In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

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Part 1 Corporate company name

Corporate name of overseas company ❶	Northrop Grumman Sperry Marine B.V.
UK establishment number	B R 0 0 3 8 0 6

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	Dutch Civil Code

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ❸	Dutch Accounting Standards Board

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3 Audited accounts

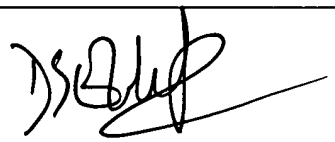
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	Deloitte Accountants BV	

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X  X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Mitesh Patel

Company name: Northrop Grumman Sperry Marine B.V.

Address: 118 Burlington Road

Post town: New Malden

County/Region:

Postcode: K T 3 4 N R

Country: UK

DX:

Telephone: +44 20 8329 2013

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House,
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INDEPENDENT AUDITOR'S REPORT

To the shareholders and the managing directors of Northrop Grumman Sperry Marine B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Northrop Grumman Sperry Marine B.V., based in Vlaardingen.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Northrop Grumman Sperry Marine B.V. as at 31 December 2022, and of its result for 2022. in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2022.

2. The profit and loss account for 2022.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Northrop Grumman Sperry Marine B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853. Deloitte Accountants B.V. is a Netherlands affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

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Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control as well as the outcomes. We note that management has not formalized its fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified a risk of material misstatement due to fraud with regards to the recognition of revenue from (long term) commercial contracts. Based on the accounting principles applied by NGSM, profit is recognized in proportion to the completed performance as of the balance sheet date. The risk exists that such (long term) commercial contracts are not accurately valued due to an incorrect forecast of costs to complete, or due to inaccurate management adjustments.

To address this risk, we evaluated the design of internal controls designed to mitigate this risk. In addition, we selected multiple (long term) commercial contracts and obtained underlying documentation, while challenging the estimate of cost to complete on these projects. We also tested management's ability to estimate the cost to complete through backtesting, by comparing previous estimates with actuals.

We also identified the presumed risk of material misstatement due to fraud related to management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of relevant executives.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

This did not lead to indications for fraud potentially resulting in material misstatements.

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Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the entity through discussion with the Finance Director, reading minutes and reports of internal audit.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: (corporate) tax law and the requirements under Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the entity is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the entity's business and the complexity of these other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the entity's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management and others within the entity as to whether the entity is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Management has used the going concern basis of accounting in preparation of the financial statements. Management has prepared an assessment of the ability of Northrop Grumman Sperry Marine B.V. to continue their operations for at least twelve months after the preparation of the financial statements. In the procedures performed by us regarding the assessment of management we have used professional judgement and maintained our professional skepticism.

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We have performed the following specific procedures to evaluate management's going concern assessment:

- We considered whether going concern assessment includes all relevant information of which we have obtained an understanding as a result of our audit, and questioning management about the most important assumptions and starting points.
- We performed a retrospective review of management judgments and assumptions related to going concern estimates reflected in prior year financial statements.
- We evaluated whether any conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.
- We have analyzed whether the current and necessary financing to sustain all business activities is ensured.
- We held inquiries with management about its knowledge of going concern risks after the period of the continuity assessment performed by management and considering the impact of financial, operational, and other conditions.

Further to that, our subsequent events review, including an analytical review on most current available financial information did not reveal any adverse situations in the business environment.

Based on these procedures, we did not identify any findings related to the entity's ability to continue as a going concern.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Managing Directors' Report.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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Management is responsible for the preparation of the other information, including the Managing Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Rotterdam, 30 June 2023

Deloitte Accountants B.V.

Signed on the original: A. Fokker

NORTHROP GRUMMAN SPERRY MARINE B.V.

Vlaardingen

The Netherlands

Annual Report 2022

Index

Annual Accounts 2022 3

Managing Directors' Report 4
- General Information 4
- Financials 5
- Risk and Risk Management 6
- Outlook 9

Financial Statements 10
- Balance Sheet 10
- Statement of Income 12

Notes to the Financial Statements 13
- General 13
- General Accounting Principles for the Preparation of the Financial Statements 14
- Principles of Valuation of Assets and Liabilities 15
- Principles for the Determination of the Result 17

Notes to the Balance Sheet and Statement of Income 18

Signing of the Financial Statements 31

Other Information 32
- Appropriation of results according to the Company's Articles of Association 32
- Branch Offices 32
- Independent Auditor's Report 32

Annual Accounts 2022

- **Managing Directors' Report**
- **Financial Statements**
- **Other information**

Managing Directors' Report

The Managing Directors herewith present their report for the twelve months ended 31 December 2022 to the shareholder.

General Information

Activities of the Company

Northrop Grumman Sperry Marine B.V. ("the Parent") is a manufacturer of radar and navigation equipment, incorporated in The Netherlands. The Parent consists of 5 European branches and is functionally structured with management primarily based in the United Kingdom ("UK") branch. The functional lead is responsible for all branches. The Parent and its branches are together referred to as the "Company" in these financial statements.

The Company is a wholly owned subsidiary of Northrop Grumman Corporation and operated as part of the group's Mission Systems sector. The ultimate parent company and controlling party is Northrop Grumman Corporation which is incorporated in the United States of America.

The principal activities of the Company are the sales, repair and service of marine navigation equipment. The market segments engaged in are the Deep Sea fleet, the Coastal and Ferry fleet, the Container fleet and various International Navies and Coast Guards.

The Company invests in training of employees in skill-based, knowledge requirement and personal development recognising the changing needs of the individual and the Company.

For 2022 the average number of employees was 230 (2021: 281 employees).

