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Leonardo UK Ltd

Annual report and financial statements

for the year ended 31 December 2023

Leonardo UK Ltd

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Leonardo UK Ltd

Strategic Report

For the Year Ended 31 December 2023

The directors present their strategic report for the year ended 31 December 2023.

Principal activities

Leonardo Group ("Leonardo") is one of the world's major players in aerospace, defence and security. A global solutions provider and a trusted long-term partner of choice for governments, institutions and business customers. Leonardo delivers cutting-edge and dual-use technologies, meeting both military and civil requirements. In partnership with its customers, Leonardo is working to strengthen global security by protecting people, territories, infrastructure and cyber networks. Innovation, continuous research, digital manufacturing and sustainability are the cornerstones of Leonardo's business worldwide.

Leonardo UK Ltd ("the Company") is one of the UK's leading aerospace companies and one of the biggest suppliers of defence and security equipment to the UK Ministry of Defence ("the MOD"). The Company has divisions in Electronics, Helicopters and Cyber & Security.

Strategy

Leonardo's strategy for the future is set out in the '2024 - 2028 Industrial Plan' ("the Industrial Plan"). Over the Industrial Plan period, Leonardo aims to transform into a global technology-based aerospace and defence solutions provider. This will be achieved through two strategic pillars.

i. The first pillar is 'Strengthening the core business'. This involves rationalising the business and product portfolio of the core business, improving competitiveness through digitalisation and innovation while reducing costs, focusing research and development expenditure on innovative technologies, including artificial intelligence, cloud and supercomputing technologies, and by forging international alliances and strategic partnerships.

ii. The second pillar is 'Leonardo of the future: addressing opportunities in the broader security challenge'. This involves building a company working in a cross-divisional multi-domain environment powered by digitalisation and artificial intelligence, enhancing cyber capabilities on defence.

The Industrial Plan will focus on capabilities across each of the divisions:

- **Electronics:** Increase competitiveness, investment in technology, product rationalisation focusing on core offering, and leveraging its international partnerships.

- **Helicopters:** Accelerate order conversion and boost product development to achieve a leading position in tilt-rotor technology considered as one of the most viable and mature technologies by leading military institutions.

- **Cyber:** Leverage the accelerating demand opportunities to scale Cyber operations through organic and inorganic growth.

Strategy (continued)

The Strategic Partnering Programme ("SPP") relationship between Leonardo UK and the UK Government, led by the MOD for the defence sector, has continued to mature throughout 2023. The year saw a recognised improvement in programme delivery, with further joint work planned on effectiveness and agility in commercial processes, and an increased focus on Leonardo UK's offerings both to the UK, and in export, in future technology and capability. The Company looks forward to working further with the Cabinet Office in the context of its Key Supplier engagement on corporate governance, business health and resilience, cyber assurance, people and skills, regional investment and social value.

Under the SPP in 2023, a strategic relationship charter was signed by the Company with the Defence Science & Technology Laboratory. The aim of the charter is to mutually enhance science and technology capability stewardship, towards both organisations being better equipped to deliver high impact, generation after next capability to meet future defence and security needs, whilst improving the benefits delivered by public investment in innovation and technology. Further, a strategic relationship charter was signed between the Company and UK Defence & Security Exports under the Department for Business & Trade. This enables working together for increased company success in the export market from the UK, sustaining the overall health of the Company and, more broadly, its contribution to the UK defence industrial base.

Key performance indicators

The Company's key operating performance indicators are as follows:

	2023 £ 000	2022 £ 000
Order intake	2,410,368	2,936,655
Turnover	2,256,484	2,109,025
Operating profit	187,565	182,360
Cash generated from operations	272,014	179,405

Order intake was 18% lower than 2022 due to large Helicopter and Typhoon orders booked in the prior year. Turnover was 7% and operating profit 3% higher than 2022 due to progress on contracts.

Cash generated from operations increased by £92,609,000 over 2022 driven by higher contract liabilities due to milestone invoicing and higher contract accruals.

Electronics

Leonardo UK's Electronics business designs, develops and manufactures advanced sensing and protection technologies and systems across all domains (Air, Land, Sea, Space, Cyber). Capabilities include platform protection; intelligence, surveillance & reconnaissance; targeting; and counter-drone. To deliver these capabilities, the Company has made targeted investments in skills, research and development and is a UK leader in a range of specialist technologies. These include radar, electronic warfare, electro-optics and military communications. Much of this technology is world leading, enabling it to be exported internationally. Leonardo UK is one of the largest suppliers of complex electronics to the MOD and its technology underpins the capabilities of the UK armed forces as well as a growing number of international customers.

With a balanced mix of development, production and support work, and a strong order backlog, Leonardo UK's Electronics business is well positioned for the future.

Electronics (continued)

Laying the groundwork for future success, in 2023 the Electronics business continued to invest in digitalisation. Following the launch of its 'digital electronics factories' in 2022 (a new data-driven approach to design and manufacturing, with a common data environment), in 2023 the Company became the first major defence company in the UK to move to the secure cloud. Company scientists and engineers across the UK were subsequently able to exploit secure access to a remotely-accessible 'digital backbone' that can speed up product research, cut development costs and enable closer collaboration with customers and other partners. To better exploit the data being generated across the Electronics business, the Company also signed up to a new research partnership with the National Innovation Centre for Data. The Company's programme of digital transformation is expected to accelerate in 2024.

Resourcing remains a major challenge with a shortage of key software and systems engineering skills in the market. In order to assist in addressing the issue, in October 2023, the Company opened a high-technology science and engineering facility in the Newcastle Helix innovation cluster. The new facility will focus on research, development and prototyping of the Company's next generation sensing, security and vertical lift products. This new site will allow greater access to talent in the North East and the wider region.

In 2023, the division receipted order intake for the balance of the development contract for the ECRS (European Common Radar System) Mk.2 radar. The ECRS Mk2 radar for the UK Typhoon fleet is a major undertaking by the sites in Edinburgh and Luton, which features an innovative multi-functional array that can perform both traditional radar functions and electronic warfare tasks. The programme is moving at pace, in April the Company delivered the prototype radar to BAE Systems for integration onto the Typhoon aircraft.

Campaigns for BriteCloud, Leonardo UK's countermeasure product, is seeing positive progress, with excellent trial results and close government cooperation. The Company continues to make progress towards securing a high volume order for the product.

The Global Combat Air Programme ("GCAP") is continuing to progress positively. Strong relationships continue to grow across the trilateral partnership, between the UK, Italy and Japan, laying solid foundations for a successful programme. Leonardo UK is representing the UK in the programme's advanced defence electronics work stream and, in March, the three national industry champions representing the UK, Italy and Japan announced the signing of a collaboration agreement on the domain Integrated Sensing and Non-Kinetic Effects & Integrated Communications Systems domain ("ISANKE & ICS"). Leonardo UK will continue to work with its international partners towards agreeing a joint project delivery set-up for the ISANKE & ICS domain in 2024. In a related project, the Electronics business signed a contract with the MOD to launch the next stage of the Excalibur Flight Test Aircraft ("FTA") programme. FTA will be a flying test bed for the ISANKE & ICS technology that Leonardo and its partners are developing for GCAP.

The Company continues to secure export orders for its electronics products and services, in many cases through establishing strong links with international partners. In 2023, a memorandum of understanding was signed with Sierra Nevada Corporation to address a range of international defence and security markets. It also partnered with Valiant, the US-based global government services contractor, to bid for the British Army's Collective Training Transformation Programme and Army Collective Training Service ("ACTS"). ACTS is a major opportunity for Leonardo UK, a 15-year contract which will see around 60,000 troops trained each year in a blend of live, virtual and constructive simulated environments. Elsewhere, Leonardo UK and BAE Systems also announced that they would be offering an end-to-end InfraRed aircraft self-protection system to the international market. The companies received U.S. Government approval to integrate a system that brings together the widely-operated BAE Systems AN/AAR-57 Common Missile Warning System and Leonardo's Miysis Directed Infrared Countermeasure.

Helicopters

In 2023, Leonardo's UK Helicopter business delivered aircraft to its Norwegian and Eastern European customers. Further to the award of the contract for the AW101/CH-149 "Cormorant" SAR helicopter Mid-Life Upgrade Project ("CMLU") in December 2022, all major contractual milestones have progressed on time.

Notable achievements also include the recovery of forward fleet availability of the Royal Navy's AW101 Merlin helicopter. In continuation of this success, the bid for the Rotary Wing Enterprise ("RWE"), which focuses on the improvement of helicopter availability for the UK armed forces, will be submitted in 2024. The RWE programme will help to transform the business' customer support and training for all customers ensuring greater efficiency and execution.

The Rotary Wing Un-crewed Air System Technology Demonstrator Programme continues at pace with significant interest from around the world. The collaborative relationship with the MOD, Defence Equipment & Support Future Capabilities Group, and the Royal Navy on this project is strong. This project, amongst others, will help secure Leonardo in Yeovil as the UK's hub for un-crewed military systems.

Leonardo remains in a strong position for the MOD's New Medium Helicopter ("NMH") bid. The Company is ready to build the required number of AW149 helicopters, whilst embracing new technologies, manufacturing methods, and support capabilities. The Company recognises the significant export opportunities that NMH would create and looks forward to the opportunity to bid for this programme during 2024.

Transformational activities across the UK Helicopters business include membership with the High Value Manufacturing Catapult, Advanced Manufacturing Research Centre, and the National Composite Centre. These relationships will accelerate our manufacturing capability. The Company's new Diagnostics Service Tower will create a step change in the Company's work with data and customer's knowledge of Leonardo platforms. Access to new developing tools, such as AI, will help Leonardo leverage our exceptional capabilities and longstanding expertise, to reinforce the Company's position as the home of British helicopters.

Cyber and security

The UK Cyber and Security business achieved 50% growth in revenue and improved profitability. Growth has been achieved through sustained focus on the defence sector with cyber resilience advisory at the heart of our offering delivered to the MOD and the GCAP programme. The Company has also won targeted campaigns for delivering defence data and digital capabilities to the MOD which will be the key to future growth. Growth has also been positive with the Home Office, having received an 18 month extension on our support contract which provides support of the national nuclear detection capability at borders.

The division is collaborating with the other UK divisions to aim to be the partner of choice for cyber and digital solutions for the defence and security sectors. The business provides security operations and monitoring, ensuring the protection of the Company's and its customers' data from external threats. The partnership with the other UK divisions is also delivering cyber resilience across the Leonardo UK portfolio. As the division develops its digital and data capabilities for defence it aims to be able to provide similar capabilities to accelerate our internal transformation requirements.

Future outlook

The Company outlook remains positive, with an order intake during the year of £2,410,368,000 (2022: £2,936,655,000) and an order book at 31 December 2023 of £6,091,048,000 (2022: £6,290,162,000), which represents 270% of 2023 turnover (2022: 298%).

The UK and associated export markets offer significant opportunity for Leonardo UK. The Company remains very strong in the airborne market and will consolidate further as we progress with future Typhoon development, the Global Combat Air Programme, New Medium Helicopter and autonomous systems opportunities.

Future outlook (continued)

The Electronics division has been very successful in extending into less traditional areas of the Land and Maritime domains and further opportunities exist in Electronic Warfare/Cyber and Electromagnetic Activities, Precision Strike, Laser Directed Energy Weapons and Ground/Maritime Based Air Defence. The Helicopters division has made a very positive step into the autonomous rotary market with the Proteus award and the next step will be aiming to win the New Medium Helicopter programme which will augment a long term balanced portfolio across crewed and un-crewed rotary markets.

The Cyber & Security Solutions Division continues to grow and has significant prospects in special access programmes and other adjacent markets. In the export arena, the UK divisions will continue to focus on strategic markets with a close allegiance to the UK. Of particular note will be the AUKUS agreement, a trilateral security and defence partnership between Australia, the UK and the US, where the Company will position to generate significant influence for the UK in our capabilities.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The principal risks and uncertainties to which the Company may be affected remain the levels of procurement spend amongst the key defence agencies to which the Company supplies, supply chain management and the Company's project management of its customer contracts. The Company seeks to mitigate government procurement risk by developing an increasingly broad customer base for its core products and in respect of its supplier performance and project management risks, by rigorously applying well developed life cycle management processes.

Supply chain management

Managing business continuity of the Company’s complex supply chain is an essential way of working. Geopolitical instability and the resulting volatility of the macro-economic environment adds risk and uncertainty across most sectors within the supply chain. Brexit, the conflicts in Russia/Ukraine and Israel/Palestine, the global energy crisis and the cost of living crisis have had an impact on local inflation, which has demanded greater transparency of our supply chain and our ways of engagement.

The Company continues to collaborate with its partners and suppliers, particularly with the SME community, to mitigate against these impacts. This includes development of our supplier capability assessments especially at the on-boarding stage, as well as due diligence built into the contract lifecycle to maintain business resilience as a topical subject matter addressing current and future risk. The Company collaborates internally across geographies within the Leonardo Group to adopt global risk management strategies where they can make a difference.

Collaboration with our customer chain and trade associations, as well as our supply chain, proves to add value as we focus on many common risks. This happens at an international level as well as local. With specific focus to the UK, our relationship with the MOD, through the SPP, has enabled a proactive approach to longer-term supply risk, through greater transparency and forecasting. In addition, a number of cross-industry groups are working together to address common sub-tier supply risks within the sector, such as semi-conductor supply, energetics and batteries. With impacts on material flow and continuity of supply, the Company continues to lead and engage in industry forums. This is key to ensuring a sector-wide position is maintained and demonstrates the significant value in sovereign UK capability and supply.

The Company continues to work alongside the MOD to ensure critical programme timings are maintained and, through the Defence Suppliers Forum, helps to oversee resilience within the sector.

Project management of customer contracts

A large proportion of the Company’s operating activities are long-term contracts, which require meeting contractual and operational requirements which are often complex and technologically demanding. There is a risk of costs exceeding original estimates.

All of the Company’s contracts are managed under its robust, and well-established, Lifecycle Management procedure framework, covering the bid stage through to delivery and completion. The framework ensures regular reviews are performed to monitor the progress of each project, including the review of financial variances and implementation of corrective action as necessary.

Financial risk management

Foreign currency risk
The Company has transactional currency exposure arising from sales and purchases in currencies other than the Company's functional currency of pounds sterling. The Company uses forward currency contracts to hedge certain of these exposures.

Credit risk
The Company has credit risk in respect of the recoverability of its trade and other debtors.

The majority of the Company's trade debtors are from UK, US and EU government agencies and prime contractors. The Company has a credit verification procedure that may require increased down-payments or third party guarantees and management performs regular reviews of the Company's debtor balances. The Company also has funds deposited with the parent company, Leonardo SpA, as part of a group-wide pooling arrangement which is further discussed in the going concern section in the directors' report.

