

Company Registration No. 03599118

**B/E AEROSPACE (UK) LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2022**



## **B/E AEROSPACE (UK) LIMITED**

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**B/E AEROSPACE (UK) LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Andrew D. Moore  
Nathan P. Ware  
Edward C. Dryden  
Andrew K. Hellowell  
Alan J. Henning

**REGISTERED OFFICE**

Nissen House  
Grovebury Road  
Leighton Buzzard  
Bedfordshire  
LU7 4TB

**BANKERS**

The Royal Bank of Scotland  
Corporate Banking  
152 Silbury Boulevard  
Milton Keynes  
Buckinghamshire  
MK9 1LT

J P Morgan Chase Bank, NA  
125 London Wall  
London  
EC2 5AJ

CITI Bank NA London  
25 Canada Square  
Citigroup Centre  
London  
E14 5LB

HSBC Bank PLC  
Level 30 Canada Square  
Canary Wharf  
London  
E14 5HQ

**SOLICITORS**

Eversheds  
1 Wood Street  
London  
EC2V 7WS  
United Kingdom

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers Belfast  
Chartered Accountants and Statutory Auditors  
20 Wellington Place  
Belfast  
BT1 6GE

## B/E AEROSPACE (UK) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic Report together with the audited Financial Statements for the year ended 31 December 2022. The comparatives in these financial statements are for the 2021.

The directors, in preparing this strategic report, have complied with s414C (11) of the Companies Act 2006.

#### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

B/E Aerospace (UK) Limited (the "Company") is part of the world's leading manufacturer of cabin interior products for commercial passenger aircraft and business jets. Its customers include some of the world's major airlines and aircraft manufacturers. The Company remains focused on developing new products alongside the promotion of existing products that are well received in the industry.

At 31 December 2022 the Company was a subsidiary of Raytheon Technologies Corporation (RTX).

The COVID-19 pandemic has had a dramatic impact on the aviation industry and therefore the activities of the Company. Considering the impact of COVID-19 and the continued support from the wider RTX group, the directors believe that the Company is well placed to deal with the effects of COVID-19 over the longer term. The Company is facing challenges in 2023 such as cost inflation, worldwide supply chain issues and political uncertainty around Russia's invasion of Ukraine.

However the Company has started to see some recovery. The directors are forecasting an increase in sales and profitability in 2023 as the Commercial Aerospace sector continues to recover from the pandemic but are not expecting to be back to pre COVID-19 levels for a few years.

#### KEY PERFORMANCE INDICATORS/ REVIEW OF THE BUSINESS

The Company's key performance indicators are as follows:

	2022	2021	Change
<i>Financial</i>			
Turnover (\$'000)	534,868	406,045	31.7%
Gross profit %	27.4%	27.6%	(0.7%)
Profit before tax and impairment (\$'000)	59,750	84,930	(29.6%)
Inventories as a % of turnover	12.8%	14.7%	(12.9%)
Sales per head (\$'000)	463	376	23.1%
<i>Non-financial</i>			
Average headcount (Number)	Note 8 1,154	1,079	7.0%

The profit for the year ended 31 December 2022 is set out in the income statement on page 16.

	2022	2021
Results summary:	\$'000	\$'000
Profit before taxation and impairment	59,750	84,930
Investment impairment	(36,073)	510,874
Tax credit	6,209	534
Profit for the financial year	29,886	596,338
Dividend declared	(375,000)	-
Profit and loss reserves at the beginning of the year	1,320,054	723,716
Profit and loss reserves at the end of the year	974,940	1,320,054

## **B/E AEROSPACE (UK) LIMITED**

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

#### **KEY PERFORMANCE INDICATORS/ REVIEW OF THE BUSINESS (continued)**

The key performance indicators set out above are the key metrics used by management to monitor the performance, growth and success of the business. The Company generated revenue in the year of \$535m (2021: \$406m) which was an increase of 31.7% compared to the prior year. This was predominantly driven by the increased sales in the seating division, coupled with the increased sales in Galleys and Aftermarkets divisions. Gross margins remained stable at 27.4% (2021: 27.6%) during the year as a result of a tight focus on costs. The inventories decreased to 12.8% (2021: 14.7%) of turnover as the Company focuses to reduce its stock levels. The Company had an increase of 23.1% in Sales per head demonstrating increased effectivity and the average headcount of the Company increased by 7% as sales and demand increased.