On 1 May 2021, Northrop Grumman Sperry Marine B.V. sold its business focused on UK Government defence contracts to Northrop Grumman UK Limited (NGUK) for £1.8m to consolidate NGUK's domestic defence business and allow the Company to focus its efforts towards commercial customers. Both Northrop Grumman UK Limited and Northrop Grumman Sperry Marine B.V. are subsidiaries of the same parent company and the relevant assets and liabilities were acquired at book value. The fair market value of this activity was £29m at the time of transfer. The estimated impact of this transfer on Northrop Grumman Sperry Marine B.V. in 2021 is a reduction in sales of approximately EUR 26m and Operating Margin of EUR 3m compared to the plan for the year. 144 were employees transferred to NGUK in 2021 as part of this activity.

Management does not expect these changes to affect the Company's ability to continue as a going concern.

There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the underlying business in the year.

Financials

Trading Result

During the period to 31 December 2022 covered by these financial statements the Company made a loss before tax of EUR 0.7m (2021: loss of EUR 1.7m).

Net sales for the period were EUR 77.6m (2021: EUR 75.8m). There was no interest paid to financial institutions to finance working capital in 2022 or 2021.

The net equity of the Company amounts to EUR 44.8m (2021: EUR 44.1m). The Company did not pay any share premium repayments in the financial year (2021: EUR 0.0m). The Company did not pay any dividends in the financial year (2021: EUR 0.0m).

The Company's cash is invested in the cash pool scheme of Northrop Grumman Corporation. The cash pool scheme which also includes credit facilities is run by Northrop Grumman Finance Europe B.V.

Key performance indicators

The board reviews performance by reference to a number of key performance indicators which they monitor monthly. At the year end 31 December 2022 they showed:

Gross profit percentage

The Company's gross profit for the year of EUR 19.7m (2021: EUR 16.5m) represented a gross profit percentage of 25.4% (2021: 21.7%). 2021 gross profits were impaired by downward adjustments of prior year research and development expenditure credit (RDEC) claims of EUR 1.8m and adverse inventory provisions for aging inventory of EUR 0.8m. After exclusion of these one off events underlying gross margin for 2021 was EUR 19.1m, representing gross profit percentage of 25.1%. Gross profit for the year 2022 is in line with management expectations.

Indirect cost as a percentage of sales

The Company measures indirect costs (sales, marketing and administration costs) as a percentage of sales. For 2022 this was 26.3% (2021: 24.3%). This is in line with management expectations.

Result before tax

The Company's loss before tax for the year of EUR 0.7m (2021: EUR 1.7m) produces an operating percentage of -0.9% (2021: -2.2%). 2021 profits were impaired by downward adjustments of prior year RDEC claims of EUR 1.8m and adverse inventory provisions for aging inventory of EUR 0.8m. After exclusion of these one off events underlying profit for 2021 was EUR 0.9m, representing an operating percentage of 1.2%. The operating percentage of -0.9% for 2022 is in line with management expectations.

Debtor days

At the financial year end the Company trade debtors represent 63 days sales (2021: 51 days). This is in line with management expectations.

Current Ratio

At the financial year end the current ratio for the Company was 3.6 (2021: 3.5).

Solvency Ratio

At the financial year end the solvency ratio for the Company was 64% (2021: 62%).

Directors

The directors during the period were:

R Wiltshire
J Collett (Resigned 14/06/2023)
D Eldridge (Appointed 14/06/2023)
D McClure (Appointed 24/06/2023)

None of the directors held any beneficial interest in the Company.

Distribution of the Board

Gender allocation of seats between men and women in the board of directors: while the Civil Code recommends an equal distribution by gender of at least 30% of the seats to be allocated to women and at least 30% to men, insofar as such seats are allocated to natural persons, this allocation was achieved prior to the resignation of one director in June 2017. The Company will strive to comply with the legislation in view of its further appointments and nomination of directors.

Research and development

The Company has continued to invest in research and development (R&D). This has resulted in some new products and in significant improvements to existing products which are expected to contribute significant growth to the business. The directors regard investment in this area as a prerequisite for success in the medium to long-term future. Total research and development expenditure included in the Company's profit and loss account is EUR 5.5m. The Company expects to spend EUR 5.9m in 2023 on research and development of a new generation of products.

Risk and Risk Management

Risk management

Due to its internationally-oriented activities in the development, production and distribution of nautical navigation and radar equipment, the Company is exposed to a number of risks which are reduced as far as possible through risk management.

The ultimate responsibility for effective risk management lies with the Senior Management Team. Internal management controls and measures based on Sperry and Northrop Grumman Corporation policies and procedures ensure an effective risk management. The management team regularly review the policies and procedures to ensure effectiveness and compliance.

Overall the management maintain a moderate risk appetite, finding the balance between operating in a fast moving commercial market that requires a flexible approach with maintaining the high standards of ethical practice and compliance expected of a subsidiary of Northrop Grumman Corporation.

Northrop Grumman Corporation Internal Audit team perform regular internal audits on specific functions. The Independent Audit report is provided to the Company's Senior Management Team in addition to the Northrop Grumman Corporation management team. The Company's Quality department also undertakes separate internal audits. Opportunities and risks are assessed and follow-up actions are documented and tracked through the Company's Corrective Action Register. The review of the status of these corrective actions is part of the standard management review cycles between functions and the senior management team.

The participation of an annual training on company compliance as part of the US Foreign Corrupt Practices Act training is mandatory for all employees.

Strategic risks - Medium

Northrop Grumman Sperry Marine B.V. is one of a few European companies serving the maritime communications industry. In the past two years there has been vertical consolidation, and separation, and transfers of ownership in response to considerable input cost pressure, and competitive pressure from competitors in other global regions. To mitigate this, the Company continues to focus on having the best products, and providing first class service to its customers across its focus areas

Operational risks - Medium

The Company operates an outsourced production model and seeks to minimise the required inventory holding while still being able to be responsive to short term customer demands. Recent geopolitical events have strained the ability of supply chains to deliver required quantities in line with customer demands. The Company continues to mitigate this through leveraging long term collaborative supply chain relationships.

