

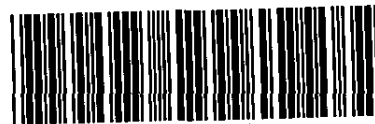
Registered number: 02372738

LOCKHEED MARTIN UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

THURSDAY



A15 *ADCG8KZE* #56
26/09/2024
COMPANIES HOUSE

LOCKHEED MARTIN UK LIMITED

COMPANY INFORMATION

Directors	J Diamond (resigned 29 February 2024) C McIntosh (resigned 10 June 2024) C Harrison (appointed 29 February 2024) E Taylor P Mahlberg (appointed 4 March 2024) N Smith (appointed 29 February 2024) P Lemmo (appointed 17 July 2024)
Company secretary	C Neville (appointed 5 September 2024) D Davis-Washington (resigned 5 September 2024)
Registered number	02372738
Registered office	Legal Counsel Building 7000 Langstone Park Langstone, Havant Hampshire PO9 1SW
Independent auditors	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton Hampshire SO15 2BE
Bankers	Citibank Citibank House 336 Strand London WC2R 1HB

LOCKHEED MARTIN UK LIMITED

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LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Principal activities and review of the business

The principal continuing activities of the company are serving as a total systems integrator and prime contractor on various defence and non-defence related platforms, and the design and manufacture of weapon simulators and training equipment. In addition, the company provides certain back office support to the wider Lockheed Martin group, including the provision of administrative, financial, human resources, information technology (IT), corporate business development and corporate relations services.

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

Financial

The company annually updates a rolling long-range plan (LRP) covering five years, which is supplemented by short term forecasts (STFs), updated at least quarterly. The key components of these performance indicators include Revenue, Earnings Before Interest and Tax (EBIT), Net cash and the associated average headcount. The results for 2023, compared to 2022, are shown in the table below:

	2023	2022
Revenue	£249.5m	£222.2m
EBIT	£60.0m	£7.8m
Net cash	£117.2	£155.1m
Headcount	924	856

The increase in revenue is due to a major new programme commencing in the year, which had significant milestone billings. Whilst challenges have remained on certain major long-term contracts, costs have remained in line with revenue, however the large release of a provision in the year following the acceptable conclusion of a dispute with a supplier has contributed to the abnormal increase in EBIT. Cash balances from operations have risen in line with the profit for the year, however dividends totalling £100m were paid in the year, resulting in the above year on year reduction.

Non-financial

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

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

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

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

Principal risks and uncertainties

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

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

LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Principal risks and uncertainties (continued)

Competitive risks

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

Legislative risks

Legislative and commercial risks are also addressed in the risk registers of the individual programmes. They are mostly owned by the commercial department. Cross-programme trends are flowed up to the corporate risk register. Legislation and regulatory standards are subject to continuous revision and any new Directive may have a material impact on the ability of the company to continue with its principal activities. In addition, compliance imposes costs and failure to comply with the standards could materially affect the company's ability to operate.

Financial risks

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

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

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

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

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

LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Directors' statement of compliance with duty to promote the success of the Company - S172(1)
Statement**

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

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

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


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

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

LOCKHEED MARTIN UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

On behalf of the Board.

Signed by:


CE250E6611A0496

P Mahlberg
Director

Date: 9/24/2024

LOCKHEED MARTIN UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and the financial statements for the year ended 31 December 2023.

Results and dividends

The profit for the year after taxation amounted to £56,005,000 (2022 - £7,500,000). During the year the directors recommended, and the company paid, a dividend of £100,000,000 (2022 - £nil).

The company's business activities, key performance indicators, along with relevant factors likely to affect its future development and position, are described in the Business Review section of the Strategic Report on pages 1 to 4.