Sustainability – Climate related financial disclosures

The Company continues in its commitment to use sustainability as a force for business transformation and a driver of its activities. The sustainability strategy is set across four core pillars: People, Planet, Prosperity and Governance.

At a group level, Leonardo sets defined sustainability goals, including those related to climate change aspects, which underpin long-term growth. The Sustainability Plan is implemented through projects and initiatives measurable in the short-, medium- and long-term, through a structured model guided by a data-driven approach.

Governance
A UK Sustainability and ESG committee (the Committee), chaired by the UK Head of Sustainability, meets bi-monthly and reports into the UK CEO. The UK CEO will bring key material topics to the UK Board.

The Committee ensures that appropriate climate resilience and environmental programmes are in place that drive the reduction in the Company's environmental impact and ensure the meeting of key environmental targets. The Committee will consider climate related risks and ensure these are included within the UK Enterprise Risk Management (ERM) process. The Committee has representation from across UK business areas and functions.

Working groups have been established to report into the Committee to manage climate related topics. Working groups cover our Net Zero commitments, Supply Chain, Utilities and Design for Sustainability. Working groups ensure that climate-related risks and opportunities are embedded across our operational framework and deliver the decarbonisation programme through our business and value chain.

Strategy
Our sustainability strategy and our ongoing approach to business continuity encompass the material risks and opportunities the Company has identified through the risk management process. These will be monitored, managed and, to the extent necessary, mitigated. These activities will be included within the annual business planning processes, and our current assessment is that the financial risk associated with the impact of climate risk on our operations is appropriately managed and mitigated, and will continue to be in the future.

Our Net Zero strategy supports our purpose and strategic framework in delivering a sustainable business and is an overriding initiative that encompasses our transition plan. It encompasses how the Company will decarbonise our operations and product and service portfolio, whilst supporting our customers and suppliers in their transition.

Sustainability – Climate related financial disclosures (continued)

Risk management
Identification, assessment and monitoring of main risks and related treatment actions in respect of climate change are managed through the ERM process. Environmental risk, including climate-related risk, is embedded within our approach to risk management, via our business and project risk registers. The ERM process reports on a bi-annual basis.

Climate and environmental risks may present financial or non-financial risks depending on the extent to which their impacts can be quantified, and how they have been classified. Current and emerging regulations are considered as part of the environmental management system, including energy-related taxes and schemes.

Climate change is considered as a primary risk. The protection of the environment and consequent new developments in the scenario concerned may require action to be taken on certain types of processes and products.

Risk have been assessed as short term (up to two years), medium term (three to six years) and longer term (beyond six years).

Main risks
The transition to a low-carbon and more environmentally sustainable economy may entail medium term risks for the Company, induced by greater severity of environmental and climate policies arising from UK and European legislation that the Company needs to comply with. In the medium to longer term, disharmony in the regulations of different countries could create an economic advantage for competitors outside these regulations.

The Company is now required to generate a high volume of publicly disclosed information on ESG topics, including those related to climate change. In this context, should the Company's targets and actions not meet expectations, then there is a medium term risk of reputational damage.

In parallel, the importance of the sustainability requirements of the supplier and its supply chain grows in customer tenders, while the consumption of energy and water resources becomes central along the entire value chain of the Company. Suppliers might have to make process adjustments to ensure compliance. The Company's processes, particularly production processes, as well as products and services offered to the market may be affected. Consequently there is a medium to long term risk that supplier performance and business continuity could be affected with negative impacts for the Company and its final customers.

The impact of climate changes exposes the Company to an increased frequency of acute weather events, such as higher temperatures, floods, storms and wind that can endanger industrial sites and products being prepared. In the medium term higher temperature may lead to an increase in operating costs, mainly due to higher energy demand for cooling. In the longer term the Company may have to manage chronic effects of climate change on specific sites and the consequential impact on operational plans.

Mitigation
The Company has established a Net Zero working group to set detailed actions plans and align budgets to meet our 2030 Net Zero targets for scope 1 and 2. This is supported through the work of the utilities working group that ensures the Company meets its commitments under the Energy Management system. The Company continues to monitor new and existing legislation to make sure it remains compliant.

Working groups for Supply Chain and Design for Sustainability will inform action and mitigation required to address challenges in the supply chain and for our products. The Company will work to meet the Group's commitments on Science Based Targets that will cover our climate risk into the supply chain.

The Company has initiated an exercise to assess UK sites for possible acute or chronic physical risks. The output from this work will be completed in 2024 and will inform future assessments of organisational resilience to climate impact. The Company has specific insurance cover against the possible consequences of disastrous climatic or natural events.

Sustainability – Climate related financial disclosures (continued)

Climate scenario analysis
The resilience of the Company's business strategy related to climate change will be assessed by regularly conducting scenario and sensitivity analysis to address material climate-related risks and opportunities in the short, medium and long term. This analysis will identify how strategic objectives may be affected by various uncertain and interconnected climate change factors, contributing to informed decision making and strategy refinement.

Physical risks
Physical risks are to be evaluated through scenario analysis to assess the potential impacts of different levels on Leonardo's sites, considering two Representative Concentration Pathways (RCP): the "business as usual" scenario (RCP 8.5) and a scenario limiting temperature increase to 2°C/1.5°C (RCP 2.6). A slower global decarbonisation pace, as projected in RCP 8.5, could heighten physical risks due to extreme weather events, potentially exceeding the resistance strengths of existing site protection measures. This may necessitate a re-evaluation of the geographical distribution of manufacturing sites and supply chains, requiring mitigating measures for business continuity, albeit with increased costs. The Company is running climate change risk assessments for its sites to ensure these factors are fully documented and built into longer term business plans.

Transition risks
The Company will be exposed to risks related to the transition to a low-carbon economy. In assessing these risks and opportunities the most significant implications are associated with products, characterised by various levels:

- Market and technology – Low carbon products demand is constantly growing (e.g. more efficient, fossil fuel-free, lighter innovative, circular materials, longer life cycle). The ability to decarbonise and develop innovative technologies must be met in order to gain a strategic competitive advantage.
- Policy and legal – Companies are required to accelerate the establishment of new regulations and policies, such as carbon emission targets and technology standards.
- Reputation – Failure to meet decarbonisation targets and stakeholders' expectations could result in reputational damage.

Aware of these consequences, the Company is building its decarbonisation actions into the ongoing operations of the business. Climate-related risks and opportunities will influence Leonardo's financial planning, for example, in terms of revenues, indirect costs, capex, capital allocation, acquisitions and assets management. To address the outcomes of the scenario analysis, the Company will continue to implement mitigating measures to ensure the resilience of its strategy.

Metrics and targets - "Net Zero" objective in the United Kingdom
In the United Kingdom, the Company has committed to achieving Net Zero by 2030 for Scopes 1 and 2 emissions and across the value chain by 2050, with a target to reduce CO_2 emissions by 40% (for Scopes 1 and 2) by 2025 (compared to 2018).

In September 2023, the Company published its latest Carbon Reduction Plan[1] reporting information on Scopes 1 and 2 and five categories of Scope 3. The Carbon Reduction Plan is updated on an annual basis, including a description of the most significant measures that will be adopted to reduce the environmental impact of operations in the United Kingdom. These include:

- Energy management standards
- Renewable energy
- Self-produced energy
- Use of electric vehicles

[1] For more details, reference should be made to the Carbon Reduction Plan 2023 of Leonardo UK Ltd. https://uk.leonardo.com/documents/64103/6765752/LDO_UK23_00416+Carbon+Reduction+plan+2023_LQ_spread.pdf?t=1694012200121

Sustainability – Climate related financial disclosures (continued)

Metrics and targets - “Net Zero” objective in the United Kingdom (continued)

- Investments in energy efficiency at sites
- Decarbonisation of heating systems
- Employee engagement and education

The Company tracks a range of metrics and targets to deliver against overall sustainability objectives including its Net Zero objective. The relevant Planet targets are set at an overall Leonardo Group level and then flowed down to the UK legal entity. The critical KPIs that will be used to track progress against climate change commitments are as follows:

- Reduce electricity consumption drawn from the external grid by 10% by 2025
- Reduce CO_2 emissions Scope 1 and 2 Market Based by 90% by 2030

Simplified Energy and Carbon Report (SECR) Statement

Qualification under SECR
The Company qualifies under SECR as a ‘large unquoted’ company. Only UK operations are included within this report.

Reporting period
1 January 2023 to 31 December 2023.

Organisational boundary
The Company has used the operational control approach.

Operational scopes
The Company measured mandatory Scope 1 and 2 emissions and certain Scope 3 emissions. This included energy consumption associated with the properties occupied and our operations at these locations, including aviation fuels, plus mandatory grey fleet and voluntary emissions associated with business travel, water, and waste.

Over the reporting period, the Company operated across nine locations in the UK and conducted international business travel as part of operations.

Quantification and reporting methodology
The Company has followed the UK Government Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting guidance, March 2019 and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard for the identification of reporting methodology. For the reporting period the Company utilised the UK Government 2023 Carbon Conversion Factors (full set) including the SECR relevant datasets.

Intensity measurement
The Company has chosen the gross UK scope 1 and 2 emissions (including grey fleet) in tonnes of CO_2e by turnover in £m.

Market-based emissions
The Company procures 100% renewable energy for our fully controlled estate, secured up until 2026. This is included as ‘market-based’ emissions within our reported data. Our London and Newcastle sites were not included on the renewable energy guarantee of origin, as they are tenanted areas of a larger site managed by a landlord.

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) Statement (continued)

Emission breakdown

Mandatory Scope 1, 2 and 3 emissions for the previous and current reporting period are included below, with voluntary emissions reported separately.

Emissions breakdown		2023	2022*	Change
Scope 1 emissions (excl. R.F.*)**	**tCo2e**	**10,981**	**11,778**	**-6.8%**
Gas consumption	tCo2e	8,925	9,584	-6.9%
Refrigeration	tCo2e	240	268	-10.4%
Fleet aircraft fuel (excl. R.F.)	tCo2e	1,495	1,161	28.8%
Fleet aircraft fuel (incl. R.F.)	*tCo2e*	*2,533*	*2,195*	*15.4%*
Mechanical handling	tCo2e	114	565	-79.8%
Company cars	tCo2e	207	200	3.5%
Scope 2 emissions (location-based)	**tCo2e**	**15,679**	**14,331**	9.4%
Scope 2 emissions (market-based)	*tCo2e*	845	-	-
Scope 3 emissions	**tCo2e**	**332**	**247**	34.5%
Category 6: Grey fleet	tCo2e	332	247	34.5%
Scope 3 emissions (voluntary)	**tCo2e**	**20,436**	**10,017**	**104.0%**
Category 3: T&D losses	tCo2e	1,356	1,311	3.4%
Category 5: Waste	tCo2e	769	-	-
Category 5: Water	tCo2e	31	-	-
Category 6: Business travel**	tCo2e	8,944	-	-
Category 6: Hire cars	tCo2e	563	426	32.2%
Category 7: Commuter travel	tCo2e	7,068	6,482	9.0%
Category 13: Downstream leased assets	tCo2e	1,705	1,798	-5.2%

*2022 emission data has been restated to better align to GHG protocol methodology best practices.
** Business Travel includes both domestic and non-domestic air and rail travel plus taxi and hotel emissions as captured by the travel booking partner.
*** R.F. = Radiative Forcing

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) Statement (continued)

Emission summary

Totals of scope 1, 2 and 3 emissions are summarised in the table below.

Total emissions**		**2023**	**2022**	**Change**
Scope 1*	tCo2e	10,981	11,778	-6.8%
Scope 2 Location-based	tCo2e	15,679	14,331	9.4%
Scope 2 Market-based	tCo2e	845	-	0.0%
Scopes 1 & 2*	tCo2e	26,660	26,109	2.1%
Scope 1 & 2 (incl. Grey fleet) *	tCo2e	26,997	26,355	2.4%
Scope 3 (voluntary)	tCo2e	20,436	10,017	104.0%
Total (incl. voluntary) *	**tCo2e**	**47,428**	**36,373**	**30.4%**

* Figures exclude Radiative Forcing (R.F.)
**2022 emission data has been restated to better align to GHG protocol methodology best practices.

Intensity metrics

Mandatory emissions (Scope 1 and 2, including grey fleet) by turnover (£m) are summarised in the table below.

Intensity metrics (Scope 1&2 incl. Grey fleet) *	**2023**	**2022**	**Change**
tCO2e per £(m)	11.96	12.50	-4.3%

* Figures exclude Radiative Forcing (R.F.)

Reasons for change in emissions (compared to the previous year)

There has been a 6.8% reduction in Scope 1 emissions compared to the previous reporting year. Conversely Scope 2 location based emissions, in the form of electricity consumption from the UK Grid, have increased by 9.4%. Scope 1 emissions will continue to decline as Leonardo UK reduces reliance on gas heating and moves to fully electrify operations, although in the short term this will increase Scope 2 emissions.

Overall mandatory reported emissions (Scope 1, 2 and grey fleet) have increased by 2.4% in 2023 compared to the previous year. Alongside the increase in Scope 2 emissions, this is largely due to more accurate reporting of aviation fuel consumption. Vehicle use, in the form of grey fleet, is a further contributor..

Reasons for change in emissions (compared to previous year) – Voluntary reporting

Scope 3 voluntary emission reporting has increased in 2023, which is due to better internal reporting and transparency within our organisation. Previous years SECR reporting included emissions related to losses from transmission and distribution which has increased 3.4% (45 tCO2e) and hire cars which has increased 32.2% (137 tCO2e).

Voluntary reporting has expanded in the period to now include emissions related to waste, water, other business travel (including air travel, rail travel, taxi travel and hotel stays, which includes international and domestic travel by UK employees), commuter travel and downstream leased assets. This data for 2022 was not reported therefore total Scope 3 (voluntary) is not comparable. As the Company looks to improve our accuracy and scope of measurements, the 2022 figures have been restated where data was available. Emissions from commuter travel has increased 9.0% since 2022 and emissions related to our downstream assets has decreased 5.2%.

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) Statement (continued)

Energy Performance (kWh)
Mandatory reporting against organisations direct and indirect energy consumption is included below:

Energy consumption`		**2023**	**2022**	**Change**
Electricity	kWh	75,716,608	74,106,404	2.2%
Gas	kWh	48,791,173	52,505,830	-7.1%
Mechanical handling	kWh	451,985	2,097,859	-78.5%
Fleet aircraft fuel	kWh	5,726,772	4,443,720	28.9%
Renewable generation onsite	kWh	3,132	14,681	-78.7%
Company cars	kWh	846,686	805,882	5.1%
Grey fleet	kWh	1,370,511	996,455	37.5%
Total	kWh	**132,906,867**	**134,970,831**	**-1.5%**
Voluntary disclosure				
Hire cars	kWh	2,416,479	1,781,404	35.7%
Total consumption	kWh	**135,323,346**	**136,752,235**	**-1.0%**

Overall, energy consumption (kWh), both direct and indirect has decreased by 1.5% in the reporting period compared to the previous period. Gas consumption has declined by 7.1% with a 2.2% increase in electricity consumption.