Market risks - Medium

Competitive pressure in the worldwide marine market place is a continuing risk for the Company, which could result in it losing sales to key competitors. The Company manages this risk by investing R&D in new products and product updates to offer marine navigation compliant products into the market space. Ongoing improvements on product reliability and cost reductions are part of the Company product strategy.

The Company furthermore is ensuring its distribution agents provide added value services to its customers, having fast response times not only in the supply of products, but by also having a worldwide network of service agents to deal with customers' needs and enquiries.

Foreign Exchange risks - Low

The Company's sales in Europe are made in a basket of currencies and it is therefore exposed to movements of these currencies to the Euro rate. The revenue is mainly in Euro whereby a large part of the Company expenses are in GBP. The Company does not enter into any hedging contracts. The Company minimises its exposure by buying and selling in the same currency wherever possible.

Credit and Liquidity risks - Low

Northrop Grumman Sperry Marine B.V. is financed through Northrop Grumman Corporation's cash pooling

arrangement, where funds are made available to finance working capital and investment. The Company held at year end a net cash asset of EUR 9.5m (2021: EUR 13.7m) from this arrangement. The Company is exposed to interest income risk based on its cash pooling agreement. These funds are at free disposal of the Company and there are no other obligations or rights from the arrangement.

Environment, Health and Safety - Low

The Company has a robust set of controls in place to ensure compliance with various governance and compliance requirements. In addition, developments in various international maritime organisations are monitored regularly to ensure the Company remains compliant with relevant governance frameworks in the jurisdictions in which it operates.

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage caused by the Company's activities.

The Company has established processes which regularly assess the compliance with applicable Health and Safety legal requirements. Safety awareness training is conducted for all personnel, with additional specialist training for those undertaking higher risk activities. Tasks undertaken throughout the Company have been analysed and risk assessments conducted and documented in order to reduce the risk to personnel to as low a level as is reasonably practicable.

Cybersecurity risk - Medium

The Company operates in a sector that is a constant target for nefarious cyber activities. To defend, mitigate and reduce the organisation's exposure, the Company has implemented strategies that leverage the capabilities of people, processes and technology. Key operational risks are associated with the management and exposure to critical vulnerabilities and the ability to support and respond effectively to events that may disrupt business operations.

The Company has established processes that allow the recognition of its exposure to cybersecurity threats and their likely impact and has implemented mechanisms to reduce the attack surface. The organisation recognises the importance of mitigating and limiting its exposure to cybersecurity threats. As a result, the organisation provides cybersecurity awareness training to all its employees to aid the identification and reporting of policy violations and unauthorised activities. In addition, the organisation monitors its networks and information systems to detect and respond to potential violations.

Information Technology risk - Medium

The company operate robust perimeter and internal security measures to defend and mitigate our exposure, in parallel to and supporting the measures in place within the Company's Cybersecurity function and wider Northrop Grumman security policies. These measures span platform, network (including firewall) and personal computing devices (including mobile telephony). Vendor hardware updates and software patches are applied in line with Northrop Grumman and Vendor recommendations to the Company's technology estate and services thus ensuring Northrop Grumman Sperry Marine B.V.'s IT service provisions maintain the highest available level of security posturing.

Vendor hardware updates and software patches are first tested internally within the Company's IT function, before being applied (or in the case of personal computing devices (including mobile telephony) made available to be applied) in a timely and acceptable fashion. The process of applying emergency updates and patches is considerably accelerated in line with Northrop Grumman policies.

Outlook

The directors consider that the Company is well positioned to respond to the prevailing economic situation. By the continuing investment in developing new and enhancing existing products (2022: EUR 5.5m; 2021: EUR 3.7m) it has a competitive range of products and services and a healthy forward order book.

The Company continues to invest in its facilities and infrastructure through capital spends (2022: EUR 0.4m; 2021: EUR 0.3m). Capital investment levels in 2023 are expected to be at a similar level to the prior year.

For 2022 the average number of employees was 230 (2021: 281 employees). This reduction is mainly due to the transfer of the UK Defence business to Northrop Grumman UK Limited on 1 May 2021. The average number of employees for 2023 is expected to be around 266.

The ongoing conflict in Ukraine and subsequent international response have had significant and wide-ranging impacts on the shipping industry to which the Company is inextricably linked.

The Company took immediate action to pause all transactions involving Russia, Belarus and Ukraine (whether through direct association, partial ownership or potential use of sanctioned banks), whilst the new sanctions and company policy was assessed. New orders involving a party connected with these countries were no longer accepted. The Company provides safety critical navigation equipment to the maritime industry, and being cognisant of that is assessing all orders on a case-by-case basis to ensure compliance with sanctions whilst not denying proper maintenance of safety critical equipment where possible.

Following the initial turmoil that saw many shipbuilding contracts paused or cancelled, there have been multiple structural moves of vessels to different ownership due to the global under provision of ship building capacity. It is estimated that there is a marginal ongoing impact to the Company's product revenues as a result of the conflict, however the Company continues to operate a stringent screening policy when servicing existing vessels to ensure it complies with global sanctions and group policy, and frequently has to deny service to some customers as a result.

Management does not expect these changes to affect the Company's ability to continue as a going concern.

We continue to follow the government guidelines in each of the territories in which we operate and use government support schemes where applicable. As members of the Northrop Grumman European Cash Pool scheme we do not foresee any liquidity challenges and we expect to be able to fully meet our financing needs in the coming period of at least 12 months.

