the Company has implemented appropriate measures and controls and have invested in resources to appropriately identify and monitor these threats and mitigate potential risks.

Financial risk:

Liquidity risk and capital risk are managed on a group-wide basis by the Company's ultimate parent company, RTX Corporation, which is incorporated in the United States of America. The Company operates under the Internal Group Cash Management Agreements, with Silver Aero Limited and UT (UK) Limited, which are cash pool arrangements. Silver Aero Limited and UT (UK) Limited are part of the RTX Corporation Group. Silver Aero Limited and UT (UK) Limited's liquidity is managed as part of the liquidity management for the ultimate parent company, RTX Corporation. The Company operates in accordance with funding policies controlled by the executive Directors of the ultimate parent company.

Strategic Report for the Year Ended 31 December 2022 (continued)

Directors' Duties – compliance with s.172(1) of the Companies Act 2006.

Section 172 of the Companies Act 2006 ("s.172") requires the Directors to promote the success of the Company for the benefit of the members and in doing so have regard to the interests of stakeholders including customers, employees, suppliers, and the wider community in which it operates. The Board is focused on its responsibilities under s.172(1) (a – f) of the Companies Act 2006, and the impact of the business on key stakeholder groups is considered on a regular basis. We have outlined our considerations of these areas below:

Risk management

We supply electronic systems, products, components and associated support services to the defence and commercial markets, both in the UK and overseas, often in highly regulated environments. As we grow the business for our stakeholders it is vital that we effectively identify, evaluate, manage, and mitigate the risks we face. For details of our strategy, see the 'Risk Management' section above.

Shareholders

We believe that good governance enhances shareholder value and goes beyond simply complying with legal requirements. It means grounding governance practices in a culture of integrity, accountability, transparency, and the highest ethical standards. The strategy outlined above is aligned to the strategy of our ultimate parent company to ensure decisions of the Company meet the needs of the shareholders.

Employees

Our goal is to maintain both a strong workforce and a culture where every employee can thrive and do the best work of their lives. We strive to provide employees with industry-leading benefits and exciting professional challenges and opportunities. We invest in our employees' long-term growth, and we maintain a highly engaged workforce that delivers the best business performance possible.

The health, safety and well-being of our employees is one of our primary considerations in the way we conduct our business. To support and develop a safe working environment we recognise the importance of regular inspections, safety training, encouraging near miss non-injury reporting with open two-way communications.

Diversity, Equity, and Inclusion underpins our cultural transformation work. Our Employee Resource Groups (ERGS) have been instrumental in supporting this transformation.

We have six ERGS in total, RTX ADAPT Able & Disabled Associates Partnering Together; RTX PRIDE LGBTQIA+ Alliance; RTX NXGEN- Next Generation Professionals; RTX VETS Armed Services Community; RTX WISE Women Inspiring Success and Empowerment and RTX MCN Multicultural Network.

Our ERGS are benchmarked externally to enable us to continue to invest in, and develop, our talent. Examples of external benchmarks include Gold Award Winner of the UK Government's Armed Forces Covenant and UK Government recognising the Company as an employer with Disability Confident Level 2.

All this investment is critical in attracting and maintaining a rich and diverse talent base across the UK.

We enable employees safely to share data about themselves that enable us to support our Diversity, Equity, and Inclusion mission.

Customers and suppliers

We are committed to working with our suppliers to provide the best and most affordable products. A prime enabler for this is Raytheon CORE (Customer Oriented Results and Excellence) management system. This initiative drives continuous improvement where experienced individuals work with our suppliers to drive down costs and identify and mitigate risks. These actions are also utilised to ensure the customers receive value for money and competitively priced products and services.

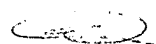
Community and environment

As a UK Employer we recognise the importance of community, environment and how we can positively impact the areas in which we operate. We are positively impacting our communities by:

- Building a more disability smart business to support the Government in reducing the disability employment gap.
- Forward Steps programme, which supports paid volunteering hours within the communities in which our employees work and live.
- STEM careers, supporting local schools to engage with young people and participate in our Quadcopter challenge.
- Commitments to reduce our carbon emissions and water consumptions as well as sourcing our energy from renewable sources by 2025.
- Building a considered and forward thinking approach to Health and Wellbeing across our business.

We support educational initiatives that inspire and support the next generation of scientists, engineers, and business professionals.

On behalf of the Board



Mike Guinan, Director
29 August 2023

Directors' Report for the Year Ended 31 December 2022

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

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Roy Azevedo (Resigned 1 March 2023)
Barbara J Borgonovi
David Broadbent
Denis J Donohue (Appointed 12 September 2022 and resigned 1 June 2023)
Mike Guinan
Jeff Lewis
Sinead O'Donnell (Appointed 1 January 2022)
John Reilly
Bryan Rosselli
Lord T Strathclyde (Resigned 31 December 2022)
Chander Nijhon (Appointed 1 June 2023)

Directors' interests in shares of the Company

According to the register kept under section 808 of the Companies Act 2006, no Director had any beneficial interest in the shares of the Company either at the beginning or end of the year. There were no changes in Directors' interests during the year.

Going concern

The financial statements have been prepared on the basis that the Company is a going concern. The Directors believe that the cash flow forecasts support this assumption. The Directors have undertaken reviews of the business financial forecasts, to assess whether the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting.

For assessing going concern, the Directors considered a period to December 2024 against the base case, Board of Directors-approved, budget. The Directors also considered a series of severe but plausible downside scenarios which are sensitivities run against the base case budget which include a reduction in revenues and attributable cash receipts of 10% to assess the impact on the Company's working capital position. An additional sensitivity was considered for the repayment of advanced payments received of £318.8m, which would be repayable to the certain Middle East customer in the event of contract termination. In the event that repayment is required the Company would have access to intergroup facilities for the necessary funds. Following this analysis the Directors have concluded that the Company has adequate resources to operate as a going concern and therefore continues to adopt the going concern basis in preparing the Annual Report. To assess the level of headroom within the board-approved forecast, a reverse stress test was performed to see what level of performance deterioration against the base case budget was required to challenge liquidity. However, given the mitigating actions that are available and within management's control such as access to intergroup facilities, such movements are not considered plausible.

As disclosed in note 13 Trade and other receivables, in 2022 the Company entered into the Internal Group Cash Management Agreements with Silver Aero Limited and UT (UK) Limited. This results in the Company's cash balances being transferred into a cash pool arrangement. Following entering this Internal Group Cash Management Agreement the Company meets its day to day working capital requirements through this cash pooling arrangement of Silver Aero Limited and UT (UK) Limited.

Silver Aero Limited has received a letter of support from the ultimate parent undertaking, RTX Corporation and enquiries have been made to ensure that RTX Corporation can provide this support to Silver Aero Limited. In assessing this letter of support the Directors have considered a number of factors, including the current balance sheet position and available liquidity as well as the principal and emerging risks which could impact the ability of RTX Corporation to provide financial support in managing the working capital requirements of the Company.