Going Concern

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

The company participates in the wider Lockheed Martin group's centralised treasury and shared banking arrangements with its fellow subsidiaries. As a result, the directors have received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, covering the period to 30 September 2025. After having made the necessary enquiries to assess the Parent's ability to support including an understanding of the forecasts, cash position and debt commitments of the Group, the directors are satisfied that they are able to provide financial support should the Company require it. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors who served during the year and subsequently were:

J Diamond (resigned 29 February 2024)
C McIntosh (resigned 10 June 2024)
C Harrison (appointed 29 February 2024)
E Taylor
P Mahlberg (appointed 4 March 2024)
N Smith (appointed 29 February 2024)
P Lemmo (appointed 17 July 2024)

Directors' liabilities

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

Political and charitable contributions

During the year the company made various charitable contributions totalling £107,800 (2022 - £145,900).

Employees

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

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

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

LOCKHEED MARTIN UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Streamlined Energy and Carbon reporting (SECR)

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

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

GHG reporting approach

The company GHG emissions are reported in tonnes of carbon dioxide equivalent (TCO2e), and the current submission covers the period 1st January 2023 to 31st December 2023. This reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, the energy and emissions for the buildings owned and operated by the company are included.

The latest emission factors from the Department for Business, Energy and Industrial Strategy (updated 28th June 2023) have been used and gross emissions shown in the table below have been applied using the using location based grid average emissions factors accounting methodology.

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

Energy Consumption and associated CO2 emissions

	Consumption 2023	Consumption 2022
Total energy consumption (electricity) (KWh)	4,663,901	4,768,693
Total energy consumption (gas) (KWh)	128,275	26,761
Total vehicle fuel consumption (diesel & Petrol) (Litres)	51,457	47,027
	Emissions (Tonnes) 2023	Emissions (Tonnes) 2022
Scope 1 - Combustion of fuel (gas) - CO2e	35	7
Scope 2 - Electricity purchased for own use	966	922
Total annual gross emissions	1,001	929
	Annual GHG intensity measure (Tonnes/SQM) 2023	Annual GHG intensity measure (Tonnes/SQM) 2022
GHG emissions (CO2e)	0.10	0.08

A site was vacated in 2022, reducing the Company's overall floor space footprint. The increase in intensity measure in 2023 is attributed to the reduction in overall floor area across the Company as the type of area vacated had a low energy usage.

Energy efficiency improvements

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

Specific green initiatives carried out across our sites include:

- 100% renewable electricity supply introduced
- Changing lighting to LED
- Reduced time external lights are on overnight
- Reduced water use through decommissioning water services in little used areas
- Automatic door closers to reduce heat loss from doors left open

LOCKHEED MARTIN UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Future developments

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

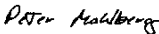
Disclosure of information to auditors

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

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed for the reappointment of Ernst & Young LLP as auditor of the Company.

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

Signed by:

.....
CE250E6611A0496
P Mahlberg
Director
Date: 9/24/2024

LOCKHEED MARTIN UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

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

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

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

LOCKHEED MARTIN UK LIMITED

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

Opinion

We have audited the financial statements of Lockheed Martin UK Limited for the year ended 31 December 2023 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2025.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

LOCKHEED MARTIN UK LIMITED

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

LOCKHEED MARTIN UK LIMITED

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

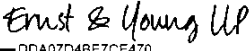
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and the United Kingdom direct and indirect tax regulations. In addition, owing to the sector the company operates in, we considered laws and regulations that had a fundamental effect on the operations of the company, including defence contracting and anti-bribery and corruption legislation. The company must also comply with the operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how Lockheed Martin UK Limited is complying with those frameworks by making inquiries of senior finance personnel and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately. Specifically, we have completed a board minute review to understand procedures in place and verify they are in line with the framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, detect and deter fraud; and how senior management monitors those programmes and controls. Following these procedures, we identified a risk of management override of controls and risk of inappropriate revenue recognition through inaccurate or inappropriate contract accounting. The risk identified relating to revenue and gross margin on long term contracts is due to estimation uncertainty surrounding both the percentage of completion and overall contract profitability.
- Where this risk was higher, we performed incremental audit procedures to address the identified fraud risk. This included the following:
 - Deployment of data analytics in our execution of journal entry testing procedures
 - Contract reviews, including sourcing the contracts, reviewing underlying terms and conditions, vouching contract modifications to signed task amendments, discussions with contract managers, validating actual costs incurred to date to supporting evidence, evaluating the appropriateness of risk reserves, vouching milestone payments and testing of estimates to complete.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, assessment of financial statement disclosures to ensure compliance with relevant reporting frameworks and enquiries of management and those charged with governance.