On behalf of the directors,

D Eldridge 30 Jun 2023

R Wiltshire 30 Jun 2023

D McClure 30 Jun 2023

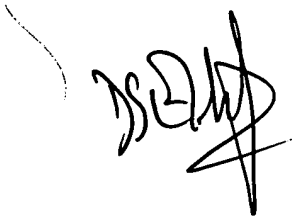
Vlaardingen, the Netherlands.

Financial Statements
Balance Sheet

31 December

(After proposed appropriation of result)

	Note	2022 EUR'000	2021 EUR'000
ASSETS			
Fixed assets			
Intangible fixed assets	1	2,944	4,428
Tangible fixed assets	2	1,255	1,496
Investment in subsidiary	3	1,005	1,005
Deferred income tax assets	4	3,299	3,837
Total fixed assets		8,503	10,766
Current assets			
Raw materials and consumables		6,582	7,011
Production work in progress		713	586
Finished products and goods for resale		13,363	13,609
Inventories	5	20,658	21,206
Work in progress at cost	6	694	1,043
Work in progress projects in deficit	6	1,405	1,365
Work in progress in current assets		2,099	2,408
Trade account receivables		13,497	10,581
Affiliated companies		17,102	19,983
Other receivables and prepaid expenses		8,007	5,440
Receivables	7	38,606	36,004
Cash		314	823
Total current assets		61,677	60,441
TOTAL ASSETS		**70,180**	**71,207**



31 December

(After proposed appropriation of result)

	Note	2022 EUR'000	2021 EUR'000
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		34	34
Share premium		35,215	35,215
Currency translation adjustment		-842	-382
Legal reserves		2,931	4,426
Retained earnings		7,472	4,789
Total shareholder's equity	8	44,810	44,082
Provisions			
Provision for post-employment benefits	9	7,390	9,265
Other provisions	10	615	691
Deferred income tax liabilities	4	0	0
Total provisions		8,005	9,956
Trade account payables		5,391	4,953
Due to affiliated companies		3,652	2,689
Other payables and accrued expenses	11	6,949	7,258
Work in progress projects in surplus	6	1,373	2,269
Current liabilities		17,365	17,169
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**70,180**	**71,207**

Statement of Income

Period ended 31 December

	Note	2022 EUR'000	2021 EUR'000
Turnover	13	77,586	75,807
Cost of sales	14-15,18	-57,851	-59,354
Gross margin		19,735	16,453
Selling and distribution expenses		-8,740	-8,366
General and administrative expenses		-11,660	-10,040
Total overhead expenses	14-18	-20,400	-18,406
Net margin		-665	-1,953
Interest and foreign exchange gains	19	2	252
		2	252
Result from ordinary activities before income taxes		-663	-1,701
Taxation on result of ordinary activities	20	987	-554
Profit/(loss) for the year		324	-2,255

Notes to the Financial Statements

General

Activities

Northrop Grumman Sperry Marine B.V. ('the Company'), Vlaardingen, the Netherlands, is engaged in the design, procurement, assembling, marketing, selling and servicing of nautical and marine systems. Chamber of Commerce number: 24233711.

Group Structure

The immediate parent company is NGC UK Limited whose registered office is 2nd Floor Clareville House, 26-27 Oxendon Street, London SW1Y 4EL, United Kingdom. The ultimate parent company is Northrop Grumman Corporation, registered in Delaware, USA.

Consolidation Principles

Financial information relating to the branches of Northrop Grumman Sperry Marine B.V. is consolidated in the financial statements of Northrop Grumman Sperry Marine B.V.

In consolidating these branches intercompany relationships and transactions are eliminated.

The Company applies Art 2.408.1 of the Netherlands Civil Code. Northrop Grumman Sperry Marine B.V. acts as an intermediate holding company and Northrop Grumman Canada (2004) Inc. is ultimately controlled by the US parent. Investments are therefore valued at cost accordingly and if applicable less any impairment in value.

Cash Flow

The Company has opted not to disclose a cash flow statement by virtue of the exemption allowed under DAS 360.104. For the cash flow statement reference may be made to the cash flow statement included in the 2022 annual report of Northrop Grumman Corporation which is the Company's ultimate parent company and incorporated in the United States of America:
https://www.northropgrumman.com/who-we-are/annual-reports/

Copies of the consolidated group financial statements of Northrop Grumman Corporation which represent the accounts of the largest group in which Northrop Grumman Sperry Marine B.V. is consolidated are available at the trade register of the Chamber of Commerce in Rotterdam and from the corporate offices at 2980 Fairview Park Drive, Falls Church, Virginia 22042, USA.

General Accounting Principles for the Preparation of the Financial Statements

The financial statements are prepared according to the stipulations in Title 9 Book 2 of the Netherlands Civil Code and the Standards of the Dutch Council on Annual Reporting. Management are required to make estimates and assumptions about future events that affect the amounts reported in our financial statements.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial Instruments

Financial instruments comprise primary financial instruments, such as receivables and payables. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

Besides financial instruments mentioned in the general accounting policies no other derivative financial instruments are generally applied. The Company participates in the cash pool scheme under the ultimate parent company, Northrop Grumman Corporation.

Translation of Foreign Currencies

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date.

Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Foreign entities and branches outside the Netherlands qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the Company. For the translation of the financial statements of these foreign entities and branches the balance sheet items are translated at the exchange rate as at balance sheet date and the profit and loss account items at the average exchange rate for the year. The exchange rate differences that arise are directly deducted from or added to group equity and recognized in the translation differences reserve. This likewise applies to the translation differences on loans that form part of the net investment in the business operations abroad.