Based on the Directors' assessment of the recoverability of financial assets together with a letter of support received by Silver Aero Limited from the ultimate parent undertaking, RTX Corporation, the Directors are of the opinion that the Company has adequate resources to continue in operational existence to enable the Company to meet its day to day working capital requirements through this cash pooling arrangement for a period of at least 12 months from the date of signing the Company's financial statements for the year ended 31 December 2022 and therefore the going concern basis has been adopted in preparing the financial statements.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Employees

The Company continued its policy of providing regular information on Company performance, business activities and related matters to all employees. Smaller groups of employees, including senior employee representatives, attend regular business reviews, at which opportunity is given to question the Company on business performance, plans and strategies. Committees, which include employee representation, continued to operate and provide regular consultation in the particular areas of safety, the extension and development of technological change and the operation of an employee suggestion scheme.

Directors' Report for the Year Ended 31 December 2022 (continued)

The Company is committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged to train and develop their careers. Company policy is to offer the opportunity to benefit from fair employment, without regard to gender, sexual orientation, marital status, race, religion or belief, age or disability and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

Financial risk management

This has been outlined in the Strategic Report.

Future developments

These have been outlined in the Strategic Report.

Dividends

During 2022 Raytheon Systems Limited paid dividends amounting to £nil to Raytheon United Kingdom Limited (2021: £nil). As at the date of signing the Directors do not recommend a final dividend for 2022.

Contingent liabilities

The Directors do not consider that material loss will arise to the Company as a result of indemnities and guarantees relating to the due performance of contracts, see note 23.

Research and development

The Company is heavily committed to research and development activities in all areas of its business which include a number of specialised fields in which it is a market leader.

Payment policies

The Company operates procedures to ensure that suppliers are paid on time. In particular, the Company seeks:

- To agree terms of payments with suppliers when agreeing the terms of the transaction;

- To ensure that suppliers are made aware of the agreed terms of payment; and
- To abide by the terms of payment.

The procedures include arrangements for accelerated payments of small suppliers. Payments are made to suppliers in accordance with specific terms agreed with suppliers. As such, the Company believes that disclosure of creditor days does not provide a meaningful measure of compliance with payment terms.

Disclosure of information to auditors

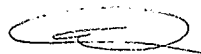
In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

On behalf of the Board:



M-Guinan
Director
29 August 2023



Streamlined Energy and Carbon Reporting

Methodology

As a large, unquoted organisation, Raytheon Systems Limited is required to report its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data detailed in this table represents emissions and energy use for which Raytheon Systems Limited is responsible, including electricity use on our sites and fuel used in vehicles on company business. We have used the main requirements of the Greenhouse Gas Protocol Corporate Standard to calculate our emissions, along with the UK Government GHG Conversion

Factors for Company Reporting 2022. Any estimates included in our totals are derived from actual data extrapolated to cover missing periods or from benchmarks. There are no overseas operations.

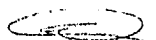
Our 2021 emissions have been restated to reflect the replacement of one site's previously estimated electricity and natural gas consumption data with actual 2021 data that became available.

| Streamlined Energy & Carbon reporting disclosure for the period 1 January 2022 to 31 December 2022 - UK and offshore | | |
|---|-----------------------------|---|
| | Current Reporting Year 2022 | Comparison Reporting Year 2021 (restated) |
| UK and offshore UK Emissions from combustion of gas (Scope 1) / tCO2e | 2,263.5 | 2,689.2 |
| Emissions from combustion of fuel for transport purposes (Scope 1) / tCO2e | 336.2 | 71.2 |
| Emissions from business travel in rental cars or employee - owned vehicles where company is responsible for purchasing the fuel (Scope 3) / tCO2e | 8.8 | 51.6 |
| Emissions from purchased electricity (Scope 2, location-based) / tCO2e | 2,487.0 | 3,080.1 |
| Total gross emissions based on above / tCO2e | 5,095.5 | 5,892.1 |
| Energy consumption used to calculate emissions / kWh | 26,646,646 | 29,686,277 |
| Intensity ratio: tCO2e gross figure based from mandatory fields above, per ft2 | 0.00966 | 0.01052 |
| Emissions from other activities which the company own or control including operation of facilities (Scope 1) / tCO2e | 352.1 | 355.1 |
| Emissions from electricity related to extraction, production, and transportation of fuels consumed in the generation of electricity for which the company does not own or control (Scope 3) / tCO2e | 649.2 | 873.0 |
| Emissions from generation of electricity that is consumed in a transmission and distribution system for which the company does not own or control (Scope 3) / tCO2e | 227.5 | 272.6 |
| Emissions from extraction and production of purchased fuels for which the company does not own or control (Scope 3) / tCO2e | 472.0 | 479.1 |
| Total gross Scope 1, Scope 2 location & Scope 3 emissions / tCO2e | 6,796.3 | 7,871.7 |

For the year 2022, the Company completed the following energy efficiency projects:

- Installation of heat exchangers to improve the energy efficiency of gas heating systems.
- Installation of occupancy sensors.
- Installations of timers and wall heaters to increase energy efficiency.
- Installation of EV charging points to support transition to electric vehicles.
- Replacement of belt driven pumps with dynamic drive pumps, increasing energy efficiency.
- Replacing lighting with LED options to increase energy efficiency.
- Installation of sustainable blinds that help decrease heat losses from offices.
- Replacement of chillers and gas boilers with newer, more efficient options.
- Installation of sustainable light system in Livingston warehouse.
- Installation of new CWS tanks with more efficient pumps.
- Decommissioning of an unused building and washer, and
- Implementation of weekend HVAC shut-downs.

On behalf of the Board



M Guinan, Director,
29 August 2023.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed; subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

On behalf of the Board.


M Guinan
Director
29 August 2023



Independent auditors' report to the members of Raytheon Systems Limited

Report on the audit of the financial statements

Opinion

In our opinion, Raytheon Systems Limited's 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 (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Raytheon Systems Limited (continued)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and the Directors' Report

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 year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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.

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.

Independent auditors' report to the members of Raytheon Systems Limited (continued)

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and employment law, and compliance with laws and regulations related to defence procurement services, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting. Audit procedures performed by the engagement team included:

- Enquiries of the Directors, management and the legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Inspection of supporting documentation where appropriate;
- Review of minutes of meetings of the Board of Directors;
- Challenging assumptions and judgements made by management in relation to their significant accounting judgements and estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Raytheon Systems Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 August 2023