The profit before impairment reversal and tax is \$59.8m (2021: \$84.9m). This decrease is due to an increase in corporate allocations. The profit before tax decreased due to an impairment charge recognised against the Company's investment in a subsidiary undertaking. An impairment assessment was performed in respect of the Company's investment, which resulted in an impairment of \$36.1m primarily due to increased discount rates (2021: reversal of investment impairment of \$510.9m).

A profit before tax is reported of \$23.7m reflecting a margin of 4.4% (2021: 146.7%). The driver of the decrease in profit before tax is related to impairments and corporate allocations. In 2022 the Company has recognised an impairment of \$36.1m whereas in 2021 it recognised a \$510.9m partial impairment reversal. These are both relating to the Company's investment in subsidiary undertakings.

In the year ended 31 December 2022 the Company made a profit of \$29.9m (2021: \$596.3m) and paid out dividends of \$375m (2021: \$nil). The profit and loss reserve as at year ended 31 December 2022 is \$975m (2021: \$1.3bn). While trading conditions are challenging, the financial position of the Company remained strong during the year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is exposed to the following principal risks and uncertainties:

##### Current Impact and Future Outlook

The Company is part of RTX which is one of the largest aerospace and defence manufacturers in the world by revenue and market capitalisation. Being part of such a large corporation gives the Company the ability to access any necessary funding and investment during this challenging global macroeconomic environment.

After more than three years dealing with the global pandemic which led to extended shutdowns and lockdowns in order to prevent the spread of COVID-19, from January 2022 there has been a significant easing of restrictions, and laws used during the pandemic are no longer in place. The impact of the coronavirus on the Company still continues to be uncertain, as it will continue to be dependent on ongoing developments. However, the Company has returned to a pre-pandemic work environment.

In assessing the future outlook, the directors have performed cash flow forecasts and are satisfied based on those forecasts, the strong order book in place and the Company's ability to take appropriate cost reduction actions as needed, that the Company is well placed to trade through recovering market. The base case model assumes continued recovery following COVID-19 with the downside incorporating further delays and lower sales. The base case and downside risk models indicate that the Company has adequate resources, therefore, the Directors are satisfied that the Company has sufficient liquidity levels to support its continued operations for a period of at least 12 months from the date that the financial statements are approved. As a result, the Directors believe it is appropriate that the going concern assumption continues to be adopted.

##### Oil Prices

Oil prices continue to remain unpredictable and their effect on the airline industry represents a significant risk to the Company going forward. Due to the competitive nature of the airline industry, airlines are often unable to pass on future increases in fuel prices to customers by increasing fares. As a result, an increase in jet fuel price could result in a decrease in net income from either lower margins or, if airlines increase ticket fares, less revenue from reduced airline travel. Decreases in airline profitability could decrease the demand for new commercial aircraft, resulting in delays or reductions

## **B/E AEROSPACE (UK) LIMITED**

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

#### **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

##### Oil Prices (continued)

in deliveries of commercial aircraft equipped with our cabin interior products and, as a result, our financial condition, results of operations and cash flows could be adversely affected.

##### Volatility of Foreign Currencies

The UK pound displayed some volatility during the year and while a proportion of the Company's costs are denominated in GBP, the directors believe that there is sufficient natural hedging and the use of foreign exchange contracts within the business to minimise any significant impact.

##### Russian Invasion of Ukraine

In February 2022, Russia invaded Ukraine. In response to this event, additional financial, trade, and travel sanctions were imposed on Russia and Belarus by some members of the International Community.