In line with Greenhouse Gas Reporting Protocols the Company has incrementally improved the data collection methods for 2023. 2022 figures have been restated where material and necessary to aid comparison.

Methodology
UK Government (DEFRA) Conversion Factors (2023) have been applied to the relevant data obtained as part of the emissions return.

Scope	Category	Overview	Estimated data (%)
Scope 1	Gas consumption	Actual quantified gas consumption data (AMR) retrieved from automated utility system (Envizi). Data validated by external service (Alfa Energy). AMR compared against invoices and manual reads to ensure accuracy. DEFRA Conversion factor (2023) for Natural Gas (from grid) was applied.	0%

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) – Statement (continued)

Methodology (continued)

	F-Gas	F-Gas refrigerant gas movement and logbook data was obtained for key Manufacturing sites (Edinburgh, Luton, Southampton, Yeovil). No leaks were reported for remaining three sites. No data was reported for the two landlord managed premises. DEFRA Conversion Factor (2023) emissions were separated to identify Kyoto protocol refrigerants and non-Kyoto protocol refrigerants (non-Kyoto refrigerants equalled zero) and applied to the leakage of refrigerants (kg) reported.	0%
	Company cars	Summary of total Miles claimed through Company Car scheme for each vehicle type and size. Relevant DEFRA 2023 conversion factors (by fuel and size) were applied.	0%
	Aviation turbine fuel	Fleet Aircraft Fuel data in litres retrieved from summarised fuel recorded in on-site fuel in bowsers, invoiced fuel, and expensed fuel. To account for radiative forcing, Litres of Aviation Turbine fuel multiplied by the DEFRA conversion factors 2023 for individual Greenhouse Gases (CO_2, N_2O, CH_4), the radiative forcing multiplier of 1.7 was applied to the CO_2 and then summed with the emissions related to N_2O and CH_4.	
	Mechanical handling	Fuel data (from building management) by type in litres as a total for each site. Relevant DEFRA 2023 conversion factors applied.	0%
Scope 2	Electricity	Quantified electricity consumption data (AMR) retrieved from automated utility reporting system (Envizi). Data validated against Invoices and manual reads for locations under direct control. Landlord managed site Newcastle, consumption figure was received from Landlord. However, London which is also landlord managed, electricity consumption data could not be retrieved. Figures from the previous year, 2022 SECR submission, were used to create an estimate based upon FTE in 2022 vs 2023 (12 months 100% estimated data). Yeovil site – one fiscal meter for "Thorne House Cottage" reported no data for December 2023. Estimation used in place of actual. 11-month average (Jan-Nov) monthly consumption for 2023 was 36.35kWh which was used as December figure. Renewable energy, in the form of REGO certificates,. are in place for 01/01/23 to 31/03/2026 for all electricity procured by us (allocated by site). However, this excludes London and Newcastle which are managed by landlord under tenancy.	4.76% (12 of 252 months data)

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) – Statement (continued)

Methodology (continued)

	District heating	No district heating system was reported for the respective properties.	N/A
Scope 3	Category 3: Electricity (incl. T&D)	Using the identified electricity consumption (see Scope 2), emissions arising from Transmission & Distribution losses have been reported using the standard DEFRA: UK Government Conversion Factors (2023).	4.76% (as per electricity)
	Category 5: Waste	Total tonnage for waste streams from operations. UK Government Conversion Factors (2022) have been applied to relevant waste stream by end disposal reported. Note: London site is excluded.	0%
	Category 5: Water	Water Supply data from invoices has been provided.UK Government Conversion Factors (2022) have been applied to water supply. Sewerage data has not been provided. Supply data for Newcastle in December not reported, therefore an estimate was made using an average of the existing data (previous 4 months). NOTE: London site is excluded.	0.56% (1 month of 180)
	Category 6: Business travel	Actual figures retrieved from booking partner (CWT) and expenses claims have been collated. Emissions calculated using relevant DEFRA 2023 Conversion factors. Air: Kilometres travelled data split by Domestic, Continental, and Intercontinental flights. All flights assumed to have started or ended in UK. Air travel data has been analysed to identify 'RF' (radiative forcing) and have been included in the total emissions for business travel. Rail: Kilometres travelled data split by Domestic and Continental and emissions calculated using the relevant DEFRA 2023 Conversion Factor. Hotel stays identified by Vendor Category applied. Number of nights stayed in a hotel was separated by country and multiplied by either the specific countries Hotel Stay conversion factor (DEFRA 2023) or by the average conversion factor of the countries within the same continent, where individual countries conversion factors were not available.	0%

Sustainability – Climate related financial disclosures (continued)

Simplified Energy and Carbon Report (SECR) – Statement (continued)

Methodology (continued)

		Taxi: Sum of taxi miles value was multiplied by the average £ per mile of £1.80 from the multiple source consensus of the average being between £1.20 and £3.00. This gave the total miles based on the expenses claimed per company, which was converted to km and multiplied by the relevant DEFRA 2023 conversion factor. (The individual passenger figure was not utilised as number of passengers was unstated in the raw data. There is the opportunity to reduce emissions on the entire journey, even if shared with a third party).	
	Category 6: Hire cars	Actual figures retrieved from booking partner have been collated. Emissions were calculated in line with SECR methodology using DEFRA Conversion factors. As size of vehicle wasn't reported, the conversion factor used was in line with "large" cars (as opposed to "average") in order to remain consistent with 2022's submission.	0%
	Category 6: Grey fleet	Dataset of total miles claimed for business mileage within personal car by fuel type and vehicle size. Relevant DEFRA Conversion factors (2023) were applied by fuel type and size.	0%
	Category 7: Commuter travel	Commuter Travel Methodology and Data were not identified. In absence of data and previous methodology, pro-rated figures using the 2022 figure reported in our Carbon Reduction Plan, relative to the intensity metric FTE have been used.	100%
	Category 13: Downstream leased assets	Only one leased estate was considered in the downstream leased assets category based on data availability. The emissions arising from Gas and Electricity consumption from the building were accounted for using the relevant DEFRA conversion factors.	0%

Section 172 Companies Act 2006

The Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") provides a framework for the Company to not only demonstrate how the Board makes decisions for the long-term success of the Company and its stakeholders (see principle 6 Stakeholders, on pages 19 to 23), but also having regard to how the Board operates in compliance with the requirements of Section 172 of the Companies Act 2006 to promote the success of the Company. Our reporting against the Wates Principles has been included on pages 17 to 24. Throughout 2024, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders to deliver its long-term growth and sustainability.

Approved by the Board on 29 August 2024 and signed on its behalf by:

Clive Higgins

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Clive Higgins (Leonardo UK Chair and Chief Executive Officer)
Director

Leonardo UK Ltd
Corporate Governance Report
For the Year Ended 31 December 2023

The Wates Corporate Governance Principles for Large Private Companies, (published by the Financial Reporting Council in December 2018) ("the Wates Principles" or the "Principles"), were adopted by the Company in 2019 to enhance the governance systems, promote best practice and ensure that all appropriate corporate reporting disclosures are made.

The Company's approach to its stakeholders is outlined in more detail within this Corporate Governance Report, as required by Section 172 of the Companies Act 2006 ('s172') (see Principle 6 - Stakeholders). The Board is aware of its responsibilities under s172 in discharging its duties and making decisions on behalf of the Company.

Set out below is how the Company was managed for the Company's financial year ended 31 December 2023.

Principle 1 – Purpose and Leadership

The Company is the principal UK operating entity of the Leonardo Group, a global aerospace, defence and technology business, and is wholly owned by Leonardo SpA, an Italian registered company listed on the Milan Stock Exchange.

Our purpose is to "Contribute to the world's progress and safety by delivering meaningful and innovative technological solutions".

Our mission statement solidifies this purpose, which is "To be the international aerospace, defence and security company that best enables its customers' success, by thinking creatively and working with passion".

The Company is primarily engaged in the electronic avionics defence systems and helicopters business domains, as well as providing high integrity surveillance networks to provide information for security and mission essential services. The Company has a commitment to create value for all its stakeholders through a path of long-term, sustainable growth, investing in the continuous improvement of its key competencies, products, technologies and workforce.

In pursuit of its mission the Company continues to build on the Leonardo Group's guiding framework of One Company, One Voice. Our Charter of Values which defines Leonardo's way of doing business, setting out the principles that guide the Company's strategy and daily activities of all those who work and collaborate with the Company and the Leonardo Group as a whole. These are:

- Ethics & respect
- Expertise & merit
- Innovation & excellence
- Internationality & multiculturalism
- Rights & sustainability

A copy of our Charter of Values is available on our website.

The Company's Board members are appointed in accordance with Leonardo SpA Directives and undertakings provided to the MOD under a range of UK statutory measures (including the Enterprise Act 2002). The Board comprises representatives from the Company's divisions and functions and its shareholder. The Board operates as a decision maker for the Company.

Principle 2 – Board composition

The members of the Board are disclosed in the directors' report.

The Board's size and composition is considered appropriate for the scale and complexity of the business with a breadth of skills, knowledge and experience to govern the Company effectively.

The directors have equal voting rights when making decisions. The Chairman has the casting vote where the number of votes for and against a proposal at a meeting is equal. All directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company's expense.

The duties of the Board are partially executed through formally appointed committees as noted below as well as through individual functions and divisions.

Principle 2 – Board composition (continued)

The Board members update their skills, knowledge and familiarity with the Company by receiving periodic reports on matters mandated to each function and division. Each director has specialist knowledge within their division or function, kept updated alongside their individual continuous professional development.

The Board sets the Company's purpose, values and standards of behaviour expected of all employees, satisfying itself that these and the culture of the business are aligned. It also oversees and monitors internal controls, risk management and the Company's governance framework, which sets out how we do business.

In 2023, two directors stepped down from their roles with the Company and were replaced by two new directors, Federico Bonaiuto and Marco de Fazio. The board met five times during 2023.

Principle 3 – Directors' responsibilities

Accountability

Good governance supports open and fair business, ensures that the Company has the right safeguards in place and supports informed decisions. Whilst Board oversight is always maintained, where appropriate, key areas are delegated to functions and business areas to coordinate and to individuals in roles with the most appropriate knowledge and industry experience for detailed oversight and management, who report back to the Board on their work. Each Board member has a clear understanding of their accountability and responsibilities.

Integrity of information

The Board receive reports on a range of matters at each meeting, with a number of standing agenda items alongside commercial matters as they arise.

Key financial information is maintained within, and collated from, the Company's accounting systems. The Company's finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. The Company's financial statements are externally audited at each financial year end. The Company's financial controls are reviewed by the Company's internal audit function.

In 2023 the adequacy of controls was reported to senior leadership through an Operational Assurance Statement.

Principle 4 – Opportunity and risk

The Board supports the work of its business units, who, with their parent units in Italy, pursue business opportunities in the UK. The Board provides support to these opportunities while managing risk.

Opportunity

Long term strategic opportunities for the business units are reviewed by the Board as a part of the updates from the business areas. The Board looks to support all major bids and strategic opportunities including those related to internal investment, executing these through its business divisions or corporate functions as appropriate.

Details of the Company's opportunities are outlined in the "Future outlook and business environment, Strategy and Principal risks and uncertainties" sections of the strategic report (on pages 5 to 6).

Risk

Risk is managed using the Company's standard risk management process, which requires all divisions to identify and manage their risks at a divisional and project level, described in a formal syntax of causes, risk events and consequences. These risks are then subjected to statistical analysis, both pre and post-mitigation to assess the potential impact. A central risk tool supports the process and generates a comprehensive analysis across the whole Company.

Lifecycle management is used to provide governance through gate reviews at key risk points in the Company's main programmes and projects. The standard process is defined by Leonardo in its Project Management Manual and applied across all divisions.

Principle 4 – Opportunity and risk (continued)

Risk (continued)

Phase Review Chairs and their assessors, who are independent of the project or programme, conduct reviews of plans and progress at key stages. A summary report is issued to the project and the relevant management team identifying key actions to minimise risk going forward. The process also incorporates a 'lessons learned' mechanism to ensure that experiences in one project can be shared with other projects in order to enable continuous improvement activity.

In addition, the corporate functions undertake risk assessments against specific areas of regulation to ensure comprehensive compliance programmes are implemented.

Details of the Company's key operational risks and mitigations are outlined in the strategic report (on pages 6-7).

Responsibility

The Board has approved a delegation protocol and governance framework which prescribe that any contract above a certain value, risk level or which may be considered strategic (determined by group governance), or any other transactional matter specifically reserved to the Board, must be approved by the Board. This ensures that both the Group interest and the specific UK legal requirements are protected through an appropriate level of diligence. This also ensures that sufficient scrutiny is given to understanding the obligations, risks and terms of the contract or the relevant matter, protecting the integrity and long-term sustainability of the Company, meeting strategic objectives and creating value for its parent company, customers and suppliers.

Principle 5 – Remuneration

The Remuneration policy set by the Board of Leonardo SpA aims to ensure that the operating business in the UK retains and attracts high calibre talent to deliver on our commitments to our customers.

The total remuneration of Leonardo UK employees includes fixed and variable pay, life insurance and lifestyle benefits that recognise short and long term career choices, together with the contribution the employee makes to the business. External markets are regularly reviewed to benchmark our employee offering and ensure that the Company's employment proposition remains relevant and competitive within the industrial sector. Flexibility and choice on how employees engage with pay and benefits is a major part of the remuneration philosophy. The Company was recognised as having the best flexible benefits strategy at the Workplace Savings and Benefits awards 2023, the best flexible benefits plan at the Employee Benefits awards 2023 and the best flexible working policy award at the Investor in People awards during 2023. Leonardo is also a provider of competitively paid jobs, in a sector where competition for talent is fierce and attraction for key skills is essential to achieve our business aims.

The Company administers all remuneration policies and programmes consistently, fairly and equitably. Communications with employees are regular and informative, providing reasons as to why particular treatments on pay and benefits are adopted. Communication and consultation with employees take place through many routes, including Trade Union fora and Joint Information Consultative Committees, as well as directly with individuals. The Company applies equal pay principles in line with the Equality Act 2010 and is accredited to the UK Living Wage Foundation.