Going Concern

On 1 May 2021, Northrop Grumman Sperry Marine B.V. sold its business focused on UK Government defence contracts to Northrop Grumman UK Limited for £1.8m to consolidate NGUK's domestic defence business and allow the Company to focus its efforts towards commercial customers. Both Northrop Grumman UK Limited and Northrop Grumman Sperry Marine B.V. are subsidiaries of the same parent company and the relevant assets and liabilities were acquired at book value. The fair market value of this activity was £29m at the time of transfer. The estimated impact of this transfer on Northrop Grumman Sperry Marine B.V. in 2021 is a reduction in sales of approximately EUR 26m and Operating Margin of EUR 3m compared to the plan for the year. 144 were employees transferred to NGUK in 2021 as part of this activity.

Management does not expect this change to affect the Company's ability to continue as a going concern. Consequently the financial statements are prepared based on the assumption of going concern as management does not see any material risk to continue the Company's operations for a period of at least 12 months after signing.

Principles of Valuation of Assets and Liabilities

Intangible Fixed Assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost. The useful life and the amortisation method are reassessed at the end of each financial year and the useful life is as follows: Software Development Costs 5 years; Other Intangible Assets 3 to 10 years.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, less accumulated depreciation and, if applicable, less impairments in value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows: Buildings 50 years; Plant and Machinery 3 to 15 years. Land is not depreciated.

Repair and maintenance cost is included in the Statement of Income, except for when major repair or maintenance cost results in an extended economic life, in which case the cost is capitalised and depreciated over its estimated economic life.

Investment in Subsidiary

The Company applies Art 2.408 of the Netherlands Civil Code. Northrop Grumman Sperry Marine B.V. acts as an intermediate holding company and Northrop Grumman Canada (2004) Inc is ultimately controlled by the US parent. Investments are therefore valued at cost accordingly and if applicable less any impairment in value.

Deferred Income Tax Assets

Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be realized in due course. These deferred tax assets are valued at nominal value and are predominantly long-term in nature. Deferred tax assets related to losses carried forward have only been recognized to the extent that they are recoverable within the foreseeable future.

Work in Progress

Work in progress on construction contracts for third parties is valued at the realised construction contract costs increased by the attributed profit / realised revenue and net of recognised losses and invoiced instalments. If the result from work in progress on a construction contract cannot be reliably estimated, no profit is attributed. The construction contract costs comprise the costs directly relating to the construction contract, the costs that are attributable to construction contract activities in general and can be attributed to the contract and other costs that are chargeable to the customer under the terms of the contract.

The work in progress on construction contracts also include the construction contracts ensuing from the construction contract development, if and insofar as an unconditional sales agreement has been concluded for components of the construction contract prior to or during the construction.

Revenue from construction contracts and construction contract costs on account of the work in progress on construction contracts are recognised in the profit and loss account as revenue and costs in proportion to the completed performance as at balance sheet date. The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs.

Work in progress on construction contracts that shows a debit balance is presented under the current assets. Work in progress on construction contracts that shows a credit balance is presented under the current liabilities.

Revenue from construction contracts realised during the financial year is recognised in the profit and loss account as revenue in the item net turnover. The construction contract costs are recognised in the cost of sales.

Inventories

Inventories of raw materials, consumables and goods for resale are valued individually at acquisition price or lower net realizable value. This lower net realizable value is determined by individual assessment of the inventories. The valuation of inventories of raw materials and consumables is based on average cost. Provision is made for obsolete, slow moving or defective items.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost, which equals the face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at face value. Cash is at the free disposal of the Company and can be made available immediately.

Other Assets and Liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred. Amounts are stated net of a provision for obsolescence or doubtful accounts if necessary.

Provision for Post-employment Benefits

The Company values its pension and other post-employment benefits in accordance with US GAAP ASC 715, as allowed by Dutch Accounting Standard 271 paragraph 101, as this is also the basis used by the Company for reporting to its ultimate parent Northrop Grumman Corporation.

Deferred Income Tax Liabilities

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences multiplied by the enacted rate of taxation that is applicable for the reporting periods in which those differences are reversed or realised. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement and that

settlement is expected to take place on a net basis. The provision for deferred tax liabilities is valued at nominal value.

Principles for the Determination of the Result

Turnover and Cost of Sales

Net turnover represents revenue from performance obligations to deliver goods and to supply services net of discounts and value added taxes.

Revenue is recognised for each separate performance obligation. If two or more promises of the Company to provide goods or services contained in a contract are not separately identifiable, the promises are combined into a combination of goods or services which is collectively separately identifiable from other promises in the contract.

If a contract contains several performance obligations, the total transaction price is attributed to the performance obligations in proportion to the value of the performance obligations. This attribution is based on the individual sale price for each performance obligation.

An estimate is made for the amount of a variable consideration, as part of the total consideration, exercising a reasonable degree of prudence.

Revenues from performance obligations to deliver goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Revenues from performance obligations to supply services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

Cost of Sales

The cost of sales consists of the cost of goods sold and delivered, consisting of direct use of material, direct wages and machine costs and other direct and indirect production costs that can attributed to the production.

Costs directly related to a contract to provide goods or services and incurred in acquiring the contract, are capitalised if it is probable the contract will be obtained and the costs can be separately identified and reliably estimated. If the costs for acquiring a contract are recognised in the profit and loss account in the period these costs occurred, these costs are not still capitalised in a subsequent period when the contract is acquired..

Income Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes and local tax regulations.

Notes to the Balance Sheet and Statement of Income

1) Intangible fixed assets

	Other Intangible Assets	Software Development Costs	Total
	EUR'000	EUR'000	EUR'000
Cost			
Balance 1 January	22	6,809	6,831
Additions	16	0	16
Currency revaluation	0	-296	-296
Balance 31 December	38	6,513	6,551
Accumulated amortisation			
Balance 1 January	20	2,383	2,403
Amortisation for the period	4	1,303	1,307
Currency Revaluation	0	-103	-103
Balance 31 December	24	3,583	3,607
Net book value at 31 December 2022	14	2,930	2,944
Net book value at 1 January 2022	2	4,426	4,428

Software Development Costs relate to the ERP System and a legal reserve is held for this under equity.