The economic knock-on effects of sanctions and the Black Sea blockade will inevitably have short to long term effects as we have seen the ramifications in increased energy prices, jump in inflation and interest rates. Given the global effects, the conditions are likely to remain fluid and complex. At an individual Company level, the conflict did impact the business because of held orders from customers within the sanctioned areas. Provisions have been made to cover inventory and work-in-progress relating to the affected aircraft programs. Despite these restrictions, the remaining work has exceeded pre-pandemic levels and is expected to continue to grow.

##### Material cost

The Company purchases materials to manufacture its products and these are subject to price fluctuations and inflation. Inflation in the UK rose sharply during 2021 and 2022 with the rate of inflation in 2022 sitting at 9.1%. One of the reasons for this increase is the tight labour market in the UK as labour shortages have pushed up wages. The Company purchases a large proportion of our materials from best cost countries, making it more desirable to source from them. However increased fuel costs mean that while the goods might be better value, the cost of getting them to the assembly line is much greater. The Company strives to offset these risks with efficiency improvements, material cost reduction initiatives and its product pricing strategy.

##### Cyber Security

As we and our business partners increasingly digitalise our businesses, we are inherently exposed to the risk that third parties may seek to disrupt our business. A significant cyber event could result in reputation and financial loss. However, we are focused on maintaining a robust and secure IT environment and are proactive to any emerging threats.

#### **POST BALANCE SHEET EVENTS**

Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

#### **SECTION 172 (1) STATEMENT**

This section describes how the directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its key stakeholders.

##### **The likely consequences of any decision in the long term**

The directors of the Company have a duty of care to the key stakeholders when making decisions that affect the long term sustainability of the Company. Key objectives are formulated as such to ensure that the Company continues as a going concern. The directors remain mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

##### **Having regard to the need to act fairly as between members of the Company**

The directors recognise their legal and regulatory duties, and do not take any decisions or actions, such as selectively disclosing confidential or inside information.

## **B/E AEROSPACE (UK) LIMITED**

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

#### **SECTION 172 (1) STATEMENT (continued)**

##### **Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct Modern Slavery Act**

The Company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the ultimate controlling party has published a statement for the reporting year at [www.rtx.com](http://www.rtx.com) that the Company follows.

##### **Having regard to the interests of the Company's employees**

###### *Employee involvement*

It is the policy of the Company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the Group. It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, briefing meetings, video presentations, Company newsletters and training sessions.

###### *Disabled employees*

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

###### *Employee Programmes and Benefits*

The Company operates ongoing employee development programmes which reflect development needs highlighted in the annual performance reviews. The Company sponsored a number of employees on the RTX Employee Scholar Programme. All office employees completed a range of mandatory on-line training modules centred on business practices designed to increase awareness and promote strong ethical compliance, training includes anti-corruption and bribery matters. The Company also continued a job rotation programme for high potential employees. It also provided an all employee reward programme, together with a new reward and recognition programme for those employees exhibiting exemplary performance. In January 2023 the Company brought in a program called "Flextra" which entitles employees to enhanced benefits, which includes private health insurance, "Cycle to Work", and other initiatives as part of its wellness and health management programme.

##### **Having regard to need to foster the Company's business relationships with suppliers, customers and others**

###### **Customers**

The directors of the Company, on a continuing basis, promote the development and maintenance of a customer focused culture. The time invested in developing this culture can be seen in the growth of turnover generated year on year. The Company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

###### **Suppliers**

The directors recognise the key role suppliers play in ensuring the Company delivers a reliable service to its customers. The directors seek to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the desired quality and service levels for our customers. The Company works with suppliers and builds robust, long-lasting supply chains. The Company pays the suppliers in line with their payment terms.

## **B/E AEROSPACE (UK) LIMITED**

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

#### **SECTION 172 (1) STATEMENT (continued)**

##### **Regulators**

The Company seeks a constructive and cooperative relationship with the bodies that authorise and regulate the business activities. This helps us maintain a reputation for high standards of business conduct.

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work practices and policies. This is supported by a strong audit program through self-assessment and through the RTX group internal audit function.

The Company manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities.

