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REGISTRATION NUMBER
FC025583
BR007867

NGC INTERNATIONAL, INC.

UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021



NGC INTERNATIONAL, INC.
FINANCIAL STATEMENTS
UNAUDITED

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NGC INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
UNAUDITED

<i>\$ in thousands</i>	December 31	
	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 2,574	\$ 3,787
Intercompany receivables	2,551	887
Prepaid expenses and other current assets	358	777
Total current assets	<u>5,483</u>	<u>5,451</u>
Non-current assets		
Property, plant and equipment, net	828	1,204
Right-of-use assets, net	443	722
Other non-current assets	296	109
Intercompany receivables	14,140	12,860
Total assets	<u>\$ 21,190</u>	<u>\$ 20,346</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 173	\$ 274
Accrued employee compensation	7,103	7,496
Other current liabilities	1,479	1,460
Current lease liability	262	277
Total current liabilities	<u>9,017</u>	<u>9,507</u>
Non-current liabilities		
Other non-current liabilities	—	938
Non-current lease liability	225	501
Total liabilities	<u>9,242</u>	<u>10,946</u>
Equity		
Retained earnings (Note 2)	11,175	8,628
Other comprehensive income	773	772
Total equity	<u>11,948</u>	<u>9,400</u>
Total liabilities and equity	<u>\$ 21,190</u>	<u>\$ 20,346</u>

Signed on behalf of the board of directors


 Steven Spiegel

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.
STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
UNAUDITED

<i>\$ in thousands</i>	Year Ended December 31	
	2021	2020
Sales	\$ 45,710	\$ 13,680
Cost of sales	43,003	12,886
Gross profit	2,707	794
Total other (expense)/income	(151)	42
Earnings before income taxes	2,556	836
Income tax expense	(9)	(296)
Net earnings	2,547	540
Other comprehensive loss	1	—
Comprehensive income	\$ 2,548	\$ 540

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
UNAUDITED

<i>\$ in thousands</i>	Year Ended December 31	
	2021	2020
Cash flows from operating activities		
Net earnings	\$ 2,547	\$ 540
<i>Adjustment for:</i>		
Depreciation and amortization	691	679
Cumulative translation	1	—
	<u>3,239</u>	<u>1,219</u>
<i>Changes in working capital:</i>		
Intercompany receivables	(3,217)	2,121
Prepaid expenses and other assets	487	718
Accounts payable and other liabilities	(1,413)	(2,349)
Net cash provided by operating activities	<u>(904)</u>	<u>1,709</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	—	(5)
Net cash used in investing activities	<u>—</u>	<u>(5)</u>
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(309)	(283)
Net cash used in financing activities	<u>(309)</u>	<u>(283)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,213)</u>	<u>1,421</u>
Cash and cash equivalents at beginning of the year	3,787	2,366
Cash and cash equivalents at end of the year	<u>\$ 2,574</u>	<u>\$ 3,787</u>
Non-cash transactions:		
Intangible assets transferred from related party	<u>273</u>	<u>—</u>

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

NGC International, Inc. (herein referred to as the Company) is a private company incorporated in the United States of America ("US"). The address of the Company is 2980 Fairview Park Dr. Falls Church, Virginia, 22042. The Company serves as an employer of corporate employees located outside the US and operates through its registered branches in Australia, Belgium, Canada, France, Germany, Switzerland and the United Kingdom.

The Company is a wholly-owned subsidiary of Northrop Grumman Overseas Services, Inc. The ultimate parent company is Northrop Grumman Corporation (NGC), incorporated in the State of Delaware, with principal offices in the State of Virginia. NGC is a leading provider of space systems, advanced aircraft, missile defense, advanced weapons and long-range fires capabilities, mission systems, networking and communications, strategic deterrence systems, and breakthrough technologies, such as artificial intelligence, advanced computing and cyber.

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All values are presented in US dollars, the Company's functional currency, and in thousands unless otherwise noted.

Reclassifications

Certain prior year comparative figures have been reclassified to conform with the current year presentation. These reclassifications had no effect on the profit as reported in the statement of earnings and comprehensive income for the year ended 31 December 2020.

Accounting Estimates

The Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of sales and expenses during the reporting period. Estimates have been prepared using the most current and best available information; however, actual results could differ materially from those estimates.

Accounting Standards Updates

Accounting standards updates adopted and/or issued, but not effective until after December 31, 2021, are not expected to have a material effect on the Company's statement of financial position, statement of earnings and comprehensive income and/or cash flows.