Amortisation expenses are included in the general and administrative expenses in the Statement of Income.

2) Tangible fixed assets

	Land and Building	Plant and Machinery	Operating Assets under Construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Cost				
Balance 1 January 2022	6,232	7,166	104	13,502
Other - transfer between categories	21	65	-86	0
Additions	86	202	128	416
Disposals	0	-77	-11	-88
Currency revaluation	-212	-263	-2	-477
Balance 31 December 2022	6,127	7,093	133	13,353
Accumulated depreciation				
Balance 1 January 2022	6,136	5,870	0	12,006
Depreciation for the period	31	554	0	585
Disposals	0	-70	0	-70
Currency revaluation	-209	-214	0	-423
Balance 31 December 2022	5,958	6,140	0	12,098
Net book value at 31 December 2022	169	953	133	1,255
Net book value at 1 January 2022	96	1,296	104	1,496

3) Investment in Subsidiary

	2022 EUR'000	2021 EUR'000
Cost		
Balance 1 January	1,005	1,005
Additions	0	0
Liquidation	0	0
Balance 31 December	1,005	1,005

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name	Place of Incorpo-ration	Proportion of ownership	Proportion of voting power held
Northrop Grumman Canada (2004) Inc	Canada	100%	100%

For 2022, Northrop Grumman Canada (2004) Inc had a net loss of EUR 0.3m. The net equity of the subsidiary amounts to EUR 1.9m.

4) Deferred income tax assets

	2022 EUR'000	2021 EUR'000
Balance at 1 January	3,837	3,275
Adjustment in respect of prior year	-203	369
Deferred tax charge for the year	287	186
Foreign exchange difference on translation/ Rate change	-19	14
Pension movement taken to reserves	-603	-7
Balance at 31 December	3,299	3,837
Presented as follows:		
Deferred tax asset	3,299	3,837
Balance at 31 December	3,299	3,837

The Company has capitalized tax credits of approximately EUR 1m (2021 EUR 0.91m) as a result from the carry forward of previous double taxation in the Dutch Branch. The changes in tax rates resulted in a higher capitalisation amount this year. The gross amount of the tax credits is approximately EUR 5.3m (2021 EUR 5.9m) and is available for offset against future taxable profits. These tax credits have no expiry date and are ring fenced to the Dutch Branch. The current Dutch Branch fiscal profitability relates to supportive activities in respect of Sales, Service and Warehousing.

5) Inventories

At 31 December 2022 a provision for obsolete, slow-moving and defective part of EUR 4.9m (2021: EUR 5.2m) has been included.

The carrying amount (before provision) of inventory valued at net realizable value (NRV) amounts to EUR 25.5m (2021: EUR 26.4m). The carrying amount of inventory (after provision) valued at net realizable value amount to EUR 20.7m (2021: EUR 21.2m)

	2022 EUR'000	2021 EUR'000
Gross amount of inventory at NRV	25,521	26,440
Inventory provisions (excluding service WIP)	4,863	5,234
Net carrying amount of inventory at NRV	20,658	21,206
Net realisable inventory after provisions:		
Raw materials and consumables	6,582	7,011
Production work in progress	713	586
Finished products and goods for resale	13,363	13,609
	20,658	21,206

6) Work in progress

Work in progress on construction projects held in assets:

	Production Value EUR'000	Provision EUR'000	Invoiced EUR'000	Balance 2022 EUR'000	Balance 2021 EUR'000
Projects with financing deficit	9,398	0	-7,993	1,405	1,365
WIP valued at cost	694	0	0	694	1,043
Work in progress in assets	10,092	0	-7,993	2,099	2,408

Revenue recognized in the profit and loss account based on the percentage of completion method amounts was EUR 5.1m in 2022 (2021: EUR 14.7m).

Work in progress on construction projects held in liabilities:

	Production Value EUR'000	Provision EUR'000	Invoiced EUR'000	Balance 2022 EUR'000	Balance 2021 EUR'000
Projects with financing surplus	15,243	0	-16,616	-1,373	-2,269

7) Receivables

	2022 EUR'000	2021 EUR'000
Trade account receivables	13,497	10,581
Affiliated companies	17,102	19,983
Other receivables and prepaid expenses	8,007	5,440
Total receivables	38,606	36,004

All trade account receivable balances are due within a year. At 31 December 2022 a provision for doubtful third party receivables of EUR 1m (2021: EUR 0.8m) has been included.

	2022 EUR'000	2021 EUR'000
Balance 1 January	-848	-1,068
Utilised	90	9
Additional provision (provided)/released	-212	216
Currency revaluation	-9	-5
Balance 31 December	-979	-848

Receivables due from affiliated companies include EUR 9.5m (2021: EUR 13.7m) with Northrop Grumman Finance Europe B.V. (cash pool accounts) and EUR 0.7m due from Northrop Grumman Canada (2004) Inc., a subsidiary company. These funds are at the Company's free disposal.