Statement of Comprehensive Income for the year ended 31 December 2022

| | | 2022 | 2021 | 2021 | 2021 |
|--|------|-----------|-----------|------------|--------------|
| | | Total | Total | Continuing | Discontinued |
| | Note | £'000 | £'000 | £'000 | £'000 |
| Revenue | 2 | 368,135 | 371,932 | 367,867 | 4,065 |
| Cost of sales | | (320,381) | (301,917) | (297,139) | (4,778) |
| Gross profit / (loss) | | 47,754 | 70,015 | 70,728 | (713) |
| Distribution costs | | (5,935) | (5,913) | (5,913) | - |
| Administrative (expenses)/ income | | (24,190) | (36,590) | (37,048) | 458 |
| Other income | 3 | - | 21,287 | 21,203 | 84 |
| Operating profit / (loss) | | 17,629 | 48,799 | 48,970 | (171) |
| Income from shares in group undertakings | 5 | 55,506 | 3,655 | 3,655 | - |
| Finance income | 5 | 3,543 | 1,278 | 1,278 | - |
| Profit/(loss) before taxation | 6 | 76,678 | 53,732 | 53,903 | (171) |
| Income tax expense | 7 | (10,873) | (36,702) | (36,702) | - |
| Profit / (loss) for the financial year | | 65,805 | 17,030 | 17,201 | (171) |
| Other comprehensive (expense) / income | | | | | |
| Actuarial (loss) / gain on pension scheme | 17 | (22,070) | 28,349 | 28,349 | - |
| Movement in deferred tax relating to pension asset | 8 | 5,518 | (10,455) | (10,455) | - |
| Total comprehensive income / (expense) for the year | | 49,253 | 34,924 | 35,095 | (171) |

All amounts in 2022 relate to continuing operations. Refer to note 24 for information on the discontinued operation.

The notes on pages 18 to 35 form an integral part of these financial statements.

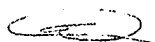
Statement of Financial Position as at 31 December 2022

| | Note | 2022 £'000 | 2021 restated* £'000 |
|--|------|---------------|-------------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 3,326 | 960 |
| Property, plant and equipment | 10 | 39,912 | 45,112 |
| Investments | 11 | 167,835 | 167,704 |
| | | 211,073 | 213,776 |
| Current assets | | | |
| Inventories | 12 | 71,741 | 70,981 |
| Trade and other receivables | 13 | 314,117 | 230,689 |
| Cash and cash equivalents | | 953 | 68,509 |
| | | 386,812 | 370,179 |
| Trade and other payables: amounts falling due within one year | 14 | (465,181) | (528,121) |
| Provisions for liabilities | 16 | (10,876) | (7,170) |
| Net current liabilities | | (89,246) | (165,112) |
| Total assets less current liabilities | | 121,827 | 48,664 |
| Trade and other payables: amounts falling due after more than one year | 15 | (164) | (184) |
| Provisions for liabilities | 16 | (5,152) | (2,277) |
| | | (5,316) | (2,461) |
| Pension asset | 17 | 93,242 | 114,297 |
| Net assets | | 209,753 | 160,500 |
| Equity | | | |
| Called up share capital | 18 | 240,042 | 240,042 |
| Retained earnings | | (30,289) | (79,542) |
| Total equity | | 209,753 | 160,500 |

* See note 25 in relation to the restatement of the prior year error.

The notes on pages 18 to 35 form an integral part of these financial statements. The Financial Statements on pages 15 to 35 were authorised for issue by the Board of Directors and signed on its behalf by:

On behalf of the Board



M Guinan
Director
29 August 2023

Statement of Changes in Equity for the year ended 31 December 2022

| | Called up share capital | Retained earnings | Total equity |
|--|-------------------------|-------------------|----------------|
| | £'000 | £'000 | £'000 |
| Balance as at 1 January 2021 | 240,042 | (114,466) | 125,576 |
| Profit for the financial year | - | 17,030 | 17,030 |
| Other comprehensive income for the year | - | 17,894 | 17,894 |
| Total comprehensive income for the year | - | 34,924 | 34,924 |
| Balance as at 31 December 2021 | 240,042 | (79,542) | 160,500 |
| Profit for the financial year | - | 65,805 | 65,805 |
| Other comprehensive expense for the year | - | (16,552) | (16,552) |
| Total comprehensive income for the year | - | 49,253 | 49,253 |
| Balance as at 31 December 2022 | 240,042 | (30,289) | 209,753 |

The notes on pages 18 to 35 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2022

Note 1. Principal accounting policies

General information

Raytheon Systems Limited is a major supplier of electronic systems, products, components and associated support services to the defence and commercial markets, both in the United Kingdom and overseas.

The Company is a private Company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Kao One, Kao Park, Harlow, Essex, England, CM17 9NA.

Statement of compliance

The individual financial statements of Raytheon Systems Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, except for where required, certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Going concern

The financial statements have been prepared on the basis that the Company is a going concern. The Directors believe that the cash flow forecasts support this assumption. The Directors have undertaken reviews of the business financial forecasts, to assess whether the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting.

For assessing going concern, the Directors considered a period to December 2024 against the base case, Board of Directors-approved, budget. The Directors also considered a series of severe but plausible downside scenarios which are sensitivities run against the base case budget which include a reduction in revenues and attributable cash receipts of 10% to assess the

impact on the Company's working capital position. An additional sensitivity was considered for the repayment of advanced payments received of £318.8m, which would be repayable to the certain Middle East customer in the event of contract termination. In the event that repayment is required the Company would have access to intergroup facilities for the necessary funds. Following this analysis the Directors have concluded that the Company has adequate resources to operate as a going concern and therefore continues to adopt the going concern basis in preparing the Annual Report. To assess the level of headroom within the board-approved forecast, a reverse stress test was performed to see what level of performance deterioration against the base case budget was required to challenge liquidity. However, given the mitigating actions that are available and within management's control such as access to intergroup facilities, such movements are not considered plausible.

As disclosed in note 13 Trade and other receivables, in 2022 the Company entered into the Internal Group Cash Management Agreements with Silver Aero Limited and UT (UK) Limited. This results in the Company's cash balances being transferred into a cash pool arrangement. Following entering this Internal Group Cash Management Agreement the Company meets its day to day working capital requirements through this cash pooling arrangement of Silver Aero Limited and UT (UK) Limited.

Silver Aero Limited has received a letter of support from the ultimate parent undertaking, RTX Corporation and enquiries have been made to ensure that RTX Corporation can provide this support to Silver Aero Limited. In assessing this letter of support the Directors have considered a number of factors, including the current balance sheet position and available liquidity as well as the principal and emerging risks which could impact the ability of RTX Corporation to provide financial support in managing the working capital requirements of the Company.

Based on the Directors' assessment of the recoverability of financial assets together with a letter of support received by Silver Aero Limited from the ultimate parent undertaking, RTX Corporation, the Directors are of the opinion that the Company has adequate resources to continue in operational existence to enable the Company to meet its day to day working capital requirements through this cash pooling arrangement for a period of at least 12 months from the date of signing the Company's financial statements for the year ended 31 December 2022 and therefore the going concern basis has been adopted in preparing the financial statements

Notes to the Financial Statements for the year ended 31 December 2022

Note 1. Principal accounting policies (continued)

Exemptions for qualifying entities under FRS 102

The Company is a qualifying entity as per FRS 102, as it is a member of a group that prepares publicly available financial statements, in which that member is consolidated.

