

Registered number: 03184898

LOCKHEED MARTIN UK HOLDINGS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



LOCKHEED MARTIN UK HOLDINGS LIMITED

COMPANY INFORMATION

Directors	P. Livingston J. Hoyle S. Littlefield (appointed 4 April 2023)
Company secretary	D. Davis-Washington
Registered number	03184898
Registered office	C/o Lockheed Martin UK Limited Legal Counsel Building 7000, Langstone Park Langstone, Havant Hampshire PO9 1SW
Independent auditors	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton SO15 2BE
Bankers	Citibank Canada Square Canary Wharf London E14 5LB

LOCKHEED MARTIN UK HOLDINGS LIMITED

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LOCKHEED MARTIN UK HOLDINGS LIMITED**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022****Principal activity and review of business**

The principal continuing activities of the company is to act as an investment parent undertaking for the Lockheed Martin Corporation in the UK.

The Lockheed Martin UK Holdings group operates through its direct and indirect subsidiaries. These subsidiaries trade as total systems integrator and prime contractor on various defence and non-defence related platforms, and the design and manufacture of weapon simulators and training equipment. The company also holds direct investments in a UK-based joint-venture entity Ascent Flight Training (Holdings) Limited.

Key performance indicators for the company include Investment Income, Earnings Before Tax (EBT), and Net Assets. The results for 2022, compared to 2021 are shown in the table below:

	2022	2021
Investment income	£127.4m	£5.2m
EBT	£127.0m	£3.7m
Net Assets	£406.4m	£399.5m

Investment Income, and therefore EBT, was higher for 2022 compared to 2021 due to an increase in dividend income. The Net Assets increased during 2022 as a result of the additional earnings for the year.

Principal risks and uncertainties

The principal risk is that the company acquires an unsuccessful investment, however this risk is mitigated by acquiring investments that align to the strategic objectives of Lockheed Martin Corporation with extensive due diligence completed prior to the acquisition.

The company uses certain financial instruments to help manage its main operating risks. In particular it utilises inter-group funding balances, 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 forward foreign currency contracts provided by Lockheed Martin Corporation Group to manage the foreign exchange risks faced on funding balances held.

Future developments

The company is continuously looking for further investment opportunities that align with the strategic objectives of Lockheed Martin Corporation.

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

S172(1) Statement

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

The board of directors of Lockheed Martin UK Holdings Ltd ("the Company") have delegated operational management and decision-making of the company and its trading subsidiaries to relevant executive committees, which includes all of its statutory directors and other executive leadership. In turn each committee manages the relevant 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 the performance of the Company's subsidiaries contracts with both its customers and other commercial partners, and the overall position of the UK group as a whole.

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 group's principle activities often require planning ahead for years so that it is able to respond to the requirements of its principal customers. Shorter-term decisions are taken within the context of longer-term plans which are developed and shared with our customers.
- Employee interests: The workforce of the Company and its trading subsidiaries is fundamental to its ability to discharge its role. In addition to the measure the company takes to ensure its employees are engaged and that regular dialogue takes place with employee representatives, it convenes regular executive meetings whose focus is employment strategy and oversight.
- Supplier, customer and other relationships: The directors of the Company and its trading subsidiaries 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 and its trading subsidiaries 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 and its trading subsidiaries maintain regular executive meetings 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 group whose operations are of significant national importance, the Company is conscious that its actions are open to scrutiny from the press and public at large as well as parliamentary and other formal forums, and takes its decisions in the light not just of their operational appropriateness, but also in the light of potential scrutiny and associated requirement to demonstrate the integrity and fairness of its decision-making and relationships with others.

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

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



P. Livingston
Director

Date: 26/7/23

LOCKHEED MARTIN UK HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors' responsibilities statement

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

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

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £126,854,557 (2021 - £3,662,680). During the year, the company paid interim dividends of £120,000,000 (2021 - £nil). The directors do not recommend a final dividend (2021 - £nil).

Going Concern

On the basis of their assessment of the company's financial position, consideration of the expected future performance of the group and of the enquiries made, the directors expect that the company will be able to continue in operational existence for the foreseeable future, being at least until 30 September 2024.

The company participates in the wider Lockheed Martin group's centralised treasury and shares banking arrangements with its fellow subsidiaries. The directors have also received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, covering the period to 30 September 2024. As a consequence, the directors believe the company and its subsidiary undertakings are well placed to manage its business risks successfully.

The directors therefore consider that the company and its subsidiary undertakings will be able to settle their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the company's financial statements.

