

Company registration number 02389307 (England and Wales)

RHEINMETALL ELECTRONICS UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

RHEINMETALL ELECTRONICS UK LTD

COMPANY INFORMATION

Directors Mr R W A Streeter
Mr E J Fry
Mr R E Haines
Mr C Martens (Appointed 31 August 2023)
Mr T Mueller
Mr E Parkinson

Secretary Mrs J E Elliott

Company number 02389307

Registered office Unit B The Apex
St. Cross Business Park
Newport
Isle Of Wight
PO30 5XW

Auditor Whitley Stimpson Limited
29-31 Castle Street
High Wycombe
Buckinghamshire
United Kingdom
HP13 6RU

RHEINMETALL ELECTRONICS UK LTD

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RHEINMETALL ELECTRONICS UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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

Principal activities

The principal activity of the company continued to be that of the development, delivery and support of complex, high specification military equipment and design services with the business sections of Mission Systems, Simulation and Training, Ground Based Air Defence and Battlefield Digitalisation primarily into the worldwide defence market, but also into aerospace, security and communications markets.

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr R W A Streeter

Mr E J Fry

Mr R E Haines

Mr C Martens

(Appointed 31 August 2023)

Mr T Mueller

Mr E Parkinson

Mr K Pelzer

(Resigned 8 June 2023)

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Future Developments

The core business of the company will continue as at present with three key product lines, Electronic Warfare, Long Range Surveillance and Vehicle Video. The business will continue to exploit opportunities for growth in the existing market areas with a focus on securing significant business for our Vehicle Video business line. Additionally, the company will now develop in Mission Systems, Simulation and Training, Ground Based Air Defence and Battlefield Digitalisation, exploiting products and technologies from our parent organisation (Rheinmetall Electronic Solutions) for sales in the UK and export markets. The company is recruiting to support this continued growth and the organisational model will be adapted in due course to match the new business activities.

Medium-sized companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the medium-sized companies exemption.

On behalf of the board

Mr R W A Streeter

Director

18 July 2024

RHEINMETALL ELECTRONICS UK LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

RHEINMETALL ELECTRONICS UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHEINMETALL ELECTRONICS UK LTD

Opinion

We have audited the financial statements of Rheinmetall Electronics UK Ltd (the 'company') for the year ended 31 December 2023 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 this 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 our audit:

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

RHEINMETALL ELECTRONICS UK LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RHEINMETALL ELECTRONICS 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 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

As auditors, we are required to report on our assessment of the susceptibility of Rheinmetall Electronics UK Ltd's financial statements to material misstatement. We believe that our tests completed which are not limited to the tests detailed below are sufficient for detecting material misstatement, and therefore any such material misstatement would have been identified. Our approach has been purely substantial and risk-based.

Irregularities include fraud which is also a form of non-compliance with laws and regulations. The tests designed are in line with our responsibilities as auditors which are outlined above.

Fraud is however assumed to be concealed and therefore more difficult to detect, and therefore special attention has been given to transactions with related parties.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

There were no laws or regulations specific to this industry which we believe to be significant to the audit.

RHEINMETALL ELECTRONICS UK LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RHEINMETALL ELECTRONICS UK LTD (CONTINUED)

Audit procedures performed included:

- Discussion amongst the audit team regarding the susceptibility of the client to fraud;
- Consideration of the risk of fraud when documenting and reviewing internal controls and procedures;
- Enquiring of management how they: assess the risk of fraud and identify and respond to the risks of fraud and if they have any knowledge of actual or suspected frauds or non-compliance with laws and regulations;
- Review of how those charged with governance exercise oversight of management's process for identifying and responding to the risk of fraud;
- Substantive testing of revenue, deferred income and debtors;
- Recalculation of warranty provision, substantive procedures, and analytical review;
- Review VAT return entries and perform analytical procedures on VAT balances;
- Substantive testing on fixed assets including having sight of the assets to confirm existence;
- Verification of employees;
- Review of bank reconciliations for evidence of window dressing;
- Enquiry of management, those charged with governance around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Reviewed areas for management override of controls, including testing of journal entries and other adjustments for appropriateness, and evaluated the business rationale for significant transactions outside the normal course of business;
- Reviewing correspondence with HMRC and corroborating balances to the online portal.
- Review legal expenses, and obtain an explanation as to what they relate to, to detect evidence of any legal cases from non-compliance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities is available 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.