The Company has taken advantage of the following disclosure exemptions of FRS 102, section 1 paragraph(s):

- 1.12 (a) reconciliation of the number of shares outstanding at the beginning and end of the prior year
- 1.12 (b) statement of cash flows
- 1.12 (c) financial instruments as the information is included in the consolidated financial statements
- 1.12 (e) key management compensation in total
- 33.1 (a) and 33.7 related party transactions disclosures

Critical accounting judgements and estimation uncertainty

In applying its accounting policies, the Company has made estimates and assumptions concerning the future, which may differ from the related actual outcomes, in particular, around revenue recognition, defined benefit pension plans, provisions and taxation. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Estimates and assumptions

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. It excludes value added taxes and agents' commissions, represents the invoiced value of goods and services supplied and the value of long term contract work. Revenue on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. An 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 the revenue exceeds payments on account is shown under trade and other receivables as amounts recoverable on contracts. Foreseeable expected losses are disclosed separately under provisions for liabilities and charges. The balance of payments in excess of amounts matched with revenue are disclosed under trade and other payables as payments received on account. The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the

entity and (e) when the specific criteria relating to each of the Company's sales channels have been met.

Defined benefit obligations

The Defined benefit pension scheme accounting valuation is prepared by an independent actuary. The liabilities of the pension scheme are valued based on a number of actuarial assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to management. Further information is provided in note 17.

Consolidated financial statements

The Company is a wholly owned subsidiary of Raytheon United Kingdom Limited and of its ultimate parent RTX Corporation. It is included in the consolidated financial statements of RTX Corporation which are publicly available. Therefore, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements. The asset recognised in the statement of financial position in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the end of the reporting date. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds and that have terms approximating the estimated period of the future payments ('discount rate').

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Taxation

Taxation expense for the year comprises current and deferred taxes recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements for the year ended 31 December 2022

Note 1. Principal accounting policies (continued)

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Computer software - Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and ten years, on a straight-line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Goodwill - Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Company's interest in identified net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised on a straight-line basis over its expected useful life. Goodwill acquired prior to transition to FRS 102 will continue to be amortised over 10 years. Where it is not possible to make a reliable estimate of useful life, goodwill will be amortised over a period not exceeding 5 years. Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are charged to the statement of comprehensive income.

Tangible Assets

Expenditure on tangible fixed assets is capitalised at cost plus any incidental costs of acquisition.

Depreciation and residual values - Land is not depreciated. Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis or a reducing balance basis over the expected useful economic lives of the assets concerned which are as follows:

| | |
|------------------------------|---|
| Leasehold land and buildings | Lesser of period of lease or useful life of the improvement |
| Freehold buildings | 30 Years |
| Test equipment | 7-10 Years |
| Plant and equipment | 7-10 Years |
| Data processing equipment | 3-7 Years |
| Office equipment | 8 Years |
| Aircraft | 10 Years |

Assets in the course of construction - Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

Leased assets - At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. These assets are not depreciated until this assessment is performed.

Operating leased assets - Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease incentives - Incentives received to enter into an operating lease are credited to the statement of comprehensive income on a straight-line basis over the period of the lease. The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the lease term or, if shorter, over the period to the first review date on which the rent is adjusted to market rates.

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit). Impairment losses are charged to the statement of comprehensive income if required.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

Notes to the Financial Statements for the year ended 31 December 2022

Note 1. Principal accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on the weighted average method. The cost includes the purchase price and transport and handling costs directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

Where necessary, provision is made for obsolete, slow moving and defective stocks. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and other short-term highly liquid investments with original maturities of three months or less which are readily accessible at an earlier date if deemed necessary. The Company operates within a cash pool arrangement with the wider Group. Cash and cash equivalents held in the cash pool arrangement are included within debtors. Amounts falling due within one year per the repayment terms of the agreement.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the statement of comprehensive income over the related asset's useful life. Revenue-based grants are credited to the statement of comprehensive income in the same period as the corresponding expenditure is charged.

Research and development expenditure

Research and development expenditure is expensed in the year in which it is incurred.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Financial instruments

As a qualifying entity under FRS 102, Raytheon Systems Limited is able to take an exemption from presenting financial instrument disclosure requirements of FRS 102 sections 11 and 12, as a result of equivalent disclosures being included in the ultimate parent company (RTX Corporation) Group financial statements which consolidate the entity.

Financial assets

Basic financial assets, including trade and other receivables, amounts owed by Group undertakings, cash and cash equivalents and amounts recoverable on contracts are recognised at transaction price.

Derivatives

The Company enters into forward foreign exchange contracts, which are derivatives and are not basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income. The Company does not currently apply hedge accounting for foreign exchange derivatives.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Preference shares are classified as equity when the entity has an unconditional right to avoid settling a contractual obligation.

Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholder. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. The Company has taken advantage of the disclosure exemption of FRS 102 and therefore has not disclosed key management personnel compensation in total.

Notes to the Financial Statements for the year ended 31 December 2022

Note 2. Revenue and geographical analysis

| Geographical analysis of revenue by destination | | |
|---|---------|---------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| United Kingdom | 231,239 | 218,304 |
| North America | 94,644 | 112,784 |
| Asia/Pacific | 2,973 | 2,307 |
| South America | 2,445 | 2,208 |
| Middle East and North Africa | 29,747 | 26,725 |
| Rest of Europe | 7,087 | 9,604 |
| | 368,135 | 371,932 |

| Principal activities | | |
|--|---------|---------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| Intelligence Surveillance and Reconnaissance | 91,941 | 109,862 |
| National Security | 72,132 | 64,780 |
| Sensors | 48,299 | 57,155 |
| Space | 353 | - |
| Training * | 23,020 | 17,638 |
| Weapons | 132,390 | 122,497 |
| | 368,135 | 371,932 |

* Training revenue includes £nil (2021: £4,065,000) of discontinued operations following the disposal of the global training and services business of the Raytheon Intelligence & Space segment by the ultimate parent RTX Corporation. Refer to note 24 for further details.

Note 3. Other income

Other income consists of £nil (2021: £84k) relating to the Coronavirus Job Retention Scheme and a pre-tax gain of £nil (2021: £21,203k) relating to the sale of the Training Business to Vertex Aerospace Services LLC on 6th December 2021. Refer to note 24 for further details.

Note 4. Directors' emoluments and employee information

| | 2022 | 2021 |
|--------------------------------|-------|-------|
| | £'000 | £'000 |
| Directors' remuneration | | |
| Aggregate remuneration | 1,162 | 1,212 |
| Pension costs | 56 | 53 |

The aggregate remuneration of the highest paid director was £355,000 (2021: £471,000). Pension contributions made on behalf of the highest paid director in the UK were £15,000 (2021: £15,000). The pension costs attributable to other Directors during the year were £57,000 (2021: £38,000). The monthly average number of persons, including Executive Directors, employed by the Company during the year was as follows:

Notes to the Financial Statements for the year ended 31 December 2022

Note 4. Directors' emoluments and employee information (continued)

| Employee Numbers | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| By activity | No. | No. |
| Manufacturing and engineering | 1,237 | 1,250 |
| Marketing | 41 | 57 |
| Administration | 589 | 690 |
| Total | 1,867 | 1,997 |

The aggregate payroll costs of the above were as follows:

| | 2022 | 2021 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Wages and salaries | 92,448 | 100,035 |
| Social security costs | 10,751 | 10,995 |
| Other pension costs (note 17 and below) | 10,563 | 12,310 |
| Total | 113,762 | 123,340 |

The Company provides a defined contribution scheme for some employees. The amounts recognised as an expense for the scheme were £7,461,000 (2021: £7,660,000). The Company encourages employees to be involved in the overall profitability of the Company through a performance related bonus.