Principle 6 – Stakeholders

The Board recognises the importance of having a close working relationship and engagement with all of its stakeholders, including its group of companies, employees, customers, suppliers and the local communities in which it works across the UK and abroad. Effective communication and good governance are key to ensure the Company's strategic direction remains aligned with the Leonardo Group's long-term goals for sustainability, growth, diversification and investment in the aerospace, defence and technology industry. The Board is constituted of a blend of Leonardo UK and Leonardo SpA employees, ensuring that the parent company is represented and that communication between the Board and its sole shareholder is maintained. During 2023, three of the seven Board members were Leonardo SpA employees.

Principle 6 – Stakeholders (continued)

External stakeholders and impacts

The Board is committed to doing business in a sustainable manner, with a continued commitment to economic and social development and the protection of human health and the environment. The Charter of Values (outlined above) underpins this ethos for establishing and maintaining trusting relationships with all its stakeholders.

The Company, alongside the other Leonardo group companies, is focused on contributing to the achievement of four of the seventeen Sustainable Development Goals promoted by the UN2030 Agenda. It also supports the "Ten Principles" of the UN Global Compact, the largest global initiative for sustainable business. It promotes the adoption of behaviours that contribute to the success of the Company and to the well-being of the community through the creation of work opportunities in the UK and other countries where it operates, in its associated supply chains, technological collaborations and the continuous improvement of products and services designed for the protection of nations, their citizens, and the environment.

The Company welcomes the development of the Task Force on Climate-related Financial Disclosures recommendations and recognises climate change as one of the biggest threats the world faces, and one which poses particular challenges to our business.

Innovation and technical excellence are critical to the Company's sustainability strategy, as expressed in our materiality analysis with feedback from investors, customers as well as our own leadership teams. It enables the Company to respond to customer needs effectively. It also helps determine investment in SMEs, working with research centres, co-operating with educational institutions and providing positive engagement with external stakeholders, including building trusted relationships with governments and other public bodies.

The Company, through its sites and divisions, collects a range of emissions data that is submitted annually to its parent company via the Enablon SHE questionnaire which calculates the Company's Scope 1, 2 and part of scope 3 emissions for the six main greenhouse gases covered by the Kyoto Protocol, namely: carbon dioxide, methane, nitrox oxide, perfluorocarbons, hydrofluorocarbons and sulphur hexafluoride.

The Company is committed to sustainable business transformation for our people, the planet and the prosperity of its customers, partners and societies where it does business. The Company continues to make progress on its sustainability journey that illustrates a wider commitment to responsible business. Digitalisation and data management underpin this transformation, alongside robust compliance activities for our products and services, our cyber assurance and our ethical behaviours. The Company has mature health and safety principles alongside well established plans for equality, inclusion and diversity.

In 2021, the Company published its first Carbon Reduction Plan and pledged to reduce its Scope 1 and 2 emissions by 40% by 2025 against a 2018 Baseline as well as achieve "Net Zero" by 2030 for Scope 1 and 2 and by 2050 for Scope 3 across the value chain.

At the end of 2022, the Company made the commitment to pursue the Science Based Targets initiative (SBTi) to enhance our decarbonisation commitments, bringing the wider Scope 3 emissions into focus and to assure these SBTi targets within two years.

The Company is also committed to adding social value through long-term initiatives in the communities where it does business. The Company has restructured the executive car scheme to make electric and hybrid vehicles more accessible to executives and is encouraging sustainable travel to work by installing more electric vehicle charge points at its sites and has launched a Go Green car scheme for employees (a finalist in the annual Innovation Awards) making it easier to make the electric or hybrid vehicle switch.

The Company offers award winning graduate and apprenticeship programmes to nurture new skills in younger age groups. The Company has in place a UK STEM Lead accountable for developing strategy and STEM Ambassadors who continually produce fresh initiatives to engage budding engineers, with a focus on those communities with less access to resources.

The Company develops pioneering technology to future-proof our industry, including digitisation of working methods, the provision of space sensors that monitor pollution, helicopters that use sustainable aviation fuel and radars that work faster to reduce flight time.

Principle 6 – Stakeholders (continued)

External stakeholders and impacts (continued)

The Company is supporting its workforce in heightening their digital skills, creativity and ability to engage with open innovation in collaboration with universities, while giving them access to the benefits of big data, artificial intelligence, system thinking and additive manufacturing, for a sustainable factory of the future.

The Company encourages all of its suppliers to share and comply with ethical, social and environmental standards, through acknowledging and accepting the Company's Code of Ethics and Supplier Code of Conduct as well as the guidance provided in the organisational and control models. This is established through the Company's supplier approval process and monitored throughout the period of the supply relationship. A Procurement web portal facilitates transparency and traceability of information.

Employees

2023 has been a difficult year where high inflation persists and the continued economic instability brings uncertainty to the employment markets in the UK. The Company deployed the second year of the pay agreement, with an increase of 5.5% in employee salaries, excluding those on executive grades for whom performance-based rewards are normal practice. The Company has also provided a commitment to review bonus arrangements for a large group of employees in 2024 with an implementation timeline of 2025. Bonus arrangements in 2023 operated UK wide with alignment of incentive payments to include an inflation increase to bonus rates.

Trust and choice are at the heart of the Company's employee proposition as demonstrated in the flexible working options offered through custom working arrangements, with all teams embedding 'Custom Working' practice via team charters. The Company is seeing a more balanced split between home and on-site working and empowering teams to decide where and how they work continues to prove popular with employees and new recruits. The Company also continues to explore opportunities to offer additional flexibility to roles that require a fixed working place and pattern. In addition to hybrid working opportunities, the Company also increased the number of flexible leave days employees can take from 8 to 12 for all employees regardless of length of service or seniority. 12 days flex leave in addition to 25 or 27 days annual leave and eight public holidays per year supports the Company's commitment to a healthy work life balance.

The Company further supports the value of choice with its fully funded flexible benefits provision. Tax efficient benefits such as Individual Saving Accounts, Go-Green electric car purchases and private medical and dental insurances are favoured choices. The Company also experienced hundreds of employees both buying additional holiday and selling back unused holiday (always maintaining a healthy leave arrangement) to suit their individual circumstances and needs.

The Company concluded its extensive consultation on the closure to future accrual for its two defined benefit pension arrangements and the pension trustees amended the deeds to allow for closure in April 2024.

The physical, psychological, social and financial wellbeing of employees continues to be a strong focus for the Company. The Company's investment in its wellbeing strategy continued in 2023 including through the wellbeing network group and trained wellbeing champions, promoting a holistic approach to healthy lives to support our people in achieving their full potential. New for 2023 was the introduction of a Menopause café, which is open to all employees. The Company received the 'we invest in wellbeing' at gold level award from Investors in People and attained Investors in Young People at Gold level accreditation for its UK footprint. This adds to the Company's prior achievement of Investors in People.

Employee engagement is recognised as a critical element of business success. To ensure employees voices are heard, the Company employs a variety of communication and engagement methods that encourage a culture of listening and dialogue, supported by people managers, people business partners, occupational health and wellbeing advisors and our inclusion and diversity ambassadors.

Principle 6 – Stakeholders (continued)

Employees (continued)

The Company reviewed the Employee Recognition system based on employee feedback and have in 2023 introduced an improved platform and a new service provider in response to this feedback, which was received in the Company employee feedback survey, GLINT.

The Company upholds and promotes human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all - regardless of race, nationality, political creed, religion, gender, age, diverse ability, sexual orientation, personal or social condition - and always respecting the dignity of each individual and each employee. Amongst other things, the Company promotes the inclusion of minorities, ensures freedom of assembly and abides by the absolute prohibition of illegal labour as set out in our Modern Slavery Statement. If any employee wishes to raise concerns or highlight any potential breaches of the Code of Ethics, they can contact the Company's Speak Up Helpline, administered by an independent service provider with anonymity. This will be formally investigated and reported to the Ethics and Social Responsibility Committee. The Board is committed to designing policies and developing a working environment that promotes the benefits and wellbeing of all its employees. For detailed information on our Company benefits, visit our website. (www.uk.leonardocompany.com/en/people-careers/life-at-leonardo/company-benefits).

As part of our Inclusion and Diversity Strategy, the Company has maximised engagement with our UK workforce across a range of channels including intranet and social media content, poster/banner campaigns, face to face with stands at sites as well as providing briefings throughout the year for divisional meetings and activities.

The Company's Inclusion and Diversity Strategy in 2023 spans change programmes and deliverables across recruitment, development and culture. In 2023, this has included a STEM Returners programme, a Springboard development programme for women, a Navigator programme for men and participation in the Women in Defence Mentoring Programme. Alongside this, the Company has continued to utilise our memberships, including that of the Association for Black and Minority Ethnics Engineers-UK, where the Company has supported a school engagement programme, career fairs, education sessions and recently a reverse mentoring programme.

New for 2023, Leonardo UK became a member of Business Disability Forum, empowering managers to create disability-inclusive working environments for all colleagues to thrive. To support our desire to create a culture of inclusion, education sessions have been delivered throughout the year on subjects linked to inclusion in the form of virtual 'lunch and learns', in person seminars and information stands on site. The Company supports seven employee networks, each of which supports a minority group. Networks raise the visibility of inclusion and diversity and create 'spaces' where those with shared lived experiences can connect and work with the business to create positive change. In 2023, the networks have led on the introduction of free period products across the UK sites, as well as Pride marches, Remembrance Day events and South Asian Heritage month engagement.

The Company continues to make strides towards its gender ambitions, with the gender balance now 80/20 across the UK, and the annual gender pay gap falling again to 12.9%, a reduction from 14.6% the previous year. To support this, the Company actively focuses on increasing the number of female new starters; an increase in our female workforce promoted into more senior roles within the Company; attracting key female talent into the engineering sector through STEM activities in the local communities; implementing training in diversity and inclusion for employees; actively improving our work-life balance solutions through Custom Working to encourage and promote changes in behaviour and culture within the Company.

The workforce, across its sites, undertake a variety of fundraising initiatives and have raised tens of thousands of pounds for several charities in recent years and continued to do so.

The Company is active within the sector and across wider external bodies, in a drive to develop, engage and promote skills and opportunity. One example of this broad activity includes co-chairing a skills group within the Defence Suppliers Forum, comprising the MOD and the defence industry, whose purpose is: 'to achieve the Government's defence industrial strategic aims and for developing collaborative responses to new and emergent issues and challenges.'

Principle 6 – Stakeholders (continued)

Employees (continued)

The Company also engages with trade bodies, academia and across the defence and engineering industry on skills and the positive economic and social impact this sector can have. The opening of the new facility in Newcastle this year will have such an impact on this region and the Company is actively involved with academia and government in that area to realise this opportunity.

Committee information

The Company's committees are a tool of governance. Each focuses on specific areas or tasks (as explained for each committee below) and established in their Terms of Reference. The Chairs are appointed by the CEO and report on activities throughout the year.

Under the direction of the new Chair and CEO in 2023, the Company undertook an effectiveness review of the committees, to ensure that they are fit for purpose. The review has been completed and a relaunch of the committees is expected in 2024.

Assurance & Internal Controls Committee

The Company operates an Assurance & Internal Controls Committee to provide a process for the review and evaluation of the adequacy of the Company's compliance with applicable legislation, regulations and Leonardo SpA's group-wide directives.

The Committee is chaired by the Finance Director of the Company with membership from across the business.

Data, Knowledge & Information Management Committee

The Data, Knowledge & Information Management Committee's primary objective is to maintain and create a suitable operational framework for the lawful and commercially appropriate creation, management, protection, retention, archiving and destruction of documents, data and information, including compliance with all relevant laws and regulations; having oversight of its sub-committee, the Data Protection Management Team (DPMT), which provides support to the Committee on data protection: being the prevention of an adverse impact on the rights of "Data Subjects" (as defined in the Data Protection Act 2018 and the General Data Protection Regulation (EU) 2016/679) with whom the Company interacts with or has an impact on; and to minimise the risk to the Company of regulatory intervention or sanction by implementing robust policies and procedures for the management of personal and government classified data.

The Committee is chaired by the Digital and IT Director with a membership of five functional leaders from across the business.

Ethics & Social Responsibility Committee

The Ethics & Social Responsibility Committee's (ESRC) purpose is to assist the Board in reaffirming and defining its commitment to operating ethically in all the territories within which it operates.

It will have overall responsibility for promoting the values of the Company, the implementation of and conformity with its ethical compliance programme including anti-bribery and corruption management systems, promoting a culture which fosters effective stakeholder relationship aligned to the Company's purposes, ethical behaviours and standards as well as challenging negative behaviours or activities which will impact the Company's operation on its primary stakeholder groups.

Management Committee

The Management Committee is responsible for the day-to-day management of the Company's business affairs and it reviews the Company's operational and financial performance.

The Committee is chaired by the CEO with membership comprising of statutory directors and senior management from across the business.

Committee information (continued)

UK Safety, Health and Environment Committee

The Committee assists the Board to oversee and provide assurance on the management of their health, safety and environmental responsibilities.

The Committee did not hold any meetings in 2023 as it was undergoing an effectiveness review. However, the Board received two reports on Health & Safety during at the December board meeting.

Directors' Report
For the Year Ended 31 December 2023

The directors present their annual report and the audited financial statements of Leonardo UK Ltd ('the Company') registered number 02426132, for the year ended 31 December 2023.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the directors' report have been included in the strategic report. These matters relate to principal activities, business review, key performance indicators, principal risks and uncertainties, future developments, research and development activities, financial instruments, policy with regard to employment of disabled persons, and engagement with employees. The strategic report also includes the directors' section 172 (1) statement addressing its interactions with key stakeholders, including with customers, suppliers and others.

Dividends

An interim dividend of £400,000,000 was paid in June 2023 (2022: £nil). A final dividend in relation to the 2023 financial statements of £26,054,000 was paid on 1 March 2024 (2022: £nil).

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

The Board of directors have assessed the Company's cash flow forecasts for the going concern period through to 31 December 2025 and have a reasonable expectation that the Company has adequate resources to continue in operational existence during this period. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the principal risks and the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements. Note 22 to the financial statements addresses the management of the funding risks of the Company's employee benefit obligations.

The Company has considerable financial resources together with long-standing relationships with a number of governments, customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, including the risk of inflation, demonstrate that the Company is able to operate within the level of facilities it has in place. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully. In reaching their conclusions, the directors have performed scenario analysis considering a severe but plausible downside scenario driven by a slowdown in delivery and a reduction in new orders. In assessing this scenario, the directors have considered:

- How the delivery of contracts may be impacted; and
- The availability of funds pooled with Leonardo SpA.

A key assumption in these conclusions is access to the Company's funds that have been pooled with Leonardo SpA, the ultimate parent company ("the Group"). The majority of the cash generated by the Company is pooled in a group-wide pooling arrangement. The directors have assessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 1 August 2024 for the six months ended 30 June 2024 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity to provide the Company with its pooled funds if required.