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

Use of our report

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

Signed by:



DDA07D4BE7CE470

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

Date: 25 September 2024

LOCKHEED MARTIN UK LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £000	2022 £000
Turnover	3	249,484	222,203
Cost of sales		(189,595)	(214,447)
Gross profit		<u>59,889</u>	<u>7,756</u>
Other operating income	4	883	1,582
Other operating charges	5	(736)	(1,572)
Operating profit	6	<u>60,036</u>	<u>7,766</u>
Interest receivable and similar income	9	5,287	1,073
Interest payable and similar expenses	10	(41)	(4)
Profit before tax		<u>65,282</u>	<u>8,835</u>
Tax on profit	11	(9,277)	(1,335)
Profit for the financial year		<u><u>56,005</u></u>	<u><u>7,500</u></u>

LOCKHEED MARTIN UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**


	Note	2023 £000	2022 £000
Profit for the financial year		56,005	7,500
Other comprehensive income			
(Loss) / Gain on cash flow hedges		(6,981)	7,589
Remeasurement (loss) recognised on defined benefit pension scheme	19	(2,802)	(3,058)
Current and Deferred tax	11	2,446	(1,900)
Other comprehensive (loss)/income for the year		<u>(7,337)</u>	<u>2,631</u>
Total comprehensive income for the year		<u>48,668</u>	<u>10,131</u>

LOCKHEED MARTIN UK LIMITED
REGISTERED NUMBER: 02372738

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	12	6,518	7,818
		<u>6,518</u>	<u>7,818</u>
Current assets			
Stocks	13	9,103	12,801
Debtors: amounts falling due within one year	14	77,979	172,198
Cash at bank and in hand		117,154	155,103
		<u>204,236</u>	<u>340,102</u>
Creditors: amounts falling due within one year	15	(173,542)	(261,155)
		<u>30,694</u>	<u>78,947</u>
Net current assets		<u>30,694</u>	<u>78,947</u>
Total assets less current liabilities		<u>37,212</u>	<u>86,765</u>
Net assets		<u><u>37,212</u></u>	<u><u>86,765</u></u>
Capital and reserves			
	17		
Cash flow hedge reserve		2,280	9,261
Retained earnings		34,932	77,504
		<u>37,212</u>	<u>86,765</u>

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

Signed by:

 CE250E8611A0486

P Mahlberg
 Director

Date: 9/24/2024

The notes on pages 16 to 32 form part of these financial statements.

LOCKHEED MARTIN UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2022	1,672	73,310	74,982
Comprehensive income for the year			
Profit for the year	-	7,500	7,500
Share based payment	-	1,652	1,652
Other comprehensive income	7,589	(4,958)	2,631
Total comprehensive gain for the year	<u>7,589</u>	<u>4,194</u>	<u>11,783</u>
At 1 January 2023	<u>9,261</u>	<u>77,504</u>	<u>86,765</u>
Comprehensive income for the year			
Profit for the year	-	56,005	56,005
Share based payment	-	1,779	1,779
Other comprehensive loss	(6,981)	(356)	(7,337)
Total comprehensive gain for the year	<u>(6,981)</u>	<u>57,428</u>	<u>50,447</u>
Contributions by and distributions to owners			
Dividends: Equity capital	-	(100,000)	(100,000)
At 31 December 2023	<u><u>2,280</u></u>	<u><u>34,932</u></u>	<u><u>37,212</u></u>

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

LOCKHEED MARTIN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. Accounting policies

1.1 Basis of preparation

The financial statements of Lockheed Martin UK Limited were approved for issue by the Board of Directors on the date shown on the balance sheet. The financial statements are prepared in sterling, which is the presentational currency of the Company and are rounded to the nearest £'000. The functional currency of the Company is sterling.