Note 5. Finance and other income

| | 2022 | 2021 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Interest receivable and similar income | | |
| On bank deposits and other interest income | 51 | 52 |
| Net interest income on pension scheme assets (note 17) | 2,061 | 1,210 |
| On loans to group undertakings | 1,431 | 16 |
| Total | 3,543 | 1,278 |
| Income from shares in group undertakings | | |
| Dividends received | 65,606 | 3,655 |

The Company received dividend income from Raytheon Australia of £55,505,000 (2021:nil) and Marcos Vermögensverwaltung GmbH of £nil (2021: £3,648,000) and Raytheon Systems France S.A.R.L. £1,000 (2021: £7,000).

Note 6. Profit before taxation

| Profit before tax is stated after charging the following: | 2022 | 2021 |
|---|---------|---------|
| | £'000 | £'000 |
| Depreciation of property, plant and equipment | 8,089 | 4,550 |
| Amortisation of goodwill | 119 | 1,280 |
| Auditors' remuneration: audit fees | 371 | 331 |
| Taxation compliance services | 14 | 27 |
| Operating lease and short-term rentals for plant and machinery and motor vehicles | 733 | 822 |
| Operating lease rentals for land and buildings | 2,251 | 2,794 |
| Inventory recognised as an expense (net of hedging credits/ charges) ¹ | 314,877 | 298,072 |
| Research and development costs | 7,564 | 6,745 |
| Loss in derivative fair value changes | 4,818 | 8,978 |

¹Inventory is presented net of the foreign exchange charge arising on foreign currency translation. The amount recognised was a charge of £5,504,000 (2021: charge of £3,845,000).

Notes to the Financial Statements for the year ended 31 December 2022

Note 7. Income tax expense

The tax charge is based on the taxable profit for the year and comprises:

| | 2022 | 2020 |
|--|----------|---------|
| | £'000 | £'000 |
| Current tax charge | | |
| UK corporation tax for the year | 2,418 | 4,810 |
| Adjustments in respect of prior years | (769) | (4,606) |
| Total current tax | 1,649 | 204 |
| Deferred taxation | | |
| Origination and reversal of timing differences | | |
| Prior year | (24,916) | 24,041 |
| Current year | 33,885 | 10,749 |
| Deferred tax: pensions | 254 | 1,708 |
| Total deferred tax | 9,224 | 36,498 |
| Tax on profit | 10,873 | 36,702 |
| Representing: | | |
| United Kingdom | 10,475 | 36,519 |
| Foreign Taxes | 398 | 183 |
| Total tax charge/ (credit) | 10,873 | 36,702 |

The tax assessed for the year is higher (2021: higher) than the standard rate of the corporation tax in the UK.

| | 2022 | 2020 |
|--|----------|----------|
| | £'000 | £'000 |
| Profit before taxation | 76,678 | 53,732 |
| Profit before taxation multiplied by the standard rate of corporation tax in the UK in 2022: 23.52% (2021: 19%) | 18,035 | 10,209 |
| Effects of: | | |
| Research and development not taxed | (1,341) | (570) |
| Expenses not deductible for tax purposes | 320 | 148 |
| Capital allowances in excess of depreciation | 364 | (674) |
| Pension contributions in excess of net pension cost | (239) | 80 |
| Tax losses utilised | (3,197) | (5,577) |
| Derivative fair value not taxed | 1,133 | 1,706 |
| Adjustments in respect of prior years | (769) | (4,606) |
| Income not taxed | (13,055) | (694) |
| Foreign taxes | 398 | 183 |
| Deferred tax: pensions | 254 | 1,708 |
| Deferred tax: origination and reversal of timing differences prior year | (24,916) | 24,041 |
| Deferred tax: origination and reversal of timing differences current year | 33,885 | 20,902 |
| Deferred tax: origination and reversal of timing differences change of tax rate | - | (10,154) |
| Total tax charge | 10,873 | 36,702 |

Notes to the Financial Statements for the year ended 31 December 2022

Note 7. Income tax expense (continued)

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously

enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023. Relevant deferred taxes at the balance sheet date have been measured using this enacted tax rate.

Note 8. Deferred taxation

Deferred taxation accounted for in the statement of financial position and the potential amounts of deferred taxation are:

| | Amounts Provided (liabilities)/assets | | Full potential (liabilities)/assets | |
|--------------------------------|--|---------------|--|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Deferred Tax Components | | | | |
| Accelerated capital allowances | (2,224) | (3,447) | (2,224) | (3,447) |
| Tax losses | 14,658 | 24,852 | 14,658 | 24,852 |
| Total | 12,434 | 21,405 | 12,434 | 21,405 |

Deferred tax is calculated at the rates that will be in force in the respective years to the extent those rates have been substantively enacted.

| | 2022 | 2021 |
|--|----------|----------|
| | £'000 | £'000 |
| Movement in deferred tax asset | | |
| Opening balance | 21,405 | 56,194 |
| Profit | | |
| Prior year | 24,914 | (13,888) |
| Current year | (33,886) | (20,901) |
| Closing balance | 12,434 | 21,405 |
| Movement in deferred tax asset: pension | | |
| Opening balance | (28,575) | (16,410) |
| Total Comprehensive Income | (253) | (1,709) |
| Other Comprehensive Income | 5,518 | (10,456) |
| Closing balance | (23,310) | (28,575) |
| Total deferred tax liability | (10,876) | (7,170) |

Notes to the Financial Statements for the year ended 31 December 2022

Note 9. Intangible assets

| | Goodwill | Computer Software | Total |
|---------------------------------|--------------|-------------------|---------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 January 2021 | 1,300 | 12,798 | 14,098 |
| Additions | - | - | - |
| At 31 December 2021 | 1,300 | 12,798 | 14,098 |
| Additions | 3,445 | - | 3,445 |
| At 31 December 2022 | 4,745 | 12,798 | 17,543 |
| Accumulated amortisation | | | |
| At 1 January 2021 | 1,300 | 10,558 | 11,858 |
| Charge for the year | - | 1,280 | 1,280 |
| At 31 December 2021 | 1,300 | 11,838 | 13,138 |
| Charge for the year | 119 | 960 | 1,079 |
| At 31 December 2022 | 1,419 | 12,798 | 14,217 |
| Net book value | | | |
| At 31 December 2022 | 3,326 | - | 3,326 |
| At 31 December 2021 | - | 960 | 960 |

Included in the net book value of goodwill above at 31 December 2022 is £3,445 of additions arising on the acquisition of Northern Space and Security Limited and subsequent hive up of assets and liabilities to Raytheon Systems Limited. Refer to Note 26 for further details.