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

Directors

The directors who served during the year and subsequently were:

J. Mollard (resigned 31 May 2022)
P. Livingston
J. Hoyle
K. Stevens (appointed 1 August 2022, resigned 4 April 2023)
S. Littlefield (appointed 4 April 2023)

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 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



P. Livingston
Director

Date:

26/7/23

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

Opinion

We have audited the financial statements of Lockheed Martin UK Holdings Limited for the year ended 31 December 2022 which comprise the Income statement, Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 the period to 30 September 2024.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our 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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 4, 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.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those related to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and the United Kingdom direct and indirect tax regulations. In addition, owing to the sector the company operates in, we considered laws and regulations that had a fundamental effect on the operations of the company, including defence contracting and anti-bribery and corruption legislation. The company must comply with the operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how Lockheed Martin UK Holdings Limited is complying with those frameworks by making inquiries of senior finance personnel and those charged with governance on a regular basis regarding regarding any non-compliance of laws and regulations. We have corroborated these discussions by inspecting all the board minutes to date and have identified no issues. We have also reviewed the Lockheed code of conduct handbook which all employees need to adhere too.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and the risk that the carrying value of the investments at year end is overstated.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals, assessing the recoverability of the carrying value of investments, reviewing the financial statement amounts and disclosures and reviewing of public records to ascertain any risks relevant to Lockheed Martin UK.

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.

DocuSigned by:
Ernst & Young LLP
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Nikki Forster (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
Date: 31 July 2023

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

	Note	2022 £	2021 £
Administrative expenses		(39,908)	(54,190)
Operating loss	3	(39,908)	(54,190)
Income from shares in group undertakings		120,000,000	-
Income from other participating interests	12	7,400,000	5,150,000
Amounts written off investments	8	(299,999)	(3,107,486)
Interest receivable and similar income	5	1,994,288	1,682,461
Interest payable and similar expenses	6	(2,037,605)	-
Profit before tax		127,016,776	3,670,785
Tax on profit	7	(162,219)	(8,105)
Profit for the financial year		126,854,557	3,662,680

LOCKHEED MARTIN UK HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

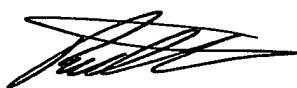
	Note	2022 £	2021 £
Profit for the financial year		126,854,557	3,662,680
Other comprehensive income		-	-
Total comprehensive income for the year		126,854,557	3,662,680

LOCKHEED MARTIN UK HOLDINGS LIMITED
REGISTERED NUMBER:03184898

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	8	360,676,674	359,189,673
		<u>360,676,674</u>	<u>359,189,673</u>
Current assets			
Debtors: amounts falling due within one year	9	9,291,586	10,591,859
Cash at bank and in hand		37,670,481	29,795,053
		<u>46,962,067</u>	<u>40,386,912</u>
Creditors: amounts falling due within one year	10	(1,250,931)	(43,332)
Net current assets		<u>45,711,136</u>	<u>40,343,580</u>
Total assets less current liabilities		<u>406,387,810</u>	<u>399,533,253</u>
Net assets		<u>406,387,810</u>	<u>399,533,253</u>
Capital and reserves			
Called up share capital	11	178,203,408	178,203,408
Profit and loss account		228,184,402	221,329,845
		<u>406,387,810</u>	<u>399,533,253</u>

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



P. Livingston
(Director)

Date: 26 / 7 / 23

LOCKHEED MARTIN UK HOLDINGS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	178,203,408	217,667,165	395,870,573
Profit for the year	-	3,662,680	3,662,680
At 1 January 2022	<u>178,203,408</u>	<u>221,329,845</u>	<u>399,533,253</u>
Profit for the year	-	126,854,557	126,854,557
Dividends paid	-	(120,000,000)	(120,000,000)
At 31 December 2022	<u><u>178,203,408</u></u>	<u><u>228,184,402</u></u>	<u><u>406,387,810</u></u>

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

1. Accounting policies

1.1 Basis of preparation

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

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

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.

1.2 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

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
- Transactions with other wholly owned subsidiaries of Lockheed Martin Corporation group.

1.3 Going concern

On the basis of their assessment of the company's financial position, consideration of the expected future performance of the group and of the enquiries made, the directors expect that the company will be able to continue in operational existence for the foreseeable future, being at least until 30 September 2024.