Directors of the Company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

C J Higgins (Chair and Chief Executive Officer)

W Allen

F Bonaiuto (appointed 14 July 2023)

A Campora (appointed 21 February 2024)

A Clarke

G P Cutillo

M de Fazio (appointed 14 July 2023)

P Di Bartolomeo (resigned 6 July 2023)

M Hamilton (appointed 1 January 2023)

D A Leggetter (appointed 21 February 2024)

A Parrella (resigned 23 June 2023)

Employees

The Company has a programme in place to assist employees to achieve their full potential and to develop the skills necessary to meet the current and future expectations of our customers. The programme focuses on both personal and technological development.

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin, religion, age or disability, subject to considerations of national security. The Company's policy is to provide, wherever possible, employment opportunities for disabled people and to ensure that disabled people joining the Company and employees who become disabled whilst in our employment benefit from training and career development opportunities.

The Company has put into place a number of ways of providing employees and, where appropriate, their representatives with information on the performance of the Company and other matters which affect them. The effectiveness of the communication process is assessed regularly with the aim of ensuring continual improvement so as to provide employees with the information they want by the most effective means.

Research and development

The Company continues to invest in a wide range of development programmes across the breadth of its increased portfolio in order to retain and enhance its market position in those areas. Expenditure on research and development in 2023 was £501,148,000 (2022: £452,680,000).

Political contributions

No political donations were made in the year (2022: £nil).

Subsequent events

The board of directors approved a final dividend to the parent company of £26,054,000 on 21 February 2024. The dividend was paid on 1 March 2024 through the transfer of ownership of the investment in Leonardo Electronics US Inc. to the parent company.

The board of directors approved an interim dividend to the parent company of £200,000,000 on 24 July 2024, for payment in August 2024.

Statement of disclosure of information to auditor

For each director in office at the date the directors' report is approved, the following is confirmed:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnities

The Company maintains liability insurance for its directors and officers. Following shareholder approval in July 2005, the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board on 29 August 2024 and signed on its behalf by:

Clive Higgins

....
C J Higgins (Chair and Chief Executive Officer)
Director

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

The directors acknowledge their responsibility for preparing the annual 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 and apply them consistently;
- make judgements 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; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Leonardo UK Ltd

Opinion
We have audited the financial statements of Leonardo UK Ltd (the 'Company') for the year ended 31 December 2023, which comprise the statement of total comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 “Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to other entities of public interest, 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. Our evaluation of the directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included the following:

- We understood the process undertaken by management to perform the going concern assessment;
- We obtained management’s going concern assessment, including the cash flow forecasts for the 17 month going concern period to 31 December 2025 and assessed whether the period applied is appropriate;
- Management has modelled a base case forecast which is consistent with the assumptions used in the Company’s approved budget for 2024 and a reduced forecast compared to the business plan for 2025. Management also modelled a downside scenario driven by a slowdown in delivery and a reduction in new orders;
- We assessed the reasonableness of management’s assumptions, with a particular focus on order intake, contract margins, cash receipts from customers and working capital. This has been performed by:
  - Confirming the opening cash position;
  - Checking the arithmetical accuracy of management’s model;
  - Assessing the historical forecasting accuracy of the Company by comparing actual turnover, profit before tax and cash flows to prior year forecasts; and
  - Checking for consistency of the forecasts with other areas of the audit including the impairment assessment.

Independent Auditor's Report to the members of Leonardo UK Ltd (continued)

Conclusions relating to going concern (continued)

- We compared the current financial performance to management's forecast by obtaining the latest available management accounts to identify any issues with current trading and cash flows;
- We recalculated the results of the downside scenario performed by management to determine the impact of reasonably possible fluctuations in key assumptions on the Company's available liquidity;
- We compared the reduction in cash receipts from customers assumed in the sensitivity scenario presented by management to the receipts achieved in the financial year ended 31 December 2023;
- We inspected the cash pooling agreement with the ultimate parent company, Leonardo SpA, to confirm the terms of the agreement and the ability of the Company to access its cash resources, as required. We also assessed the financial position and liquidity of the parent company and its ability to provide access to these cash resources as required; and
- We considered the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for the period to 31 December 2024.

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 31 December 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

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, corporate governance 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, corporate governance report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of Leonardo UK Ltd (continued)

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, corporate governance report or the 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 statement of directors' responsibilities set out on page 28, 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and the relevant UK tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the Data Protection Act and those laws and regulations relating to health and safety and employee matters.

Independent Auditor's Report to the members of Leonardo UK Ltd (continued)

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

- We understood how the Company is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal, tax and compliance matters. We corroborated our enquiries through reading board and committee minutes and correspondence with regulatory bodies and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there to be susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls those charged with governance have established to address the risks identified, or that otherwise prevent, deter or detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiries of those charged with governance, management and legal counsel, reviewing relevant correspondence; and journal entry testing with a focus on manual journals and unusual transactions based on our understanding the business.

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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Paul Mapleston (Senior Statutory Auditor)

29 August 2024

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

Leonardo UK Ltd

Statement of Total Comprehensive Income
For the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Turnover	4	2,256,484	2,109,025
Cost of sales		(1,930,903)	(1,788,916)
Gross profit		325,581	320,109
Administrative expenses		(138,016)	(137,749)
Operating profit	5	187,565	182,360
Interest receivable and similar income	9	40,646	20,658
Interest payable and similar expenses	10	(16,147)	(4,782)
Profit before tax		212,064	198,236
Tax on profit	11	(43,312)	(27,069)
Profit for the year		168,752	171,167
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of defined benefit liability and asset	22	(59,959)	(286,912)
Deferred tax charge on items that will not be reclassified to profit or loss		15,010	71,728
		(44,949)	(215,184)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		16,780	(20,620)
Fair value of cash flow hedges reclassified to profit or loss		(13,442)	(15)
Deferred tax charge on gain on cash flow hedge		(834)	5,159
		2,504	(15,476)
Other comprehensive loss for the year, net of income tax		(42,445)	(230,660)
Total comprehensive income/(loss) for the year		126,307	(59,493)

The above results were derived from continuing operations.

Leonardo UK Ltd

(Registration number: 02426132)
Balance Sheet
As at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Fixed assets			
Intangible assets	12	1,397,041	1,364,292
Tangible fixed assets	13	197,333	175,778
Right of use assets	14	116,400	94,081
Investment property	15	2,927	2,992
Investments	16	304,448	304,448
Retirement benefit asset	22	147,207	190,300
		2,165,356	2,131,891
Current assets			
Stock	17	419,647	433,786
Debtors	18	1,510,653	1,601,187
Cash at bank and in hand		20,365	27,808
		1,950,665	2,062,781
Creditors: amounts falling due within one year	19	(1,675,489)	(1,515,889)
Net current assets		275,176	546,892
Total assets less current liabilities		2,440,532	2,678,783
Creditors: amounts falling due after one year	19	(136,168)	(109,537)
Provisions for liabilities and charges	21	(116,694)	(104,780)
Deferred tax liabilities	20	(66,690)	(70,173)
Retirement benefit liability	22	(1,518)	(1,639)
		(321,070)	(286,129)
Net assets		2,119,462	2,392,654
Capital and reserves			
Called-up share capital	23	314,500	314,500
Share premium reserve	23	845,500	845,500
Other reserves	23	(2,464)	(4,968)
Profit and loss account		961,926	1,237,622
Shareholders' funds		2,119,462	2,392,654

These financial statements of Leonardo UK Ltd, (registration number: 02426132) were approved by the Board of directors and authorised for issue on 29 August 2024.

They were signed on its behalf by:

....

C J Higgins (Chair and Chief Executive Officer)
Director

Leonardo UK Ltd

Statement of Changes in Equity
For the Year Ended 31 December 2023

	Note	Called-up share capital £ 000	Share premium reserve £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2022		314,500	845,500	10,508	1,281,291	2,451,799
Profit for the year		-	-	-	171,167	171,167
Other comprehensive loss		-	-	(15,476)	(215,184)	(230,660)
Total comprehensive loss		-	-	(15,476)	(44,017)	(59,493)
Share based payment transactions		-	-	-	348	348
Balance at 31 December 2022	23	314,500	845,500	(4,968)	1,237,622	2,392,654

	Note	Called-up share capital £ 000	Share premium reserve £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2023		314,500	845,500	(4,968)	1,237,622	2,392,654
Profit for the year					168,752	168,752
Other comprehensive income/(loss)				2,504	(44,949)	(42,445)
Total comprehensive income				2,504	123,803	126,307
Transactions with owners						
Dividends paid in the year					(400,000)	(400,000)
Share based payment transactions					501	501
Total transactions with owners					(399,499)	(399,499)
Balance at 31 December 2023	23	314,500	845,500	(2,464)	961,926	2,119,462

Leonardo UK Ltd

Statement of Cash Flows
For the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Profit for the year		168,752	171,167
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairment	5	54,660	53,003
Foreign exchange (gain)/loss		(9,524)	4,065
Pension (income)/costs, defined benefit scheme	22	(6,759)	23,600
Finance income	9	(40,646)	(20,658)
Finance costs	10	16,147	4,782
Loss on sale of tangible fixed assets		11	58
Share based payment transactions	24	501	348
Income tax expense	11	43,312	27,069
		226,454	263,434
Working capital adjustments			
Increase in trade and other debtors	18	(140,907)	(25,639)
Decrease in stock	17	14,139	18,160
Increase/(decrease) in trade and other creditors	19	161,556	(70,486)
Increase/(decrease) in provisions	21	11,914	(6,053)
Interest paid	10	(1,142)	(11)
Cash generated from operations		272,014	179,405
Income taxes paid	11	(35,584)	(32,335)
Net cash flow from operating activities		236,430	147,070
Cash flows from investing activities			
Proceeds from sale of tangible assets	13	489	-
Interest received	9	29,212	8,068
Dividends received		720	-
Acquisition of tangible assets	13	(50,370)	(35,384)
Capitalised development expenditure	12	(30,132)	(14,725)
Acquisition of other intangible assets	12	(14,519)	(11,698)
Net cash flows from investing activities		(64,600)	(53,739)

Leonardo UK Ltd

Statement of Cash Flows
For the Year Ended 31 December 2023 (continued)

	2023 £ 000	2022 £ 000
Cash flows from financing activities		
Dividends paid to shareholder	(400,000)	-
Net change in financial debts and receivables	238,613	(70,624)
Lease repayments	(17,142)	(18,562)
Net cash flows from financing activities	(178,529)	(89,186)
Net (decrease)/increase in cash and cash equivalents	(6,699)	4,145
Cash and cash equivalents at 1 January	27,808	22,758
Effect of exchange rate fluctuations on cash held	(744)	905
Cash and cash equivalents at 31 December	20,365	27,808

1 General information

Leonardo UK Ltd (the "Company") is a private Company limited by share capital incorporated, domiciled and registered in England in the UK. The registered number is 02426132 and the registered address is 1 Eagle Place, St James's, London, England, SW1Y 6AF.

2 Significant accounting policies

Summary of significant accounting policies and key accounting estimates

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

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements because it is a wholly owned subsidiary of Leonardo SpA, which prepares publicly available consolidated financial statements. These financial statements present information about the Company as an individual undertaking and it as a consolidated group.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 1 para 79 (a) (iv) comparative period reconciliation for share capital, tangible fixed assets, intangible assets and investment properties;
- IAS 1 para's 134 -136 disclosures in respect of capital management;
- IAS 8 para's 30 - 31 effects of new but not yet effective IFRSs;
- IAS 16 para 73(e) comparative period reconciliation for tangible fixed assets;
- IAS 24 para 17 disclosures in respect of the compensation of key management personnel;
- IAS 24 para 17a disclosures of transactions with a management entity that provides key management personnel services to the company; and
- IFRS 15 para 110, 113 - 115, 118, 119 (a - c) 120 - 127, 129 certain disclosures regarding revenue.

As the consolidated financial statements of Leonardo SpA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IAS 36 para's 130 f (ii) (iii), 134 (d) -134 (f), 135 (c) - 135 (e) disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- IFRS 2 para's 45(b), 46 - 52 share based payments in respect of group settled share based payments;
- certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- IFRS 13 para's 91 - 99 disclosures and the disclosures required by IFRS 7 Financial Instrument Disclosures.

2 Significant accounting policies (continued)

Basis of preparation (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Impact on initial application of other amendments to International Financial Reporting Standards ('IFRS')

There were no new amendments in the year.

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

The Board of directors have assessed the Company's cash flow forecasts for the period through to 31 December 2025 and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the principal risks and the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements. Note 22 to the financial statements addresses the management of the funding risks of the Company's employee benefit obligations.

The Company has considerable financial resources together with long-standing relationships with a number of governments, customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, including the risk of inflation, demonstrate that the Company is able to operate within the level of facilities it has in place. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully. In reaching their conclusions, the directors have performed scenario analysis considering a severe but plausible downside scenario driven by a slowdown in delivery and a reduction in new orders. In assessing this scenario, the directors have considered:

- How the delivery of contracts may be impacted; and
- The availability of funds pooled with Leonardo SpA.

A key assumption in these conclusions is access to funds that have been pooled with Leonardo SpA, the ultimate parent company. The majority of the cash generated by the Company is pooled in a group-wide pooling arrangement. The directors have reassessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 1 August 2024 for the six months ended 30 June 2024 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity to provide the Company with its pooled funds if required.

2 Significant accounting policies (continued)

Currency translation

Functional and presentation currency
Items included in the Company's financial statements are measured in pounds sterling, the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are also presented in pounds sterling.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of trading foreign currency transactions and from the translation at the year-end exchange rate of operating assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss within cost of sales. Non trading foreign exchange gains and losses resulting from the settlement of transactions and the translation at year end exchange rates are recognised in the statement of profit and loss within other interest receivable and similar income and interest payable and similar charges.

Intangible assets
Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate economic benefits for the Company. They are carried at purchase or production cost, including directly related expenses allocated to them when preparing the asset for operation and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Separately recognised goodwill is tested internally on an annual basis for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill to the entity sold.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives (two to five years), commencing when they are brought into use.

Development costs
This includes costs related to the application of the results of research or other knowledge in a plan or a project for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. Development costs are considered to have a finite useful life and are amortised accordingly over the period in which future economic benefits are generated, normally over the expected number of production units to be delivered. The expected deliveries are periodically reviewed and adjusted.

Any public capital grants related to development costs are included in liabilities as deferred income and credited to the profit and loss account over the expected useful life of the assets, on the basis of deliveries to the ultimate customer.

Research costs, on the other hand, are expensed in the period in which they are incurred.

2 Significant accounting policies (continued)

Tangible assets
Tangible assets are measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the asset to its original condition.

Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public capital grants related to property, plant and equipment are included in liabilities as deferred income and credited to the profit and loss account over the expected useful life of the asset.