Notes to the Financial Statements for the year ended 31 December 2022

Note 10. Property, plant and equipment

| | Land and buildings | Plant, Machinery, Fixtures, Fittings, Tools and Equipment | Aircraft | Assets in the course of construction | Total |
|---------------------------------|--------------------|---|---------------|--------------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 January 2021 | 28,394 | 61,235 | - | 23,432 | 113,061 |
| Additions | - | - | - | 6,911 | 6,911 |
| Disposals | - | (236) | - | - | (236) |
| Transfers | 133 | 12,624 | - | (12,757) | - |
| At 31 December 2021 | 28,527 | 73,623 | - | 17,586 | 119,736 |
| -Additions | -- | -- | -- | 2,889 | 2,889 |
| Disposals | - | - | - | - | - |
| Transfers | 1,252 | 4,293 | 10,350 | (15,895) | - |
| At 31 December 2022 | 29,779 | 77,916 | 10,350 | 4,580 | 122,625 |
| Accumulated depreciation | | | | | |
| At 1 January 2021 | 16,026 | 54,285 | - | - | 70,311 |
| Charge for the year | 2,453 | 2,096 | - | - | 4,549 |
| Disposals | - | (236) | - | - | (236) |
| At 31 December 2021 | 18,479 | 56,145 | - | - | 74,624 |
| Charge for the year | 1,194 | 5,860 | 1,035 | -- | 8,089 |
| Disposals | - | - | - | - | - |
| At 31 December 2022 | 19,673 | 62,005 | 1,035 | - | 82,713 |
| Net book value | | | | | |
| At 31 December 2022 | 10,106 | 15,911 | 9,315 | 4,580 | 39,912 |
| At 31 December 2021 | 10,048 | 17,478 | - | 17,586 | 45,112 |

Included in the net book value of land and buildings above at 31 December 2022 are £11,000 of leasehold improvements (2021: £168,000). The remainder of this balance comprises freehold land and buildings. Leasehold improvements for the Company are all in respect of short leaseholds. Transfers relate to assets that were in the course of construction that were stated at cost for which construction was completed during the year and the asset became available for use. Included in transfers is the cost of an aircraft with a useful life of 10 years.

Notes to the Financial Statements for the year ended 31 December 2022

Note 11. Investments

| | 2022 | 2021 |
|-------------------------------------|---------|----------|
| | £'000 | £'000 |
| Shares in group undertakings | | |
| At 1 January | 167,704 | 180,000 |
| Acquisition of investment | 131 | - |
| Sale of investment | - | (12,296) |
| At 31 December | 167,835 | 167,704 |

On 6 December 2021 the Company sold its entire holding in MARCOS Vermögensverwaltung GmbH to Vertex Aerospace LLC. Refer to note 24 for further detail.

On 6 September 2022 the Company purchased the entire share capital of Northern Space & Security Limited. The assets and liabilities were moved up to Raytheon Systems Limited on 30 September 2022 recognising goodwill of £3,445. Refer to note 9 and 26 for further details.

The Company owns the entire issued share capital of each subsidiary listed below. The following table lists the direct operating subsidiaries of the Company, as at 31 December 2022.

| Name of Company | Nature of business | Country of incorporation | Descriptions of shares held |
|-----------------------------------|--------------------|--------------------------|--|
| Raytheon Australia Pty Ltd. | Electronics | Australia | 10,477,047 fully paid ordinary shares. |
| Raytheon Canada Ltd | Electronics | Canada | 24,300 class "A" preference shares and 2,500 common shares |
| Northern Space & Security Limited | Space | United Kingdom | 100 ordinary shares of £1 each |
| Raytheon Deutschland GmbH | Electronics | Germany | One share in the nominal amount of DM 28,000,000 and one share in the nominal amount of DM 100,000 |

Registered address

| | |
|------------------------------------|--|
| Raytheon Australia Pty Ltd: | Brindabella Business Park, 4 Brindabella Circuit, Pialligo ACT 2609, Australia |
| Raytheon Canada Ltd: | 360 Albert Street, Suite 1640, Ottawa, Ontario, K1R 7X7, Canada. |
| Northern Space & Security Limited: | Kao One, Kao Park, Harlow, Essex, England, CM17 9NA |
| Raytheon Deutschland GmbH: | Kulturstrasse 105, Freisin 85356, Germany |

The Directors believe that the carrying value of the investments is supported by future cash flows. In addition to the companies listed above, Raytheon Systems Limited owns the entire issued share capital of one dormant company and less than 1% of Raytheon Systems France S.A.R.L.

Notes to the Financial Statements for the year ended 31 December 2022

Note 12. Inventories

| | 2022 | 2021 |
|-------------------------------|-----------|-----------|
| | £'000 | £'000 |
| Raw materials and consumables | 2,757 | 3,209 |
| Work in progress | 271,246 | 242,658 |
| Provision for impairment | (202,262) | (174,886) |
| Total | 71,741 | 70,981 |

Inventory consists of both strategic purchases made to obtain favourable pricing arrangements and advance purchases made to mitigate product availability risk.

In addition to the above is inventory for a contract for direct commercial sales for precision guided munitions with a certain Middle East customer, for which we have not yet obtained US regulatory approval. We do not expect this inventory to be

utilised or otherwise directed to other customers and therefore a provision for impairment against this inventory has been recorded.

The increase in work in progress and related provision is driven by the Middle East contract detailed above. The Company has contractual supplier liabilities for inventory in relation to this contract, which have continued to be settled.

Note 13. Trade and other receivables

| | 2022 | 2021 restated |
|--|---------|---------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade receivables | 144 | - |
| Amounts owed by group undertakings | 4,236 | 133,502 |
| Cash pool loan and interest with Sliver Aero Limited | 223,271 | - |
| Cash pool loan and interest with UT (UK) Limited | 3,069 | - |
| Other receivables | 73 | -4,266 |
| Corporation tax | 5,733 | 7,521 |
| Amounts recoverable on contracts | 74,783 | 81,940 |
| Prepayments and accrued income | 2,808 | 3,460 |
| Total | 314,117 | 230,689 |

Amounts owed by group undertakings are unsecured and repayable on demand. These bear interest based on the Sterling Base Rate (the "Reference Interest Rate"), as published minus a rate per annum determined by the Pool Leader (the "Loan Margin"). The initial Loan Margin shall be 0.25% per annum. Prepayments and accrued income are predominately driven by payments in advance for customer contract related supplies. The balance is driven in line with the production schedule of customer contracts.

In 2022 the Company entered into the Internal Group Cash Management Agreement which is a centrally managed cash pool arrangement by the ultimate parent undertaking RTX Corporation. Pursuant to the Internal Group Cash Management Agreement each participant loan balance shall bear interest based on the Sterling Base Rate (the "Reference Interest Rate"), as published minus a rate per annum determined by the Pool Leader (the "Loan Margin"). The initial Loan Margin shall be 0.25% per annum.