1.2 Statement of compliance

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

The financial statements have been prepared in accordance with FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and Companies Act 2006.

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

1.3 Group financial statements

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

1.4 FRS 102 exemptions

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

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

1.5 Going concern

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

The company participates in the wider Lockheed Martin group's centralised treasury and shared banking arrangements with its fellow subsidiaries. As a result, the directors have received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, covering the period to 30 September 2025. After having made the necessary enquiries to assess the Parent's ability to support including an understanding of the forecasts, cash position and debt commitments of the Group, the directors are satisfied that they are able to provide financial support should the Company require it. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Accounting policies (continued)

1.6 Investments

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

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Tangible fixed assets are subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If such indication exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, generally using the reducing balance method during the first half of the estimated useful lives of the assets and the straight-line method thereafter in the case of Plant, Office and Computer Equipment (double declining method). No depreciation expense is recorded on construction in progress until such assets are placed into operation.

The principal annual rates used for this purpose are:

Plant office and computer equipment	- double declining method over 9 - 13 years
Software	- 3 or 6 year straight line
Leasehold improvements	- straight line over the life of the lease, with a maximum of 20 years
Construction in progress	- not provided

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Accounting policies (continued)

1.8 Stocks

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

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

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

Net realisable value is based on estimating selling price less any further costs expected to be incurred to completion and disposal.

1.9 Contract turnover and work in progress

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Expected losses, if any, on long-term contracts are recognised as an expense immediately.

The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as work in progress balances.

1.10 Research and development

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

1.11 Deferred taxation

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

- Provision is made for deferred tax that arises when income or expenses from subsidiaries, associates and joint ventures have been recognised in the financial statements and will be assessed to tax in future periods, except where the entity is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Accounting policies (continued)

1.12 Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. On certain long-term contracts forward foreign currency contracts, forward foreign currency contracts are taken out to hedge the exchange risk in line with the anticipated foreign exchange cash flows.

1.13 Derivative financial instruments and hedging

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

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

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

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

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

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

1.14 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

1.15 Debtors

Short term trade and other receivables with no stated interest rate which are receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

1.16 Creditors

Short term trade and other creditors with no stated interest rate which are payable within one year are recorded at transaction price.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Accounting policies (continued)

1.17 Operating leases

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

1.18 Pensions

The company's pension scheme is the LM UK Pension Plan as detailed in Note 19. The pension fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Accounting policies (continued)

1.19 Share-based payments

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

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

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

1.20 Dividends

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

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

Judgements

Operating lease commitments

The Company as a lessee obtains use of land and buildings. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Key sources of estimation uncertainty

The following are the Company's key sources of estimation uncertainty:

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The business estimates its profit margins based on robust Estimate at Completion (EAC) forecasts for all projects. The profit included is calculated to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen. Turnover in respect of long-term contracts is calculated to fairly reflect the level of completion of the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 19.

Impairment of non-financial assets. Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Turnover

Analysis of turnover by country of destination:

	2023	2022
	£000	£000
United Kingdom	212,350	216,870
Rest of Europe	3,197	3,642
Rest of the world	33,937	1,691
	<u>249,484</u>	<u>222,203</u>

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

4. Other operating income

	2023	2022
	£000	£000
Foreign exchange gain including matured foreign contracts	883	1,582
	<u>883</u>	<u>1,582</u>

5. Other operating expenditure

	2023	2022
	£000	£000
Foreign exchange loss including matured foreign currency contracts	701	1,572
Miscellaneous expenditure	35	-
	<u>736</u>	<u>1,572</u>

6. Operating Profit / (Loss)

This is stated after charging:

	2023	2022
	£000	£000
Auditors' remuneration		
- audit services	164	155
- tax compliance services	20	20
Fixed assets		
- depreciation charge for the year	1,926	2,158
- loss on disposal of fixed assets	28	255
Operating lease rentals		
- plant and machinery	14	21
- land and buildings	2,800	3,459

Unfunded research and development expenditure amounted to £8,790,664 (2022: £8,813,591) in the year.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. Staff costs

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Wages and salaries	69,808	60,377
Social security costs	7,513	6,785
Cost of defined contribution scheme	5,919	5,210
	<u>83,240</u>	<u>72,372</u>

Included in wages and salaries is a total expense of £1,778,626 (2022: £1,651,807) related to equity-settled shared based payment transactions.

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

	2023	<i>2022</i>
	No.	No.
Production (including research and development)	693	637
Selling and distribution	50	50
Administration	181	169
	<u>924</u>	<u>856</u>

Cost of defined contribution scheme noted above relate to normal pension contributions paid in the year by the company.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Directors' remuneration

	2023	<i>2022</i>
	£000	<i>£000</i>
Directors' emoluments	625	427
Company contributions to defined contribution pension schemes	32	14
	<u>657</u>	<u>441</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £316,000 (2022 - £217,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2022 - £2,000).

During the year 0 (2022 - 0) directors exercised share options.

Certain directors' remuneration is not payable through the Company. Their services to the company do not occupy a significant proportion of their time, and, on that basis the company does not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2023 or 31 December 2022.

9. Interest receivable and similar income

	2023	<i>2022</i>
	£000	<i>£000</i>
Bank interest receivable	5,287	1,073
	<u>5,287</u>	<u>1,073</u>

10. Interest payable and similar charges

	2023	<i>2022</i>
	£000	<i>£000</i>
Bank loans and overdrafts	41	4
	<u>41</u>	<u>4</u>

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Taxation

(a) Tax on profit		
	2023	2022
	£000	£000
Corporation tax		
Current tax on profits for the year	7,248	1,055
Adjustments in respect of previous periods	(73)	42
Total current tax	<u>7,175</u>	<u>1,097</u>
Deferred tax		
Origination and reversal of timing differences	2,144	31
Adjustments in respect of previous periods	(42)	207
Total deferred tax	<u>2,102</u>	<u>238</u>
Tax on profit	<u>9,277</u>	<u>1,335</u>

(b) Tax included in the statement of total other comprehensive income.

The tax (charge) / credit is made up as follows:

	2023	2022
	£000	£000
Current tax charged to OCI	-	763
Deferred tax charged to OCI	2,446	(2,663)
	<u>2,446</u>	<u>(1,900)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.5205% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit on ordinary activities before tax	<u>65,282</u>	<u>8,835</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5205% (2022 - 19%)	15,355	1,679
Effects of:		
Expenses not deductible for tax purposes	336	(9)
Adjustments to tax charge in respect of prior periods	(115)	249
Defined Benefit pension contributions	-	(763)
Group reliefs	(6,299)	179
Total tax charge for the year	<u>9,277</u>	<u>1,335</u>

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Taxation (continued)

(c) Deferred tax asset

	2023	<i>2022</i>
	£000	<i>£000</i>
At 1 January	586	3,487
Adjustment in respect of prior years	42	(207)
Charge to income statement	(2,144)	(31)
Credit / (charge) to other comprehensive income	2,446	(2,663)
At 31 December	<u>930</u>	<u>586</u>

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Decelerated capital allowances	703	675
Other timing differences	227	(1,194)
Losses	-	1,105
Deferred tax asset	<u>930</u>	<u>586</u>

Amounts relating to deferred taxation are expected to unwind within the next 12 months.

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

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

(e) BEPS Pillar 2

In December 2021, the OECD issued model rules for a new global minimum tax framework (Pillar Two) applicable for multinational enterprise groups with global revenue over €750 million. The legislation implementing the rules in the UK was substantively acted on 20 June 2023. The Company has applied the exemption under FRS 102 in relation to accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules.