##### **The impact of the Company's operations on the community and the environment**

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility.

The Company will, on a continuing basis:

- develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this;
- provide a healthy and safe place of work for all its employees;
- develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large;
- and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all employees.

## B/E AEROSPACE (UK) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

#### STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

This Report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for the Company under the government policy Streamlined Energy and Carbon Reporting ('SECR'), as implemented by the 2018 Regulations. It also summarises the methodologies utilised for all calculations related to the elements reported under Energy and Carbon.

The following figures demonstrate year on year changes in consumption and resulting emissions for the Company.

##### Utility and Scope

Scope 1 consumption and emissions relate to direct combustion of natural gas and fuels.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

The total consumption (kWh) figures for energy supplies are as follows:

	2022 Consumption (kWh)	2021 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	4,924,116	4,802,995
Fuel Oil (Scope 1)	4,487,347	4,469,638
LPG (Scope 1)	925,122	987,094
Natural Gas (Scope 1)	643,606	712,794
<b>Total</b>	<b>10,980,191</b>	<b>10,972,521</b>

The total emission (tCO<sub>2</sub>e) figures for energy supplies are as follows. Conversion factors utilised in these calculations are detailed below:

	2022 Consumption (tCO <sub>2</sub> e)	2021 Consumption (tCO <sub>2</sub> e)
Grid-Supplied Electricity (Scope 2)	1,148	1,120
Fuel Oil (Scope 1)	1,201	1,197
LPG (Scope 1)	198	212
Natural Gas (Scope 1)	118	131
<b>Total</b>	<b>2,665</b>	<b>2,660</b>

##### Intensity Metric

An intensity metric of tCO<sub>2</sub>e per \$m revenue has been applied for the annual total emissions. The methodology of the intensity metric calculations are detailed below and results of this analysis is as follows:

	2022 Intensity Metric	2021 Intensity Metric
tCO <sub>2</sub> e/£m revenue	4.98	6.55

##### Reporting Methodology

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the latest UK Government environmental reporting guidance. To maintain continuity with the GHG reporting undertaken before the implementation of SECR, the UK consumption and emissions are included within the emissions reporting. The intensity metric is calculated utilising the Company revenue figure.

The Company is committed to implementing proactive environmental practices including reducing power, cardboard and composite waste and implementing processes to reduce waste and carbon footprint.

**B/E AEROSPACE (UK) LIMITED**

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

**STREAMLINED ENERGY AND CARBON REPORTING ('SECR') (continued)**

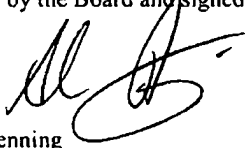
**Reporting Methodology (continued)**

The Intensity metric has decreased as a result of revenue increasing by 31.7% and consumption only increasing by 0.1%.

Estimations undertaken to cover missing billing periods were calculated on a kWh/day pro-rata basis at meter level. Where data was not available for the entirety of the reporting period, an average of similar meter classes were taken and applied to the properties with no available data.

Intensity metrics have been calculated utilising the reported 2022 UK revenue figure, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric.

Approved by the Board and signed on its behalf by:



Alan J. Henning  
Director  
24 August 2023

## **B/E AEROSPACE (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

#### **FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 2 to 8 and form part of this report by cross-reference.

#### **GOING CONCERN**

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, foreign currency risk, liquidity risk and price risk. The use of financial derivatives is governed by RTX policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

The Company's fortunes are strongly linked to the general state of the commercial airline industry and as such major events that adversely affect this may influence the Company's future trading prospects.

##### ***Cash flow risk***

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

##### ***Credit risk***

The Company's principal financial assets are investments, bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

In the normal course of business, the Company sells items on deferred terms to other parties. Any risk associated with these third parties failing to honour their obligations arising from these transactions is mitigated through rigorous credit control procedures.