The company participates in the wider Lockheed Martin group's centralised treasury and shares banking arrangements with its fellow subsidiaries. The directors have also received written confirmation of financial support from the ultimate parent undertaking, Lockheed Martin Corporation, covering the period to 30 September 2024. As a consequence, the directors believe the company and its subsidiary undertakings are well placed to manage its business risks successfully.

The directors therefore consider that the company and its subsidiary undertakings will be able to settle their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the company's financial statements.

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

1. Accounting policies (continued)

1.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

1.5 Deferred taxation

Deferred tax 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 a right to pay less or to receive more, tax, with the following exception:

- 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 at the balance sheet date.

1.6 Associates and joint ventures

Entities in which the company holds an interest and which are jointly controlled by the company and one or more other venturers under a contractual arrangement are treated as joint ventures.

Entities, other than subsidiary undertakings or joint ventures, in which the company has a participating interest and over whose operating and financial policies the company exercises a significant influence are treated as associates.

Associates and Joint Ventures are held at cost less impairment.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

1. Accounting policies (continued)

1.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Financial instruments

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. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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.

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

In preparing these financial statement, the directors have made the following judgements:

- That the fair value of the company's investments are not lower than the cost originally paid. Factors taken into account in reaching such a decision include the economic viability and expected future performance of the investment asset.

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

The operating loss is stated after charging:

	2022 £	2021 £
Auditors remuneration - audit services	20,500	18,600
- non-audit services	9,650	8,755
	<u>29,150</u>	<u>27,355</u>

4. Directors' remuneration

	2022 £	2021 £
Directors remuneration	1,378,952	797,946
Total directors remuneration	<u>1,378,952</u>	<u>797,946</u>

Directors' remuneration above is paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation. Two directors were eligible and one was a member of the company pension scheme during the year (2021 – two directors were eligible and none were members).

The amounts in respect of the highest paid director were £853,576 (2021: £654,623)

5. Interest receivable

	2022 £	2021 £
Interest receivable from group companies	840,957	-
Interest receivable from joint venture	1,152,870	1,304,663
Other interest receivable	461	377,798
	<u>1,994,288</u>	<u>1,682,461</u>

6. Interest payable and similar expenses

	2022 £	2021 £
Interest payable to group undertakings	2,037,605	-
	<u>2,037,605</u>	<u>-</u>

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

	2022 £	2021 £
Current Tax:		
Current tax on profits for the year	144,059	-
Total current tax	<u>144,059</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	18,160	8,105
Total deferred tax	<u>18,160</u>	<u>8,105</u>
Tax charge	<u>162,219</u>	<u>8,105</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>127,016,776</u>	<u>3,670,784</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	24,133,187	697,449
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	57,000	590,422
Adjustments to tax charge in respect of prior periods	144,059	-
Dividends from UK companies	(24,206,000)	(978,500)
Other differences leading to an increase (decrease) in the tax charge	-	(10,056)
Losses surrendered to/(received from) group relief (for nil payment)	33,973	(291,210)
Total tax charge for the year	<u>162,219</u>	<u>8,105</u>

LOCKHEED MARTIN UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****8. Fixed asset investments**

	Investments in subsidiary companies £	Unlisted investments £	Investment in joint ventures £	Total £
Cost or valuation				
At 1 January 2022	381,058,510	3,172,000	1,414,000	385,644,510
Additions	750,000	1,037,000	-	1,787,000
At 31 December 2022	<u>381,808,510</u>	<u>4,209,000</u>	<u>1,414,000</u>	<u>387,431,510</u>
Impairment				
At 1 January 2022	25,854,837	-	600,000	26,454,837
Charge for the period	299,999	-	-	299,999
At 31 December 2022	<u>26,154,836</u>	<u>-</u>	<u>600,000</u>	<u>26,754,836</u>
Net book value				
At 31 December 2022	<u>355,653,674</u>	<u>4,209,000</u>	<u>814,000</u>	<u>360,676,674</u>
At 31 December 2021	<u>355,203,673</u>	<u>3,172,000</u>	<u>814,000</u>	<u>359,189,673</u>

Impairment charges totalling £299,999 have been made in 2022 against UK Seabed Resources Limited and Seabed Resources Development Limited to reduce their carrying value to nil. These charges have been made as future revenue and cashflows arising from operations have yet to be forecast with sufficient levels of certainty.

Lockheed Martin UK Holdings Limited has invested in Amadeus V Technology Fund LP, a venture capital fund which invests in start-ups with a focus on artificial intelligence and cyber security. The investment is held at cost and Lockheed Martin UK Holdings Limited have agreed a cap regarding future commitments of £6.1M. There were no adjustments relating to venture capital in 2022 or 2021.