Depreciation
The value of an asset is adjusted by depreciation calculated on a straight line basis over the residual useful life of the asset itself. The estimated useful lives adopted by the Company for the various asset classes are as follows:

Asset class	Depreciation rate
Freehold buildings	30 to 50 years
Leasehold buildings	50 years, or the lease term if shorter
Plant and equipment	3 to 15 years

No depreciation is provided on freehold land or assets in the course of construction.

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable.

The gains and losses from the sale of assets or a group of assets are calculated by comparing the sales price with the related net book value.

Investment property
Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated over 50 years.

Impairment of intangible assets and tangible assets
Intangible assets with indefinite lives are not depreciated or amortised, but are subject to impairment tests at least once a year to ascertain the recoverability of their book value.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess or shortfall being recognised in the profit and loss account.

In conducting an impairment test, goodwill is allocated to the individual cash generating units, that is the smallest financially independent business units through which the Company operates.

If the reasons for such write-downs should cease to occur, the impairment is reversed and the write-back is taken to the profit and loss account. However, the value of goodwill that has been written down cannot be reversed.

2 Significant accounting policies (continued)

Equity investments
The Company's investments in shares in group companies are stated at cost less provision for impairment in value.

When events or circumstances are identified that indicate that the carrying value of the investment is no longer recoverable an impairment review is undertaken to assess the recoverable amount. Where the review does not support the carrying value any shortfall is recognised in the statement of profit or loss.

Stock
Stock is stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

The Company uses the weighted average cost method. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale. Any write-downs are reversed in future periods if the reason for the write-down should cease to occur.

The Company classifies stock as follows:

- Raw material
- Work in progress
- Finished goods

Work in progress is recognised at production cost using the weighted average cost, excluding financial charges and general overheads.

Contract assets and liabilities
Contract assets and liabilities are recognised on the basis of progress (or percentage of completion), whereby costs, revenue and hence contract margins are recognised based on the progress of the contract. The stage of completion is the ratio between costs incurred at the measurement date and the total expected costs for the programme. The valuations reflect the best estimate prepared at the reporting date. The assumptions upon which the valuations are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.

In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable.
Contract assets are recorded net of any write-downs and customer progress billings and payments related to the contract being performed and included within current assets.

Progress payments in excess of costs incurred are recorded as a liability under contract liabilities within creditors: amounts falling due within one year.

2 Significant accounting policies (continued)

Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTPL or Fair Value Through Other Comprehensive Income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value, calculated using available indicative market data and analytical methods to interpolate market data between benchmark dates.

The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the cash flow hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the profit and loss account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are expected within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Share capital and share premium

Share capital consists of the capital subscribed and paid up by the Company.

Where the fair value of consideration received for the shares issued exceeds their nominal value the excess is treated as share premium.

2 Significant accounting policies (continued)

Taxation
The charge for taxation is based on the profit for the year and comprises current and deferred income tax. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement or other comprehensive income. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for (a) if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or (b) in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets and liabilities are measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company participates in the Leonardo Electronics Pension Scheme and the Leonardo Helicopters Pension Scheme. These are defined benefit schemes which cover both benefits in retirement and death benefits to members. This requires contributions to be made to separately administered funds.

Employee benefit costs

Defined benefit plans
The Company participates in the Leonardo Electronics Pension Scheme and the Leonardo Helicopters Pension Scheme. These are defined benefit schemes which cover both benefits in retirement and death benefits to members. This requires contributions to be made to separately administered funds.

Full actuarial valuations of the Company's defined benefit schemes are carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 December each year by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a high-quality corporate bond of equivalent currency and term. The post-retirement benefit surplus or deficit is included on the Company's balance sheet. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The current service cost and any past service costs are included in the profit and loss account within cost of sales and administrative expenses and the expected return on the schemes' assets, net of interest on scheme liabilities, is included within other interest receivable and similar income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of other comprehensive income.

Defined contribution plans
The Company also has defined contribution plans which are post-employment benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2 Significant accounting policies (continued)

Share-based payment transactions
Leonardo SpA operates long term investment performance share plans for senior management of Leonardo SpA and its subsidiaries. Share plans are measured at fair value at the date of the award and this value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions on the number of equity instruments that will ultimately vest. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in profit or loss. A corresponding entry is made to equity. Amounts recharged by the parent company in relation to settled equity share based payments are debited to equity with a corresponding credit to amounts due to group undertakings.

Provisions for liabilities and charges
Provisions for liabilities and charges are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions mainly comprise the cost of maintenance under guarantees and other work in respect of products delivered, losses on contract work in progress, and provisions for reorganisations and rationalisation.

Leasing
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly. If the supplier has a substantive substitution right then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of tangible assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

2 Significant accounting policies (continued)

Leasing (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property separately within fixed assets and lease liabilities within financial liabilities.

Short term leases and leases of low-value assets.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Significant accounting policies (continued)

Revenue recognition
Revenue is measured based on the consideration specified in the contract with the customer and recognised as the Company performs its contracts and transfers control of the goods or services to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the contract, the Company considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

Revenue is recognised at a point in time or over time for the performance obligations identified within each contract at the commencement of the contract. Where components are generic and required for a contract, revenue is only recognised when control is transferred to the customer and the components identified to a specific customer customised contract.

Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception, then reviewed as required and constrained until it is highly probable that a significant revenue reversal in the cumulative revenue recognised will not occur.

Significant financing component
The Company receives advances from its customers. The Company using both quantitative and qualitative information considers whether if at contract inception a contract contains a significant financing component. Where this is the case, the transaction price is adjusted to take into consideration the significant financing component.

Warranties
Warranties that provide customers with a service, in addition to assurance that the product complies with agreed specification, are accounted for as separate performance obligations. Assurance warranties that do not provide an additional service are accounted for as part of the main supply and the costs of the warranty are recognised when the warranty period begins.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional. Only the passage of time is required before payment of the consideration is due.

2 Significant accounting policies (continued)

Revenue recognition (continued)

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due. Contract liabilities are recognised as revenue when the Company performs under the contract.

Sale of production and other goods
Revenue is recognised when the Company transfers control over a product to the customer.

Revenue for the sale of a series of goods or specific customised products is recognised over time. Revenue on these contracts is recognised on the percentage of completion method based on the cost to cost approach.

Rendering of services
Revenue from the rendering of services is recognised over time. The assessment of the stage of completion is dependent on the nature of the contract but can be based on the cost to cost basis, or the actual service provided as a proportion of the total services to be provided on the contract.

Interest receivable and payable
Interest is recognised on an accruals basis using the effective interest rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions etc.) that make up a given operation.

Dividends
Dividends are recognised when shareholders obtain the right to receive payment. For interim dividends this is when the Board of directors approve the payment of the interim dividend. For final dividends this is when the shareholders' meeting approves the distribution of dividends.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provisions for risks and estimates of final costs of long-term contracts and warranties
The Company operates in sectors and with contractual arrangements that are especially complex. Margins recognised in profit and loss are a function of both the progress on the contracts and the margins that are expected to be recognised for the completed contract. Accordingly, recognition of contract assets and liabilities and margins on contracts that have not yet been completed requires management to make estimates of the final costs and revenues on each contract including any extra costs, variable revenue and penalties that could reduce the expected margin. In order to support this activity, the Company uses contract management and risk analysis processes to identify, monitor and quantify the risks associated with such contracts. The amounts recognised in the financial statements represent management's best estimate at the reporting date using these procedures.

Retirement benefits valuation
The costs, assets and liabilities of the defined benefit pension schemes operating within the Company are determined using methods relying on actuarial estimates and other assumptions. Details of the key assumptions are set out in note 22.

The Company takes advice from independent actuaries relating to the appropriateness of the assumptions. However, comparatively small changes in the assumptions used may have a significant effect on the Company's financial statements. For the sensitivity on the results of the key assumptions see note 22.

Recent economic circumstances and volatility in financial markets has caused the valuation of pension assets to become subject to a greater degree of uncertainty. In particular there is a much less active market in certain asset classes (such as corporate bonds, property and unquoted private equity investments). The fair value of the pension assets is determined based on valuations obtained from third parties and employ a variety of methods. Where available this will typically be the market price at the balance sheet date. However, for certain asset types other valuation methods are used including net asset valuation which involves a higher degree of estimation and subjectivity.

Goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and determine a suitable discount rate in order to calculate the present value of the goodwill. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Development costs
Intangible assets include non-recurring development costs incurred for design activities and prototype development for potential customers when generation of future economic benefits can be demonstrated and where costs can be reliably measured. Management is required to make estimates in relation to the capability of the relevant projects to generate future economic benefits as part of impairment testing of the carrying value of development assets. These assessments are made by reference to the cash flow forecasts and business plans for each relevant project and are subject to ongoing reassessment.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Right of use assets
Right of use assets are recognised as required by IFRS 16. The value attributed to each right of use asset is calculated by reference to relevant assumptions regarding the expected future costs of continuing to occupy specific leased sites. It is assumed that current levels of site occupation, duration and the costs of carrying out projected dilapidations work prior to handing leased properties back to the landlord on lease termination will be in line with current estimates. It is assumed that the current interest rate assumptions will continue to apply. A significant change in projected outcomes versus the assumptions currently made might require a revised value for the right of use assets to be recognised.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2023 £ 000	2022 £ 000
Sale of goods	983,655	964,945
Rendering of services	1,272,829	1,144,080
	2,256,484	2,109,025

The analysis of the Company's turnover for the year is as follows:

By geographical market:	2023 £ 000	2022 £ 000
United Kingdom	1,406,097	1,300,653
Rest of Europe	469,524	467,447
USA and Canada	217,572	212,782
Rest of World	163,291	128,143
	2,256,484	2,109,025

By Division	2023 £ 000	2022 £ 000
Electronics	1,421,777	1,298,562
Helicopters	834,707	810,463
	2,256,484	2,109,025

The Company is engaged in the design, development, manufacture and support of electronic information solutions for defence and aerospace markets and high integrity surveillance networks to provide management information for security and mission essential services. The Company also provides design, development, manufacture and support to the Helicopter domain.

4 Turnover (continued)

Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Note	2023 £ 000	2022 £ 000
Trade debtors	18	173,322	216,309
Amounts owed by group undertakings	18	121,878	90,112
Contract assets	18	377,015	317,786
Contract liabilities	19	(780,477)	(693,222)

The contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date on contracts being recognised over time where control has transferred to the customer. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers on long term contracts for work to be completed.

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £498,824,000 (2022: £508,503,000).

5 Operating profit

Arrived at after charging/(crediting):

	2023 £ 000	2022 £ 000
Depreciation expense	28,306	27,699
Depreciation on right of use assets	14,387	13,795
Amortisation expense	11,902	11,444
Amortisation of investment property	65	65
Research and development costs	501,148	452,680
Research and development tax credits	(35,311)	(21,349)
Loss on disposal of fixed assets	11	58

6 Auditor's remuneration

	2023 £ 000	2022 £ 000
Audit of the financial statements	981	957

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Management	1,153	1,055
Production	932	962
Technical/admin	5,691	5,435
	7,776	7,452

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	443,733	405,718
Share based payments (note: 24)	501	348
Social security costs	48,716	45,747
Contributions to defined contribution scheme	30,661	24,579
Pension costs, defined benefit scheme	30,765	60,400
	554,376	536,792

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Directors’ remuneration	2,034	4,739
Amounts receivable under long term incentive schemes – cash	52	217
	2,086	4,956

The remuneration of the highest paid director was £730,000 (2022: £3,031,000). The highest paid director received no shares under long term incentive schemes.

Three of the directors serving during the year were employees of another Leonardo Group company (2022: three). They did not receive any remuneration for their service as a director of the Company for the period (2022: £nil). Two directors were members of the Company defined benefit pension schemes (2022: three). No directors received shares under long term incentive schemes (2022: no directors).

9 Interest receivable and similar income

	2023 £ 000	2022 £ 000
Interest income on short term loans	29,206	8,068
Foreign exchange gain	607	2,590
Net interest on defined benefit plan assets (note: 22)	10,107	10,000
Dividend received from subsidiary	720	-
Interest from lease	6	-
	40,646	20,658

Interest income on short term loans includes income from group undertakings of £28,013,000 (2022: £7,826,000).

10 Interest payable and similar expenses

	2023 £ 000	2022 £ 000
Finance fees to parent	1,142	11
Ineffective portion of cash flow hedges	9,016	553
Interest on leases (note: 25)	5,989	4,218
	16,147	4,782

Interest on leases includes interest payable to group undertakings of £719,000 (2022: £1,668,000).

11 Tax on profit

Tax charged in the profit and loss account

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	31,324	30,418
UK corporation tax adjustment to prior periods	908	(5,160)
	32,232	25,258
Foreign tax	311	236
Foreign tax adjustment to prior periods	75	19
	386	255
Total current income tax	32,618	25,513
Deferred taxation		
Arising from origination and reversal of temporary differences	12,402	2,046
Deferred tax adjustments for prior periods	(1,708)	(490)
Total deferred taxation	10,694	1,556
Tax expense in the profit and loss account	43,312	27,069

The tax credit on the defined benefit pension scheme included in other comprehensive income was £15,010,000 (2022: £71,728,000).

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 23.5% (2022: 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	212,064	198,236
Corporation tax at standard UK tax rate	49,836	37,665
Effect of tax rates in foreign jurisdictions	312	21
Increase in tax rate on deferred tax balances	830	385
Non-deductible expenses	1,122	(566)
Patent box deduction	(6,807)	(4,483)
Adjustments in respect of prior periods	(1,640)	(5,631)
Other	(341)	(322)
Total tax charge	43,312	27,069

12 Intangible assets

	Goodwill £ 000	Capitalised development costs £ 000	Software and other intangibles £ 000	Total £ 000
Cost				
At 1 January 2023	1,238,033	272,022	43,623	1,553,678
Additions	-	30,132	14,519	44,651
Disposals	-	(2,209)	(595)	(2,804)
At 31 December 2023	1,238,033	299,945	57,547	1,595,525
Amortisation				
At 1 January 2023	72,338	92,768	24,280	189,386
Amortisation charge	-	9,737	2,165	11,902
Disposals	-	(2,209)	(595)	(2,804)
At 31 December 2023	72,338	100,296	25,850	198,484
Carrying amount				
At 31 December 2023	1,165,695	199,649	31,697	1,397,041
At 31 December 2022	1,165,695	179,254	19,343	1,364,292

Impairment testing

Goodwill has been allocated to cash generating units as follows:

	2023 £ 000	2022 £ 000
Electronics	286,634	286,634
Helicopters	879,061	879,061
	1,165,695	1,165,695

The recoverable amount of the cash generating unit has been calculated with reference to its value in use.