The Company is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023, but the potential exposure, if any, is not expected to be significant. The Company expects to be in a position to report the potential exposure in its next financial statements for the year ended 31 December 2024.

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Tangible fixed assets

	Leasehold improvements £000	Plant, office and computer equipment £000	Software £000	Construction in progress £000	Total £000
Cost or valuation					
At 1 January 2023	5,893	16,944	2,395	1,061	26,293
Additions	-	-	-	654	654
Disposals	(77)	(592)	-	(2)	(671)
Transfers between classes	477	866	-	(1,343)	-
At 31 December 2023	<u>6,293</u>	<u>17,218</u>	<u>2,395</u>	<u>370</u>	<u>26,276</u>
Depreciation					
At 1 January 2023	3,388	12,692	2,395	-	18,475
Charge for the year on owned assets	618	1,308	-	-	1,926
Disposals	(77)	(566)	-	-	(643)
At 31 December 2023	<u>3,929</u>	<u>13,434</u>	<u>2,395</u>	<u>-</u>	<u>19,758</u>
Net book value					
At 31 December 2023	<u>2,364</u>	<u>3,784</u>	<u>-</u>	<u>370</u>	<u>6,518</u>
At 31 December 2022	<u>2,505</u>	<u>4,252</u>	<u>-</u>	<u>1,061</u>	<u>7,818</u>

13. Stocks

	2023 £000	2022 £000
Contract work in progress	9,103	12,801
	<u>9,103</u>	<u>12,801</u>

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Debtors

	2023	2022
	£000	£000
Trade debtors	18,623	18,667
Amounts owed by group undertakings	32,748	113,947
Other debtors	5,975	4,075
Prepayments and accrued income	684	871
Amounts recoverable on long-term contracts	12,446	19,112
Financial instruments	6,258	14,000
Corporation tax recoverable	315	940
Deferred tax asset (note 11(c))	930	586
	<u>77,979</u>	<u>172,198</u>

During the year, management conducted an exercise which identified certain balances within 'Amounts owed by group undertakings' that should have previously been netted with corresponding amounts included within 'Amounts owed to group undertakings', below, resulting in a decrease from £107.7m to £18.7m.

15. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Payments received on account	66,797	46,362
Trade creditors	39,252	61,553
Amounts owed to group undertakings	34,334	114,736
Other taxation and social security	2,031	1,751
Accruals and deferred income	26,540	32,363
Financial instruments	4,588	4,390
	<u>173,542</u>	<u>261,155</u>

During the year, management conducted an exercise which identified certain balances within 'Amounts owed to group undertakings' that should have previously been netted with corresponding amounts included within 'Amounts owed from group undertakings', above, resulting in a decrease from £87.0m to £nil.

16. Issued share capital

	2023		2022	
Allotted, called up and fully paid	No.	£	No.	£
Ordinary shares of £0.00000001538 each	65,000,003	<u>1</u>	65,000,003	<u>1</u>

17. Reserves

Retained earnings

The retained earnings reserve holds the retained earnings of the Company, after the deduction of any dividends paid in the period.

Cashflow hedge reserve

The cashflow hedge reserve holds the effective portion of the gains or losses on the Company's hedging instruments.

18. Capital commitments

There were no contracted or non-contracted capital commitments at 31 December 2023 (2022: £nil).

LOCKHEED MARTIN UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

19. Pension commitments - defined benefit pension scheme

**FRS 102 Disclosures
The Lockheed Martin Pension Plan**

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

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

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

The valuation for FRS 102 purposes has been based on a full assessment of the liabilities of the Plan as at 5 April 2023. The present values of the projected benefit obligation and the related current service cost were measured using the projected unit credit method.