LOCKHEED MARTIN UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****8. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Lockheed Martin UK Limited	Building 7000, Langstone Park, Langstone, Havant, Hampshire, England, PO9 1SW	Systems integration and development of weapons simulation equipment	Ordinary	100%
Lockheed Martin UK Ampthill Group Limited	Reddings Wood, Ampthill, Beds, MK45 2HD	Holding company	Ordinary	100%
Lockheed Martin UK Ampthill Limited	Reddings Wood, Ampthill, Beds, MK45 2HD	Defence contractor and integrator	Ordinary	100%
HMT Vehicles Limited	Lockheed Martin, Legal Counsel, Reddings Wood, Ampthill, Bedfordshire, England, MK45 2HD	Defence research and development	Ordinary	100%
UK Seabed Resources Limited	Stag Gates House, 63/64 The Avenue, Southampton, Hampshire, United Kingdom, SO17 1XS	Undersea exploration	Ordinary	100%
Seabed Resources Development Limited	Stag Gates House, 63/64 The Avenue, Southampton, Hampshire, United Kingdom, SO17 1XS	Undersea exploration	Ordinary	100%
Lockheed Martin UK Strategic Systems Limited	28 Albyn Place, Aberdeen, AB10 1YL	Defence contractor	Ordinary	100%
Defence Contractor Management and Operations Limited	Serco House, 16 Bartley Way, Hook, England, RRG27 9UY	Design, manufacture and support of the United Kingdom's nuclear deterrent.	Ordinary	51%
Lockheed Martin Helicopter Company Limited	Lockheed Martin UK Limited, Legal Counsel Building 7000, Langstone Park, Langstone, Hampshire, England, PO9 1SW	Holding company	Ordinary	100%
Polskie Zakłady Lotnicze sp. z.o.o	ul. Wojska Polskiego 3 39-300 Mielec, POLSKA	Aircraft design and manufacturing	Ordinary	100%

LOCKHEED MARTIN UK HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****8. Fixed asset investments (continued)****Joint venture**

The following was a joint venture of the company:

Name	Registered office	Principal activity	Holding
Ascent Flight Training (Holdings) Limited	33 Wigmore Street, London, W1U 1QX.	Parent undertaking for Defence related flying training services	50%

9. Debtors

	2022 £	2021 £
Amounts owed by group undertakings	11,970	2,743
Amounts owed by joint ventures (see Note 12)	9,233,241	10,431,873
Other debtors	(1)	92,706
Deferred taxation	46,376	64,537
	<u>9,291,586</u>	<u>10,591,859</u>

10. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	869,362	-
Amounts owed to group undertakings	2,743	-
Corporation tax	23,818	-
Other creditors	318,829	-
Accruals and deferred income	36,179	43,332
	<u>1,250,931</u>	<u>43,332</u>

11. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
178,203,408 (2021 - 178,203,408) Ordinary shares of £1.00 each	<u>178,203,408</u>	<u>178,203,408</u>

LOCKHEED MARTIN UK HOLDINGS LIMITED

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

12. Related party transactions

The company has utilised the exemption under FRS 102 as a subsidiary undertaking not to disclose transactions with other entities that are wholly owned parts of, or investors of, the Lockheed Martin Corporation group.

Lockheed Martin UK Holdings Limited received dividend income from its Joint Venture undertaking Ascent Flight Training (Holdings) Limited totalling £7,400,000 (2021 - £5,150,000). There were no balances outstanding due to/from Ascent Flight Training (Holdings) Limited at 31 December 2022 (2021-£nil).

During the year Lockheed Martin UK Holdings Ltd received from its Joint Venture undertaking Ascent Flight Training (Holdings) Limited loan capital repayments of £2,351,501 (2021-£2,486,395) and had a loan receivable balance outstanding at year end of £8,962,166 (2021-£10,126,089). The company also credited interest income in the year of £1,152,870 (2021-£1,304,663), and at year end had accrued interest receivable from Ascent Flight Training (Holdings) Limited of £271,075 (2021-£305,783).

There were no other related party transactions.

13. Subsequent events

In March 2023, the Seabed business (UK Seabed Resources Limited and Seabed Resources Development Limited) was sold to Loke Marine Minerals. The investment in this business was fully impaired at the balance sheet date, therefore this event is deemed to be non-adjusting.

14. 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.