Value in use was determined by discounting the future cash flows generated by the cash generating unit using a pre-tax discount rate. Cash flows are projected using the Company's approved business plan. Cash flows after the five year business plan period were extrapolated using long term growth rates in order to calculate the terminal recoverable amounts. A specifically calculated weighted average cost of capital (discount rate) is used for each cash generating unit.

12 Intangible assets (continued)

The key assumptions of this calculation are shown below:

	2023	**2022**
Growth rate applied beyond approved forecast period	2.0%	2.0%
Pre-tax discount rate – Electronics	10.3%	9.3%
Pre-tax discount rate – Helicopters	12.4%	10.2%

Management performed a sensitivity analysis by varying the key assumptions in determining if any impairment is required.

Increasing the Helicopters discount rate by 1.0% (2022: 1.8%) would result in an impairment.

Reducing the cash flow forecasts for Helicopters by 14% (2022: 20%) would also result in an impairment.

No sensitivities are disclosed for the Electronics CGU as no reasonably possible change in the assumptions could lead to an impairment.

13 Tangible assets

	Freehold land and buildings £ 000	**Leasehold land and buildings £ 000**	**Plant and equipment £ 000**	**Total £ 000**
Cost				
At 1 January 2023	66,020	12,100	493,775	571,895
Additions	176	672	49,513	50,361
Disposals	(3,364)	-	(6,754)	(10,118)
At 31 December 2023	62,832	12,772	536,534	612,138
Depreciation				
At 1 January 2023	13,780	4,501	377,836	396,117
Charge for the year	3,090	607	24,609	28,306
Eliminated on disposal	(2,864)	-	(6,754)	(9,618)
At 31 December 2023	14,006	5,108	395,691	414,805
Carrying amount				
At 31 December 2023	48,826	7,664	140,852	197,333
At 31 December 2022	52,240	7,599	115,939	175,778

Non-depreciating assets (assets in the course of construction) of £54,169,000 (2022: £28,337,000) are included within leasehold land and buildings and plant and equipment above and are not being depreciated.

14 Right of use assets

	Leasehold and buildings £ 000	Property and equipment £ 000	Total £ 000
Cost			
At 1 January 2023	142,948	10,823	153,771
Additions	35,861	845	36,706
At 31 December 2023	178,809	11,668	190,477
Depreciation			
At 1 January 2023	50,821	8,869	59,690
Charge for the year	13,341	1,046	14,387
At 31 December 2023	64,162	9,915	74,077
Carrying amount			
At 31 December 2023	114,647	1,753	116,400
At 31 December 2022	92,127	1,954	94,081

15 Investment property

	2023 £ 000	2022 £ 000
Cost		
At 1 January	3,381	3,381
At 31 December	3,381	3,381
Amortisation		
At 1 January	389	324
Amortisation charge	65	65
At 31 December	454	389
Carrying amount		
At 31 December	2,927	2,992

The carrying value of the investment property represents a let commercial property, and the fair value are not considered to be materially different. The rental income in the year associated with this property was £512,000 (2022: £512,000).

16 Investments

Subsidiaries	**2023** **£ 000**
Cost	
At 1 January 2023	304,880
At 31 December 2023	304,880
Provision	
At 1 January 2023	432
At 31 December 2023	432
Carrying amount	
At 31 December 2023	304,448
At 31 December 2022	304,448

The directors believe that the carrying value of the investments is supported by their underlying net assets.

As at 31 December 2023, ordinary shares in group companies held by the Company were:

			Ownership	
Entity	**Registered office address**	**Class of shares held**	**2023**	**2022**
Leonardo Electronics US Inc	Suite 704, 201 12th Street South, Arlington, Virginia 22202	Ordinary	100%	100%
Tactical Technologies Inc	STE 200, 2685 Queensview Drive, Ottawa, Ontario K2B 8K2	Ordinary	100%	100%
Leonardo Saudi Arabia	PO Box 9743, Riyadh 11423	Ordinary	100%	100%
Leonardo Limited	Lysander Road, Yeovil, Somerset BA20 2YB	Ordinary	100%	100%
Leonardo MW Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
SELEX Elsag Limited	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%

16 Investments (continued)

Entity	Registered office address	Class of shares held	Ownership 2023	Ownership 2022
Selex ES (Projects) Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
Leonardo Electronics Pension Scheme (Trustee) Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
Leonardo Helicopters Pension Scheme (Trustee) Ltd	Lysander Road, Yeovil, Somerset, BA20 2XB	Ordinary	100%	100%
AgustaWestland Limited	Lysander Road, Yeovil, Somerset, BA20 2YB	Ordinary	100%	100%
DRS Technologies UK Limited	Silvertree Coxbridge Business Park, Alton Road, Farnham, Surrey, GU10 5EH	Ordinary	100%	100%
Leonardo FuturePlanner (Trustee) Ltd	Lysander Road, Yeovil, Somerset, BA20 2XB	Ordinary	100%	100%

17 Stock

	2023 £ 000	2022 £ 000
Raw materials and consumables	175,000	225,034
Work in progress	135,736	115,068
Finished goods	108,911	93,684
	419,647	433,786

18 Debtors

	2023 £ 000	2022 £ 000
Trade debtors	173,322	216,309
Contract assets	377,015	317,786
Amounts owed by parent undertaking	725,652	960,902
Amounts owed by subsidiaries	12,923	12,649
Amounts owed by other group undertakings	59,147	17,789
Derivative financial instruments	16,509	10,851
Current tax debtor	16,429	13,464
Other debtors	61,469	42,650
Prepayments	68,187	8,787
	1,510,653	1,601,187

Amounts owed by parent undertaking include a cash pooling amount of £660,510,000 which is placed on deposit on the Company's behalf for up to four months. Interest on these amounts owed are at variable rates based on SONIA. The average rate for the year was 4.36% (2022: 1.24%) on sterling dominated amounts.

Amounts owed by group undertakings include a loan facility to Leonardo Electronics US Inc of USD 15,000,000 (£11,797,000) for short term funds of which USD 6,500,000 (£5,112,000) was utilised at the year end. The Company also holds a guarantee on behalf of Leonardo US Inc. of £55,053,000 (2022: £58,200,000).

19 Creditors

	2023 £ 000	2022 £ 000
Creditors: amounts falling due within one year		
Trade creditors	141,186	176,013
Contracts liabilities	780,477	693,222
Amounts owed to parent undertaking	190,942	164,113
Amounts owed to subsidiaries	315,093	316,288
Amounts owed to other group undertakings	12,555	13,189
Derivative financial liabilities	6,890	18,125
Social security and other taxes	43,582	36,742
Lease liabilities (note: 25)	12,486	12,003
Accruals and deferred income	172,278	86,194
	1,675,489	1,515,889

19 Creditors (continued)

	2023 £ 000	2022 £ 000
Creditors: amounts falling due after one year		
Other creditors	2,860	3,610
Derivative financial liabilities	9,841	7,530
Lease liabilities (note: 25)	123,467	98,397
	136,168	109,537

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Derivative financial liabilities are recognised at fair value. Creditors and lease liabilities are measured at amortised cost using the effective interest rate method. The fair value is not materially different to the book value.

Accruals and deferred income include £32,412,000 in respect of government grants (2022: £35,873,000).

20 Deferred tax

Deferred tax is calculated on temporary differences under the liability method.

The movement in deferred tax is as shown below:

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Tangible fixed assets		-	12,827	7,559	12,827	7,559
Intangible assets		-	19,561	18,265	19,561	18,265
Financial (assets)/liabilities	(892)	(1,647)	79	-	(813)	(1,647)
Employee benefits	(380)	(410)	36,820	47,583	36,440	47,173
Share-based payments	(171)	(97)	-	-	(171)	(97)
Provisions	(1,154)	(1,080)	-	-	(1,154)	(1,080)
Tax (assets)/liabilities	(2,597)	(3,234)	69,287	73,407	66,690	70,173

20 Deferred tax (continued)

Movement in deferred tax during the current year

	1 January 2023 £000	Recognised in income £000	Recognised in equity £000	31 December 2023 £000
Tangible fixed assets	7,559	5,268	-	12,827
Intangible assets	18,265	1,296	-	19,561
Financial assets	(1,647)	-	834	(813)
Employee benefits	47,173	4,277	(15,010)	36,440
Share-based payments	(97)	(74)	-	(171)
Provisions	(1,080)	(74)	-	(1,154)
Deferred tax liabilities	70,173	10,693	(14,176)	66,690

In the UK FY21 Spring Budget on 3 March 2022, it was announced that the main rate of UK Corporation Tax would rise from 19% to 25% from 1 April 2023.

21 Provisions

	Restructuring £ 000	Contract losses £ 000	Warranty £ 000	Other £ 000	Total £ 000
Balance at 1 January 2023	452	90,547	9,650	4,131	104,780
Provisions used during the year	(3)	(59,612)	(4,952)	(19)	(64,586)
Provisions made during the year	21	57,100	7,672	23,179	87,972
Provisions reversed during the year	-	(8,365)	(3,105)	(2)	(11,472)
Balance at 31 December 2023	470	79,670	9,265	27,289	116,694
Amounts falling due within one year	470	14,914	9,051	27,289	51,724
Amounts falling due after one year	-	64,756	214	-	64,970

21 Provisions (continued)

A provision for restructuring is recognised when the Company has approved a formal restructuring plan and the restructuring has either commenced or has been publicly announced. The costs associated with the reorganisation programmes include staff costs, dilapidations and property expenses and are supported by detailed plans and based on previous experience as well as other known factors. Future operating costs are not provided for. Reorganisation costs are expected to be incurred within one year.

Contract provisions are made to cover losses on onerous contracts and are expected to be utilised within five years.

Warranty provisions mainly comprise the expected cost of repair or replacement under warranties in respect of products delivered. The warranty provision represents management's best estimate of the Company's liability under warranties based on past experience.

The associated cash outflows are generally expected to occur over the life of the products and contracts which are long-term in nature, varying between one and five years.

Other provisions include other liabilities on contracts and to third parties. Management has reflected current knowledge in assessing the provision levels.

Whilst actual events could result in potentially significant differences to the quantum but not the timing of the outflows in relation to the provisions, management has reflected current knowledge in assessing the provision levels.

22 Retirement benefit liability

The Company operates two defined benefit schemes in the UK (the Leonardo Electronics Pension Scheme and the Leonardo Helicopters Pension Scheme) which provide both pensions in retirement and death benefits to members. The pension benefits are related to the members' earnings over their career and their length of service.

	2023 £ 000	2022 £ 000
Retirement benefit asset – Leonardo Electronics Pension Scheme	83,607	109,300
Retirement benefit asset – Leonardo Helicopters Pension Scheme	63,600	81,000
Total retirement benefit asset	147,207	190,300
Retirement medical benefit liability – Leonardo Helicopters Pension Scheme	(1,518)	(1,639)
Total retirement benefit liability	(1,518)	(1,639)

Leonardo Electronics Pension Scheme

The Electronics Scheme provides pensions in retirement and death benefits to members. Up until 5 April 2016, pension benefits were linked to a member's final salary at retirement and their length of service. Benefits accrued from 6 April 2016 are based on a member's salary over their working lifetime and their length of service.

The Electronics Scheme is a registered scheme under UK legislation and its Main Section was contracted out of the State Second Pension prior to the abolition of contracting out in 2016.

The Electronics Scheme is subject to the scheme funding requirements outlined in UK legislation. The last Electronics Scheme funding valuation was carried out by a qualified actuary as at 5 April 2023 and showed an actuarial surplus of £50,300,000.

22 Retirement benefit liability (continued)

Leonardo Electronics Pension Scheme (continued)

The Electronics Scheme was established on 24 March 2005 under trust and is governed by its trust deed and rules dated 31 March 2016. The trustees are responsible for the operation and the governance of the Electronics Scheme, including making decisions regarding the funding and investment strategy in conjunction with the Company.

Under Clause 24.6 of the Electronics Scheme's trust deed and rules the Company has an unconditional right to a refund of any surplus in the scheme if the scheme winds up.

Since 27 April 2009, the Electronics Scheme has been closed to new members. The Electronics Scheme is administered by a separate board of trustees which is legally separate from the Company. The trustees are composed of representatives of both the employer and employees, plus an external trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets, plus the day to day administration of the benefits.

A full actuarial valuation of the Electronics Scheme was carried out as at 5 April 2023 and updated to 31 December 2023 by a qualified independent actuary.

The Electronics Scheme will close to future accrual from 5 April 2024.

Leonardo Helicopters Pension Scheme

The Helicopters Scheme provides pensions in retirement and death benefits to members. Up until 5 April 2011, pension benefits were linked to a member's final salary at retirement and their length of service. Benefits accrued from 6 April 2011 are based on a member's salary over their working lifetime and their length of service.

The Helicopters Scheme is a registered scheme under UK legislation and was contracted out of the State Second Pension prior to the abolition of contracting out in 2016.

The Helicopters Scheme is subject to the scheme funding requirements outlined in UK legislation. The last funding valuation of the scheme was carried out by a qualified actuary as at 5 April 2023 and showed no actuarial deficit or surplus. The next funding valuation is due as at 5 April 2026. A deficit contribution of £4,300,000 was paid by the Company during the year ending on 31 December 2023 in respect of deficit identified at the prior actuarial valuation as at 5 April 2020.

The Helicopters Scheme was established on 11 June 2002 under trust and is governed by its trust deed and rules dated 1 October 2010. The trustees are responsible for the operation and the governance of the Helicopters Scheme, including making decisions regarding the funding and investment strategy in conjunction with the Company.

Under Clause 26.6 of the Helicopters Scheme's trust deed and rules the Company has an unconditional right to a refund of any surplus in the scheme if the scheme winds up.

The Helicopters Scheme was acquired on 1 January 2017 as part of the purchase of trade and assets of AgustaWestland Limited.

The Helicopters Scheme has been closed to new members since 1 October 2007. The Helicopters Scheme is administered by a separate board of trustees which is legally separate from the Company. The trustees are composed of representatives of both the employer and employees, plus an external trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets, plus the day to day administration of the benefits.

A full actuarial valuation of the Helicopters Scheme was carried out as at 5 April 2023 and updated to 31 December 2023 by a qualified independent actuary.

The Helicopters Scheme will close to future accrual from 5 April 2024.