The major assumptions used in the valuations were:

	31 December 2023	31 December 2022	31 December 2021
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase for pensions in payment and deferred	2.0%-2.9%	2.1%-3.0%	2.2%-3.2%
Discount rate	4.5%	4.8%	2.0%
Inflation assumption (CPI-RPI)	2.5%-3.1%	2.6%-3.3%	2.3%-3.3%
Mortality base table adopted	95%/98%	99%/105%	94%/100%
	SAPS S3	SAPS S3	SAPS S3
Post-retirement mortality	CMI_2022	CMI_2021	CMI_2020

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

	2023	2022
	£000	£000
Plan assets		
Equity	42,250	39,107
Fixed Interest	6,145	12,076
Liquid alternatives	10,627	19,114
Cash and accruals	576	3,279
Overlay – Parametric	4,417	6,398
Cash	3,271	1,950
Hedging Component	83,964	70,681
Total market value of assets	151,250	152,605
Present value of liabilities	(132,389)	(131,757)
Gross pension asset	18,861	20,848
Asset recognition restriction	(18,861)	(20,848)
Net pension asset/liability	-	-

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

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**NOTES TO THE FINANCIAL STATEMENTS
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19. Pension commitments – defined benefit pension scheme (continued)

The amounts recognised in the Company Income Statement and in the Company Statement of Other Comprehensive Income for the year are analysed as follows:

	2023	2022
	£000	£000
Amounts recognised in the Income Statement		
Current service cost	-	-
Past service cost (including curtailments)	-	-
Total operating charge/(gain)	-	-
Total pension expense/(income) recognised in Income Statement	-	-
Amounts recognised in Other Comprehensive Income		
Asset (losses)/gain arising during the year	(3,983)	(98,106)
Liability (losses)/gains arising during the year	(1,873)	70,332
Change in effect of asset ceiling	3,054	24,716
Remeasurement (losses) recognised in Other Comprehensive Income	(2,802)	(3,058)
Changes in Defined Benefit Obligation over the year		
	2023	2022
	£000	£000
As at 1 January 2022	131,757	203,558
Interest expense on DBO	6,146	4,008
Actuarial (gains) / losses on Plan liabilities	1,873	(70,332)
Net benefits paid out	(7,387)	(5,477)
Closing Defined Benefit Obligation	132,389	131,757
Changes to fair value of the Plan assets during the year		
	2023	2022
	£000	£000
Opening fair value of Plan assets	152,605	248,197
Interest income on Plan assets	7,219	4,933
Gains / (losses) on Plan assets	(3,989)	(98,106)
Contributions by the employer	2,802	3,058
Net benefits paid out	(7,387)	(5,477)
Closing fair value of Plan assets	151,250	152,605

20. Operating lease commitments

At 31 December 2023, the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	2023		2022	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Not later than one year	3,604	8	3,555	12
Later than one year and not later than five years	6,375	3	9,007	7
Later than five years	-	-	-	-
	<u>9,979</u>	<u>11</u>	<u>12,562</u>	<u>19</u>

LOCKHEED MARTIN UK LIMITED

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21. Related party transactions

Terms and conditions of transactions with related parties

Sales between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 30 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2023, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2022: nil).

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

	Sales to associate undertaking £000	Purchases from associate undertaking £000	Amounts owed from associate undertaking £000	Amounts owed to associate undertaking £000
Advanced Jet Training Limited				
2023	42,924	-	-	-
2022	22,382	-	-	-

22. Contingent liabilities

On 16 June 2023 the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others) calling into question the validity of rule amendments made to defined benefit pension schemes contracted-out on a Reference Scheme Test basis between 6 April 1997 and 5 April 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the Rule amendment would be void. The decision was upheld subsequent to appeal on 25 July 2024.

Lockheed Martin UK Limited operates a contracted-out defined benefit pension scheme which is merged with the Lockheed Martin UK Ampthill Limited scheme. During the period impacted by the ruling, amendments were made to the pension scheme, and the Company is currently assessing the existence of the required confirmations, in the form of the relevant s37 certificates. At the date of approval of these accounts, until more is known, no adjustments have been made to the liabilities for the potential impact of this ruling as they cannot be reliably estimated.

23. Ultimate parent undertaking and controlling party

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

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