19 July 2024

Jonathan Walton BFP FCA FCCA
Senior Statutory Auditor
For and on behalf of Whitley Stimpson Limited
Chartered Accountants
Statutory Auditor
29-31 Castle Street
High Wycombe
Buckinghamshire
United Kingdom
HP13 6RU

RHEINMETALL ELECTRONICS UK LTD

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2022 £
Turnover	3	8,631,170	8,728,933
Cost of sales		(5,953,765)	(5,354,373)
Gross profit		2,677,405	3,374,560
Administrative expenses		(3,103,434)	(2,326,236)
Other operating (expenses)/income		(132,033)	44,161
Operating (loss)/profit	4	(558,062)	1,092,485
Interest payable and similar expenses	7	(299,515)	(94,302)
(Loss)/profit before taxation		(857,577)	998,183
Tax on (loss)/profit	8	166,982	(230,000)
(Loss)/profit for the financial year		(690,595)	768,183
Retained earnings brought forward		2,227,166	1,458,983
Retained earnings carried forward		1,536,571	2,227,166

The profit and loss account has been prepared on the basis that all operations are continuing operations.

RHEINMETALL ELECTRONICS UK LTD

BALANCE SHEET AS AT 31 DECEMBER 2023

			2023		2022
	Notes	£	£	£	£
Fixed assets					
Intangible assets	9		153,295		47,368
Tangible assets	10		625,582		622,914
			<u>778,877</u>		<u>670,282</u>
Current assets					
Stocks	11	7,375,305		3,343,776	
Debtors	12	6,113,824		4,945,346	
Cash at bank and in hand		40,027		1,651	
		<u>13,529,156</u>		<u>8,290,773</u>	
Creditors: amounts falling due within one year	13	<u>(10,953,249)</u>		<u>(4,934,206)</u>	
Net current assets			<u>2,575,907</u>		<u>3,356,567</u>
Total assets less current liabilities			<u>3,354,784</u>		<u>4,026,849</u>
Creditors: amounts falling due after more than one year	14		(98,861)		-
Provisions for liabilities					
Provisions	15	213,569		148,629	
Deferred tax liability	16	-		145,271	
		<u>-</u>	<u>(213,569)</u>	<u>145,271</u>	<u>(293,900)</u>
Net assets			<u>3,042,354</u>		<u>3,732,949</u>
Capital and reserves					
Called up share capital	18		367		367
Share premium account			1,505,416		1,505,416
Profit and loss reserves			1,536,571		2,227,166
			<u>3,042,354</u>		<u>3,732,949</u>
Total equity			<u>3,042,354</u>		<u>3,732,949</u>

These financial statements have been prepared in accordance with the provisions relating to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 18 July 2024 and are signed on its behalf by:

Mr R W A Streeter
Director

Company registration number 02389307 (England and Wales)

RHEINMETALL ELECTRONICS UK LTD

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

1 Accounting policies

Company information

Rheinmetall Electronics UK Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Unit B The Apex, St. Cross Business Park, Newport, Isle Of Wight, PO30 5XW.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, Modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Rheinmetall AG. These consolidated financial statements are available from handelsregister.de.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use it or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expenses as incurred.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Trademarks, patents and licenses	10 - 33% Straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% Straight line
Fixtures and fittings	10 - 25% Straight line
Right of use buildings	15% Straight line
Right of use vehicles	33% Straight line

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Assets under construction are not capitalised until they are complete and ready for use. While under construction, costs are held as part of work in progress and will be transferred to fixed assets once construction is completed.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Following the second triennial review the company has decided to take advantage of early adoption of amended FRS 102 Section 20 rules relating to leases. As such right of use assets (ROU) will be brought onto the balance sheet.