Income Taxes

Provisions for income taxes are calculated on reported earnings before income taxes based on current tax law of the jurisdictions in which the Company conducts business. The Company is included in the NGC US Federal and State consolidated tax returns however the Company's foreign branches are also required to file tax returns in their local jurisdictions.

Income tax expense of \$9,000 and \$296,000 for 2021 and 2020, respectively, represents tax charges imposed on the Company's foreign branches. For US tax purposes, in the consolidated tax filing, income tax for the Company's foreign branches are accounted for as an foreign tax credit in NGC's consolidated tax filings.

NGC INTERNATIONAL, INC.

Revenue Recognition

The Company provides services to affiliated entities. These transactions occur in the normal course of business and are approved by management. The Company is reimbursed for expenses incurred related to these services plus an agreed upon markup.

Currency Translation

The assets and liabilities of the Company's foreign operations whose functional currency is other than the US dollar are translated at the exchange rates in effect on the reporting date. Transactions denominated in foreign currencies are translated into US dollars at the weighted average exchange rate during the period. The effect of these translation differences are reported in other comprehensive income/loss on the statement of financial position and the statement of earnings and comprehensive income.

Leases

The Company leases certain buildings and equipment. At contract inception the Company determines whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating lease balances are included in right-of-use assets and lease liabilities in the statement of financial position.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses NGC's incremental borrowing rate based on the information available at commencement date to determine the present value of future payments and the appropriate lease classification. The Company defines the initial lease term to include renewal options determined to be reasonably certain. Management elected not to recognize a right of-use asset and a lease liability for leases with an initial term of 12 months or less; the Company recognize lease expense for these leases on a straight-line basis over the lease term. The Company elected the practical expedient to not separate lease components from nonlease components and applied that practical expedient to all material classes of leased assets.

Some of the Company's lease agreements contain incentives for tenant improvements or rent escalation clauses. For rent escalation clauses during the lease term, the Company records rental expense on a straight-line basis over the term of the lease. For lease incentives, the Company uses the date of initial possession as the commencement date, which is generally when the company is given the right of access to the space and begins to make improvements in preparation for intended use.

Intercompany Receivables

Intercompany transactions are approved by management and are expected to be settled in the normal course of business with no specific repayment terms.

NGC INTERNATIONAL, INC.

Property, Plant and Equipment

Property, plant and equipment are depreciated over the estimated useful lives of individual assets or the length of the lease. Assets are generally depreciated using declining-balance methods and the straight-line method.

<i>\$ in thousands</i>	December 31	
	2021	2020
Computer Equipment:		
Machinery and other equipment	\$ 708	\$ 708
Leasehold improvements	1,096	1,096
Property, plant and equipment, at cost	1,804	1,804
Accumulated depreciation	(976)	(600)
Property, plant and equipment, net	\$ 828	\$ 1,204

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks and highly liquid instruments with original maturities of three months or less.

2. RETAINED EARNINGS

<i>\$ in thousands</i>	December 31	
	2021	2020
Beginning of year	\$ 8,628	\$ 8,088
Net earnings	2,547	540
End of year	\$ 11,175	\$ 8,628

3. LEASES

Total Lease Cost

Total lease cost is included in cost of sales in the statement of earnings and comprehensive income and is recorded net of immaterial sublease income. Total lease cost is comprised of the following:

<i>\$ in thousands</i>	Year Ended December 31	
	2021	2020
Operating lease cost	\$ 297	\$ 310
Total lease cost	\$ 297	\$ 310

NGC INTERNATIONAL, INC.

Supplemental Balance Sheet Information

Supplemental operating lease balance sheet information consists of the following:

<i>\$ in thousands</i>	Year Ended December 31	
	2021	2020
Right-of-use asset	\$ 443	\$ 722
Current lease liabilities	262	277
Non-current lease liabilities	225	501
Total operating lease liabilities	<u>\$ 487</u>	<u>\$ 778</u>

Other Supplemental Information

Other supplemental operating lease information consists of the following:

	Year Ended December 31	
	2021	2020
Weighted average remaining lease term	1.8 Years	2.7 Years
Weighted average discount rate	3.8 %	3.8 %

Maturity of Lease Liabilities

Maturities of operating lease liabilities as of December 31, 2021 are as follows:

<i>\$ in thousands</i>	
2022	\$ 284
2023	243
2024	—
2025	—
2026	—
Thereafter	—
Total lease payments	<u>527</u>
Less: Imputed interest	<u>(40)</u>
Present value of operating lease liabilities	<u>\$ 487</u>

4. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.