##### ***Liquidity risk***

The Company participates in the overall world-wide RTX funding strategy managed at corporate treasury level. The Company participates in a cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

## **B/E AEROSPACE (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

##### *Foreign currency risks*

The Company buys and sells goods and services denominated in currencies other than US Dollar. As a result, the value of the business's non-US Dollar denominated revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in exchange rates in general and in US Dollar to GBP rates in particular. The Company uses foreign exchange forward contracts to hedge these exposures. The impact of foreign exchange rate fluctuations is monitored regularly.

##### *Price risk*

The Company purchases materials required to manufacture its products and these are subject to price fluctuations. The Company aims to offset any such risks through efficiency improvements and product pricing strategies, including commodity cost reduction initiatives.

#### **DIVIDENDS**

There was \$375m of interim dividends proposed, declared and paid in December 2022 (2021: £nil).

#### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

Whilst the Company does not follow a code or standard on payment practice, it is the Company's policy to pay suppliers in accordance with the terms of payment agreed with each individual supplier. When disputes arise, attempts are made to resolve them promptly and amicably to ensure delays in payment are kept to a minimum. At 31 December 2022, trade creditors represented 42 days purchases (as at 31 December 2021: 60 days).

#### **DIRECTORS**

The current directors are shown on page 1.

The directors of the Company who were in office during the year and up to the date of signing the financial statements (unless otherwise stated), were:

Andrew D. Moore  
Christopher M. Peet (resigned 8 August 2022)  
Troy D. Brunk (resigned 18 March 2022)  
Keith S. Delderfield (resigned 20 May 2022)  
Stuart W. McKee (appointed 18 May 2022 & resigned 6 July 2023)  
Gary Howard (appointed 18 May 2022 & resigned 20 October 2022)  
Nathan P. Ware (appointed 8 August 2022)  
Edward C. Dryden (appointed 18 March 2022)  
Andrew K. Hellowell (appointed 25 January 2023)  
Alan J. Henning (appointed 6 July 2023)

#### **RESEARCH AND DEVELOPMENT**

The Company is involved in continuous research and development to design, produce and deliver enhanced products to maintain its position as a market leader in the aerospace industry.

#### **EMPLOYEE INVOLVEMENT**

It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, presentations, Company newsletters and training sessions. Employee engagement is measured via short surveys deployed during the year. During 2022 the Company continued to meet with the Staff Forum & Staff Union as well as the Health and Wellbeing committee. Objectives of these groups include the improvement of information to and from employees, communication of

## **B/E AEROSPACE (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)**

#### **EMPLOYEE INVOLVEMENT (continued)**

health and safety information, business developments and the promotion of health and well being of employees at work, at home and in the community.

#### **EMPLOYMENT OF DISABLED PERSONS**

The Company has continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including the retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

#### **HAVING REGARD TO NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS**

Please refer to the strategic report on page 6 for details on the above.

#### **ENVIRONMENTAL MATTERS**

Details of environmental matters can be found in the Strategic Report on page 6 and form part of this report by cross reference.

#### **BRANCHES OUTSIDE UK**

A legal branch of B/E Aerospace (UK) Limited is also established in Dubai which provides product support and repair activities. The income and expenses are included in the numbers disclosed in the financial statements.

#### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

**B/E AEROSPACE (UK) LIMITED**

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS  
(continued)**

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.

**DIRECTORS' CONFIRMATIONS**

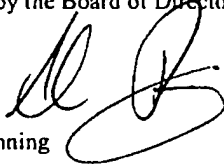
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 auditors are aware of that information.

**INDEPENDENT AUDITORS**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by



Alan J. Henning  
Director  
24 August 2023

# Independent auditors' report to the members of B/E Aerospace (UK) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, B/E Aerospace (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

# Independent auditors' report to the members of B/E Aerospace (UK) Limited (continued)

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

### Auditors' 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 auditors' 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.

## Independent auditors' report to the members of B/E Aerospace (UK) Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including relating to revenue recognition, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussion with management of known or suspected instances of non-compliance with laws and regulations and fraud;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting financial results and revenue recognition;
- challenging assumptions and judgements made by management in their significant accounting estimates; and
- incorporating an element of unpredictability into our audit procedures.