The previous years accounts included leases on the balance sheet in contradiction of FRS 102.

The Triennial review states that no adjustment is required to be made to the comparative period.

The ROU asset for Buildings (£177,029) and ROU asset for Vehicles (£9,577) were included within other creditors.

Depreciation on ROU Vehicles (£6,760) was included within the profit and loss account in travel and subsistence.

Depreciation on ROU Buildings (£88,854) was included within the profit and loss account in rent.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

3	Turnover and other revenue	2023	2022
		£	£
	Turnover analysed by class of business		
	Sales of goods	5,922,520	8,541,112
	Rendering of services	-	179,136
	Royalties	178,073	8,685
	Design	2,530,577	-
		<u>8,631,170</u>	<u>8,728,933</u>
		<u><u>8,631,170</u></u>	<u><u>8,728,933</u></u>
		2023	2022
		£	£
	Turnover analysed by geographical market		
	United Kingdom	3,531,581	2,767,698
	Europe	4,715,981	5,859,291
	Rest of world	383,608	101,944
		<u>8,631,170</u>	<u>8,728,933</u>
		<u><u>8,631,170</u></u>	<u><u>8,728,933</u></u>
		2023	2022
		£	£
	Other revenue		
		596,686	44,161
		<u>596,686</u>	<u>44,161</u>
		<u><u>596,686</u></u>	<u><u>44,161</u></u>
4	Operating (loss)/profit	2023	2022
		£	£
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	66,747	(51,422)
	Hedging instrument losses	132,033	-
	Research and development costs	-	64,753
	Fees payable to the company's auditor for the audit of the company's financial statements	14,000	14,000
	Depreciation of owned tangible fixed assets	190,006	175,026
	Loss on disposal of tangible fixed assets	32,707	-
	Amortisation of intangible assets	86,847	64,761
	Operating lease charges	149,270	135,588
		<u>149,270</u>	<u>135,588</u>
		<u><u>149,270</u></u>	<u><u>135,588</u></u>

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Production staff	5	39
Administrative staff	8	5
Management staff	10	3
Sales Staff	6	5
Operations staff	5	-
Engineering staff	32	-
	<hr/>	<hr/>
Total	66	52
	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	2,917,987	2,198,749
Social security costs	471,698	262,534
Pension costs	437,932	402,484
	<hr/>	<hr/>
	3,827,617	2,863,767
	<hr/> <hr/>	<hr/> <hr/>

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	364,485	288,334
Company pension contributions to defined contribution schemes	79,270	66,622
	<hr/>	<hr/>
	443,755	354,956
	<hr/> <hr/>	<hr/> <hr/>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	153,589	153,270
Company pension contributions to defined contribution schemes	17,323	14,425
	<hr/>	<hr/>

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7	Interest payable and similar expenses	2023	2022
		£	£
	Interest on bank overdrafts and loans	13,488	7,422
	Interest payable to group undertakings	286,027	86,880
		<u>299,515</u>	<u>94,302</u>

8	Taxation	2023	2022
		£	£
	Deferred tax		
	Origination and reversal of timing differences	(166,982)	230,000
		<u>(166,982)</u>	<u>230,000</u>

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023	2022
	£	£
(Loss)/profit before taxation	<u>(857,577)</u>	<u>998,183</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%)	(201,702)	189,655
Adjustment to tax charge in respect of prior periods	50,569	5,719
Effect of expenses not deductible for tax purposes	1,107	1,716
Effect of capital allowances and depreciation	(8,038)	(11,218)
Utilisation of tax losses	-	(1,671)
Other tax effects for reconciliation between accounting profit and tax expense	964	(8,028)
remeasurement of deferred tax for changes in tax rates	(9,882)	53,827
Taxation (credit)/charge for the year	<u>(166,982)</u>	<u>230,000</u>