Notes to the Financial Statements for the year ended 31 December 2022

Note 14. Trade and other payables: amounts falling due within one year

| | 2022 | 2021 restated |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Payments received on account | 398,803 | 395,112 |
| Trade payables | 16,041 | 18,851 |
| Amounts owed to group undertakings | 9,141 | 24,457 |
| Other taxation and social security | 2,746 | 2,784 |
| Accruals and deferred income | 38,461 | 86,917 |
| Total | 465,181 | 528,121 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Accruals and deferred income are predominately costs incurred yet to be invoiced. 2022 includes £35.8m (2021: £95.7m) of supplier related termination obligations which arose from the exceptional item relating to the direct commercial sale for precision guided munitions with a certain Middle East customer for which we have not yet obtained US regulatory approval.

Included within accruals and deferred income are the foreign exchange contract derivatives measured at fair value at £551,000 (2021 other debtors: £4,267,000). The decrease in fair values of £4,818,000 (2021 decrease: £8,978,000) is

recognised in Administrative costs. Fair value was determined using valuation techniques that utilise an observable input in valuing the derivatives of forward exchange rates for GBP: USD, GBP: CAD, GBP: EUR and GBP: SAR.

Payments received on account are advance payments from customers. 2022 includes £318.8m (2021: £318.8m) of advance payments received from the certain Middle East customer on this contract which may become refundable to the customer if the contract is ultimately terminated relating to the direct commercial sale for precision guided munitions with a certain Middle East customer for which we have not yet obtained US regulatory approval.

Note 15. Trade and other payables: amounts falling due after more than one year

| | 2022 | 2021 |
|-------------------|------------|------------|
| | £'000 | £'000 |
| Government grants | 164 | 184 |
| Total | 164 | 184 |

Note 16. Provisions for liabilities

| | Balance at 1 January 2022 | Charge/(Credit) for year in profit and loss | Utilised during the year | Balance at 31 December 2022 |
|--------------------------|---------------------------|---|--------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Deferred Tax | 7,170 | 3,706 | - | 10,876 |
| Contract loss provisions | 2,277 | 4,969 | (2,094) | 5,162 |
| Total | 9,447 | 8,675 | (2,094) | 16,028 |

The contract loss provisions represent the Company's best estimate of foreseeable expected losses under various contractual agreements. These are expected to be utilised over a number of years and are therefore recognised as non-current.

Notes to the Financial Statements for the year ended 31 December 2022

Note 17. Pension and similar obligations

The Raytheon Systems Limited Pension Scheme (RSLPS) is a final salary defined benefit scheme operated by the Company in the UK for staff and Directors. A full actuarial valuation for the scheme was carried out at 5 April 2021 and updated to 31 December 2022 by a qualified independent actuary.

The benefit obligations at the year-end have been based on a projection of the corresponding valuation for accounting purposes as at 31 December 2022, which themselves were projected from the results of the statutory funding valuation of the Scheme as at 5 April 2021. This projection involves rolling forward the results at the earlier date allowing for interest on the liabilities, the accrual of further benefits by active members, the actual benefits paid out and an estimate of the effect of any changes in the actuarial assumptions.

We have assumed that all other experience during the projection, apart from actual inflation, investment returns, contributions, benefit payments, administration expenses and insurance premiums, has been in line with the assumptions made at the start of the year.

The pension expense charged to the statement of comprehensive income makes no allowance for the actuarial gains and losses during the year. Actuarial gains and losses are recognised in other comprehensive income in the year that they occur.

| | 2022 | 2021 |
|---|-----------|----------|
| | £'000 | £'000 |
| Change in defined benefit obligation | | |
| Benefit obligation at beginning of year | 570,263 | 605,480 |
| Current service cost | 1,342 | 2,993 |
| Interest cost | 10,018 | 8,316 |
| Benefit payments from plan assets | (27,369) | (22,943) |
| Plan participants' contributions | 24 | 27 |
| Insurance premiums for risk benefits | - | (1,321) |
| Effects of changes in assumptions | (211,954) | (12,617) |
| Effects of experience adjustments | 24,048 | (9,672) |
| Benefit obligation at end of year | 366,372 | 570,263 |

| | 2022 | 2021 |
|--|-----------|----------|
| | £'000 | £'000 |
| Change in fair value of plan assets | | |
| Fair value of plan assets at beginning of year | 684,560 | 691,849 |
| Interest income on plan assets | 12,079 | 9,526 |
| Actuarial (loss)/ gain on plan assets | (209,976) | 6,060 |
| Employer contribution | 2,056 | 3,019 |
| Plan participants' contributions | 24 | 27 |
| Benefits paid | (27,369) | (22,943) |
| Administrative expenses | (1,760) | (1,657) |
| Insurance premiums for risk benefits | - | (1,321) |
| Fair value of plan assets at end of year | 459,614 | 684,560 |

| | 2022 | 2021 |
|--|-----------|-----------|
| | £'000 | £'000 |
| Amounts recognised in the statement of financial position | | |
| Defined benefit obligation | (366,372) | (570,263) |
| Fair value of plan assets | 459,614 | 684,560 |
| Funded status | 93,242 | 114,297 |
| Deferred tax | 23,310 | 28,575 |
| Net funded status | 69,932 | 85,722 |

Notes to the Financial Statements for the year ended 31 December 2022

Note 17. Pension and similar obligations (continued)

| | 2022 | 2021 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Cost relating to defined benefit plans | | |
| Cost (excluding interest) | | |
| Change arising from employee service in the year | 1,342 | 2,993 |
| Loss on curtailment | - | - |
| Total cost | 1,342 | 2,993 |
| Net interest income / (cost) | | |
| Interest expense on DBO | 10,018 | 8,316 |
| Interest income on plan assets | (12,079) | (9,526) |
| Total net interest income | (2,061) | (1,210) |
| Administrative expenses and/or taxes (not reserved within DBO) | 1,760 | 1,657 |
| Total pension cost recognised in the profit and loss | 1,041 | 3,440 |
| Effect of changes in assumptions | (211,954) | (12,617) |
| Effect of experience adjustments | 24,048 | (9,672) |
| Return on plan assets (excluding interest income) | 209,976 | (6,060) |
| Total remeasurements included in other comprehensive income | 22,070 | (28,349) |
| Total pension income/ (expense) recognised in the profit and loss and other comprehensive income | (23,111) | (24,909) |

| | 2022 | 2021 |
|----------------------------|----------------|----------------|
| | £'000 | £'000 |
| Plan assets | | |
| Fair value of plan assets: | | |
| Cash and cash equivalents | 16,627 | 3,292 |
| Equity Instruments | - | 47,127 |
| Debt instruments | 410,820 | 539,944 |
| Real estate | 12,383 | 13,186 |
| Other | 19,784 | 81,011 |
| Total | 469,614 | 684,560 |

| | 2022 | 2021 |
|------------------------------|-----------|--------|
| | £'000 | £'000 |
| Actual return on plan assets | (197,897) | 15,586 |

| | 2022 | 2021 |
|---|-------|-------|
| Weighted average assumptions used to determine benefit obligations at 31 December: | | |
| Discount rate | 6.00% | 1.80% |
| Rate of pensionable salary increase | 1.00% | 1.00% |
| RPI inflation rate | 3.10% | 3.60% |
| CPI inflation rate | 2.40% | 2.90% |
| | Years | Years |
| Assumed life expectancy on retirement at age 65 | | |
| Retiring today (member aged 65) | 22.0 | 22.0 |
| Retiring in 20 years (member aged 45 today) | 23.3 | 23.3 |