8) Shareholder's equity

	Share capital EUR'000	Share premium account EUR'000	Currency translation adjustment EUR'000	Retained earnings EUR'000	Actuarial loss EUR'000	Legal reserves EUR'000	Total EUR'000
Opening balance as at 1 January 2022	34	35,215	-382	6,725	-1,936	4,426	44,082
Translation adjustments	0	0	-460	0	0	0	-460
Actuarial loss on pension obligation	0	0	0	0	864	0	864
Reserve for intangible assets	0	0	0	1,495	0	-1,495	0
Profit/(loss) for the year	0	0	0	324	0	0	324
Closing balance as at 31 December 2022	34	35,215	-842	8,544	-1,072	2,931	44,810

	Share capital EUR'000	Share premium account EUR'000	Currency translation adjustment EUR'000	Retained earnings EUR'000	Actuarial loss EUR'000	Legal reserves EUR'000	Total EUR'000
Opening balance as at 1 January 2021	34	35,215	-1,342	8,015	-2,110	5,391	45,203
Translation adjustments	0	0	960	0	0	0	960
Actuarial loss on pension obligation	0	0	0	0	174	0	174
Reserve for intangible assets	0	0	0	965	0	-965	0
Profit/(loss) for the year	0	0	0	-2,255	0	0	-2,255
Closing balance as at 31 December 2021	34	35,215	-382	6,725	-1,936	4,426	44,082

The issued and fully paid up Share Capital of the Company comprises of 68,906 shares at a par value of EUR 0.50.

The currency translation adjustment and the legal reserve are legal and statutory reserves which are not freely distributable.

Appropriation of result for the financial year 2021

The annual report 2021 was adopted at the general meeting of shareholders held on 9 September 2022. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2022

According to the Company's articles of association, the annual meeting of shareholders determines the appropriation of the Company's net income for the year.

Management proposes to add the current year net profit to the retained earnings balance. This proposal has been reflected in the financial statements.

9) Provision for post-employment benefits

The Company operates defined benefit plans in Germany and the United Kingdom. Indexation of vested benefits and pension payments is generally conditional. The expected conditional indexation is taken into account in determining the pension obligations. In the other countries the Company operates defined contribution schemes.

United Kingdom Defined Benefit Pension Scheme

Northrop Grumman Sperry Marine B.V. UK Branch was a participating employer in the Scheme before it ceased to participate under the terms of a Deed of Confirmation, Participation, Substitution of Principal Employer, Cessation of Participation, Amendment and Apportionment relating to the Scheme dated 23 September 2016 (the "Apportionment Deed"). The sole participating employer is now Northrop Grumman Global Holdings Ltd (NGGH) and NGGH are responsible for all liabilities of the scheme. Northrop Grumman Sperry Marine B.V. has agreed to continue to make monthly payments to the scheme or to NGGH as appropriate. Accordingly, no provision has been recognized.

Germany Defined Benefit Pension Scheme

The accumulated benefit obligation of the assigned employee benefit plan amount to:

	2022 EUR'000	2021 EUR'000
The Germany Defined Benefit Pension Scheme	7,329	9,148

The most important actuarial assumptions used by the Company are as follows:

	2022 EUR'000 %	2021 EUR'000 %
Discount rate	3.80	1.10
Expected return on plan assets	0.00	0.00
Salary increase	3.15	2.80
Inflation	15.50	3.00
Expected indexation of vested rights and pensions	6.00	4.20

The provision included in the balance sheet in respect of the defined benefit obligations is as follows:

	2022 EUR'000	2021 EUR'000
Net present value of projected benefit obligation	7,390	9,265
Fair value of plan assets	0	0
Net pension obligation at 31 December	7,390	9,265

The pension obligation is reported under provisions.

The following amounts are included in the profit and loss account in respect of this defined benefit plan:

	2022 EUR'000	2021 EUR'000
Current year service cost	10	29
Interest	97	63
Expected return on plan assets	0	0
Net periodic pension cost	107	92

The net periodic pension cost is included under the line general and administrative expense in the Statement of Income.

Movements in the project benefit obligation are as follows:

	2022 EUR'000	2021 EUR'000
Projected benefit obligation at 1 January	9,265	10,207
Service cost	10	29
Impact of early retirement obligation	-56	-75
Interest	97	63
Actuarial results	-1,233	-247
Benefits paid	-693	-712
Projected benefit obligation at 31 December	7,390	9,265

The projected benefit obligation reduced by EUR 1.9m in 2022 due to a reduction in scheme members.

Movements in the unrecognized actuarial results are as follows:

	2022 EUR'000	2021 EUR'000
Actuarial gains realized for the reporting period	-1,233	-247
Recognition of actuarial results in retained earnings	1,233	247
Unrecognised actuarial losses / (gains) at 31 December	0	0

The accumulated benefit obligation for all defined benefit plans amount to EUR 7.3m at 31 December 2022 (2021: EUR 9.1m).

Expected employer contribution for 2023 is EUR 0.7m (2022: EUR 0.7m).

Expected future benefit payments:

	2022 EUR'000	2021 EUR'000
Next year	734	733
Next year + 1	703	716
Next year + 2	678	685
Next year + 3	651	658
Next year + 4	618	627
	3,384	3,419

Components of projected net periodic benefit cost for the next financial year:

	2022 EUR'000	2021 EUR'000
Service cost	0	10
Interest cost	263	96
	263	106

10) Other provisions

Following the closure of the defined benefit pension scheme in the Netherlands on 31 December 2017, the Company agreed to pay an annual cash amount to those employees previously in the scheme. Employees who were employed as at 31 December 2017 are entitled to an annual payment for each year in which they remain employed by the Company as at 1 January of every year. A total provision of EUR 0.6m has been included in 2022 (2021 EUR 0.7m). A discount rate of 1.9% has been applied to the annual payment each year along with an attrition rate of 1.75% to allow for future employee turnover.

11) Other payables and accrued expenses

	2022 EUR'000	2021 EUR'000
Advance payments	1,338	617
Taxes and social security charges	250	383
Pension liabilities	251	469
Other liabilities	882	1,914
Accruals and deferred income	4,228	3,875
	6,949	7,258

The corporation income tax balances included in the taxes and social charges payable balance above amounts to EUR 0.1m (2021: EUR 0.1m). Other accounts payable and accrued expenses include cost of sales accruals and general overhead accruals. All amounts are due within 12 months.