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

9 Intangible fixed assets

	Trademarks, patents and licenses £
Cost	
At 1 January 2023	177,907
Additions	91,706
Disposals	89,998
	<hr/>
At 31 December 2023	359,611
	<hr/>
Amortisation and impairment	
At 1 January 2023	130,539
Amortisation charged for the year	86,847
Disposals	(11,070)
	<hr/>
At 31 December 2023	206,316
	<hr/>
Carrying amount	
At 31 December 2023	153,295
	<hr/> <hr/>
At 31 December 2022	47,368
	<hr/> <hr/>

10 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Right of use buildings £	Right of use vehicles £	Total £
Cost					
At 1 January 2023	1,102,411	401,297	-	-	1,503,708
Additions	250,890	2,700	88,176	2,817	344,583
Disposals	(196,212)	(88,709)	-	-	(284,921)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	1,157,089	315,288	88,176	2,817	1,563,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
At 1 January 2023	573,454	307,340	-	-	880,794
Depreciation charged in the year	153,089	36,917	-	-	190,006
Eliminated in respect of disposals	(16,295)	(116,717)	-	-	(133,012)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	710,248	227,540	-	-	937,788
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount					
At 31 December 2023	446,841	87,748	88,176	2,817	625,582
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	528,957	93,957	-	-	622,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

11 Stocks	2023	2022
	£	£
Work in progress	657,442	179,989
Finished goods and goods for resale	6,717,863	3,163,787
	<u>7,375,305</u>	<u>3,343,776</u>
	<u><u>7,375,305</u></u>	<u><u>3,343,776</u></u>
12 Debtors	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	3,625,538	2,161,708
Amounts owed by group undertakings	1,737,672	2,179,564
Other debtors	1	305,471
Prepayments and accrued income	728,902	298,603
	<u>6,092,113</u>	<u>4,945,346</u>
	<u><u>6,092,113</u></u>	<u><u>4,945,346</u></u>
	2023	2022
	£	£
Amounts falling due after more than one year:		
Deferred tax asset (note 16)	21,711	-
	<u>21,711</u>	<u>-</u>
	<u><u>21,711</u></u>	<u><u>-</u></u>
Total debtors	<u>6,113,824</u>	<u>4,945,346</u>
	<u><u>6,113,824</u></u>	<u><u>4,945,346</u></u>
13 Creditors: amounts falling due within one year	2023	2022
	£	£
	Notes	
Bank loans	-	65
Trade creditors	926,606	1,520,955
Amounts owed to group undertakings	8,718,166	1,392,446
Taxation and social security	325,702	72,259
Other creditors	39,044	19,182
Accruals and deferred income	943,731	1,929,299
	<u>10,953,249</u>	<u>4,934,206</u>
	<u><u>10,953,249</u></u>	<u><u>4,934,206</u></u>
14 Creditors: amounts falling due after more than one year	2023	2022
	£	£
	Notes	
Obligations under finance leases	98,861	-
	<u>98,861</u>	<u>-</u>
	<u><u>98,861</u></u>	<u><u>-</u></u>

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

15 Provisions for liabilities

	2023 £	2022 £
At 1 January 2023	213,569	148,629
Movements on provisions:		At 1 January 2023 £
At 1 January 2023		148,629
Additional provisions in the year		64,940
At 31 December 2023		213,569

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £	Assets 2023 £	Assets 2022 £
Balances:				
Accelerated capital allowances	-	145,271	-	-
Tax losses	-	-	21,711	-
	-	145,271	21,711	-
				2023 £
Movements in the year:				
Liability at 1 January 2023				145,271
Credit to profit or loss				(166,982)
Asset at 31 December 2023				(21,711)

The deferred tax asset set out above is expected to reverse within [12 months] and relates to the utilisation of tax losses against future expected profits of the same period.

RHEINMETALL ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	437,932	402,484

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2023	2022	2023	2022
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary shares of 0.01p each	3,669,572	3,669,572	367	367

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	-	121,305
Between two and five years	-	95,541
	-	216,846

20 Ultimate controlling party

The immediate parent company is Rheinmetall Defence UK Limited.

The ultimate parent company is Rheinmetall AG, a company incorporated in Germany. The consolidated financial statements of Rheinmetall AG may be obtained from handelsregister.de.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.