Notes to the Financial Statements for the year ended 31 December 2022

Note 17. Pension and similar obligations (continued)

| | 2022 | 2021 |
|--|-------|-------|
| Weighted average assumptions used to determine cost relating to defined benefit plans within the Statement of Comprehensive Income: | | |
| Discount rate | 1.80% | 1.40% |
| Rate of salary increase | 1.00% | 1.00% |
| RPI inflation rate | 3.60% | 2.90% |
| CPI inflation rate | 2.90% | 2.20% |
| | Years | Years |
| Assumed male life expectancy on retirement at age 65: | | |
| Retiring today (member aged 65) | 22.0 | 21.8 |
| Retiring in 20 years (member aged 45 today) | 23.3 | 23.1 |

Contributions

The Company expects to contribute £1,223,000 (2021: £1,539,000) to the plan during the annual year beginning after the reporting year.

Note 18. Called up share capital

| | 2022 | 2021 |
|--|---------|---------|
| | £'000 | £'000 |
| Authorised, allotted, called up and fully paid | | |
| 720,000,000 (2021: 720,000,000) | 180,000 | 180,000 |
| A Preferred shares of £0.25 each | | |
| 179,712,000 (2021: 179,712,000) | 60,042 | 60,042 |
| Ordinary shares of £0.3341 each | | |
| | 240,042 | 240,042 |

"A preferred shares" have a preference on return of capital equal to the nominal value of the number of the "A preferred shares" held. Ordinary shares rank behind "A preferred shares" on return of capital. All other rights attached to the shares are equal. No dividends were paid in 2021 (2020: nil).

Note 19. Capital commitments

| | 2022 | 2021 |
|--|-------|-------|
| | £'000 | £'000 |
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 2,035 | 2,596 |

Note 20. Financial commitments

At 31 December annual amounts payable under non-cancellable operating leases which fall due are as follows:

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| | £'000 | £'000 |
| Within one year | 2,685 | 2,609 |
| Between two and five years | 6,225 | 6,474 |
| After five years | 3,646 | 4,267 |
| Total | 12,556 | 13,350 |

Notes to the Financial Statements for the year ended 31 December 2022

Note 21. Ultimate Parent Company and other parent undertakings

As at 31 December 2022, the Directors regarded RTX Corporation (formerly known as Raytheon Technologies Corporation), which is incorporated in the United States of America, as the ultimate controlling party and ultimate parent company.

Copies of the latest annual report may be obtained from Corporate Communications, RTX Corporation, 1000 Wilson Blvd. Arlington, VA 22209.

The immediate parent is Raytheon United Kingdom Limited.

Note 22. Related party transactions

The Company is exempted under the terms of FRS 102 (Related Party Disclosures) from disclosure of related party transactions with fellow subsidiaries or its ultimate parent company as it is a wholly owned subsidiary of RTX Corporation.

Consolidated financial statements of the Company's ultimate controlling company, RTX Corporation, which is incorporated in the United States of America, are publicly available for inspection.

Note 23. Contingent liabilities

Contingent liabilities in respect of indemnities and guarantees relating to the due performance of contracts amount to £1,014,000 (2021: £1,018,000). The Directors do not consider that a loss will arise to the Company from these contracts as a result of the above arrangements.

Note 24. Discontinued operations

In September 2021, ultimate controlling party and ultimate parent company RTX Corporation entered into a contract with Vertex Aerospace LLC to dispose of the global training and services business of the Raytheon Intelligence & Space segment of the global business. This disposal was completed on 6 December 2021.

Raytheon Systems Limited held operations and an investment in MARCOS Vermögensverwaltung GmbH which were disposed of as part of this transaction.

The Raytheon Systems Limited operations contributed a loss of £126,000 (2021: loss of £171,000). Raytheon Systems Limited received a consideration of £34,625,423 of the global selling price. As at the date of disposal, the net assets of the Raytheon Systems Limited operations held and the carrying value of the investment held in MARCOS Vermögensverwaltung GmbH were £13,448,798 and a profit on disposal of £21,203,625 was recognised in the Statement of Comprehensive Income.

Note 25. Restatement correction of error

Raytheon Systems Limited have corrected and restated the comparative financial statements for the correction of the following error.

The Company holds inventory for a contract for direct commercial sales for precision guided munitions with a certain Middle East customer, for which we have not yet obtained US regulatory approval. This inventory is valued at £50.3m after taking into account provisions held. During the year ended 31 December 2021, this inventory balance was held against the related customer advance of £318.7m to reduce the payments received on account balance within trade and other payables.

Management has reassessed their judgement during the current year and deem that, due to the contractual terms and circumstances, the payments received on account balance should reflect the full value of the customer advance as, if cancelled, the full customer advance would be due for repayment to the customer and the inventory balance would be the responsibility of the Company. This has resulted in an understatement of both the payments received on account balance within trade and other payables and the amounts recoverable on contracts balance within trade and other receivables. This correction is reflected in the restated 31 December 2021 balance sheet on page 16.

Notes to the Financial Statements for the year ended 31 December 2022

Note 25. Restatement correction of error (continued)

The correction affected the following items:

| Statement of financial position | 31 December 2021 | 1 January 2021 |
|--|------------------|----------------|
| | £'000 | £'000 |
| Trade and other receivables (as previously reported) | 173,630 | 243,564 |
| Increase in trade and other receivables | 57,059 | -- |
| Trade and other receivables (as restated) | 230,689 | 243,564 |

| | £'000 | £'000 |
|--|-----------|-----------|
| Trade and other payables: amounts falling due within one year (as previously reported) | (471,062) | (541,879) |
| Increase in trade and other payables: amounts falling due within one year | (57,059) | - |
| Trade and other payables: amounts falling due within one year (as restated) | (528,121) | (541,879) |

There is no impact on the Statement of Changes in Equity or the Statement of Comprehensive Income.

Note 26. Acquisition of trade and assets

On 30 September 2022, the Company acquired certain trade and assets from Northern Space and Security Limited, a fellow group subsidiary.

Consideration paid for the acquisition was £3,500,000.

The final fair value of the identifiable assets and liabilities are:

| | £'000 |
|---|-------|
| Property Plant and Equipment | 24 |
| Inventory | 21 |
| Trade and other receivables | 349 |
| Cash and Cash equivalents | 17 |
| Trade and other liabilities | (356) |
| Total identifiable net assets at fair value | 55 |
| Consideration | 3,500 |
| Goodwill arising on acquisition | 3,445 |

Note 27. Post balance sheet event

On 8 May 2023 Raytheon Global Technologies India Private limited was incorporated with an authorised capital of 16,500,000. Raytheon Systems Limited has been allocated 16,499,835 shares (99.99%) and Raytheon United Kingdom Limited has been allocated 165 shares (0.01%).

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