22 Retirement benefit liability (continued)

The major assumptions used by the actuary were (in nominal terms) as follows:

	2023 Electronics Scheme	2023 Helicopters Scheme	2022 Electronics Scheme	2022 Helicopters Scheme
Discount rate	4.50%	4.55%	4.75%	4.75%
Inflation assumption (RPI)	3.00%	3.05%	3.20%	3.20%
Inflation assumption (CPI)	2.50%	2.45%	2.65%	2.65%
Rate of general long-term increase in salaries	3.65%	3.45%	3.65%	3.20%
In-service career salary revaluation	3.50%	2.40%	3.65%	2.55%
Rate of increase to pensions in payment (post April 2006)	2.00%	-	2.05%	-
Rate of increase to pensions in payment (pre April 2006)	2.85%	-	2.95%	-
Rate of increase to pensions in payment (post April 2005)	-	2.00%	-	2.05%
Rate of increase to pensions in payment (pre April 2005)	-	2.90%	-	2.95%

Assumed life expectancies at age 65 are (years):

	2023 Electronics Scheme	2023 Helicopters Scheme	2022 Electronics Scheme	2022 Helicopters Scheme
Retiring today – Males	21.6	21.1	22.7	22.5
Retiring today – Females	23.8	23.5	25.0	24.3
Retiring in 20 years' time – Males	22.9	22.4	24.0	23.8
Retiring in 20 years' time – Females	25.2	24.7	26.4	25.8

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Present value of funded obligations	(660,593)	(1,118,800)	(619,400)	(1,080,700)
Fair value of scheme assets	744,200	1,182,400	728,700	1,161,700
Surplus in funded scheme	83,607	63,600	109,300	81,000

22 Retirement benefit liability (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Fair value of scheme assets at beginning of year	728,700	1,161,700	1,284,500	1,927,100
Interest income on scheme assets	34,507	54,800	25,000	37,400
Return on assets, excluding interest income	(16,059)	900	(580,900)	(770,400)
Contributions by employer	12,797	24,727	13,312	23,500
Contributions by scheme participants	7,500	-	7,900	-
Benefits paid	(22,007)	(57,500)	(20,012)	(53,000)
Scheme administration expenses	(1,238)	(2,227)	(1,100)	(2,900)
Fair value of scheme assets at end of the year	744,200	1,182,400	728,700	1,161,700

The assets in the scheme were:

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Cash and cash equivalents	110,600	69,300	143,900	99,200
Derivatives	34,400	(20,700)	4,100	(59,900)
Infrastructure	-	-	-	200
UK equities	800	4,100	-	1,500
Overseas equity	34,500	154,600	28,700	96,200
Private equities	-	4,400	28,700	3,800
Hedge funds	8,000	18,400	-	100,600
Fixed interest gilts	262,900	295,400	236,900	386,200
Index linked gilts	144,000	435,700	157,400	375,500
Corporate bonds	149,000	221,200	129,000	158,400
Fair value of scheme assets at end of the year	744,200	1,182,400	728,700	1,161,700
The actual return on assets over the period was:	18,300	55,700	(555,900)	(733,000)

22 Retirement benefit liability (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Benefit obligation at beginning of year	619,400	1,080,700	982,900	1,737,900
Current service cost	15,800	12,100	33,600	23,400
Past service cost	-	(600)	-	(600)
Interest cost	29,100	50,100	19,000	33,400
Contributions by scheme participants	7,500	-	7,900	-
Re-measurement losses/(gains) – financial	17,700	17,000	(431,100)	(712,400)
Re-measurement gains - demographic	(31,700)	(29,400)	(200)	(300)
Re-measurement losses - experience	24,800	46,400	27,312	52,300
Benefits paid	(22,007)	(57,500)	(20,012)	(53,000)
Benefit obligation at end of the year	660,593	1,118,800	619,400	1,080,700

The amounts recognised in profit and loss are:

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Current service cost	15,800	12,100	33,600	23,400
Past service cost	-	(600)	-	(600)
Service cost – administrative cost	1,238	2,227	1,100	2,900
Net interest on the net defined benefit asset	(5,407)	(4,700)	(6,000)	(4,000)
Total expense recognised in profit and loss	11,631	9,027	28,700	21,700

Re-measurements of the net defined benefit assets recognised in OCI:

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Re-measurement – financial	17,700	17,000	(431,100)	(712,400)
Re-measurement – demographic	(31,700)	(29,400)	(200)	(300)
Re-measurement – experience	24,800	46,400	27,312	52,300
Return on assets, excluding interest income	16,059	(900)	580,900	770,400
Total re-measurement of net defined benefit assets recognised in OCI	26,859	33,100	176,912	110,000

22 Retirement benefit liability (continued)

Information about the risks of the schemes to the Company

The ultimate cost of the schemes to the Company will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the scheme may be higher (or lower) than disclosed.

In general, the risk to the Company is that the assumptions underlying the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a lower surplus or a deficit disclosed. This may also impact the Company's ability to grant discretionary benefits or other enhancements to members.

More specifically, the assumptions not being borne out in practice could include:

i. The return on the schemes' assets being lower than assumed, resulting in an unaffordable increase in the required Company contributions.

ii. Falls in asset values not being matched by similar falls in the value of liabilities.

iii. Unanticipated future changes in mortality patterns leading to an increase in the scheme's liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind that the youngest scheme members could be expected to still be alive in 60 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time.

iv. The potential exercise (by members or others) of options against the scheme for example taking early retirement or exchanging a portion of pension for a cash lump sum.

The Company may also wish to consider the risk that the assumptions underlying the disclosures are not borne out in practice and the cost to the Company is lower than expected. This could lead to a surplus in the scheme which is not recoverable by the Company in full.

Under the UK Pensions Act and Regulation requirements, a court case outcome on 16 June 2023 and subsequent appeal dismissal on 25 July 2024 involving Virgin Media has revealed potential challenges with other previously contracted-out defined benefit schemes in the UK. This development may cast doubt on the validity of scheme changes made between 1997 and 2013, where those changes were not accompanied by appropriate actuarial certificates.

The two Leonardo UK schemes, Leonardo Electronics Pension Scheme and Leonardo Helicopters Pension Scheme, were contracted out during this period and made amendments impacting members benefits. Until completion of a full analysis of the scheme changes undertaken during this period the Company is unable to determine whether there is any impact or if this could be reliably estimated.

The schemes' investment strategies

Leonardo Electronics Pension Scheme

The Electronics Scheme's investment strategy is currently to invest broadly 18% in return seeking assets, 20% in cash flow matching credit assets and 62% in liability matching assets (mainly government bonds and swaps). This strategy reflects the scheme's liability profile and the trustees' and Company's attitude to risk. The scheme's investments include interest rate and inflation hedging.

The trustees insure certain benefits which are payable on death before retirement.

Leonardo Helicopters Pension Scheme

The Helicopters Scheme's investment strategy is currently to invest broadly 45% in return seeking assets, 10% in cash flow matching credit assets and 45% in liability matching assets (mainly government bonds and swaps). This strategy reflects the scheme's liability profile and the trustees' and Company's attitude to risk. The scheme's investments include interest rate and inflation hedging.

The trustees insure certain benefits which are payable on death before retirement.

22 Retirement benefit liability (continued)

Sensitivity analysis

Please note that the results in the disclosures are inherently volatile, particularly the figures shown on the balance sheet. The results disclosures are dependent on the assumptions chosen by the directors. We have performed the following sensitivity analysis to highlight the volatility of the balance sheet position to changes in the actuarial assumptions used:

The table below shows the changes in the present value of the retirement benefit asset when increasing the following assumptions by 0.25% per annum.

	2023 Electronics Scheme £ 000	2023 Helicopters Scheme £ 000	2022 Electronics Scheme £ 000	2022 Helicopters Scheme £ 000
Current retirement benefit asset	83,600	63,600	109,300	81,000
Discount rate	109,700	97,100	134,900	122,800
Inflation *	69,500	37,600	94,200	50,100

* with corresponding adjustments to the salary escalation and pension increase assumptions where applicable.

Expected future cash flows to and from the scheme

Leonardo Electronics Pension Scheme
The latest funding valuation of the Electronics Scheme was carried out by a qualified actuary as 5 April 2023 and revealed that the Scheme is in surplus, therefore the Company pays contributions into the Electronics Scheme in respect of future service and administration expenses only, in line with the Schedule of Contributions dated 5 December 2023.

The Company will continue to pay contributions of 14.4% of pensionable salaries in respect of current accrual until the Electronics Scheme closure date of 5 April 2024, with active members paying a further 7.5% of pensionable salaries. The next funding valuation is due no later than 5 April 2026, at which the funding position will be reviewed.

The liabilities include benefits for current employees, former employees and current pensioners. Broadly, about 58% of the liabilities are attributable to current employees, 12% to deferred pensioners and 30% to current pensioners.

Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Electronics Scheme as a whole, the duration is approximately 17 years.

Leonardo Helicopters Pension Scheme
The latest funding valuation of the Helicopters Scheme was carried out by a qualified actuary as 5 April 2023 and revealed that the Scheme is in surplus, therefore the Company pays contributions into the Helicopters Scheme in respect of future service and administration expenses only, in line with the Schedule of Contributions dated 7 December 2023.

The Company will continue to pay contributions of 18.8% of pensionable salaries in respect of current accrual until the Helicopters Scheme closure date of 5 April 2024, with active members paying a further proportion of pensionable salaries. This proportion varies among different membership categories. The next funding valuation is due no later than 5 April 2026, at which the funding position will be reviewed.

22 Retirement benefit liability (continued)

Expected future cash flows to and from the scheme (continued)
The liabilities include benefits for current employees, former employees and current pensioners. Broadly, about 30% of the liabilities are attributable to current employees, 14% to deferred pensioners and 56% to current pensioners.

Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Helicopters Scheme as a whole, the duration is approximately 14 years.

Defined contribution scheme
The Company participates in a group defined contribution scheme called Leonardo Future Planner. Contributions by the Company to the defined contribution scheme were £30,661,000 (2022: £24,579,000).

Other post-retirement benefits
Certain employees are entitled to post-retirement benefits other than pensions. The liabilities for post-retirement medical benefits were assessed by qualified independent actuaries using the projected unit method.

The main financial assumptions were that medical costs would increase by 4.45% per annum.

Employee benefits provisions include £1,518,000 (2022: £1,639,000) being the present value of post-retirement medical benefit liabilities. The credit to comprehensive income for the year amounted to £121,000 (2022: £nil).

23 Called-up share capital

Allotted, called-up and fully paid shares

	2023		2022	
	No. 000	**£ 000**	**No. 000**	**£ 000**
314,500,100 ordinary shares of £1 each	314,500	314,500	314,500	314,500

Authorised

	2023		2022	
	No. 000	**£ 000**	**No. 000**	**£ 000**
314,500,100 ordinary shares of £1 each	314,500	314,500	314,500	314,500

Share premium account
The Company has a share premium account of £845,500,000 (2022: 845,500,000).

Cash flow hedging reserve
The hedging reserve of £2,464,000 (2022: (£4,968,000)) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends
An interim dividend of £400,000,000 was paid in June 2023 (2022: £nil). A final dividend in relation to the 2023 financial statements of £26,054,000 was paid on 1 March 2024 (2022: £nil).

24 Share-based payments

Leonardo SpA (parent Company) has long term investment performance share plans as part of its compensation for senior management of Leonardo SpA and its subsidiaries. The current long term incentive plans were approved in May 2018 and May 2022. The plans have a rolling structure of three year cycles commencing in 2018, 2019 and 2020 (plan approved May 2018) and 2021, 2022 and 2023 (plan approved May 2022) with shares being issued after the end of each three year period. The plans commencing in 2020, 2021, 2022 and 2023 are accounted within the financial statements.

The long term investment plans have both market and performance based vesting conditions and are equity settled. The attainment for the plan is measured on a cumulative basis.

The fair value of the shares when they were conditionally awarded, based on the market value of the Leonardo SpA shares at the date of the grant, were between:

- €5.41 and €13.66 per share for the shares on the long term investment plans.

The charge to the profit and loss account in the year was £501,000 (2022: £348,000).

The shares allotted during the year were £nil (2022: £nil).

25 Leases

Non-cancellable lease rentals are payable as follows:

	2023 £000	2022 £000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	18,112	15,813
Two to five years	71,243	49,137
More than five years	121,025	63,538
Total undiscounted lease liabilities at 31 December	210, 380	128,488
Current	12,486	12,003
Non-current	123,467	98,397
Lease liabilities included in the balance sheet at 31 December	135,953	110,400
Interest on lease liabilities	5,989	4,218
Expenses relating to short term leases of low value assets	3,107	2,848
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	17,142	18,562

These figures include payments related to short term leases of low value items.

26 Commitments

Capital commitments and other financial commitments

	2023 £ 000	2022 £ 000
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	18,335	14,018

27 Related party transactions

During the year, the Company entered into transactions with the ultimate parent undertaking, Leonardo SpA, as well as subsidiaries of the ultimate parent undertaking. These transactions were in the normal course of business on an arm's length basis. The aggregate value of these transactions in the year was as follows:

	2023 £ 000	2022 £ 000
With Leonardo SpA:		
Purchases of goods and services	180,181	171,620
Sales of goods and services	173,456	125,736
Interest receivable	26.543	7,667
With subsidiaries:		
Purchases of goods and services	53,755	41,758
Sales of goods and services	12,449	5,258
Interest payable	(719)	(838)
Interest receivable	328	159
Dividend received	720	-
With other group companies:		
Purchases of goods and services	133,645	140,774
Sales of goods and services	78,955	60,787

Advances to suppliers included within contract assets		
Leonardo SpA	23,086	20,038
Subsidiaries	4,632	5,176
	27,718	25,214

27 Related party transactions (continued)

	2023 £ 000	2022 £ 000
Included within progress billings		
Leonardo SpA	1,244	807
Other group undertakings	23,737	15,232
	24,981	16,039

The aggregate amounts due from/to Leonardo SpA and its subsidiaries were:

	2023 £ 000	2022 £ 000
Included within debtors		
Leonardo SpA	725,652	960,902
Subsidiaries	12,923	12,649
Other group undertakings	59,147	17,789
	797,722	991,340

At 31 December 2023, the Company provided £3,892,000 against amounts due from related parties (2022: £2,000,000).

	2023 £ 000	2022 £ 000
Included within creditors		
Leonardo SpA	190,942	164,113
Subsidiaries (including lease liabilities)	333,178	337,810
Other group undertakings	12,555	13,189
	536,675	515,112

	2023 £ 000	2022 £ 000
Advances included within contract liabilities		
Leonardo SpA	4,156	2,876
Subsidiaries	487	3,840
Other group undertakings	49,062	88,658
	53,705	95,374

28 Subsequent events

The board of directors approved a final dividend to the parent company of £26,054,000 on 21 February 2024. The dividend was paid on 1 March 2024 through the transfer of ownership of the investment in Leonardo Electronics US Inc. to the parent company.

The board of directors approved an interim dividend to the parent company of £200,000,000 on 24 July 2024, for payment in August 2024.

29 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of Leonardo SpA which is the ultimate parent company incorporated in Italy.

The largest and smallest groups in which the results of the Company are consolidated is that headed by Leonardo SpA, which is incorporated in Italy. Copies of Leonardo SpA's financial statements may be obtained from Piazza Montegrappa 4, 00195 Rome, Italy.