12) Commitments and contingent liabilities

The Company has long-term rental commitments amounting to approximately EUR 7.4m (2021: EUR 9.5m) made up as follows:

	2022 EUR'000	2021 EUR'000
Due in under 1 year	2,052	2,104
2 years and under 5 years	5,365	7,156
Over 5 years	0	209
Balance at 31 December	7,417	9,469

As of 31 December 2022, the Company has granted guarantees amounting to EUR 1.2m (2021: EUR 0.8m).

As of 31 December 2022, future purchase commitments amount to EUR 20.6m (2021: EUR 20.1m).

13) Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax.

	2022 EUR'000	2021 EUR'000
European Union	31,699	27,563
Asia	20,790	12,745
Rest of the world	25,097	35,499
	77,586	75,807
Products / Programs	35,623	40,509
Service	41,963	35,298
	77,586	75,807

Included within turnover are sales of EUR 13.3m (2021: EUR 11.7m) made to companies within the worldwide Northrop Grumman group.

14) Depreciation and amortisation

	2022 EUR'000	2021 EUR'000
Intangible fixed assets	1,350	1,342
Tangible fixed assets	602	723
	1,952	2,065

15) Wages, salaries and social security charges

	2022 EUR'000	2021 EUR'000
Wages and salaries	15,409	19,151
Social security costs	2,008	2,354
Pension costs	2,954	4,049
	20,371	25,554

The average number of personnel employed during the period was:

	2022 EUR'000	2021 EUR'000
Assembly and service	109	159
Sales	71	65
Administration	50	57
	230	281

The average number of employees working abroad during the year amounted to 189 (2021: 243).

16) Remuneration of the directors

During 2022 the total remuneration paid to directors amounted to EUR 0.4m (2021: EUR 0.4m). Besides this remuneration as paid by the Company, directors have also received remuneration which has been paid by other group companies.

17) Remuneration of the auditors

The total remuneration of auditors included in the general and administrative expenses in the Statement of Income amounts to:

2022	Deloitte Accountants B.V. EUR'000	Other Deloitte Accountants B.V. Network EUR'000	Total Network EUR'000
Audit of financial statements	72	264	336
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	72	264	336

2021	Deloitte Accountants B.V. EUR'000	Other Deloitte Accountants B.V. Network EUR'000	Total Network EUR'000
Audit of financial statements	68	295	363
Tax advisory services	0	0	0
Other non-audit services	0	0	0
	68	295	363

18) Summary cost of sales (COS) and overheads

	2022 EUR'000	2021 EUR'000
Cost of sales and overheads:		
Depreciation and amortisation	1,952	2,065
Wages, salaries and social security charges	20,371	25,554
COS related to product and service	36,838	34,073
Other overhead costs	19,090	16,068
	78,251	77,760

Total research and development expenditure included in the Company's profit and loss account is EUR 5.5m. The Company expects to spend EUR 5.9m in 2023 on research and development of a new generation of products.

19) Interest and foreign exchange gains

	2022 EUR'000	2021 EUR'000
Interest income, third party	0	0
Interest income, affiliated companies	130	93
	130	93
Interest expense, third party	-8	-5
Interest expense, affiliated companies	-201	-21
	-209	-26
Net interest	-79	67
Net foreign exchange gains	81	185
Net interest and foreign exchange gains	2	252

20) Taxation on result of ordinary activities

		2022 EUR'000	2021 EUR'000
Netherlands normal taxation 25%	- current tax, current year	0	0
	- current tax, prior years	0	0
	- deferred tax, current year	110	88
	- deferred tax, prior years	-207	-46
Foreign taxation	- current tax, current year	-66	514
	- current tax, prior years	-836	577
	- deferred tax, current year	-397	-266
	- deferred tax, prior years	409	-313
		-987	554

The average nominal tax charge in the different countries in which the Company's activities are located amounts to 27%. This average nominal tax rate applied to the loss before taxes means that a tax credit in the Profit and Loss account of EUR 0.2m would be expected. However the actual tax credit as presented in the Profit and Loss account amounts to EUR 1.0m. The difference of EUR (0.8m) can be explained by:

- Recalculation of the Deferred Tax Asset of the Dutch branch as a result of the increase in the corporate income tax percentage in The Netherlands: EUR (0.2m)
- Prior year adjustments for RDEC and corporation tax in the UK: EUR (0.8m)
- Other differences EUR 0.2m

Signing of the Financial Statements

Vlaardingen,

Managing Directors:

D Eldridge 30 Jun 2023

R Wiltshire 30 Jun 2023

D McClure 30 Jun 2023

Other Information

Appropriation of results according to the Company's Articles of Association

According to the Company's articles of association, article 19.1, the allocation of profits accrued in a financial year shall be determined by the General Meeting. If the General Meeting does not adopt a resolution regarding the allocation of the profits prior to or at least immediately after the adoption of the annual accounts, the profits will be reserved.

The General Meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the General Meeting to distribute shall have effect without the consent of the Management Board. The Management Board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its due debts.

Branch Offices

Trade name	Country
Northrop Grumman Sperry Marine B.V., UK branch	United Kingdom
Northrop Grumman Sperry Marine B.V., Danish branch	Denmark
Northrop Grumman Sperry Marine B.V., Norway branch *	Norway
Northrop Grumman Sperry Marine B.V., Belgium branch	Belgium
Northrop Grumman Sperry Marine B.V., German branch	Germany

* Norway Branch is in the process of being deregistered

Independent Auditor's Report

Reference made is to the Independent Auditor's report on the following page.