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 for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast  
24 August 2023

**B/E AEROSPACE (UK) LIMITED**  
**INCOME STATEMENT**  
**For the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Revenue	4	534,868	406,045
Cost of sales		(388,326)	(293,976)
<b>Gross profit</b>		<b>146,542</b>	<b>112,069</b>
Distribution costs		(4,404)	(2,766)
Administrative expenses		(97,134)	(47,516)
Other operating income and expenses	5	6,300	22,689
Investment impairment – exceptional item	6	(36,073)	510,874
<b>Operating profit</b>	6	<b>15,231</b>	<b>595,350</b>
Finance income	9	8,517	515
Finance costs	9	(71)	(61)
<b>Finance income – net</b>	9	<b>8,446</b>	<b>454</b>
<b>Profit before income tax</b>		<b>23,677</b>	<b>595,804</b>
Income tax credit / (expense)	10	6,209	534
<b>Profit for the financial year</b>		<b>29,886</b>	<b>596,338</b>

All results are derived from continuing operations.

**B/E AEROSPACE (UK) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
<b>Profit for the financial year</b>		<b>29,886</b>	<b>596,338</b>
<b>Other comprehensive (expense) / income:</b>			
<b>Items that may be subsequently reclassified to income statement</b>			
Movement relating to hedge reserve		(3,685)	(2,978)
Deferred tax relating to hedge reserve	16	655	615
<b>Total other comprehensive expense for the year, net of tax</b>		<b>(3,030)</b>	<b>(2,363)</b>
<b>Total comprehensive income for the year</b>		<b>26,856</b>	<b>593,975</b>

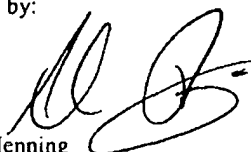
**B/E AEROSPACE (UK) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**

	Note	2022 \$'000	2021 \$'000
<b>Fixed assets</b>			
Property, plant and equipment	11	38,014	40,240
Right-of-use assets	12	942	1,477
Investments	13	636,641	672,714
		<b>675,597</b>	<b>714,431</b>
<b>Current assets</b>			
Inventories	14	68,341	59,576
Trade and other receivables (includes amounts falling due after more than one year off \$149,189,000 (2021: \$145,070,000))	15	702,763	1,033,739
Cash and cash equivalents		2,632	2,937
		<b>773,736</b>	<b>1,096,252</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(209,645)</b>	<b>(208,996)</b>
<b>Net current assets</b>		<b>564,091</b>	<b>887,256</b>
<b>Total assets less current liabilities</b>		<b>1,239,688</b>	<b>1,601,687</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(161,767)</b>	<b>(175,622)</b>
<b>Net assets</b>		<b>1,077,921</b>	<b>1,426,065</b>
<b>Capital and reserves</b>			
Called up share capital	21	-	-
Share premium account		105,598	105,598
Hedge reserve		(2,617)	413
Retained earnings		974,940	1,320,054
<b>Total shareholders' funds</b>		<b>1,077,921</b>	<b>1,426,065</b>

The notes on pages 20 to 42 are an integral part of these financial statements.

The financial statements on pages 16 to 42 were approved by the board of directors on 24 August 2023 and were signed on its behalf by:

Alan J. Henning  
Director



**B/E AEROSPACE (UK) LIMITED****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2022**

	Called-up share capital \$'000	Share premium account \$'000	Hedge reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 January 2021</b>	-	105,598	2,776	723,716	832,090
Profit for the financial year	-	-	-	596,338	596,338
Other comprehensive income for the year					
- Hedge reserve movement	-	-	(2,978)	-	(2,978)
- Deferred tax relating to hedge reserve	-	-	615	-	615
<b>Total comprehensive income for the financial year</b>	-	-	(2,363)	596,338	593,975
<b>Balance as at 31 December 2021</b>	-	105,598	413	1,320,054	1,426,065
Profit for the financial year	-	-	-	29,886	29,886
Other comprehensive expense for the year					
- Hedge reserve movement	-	-	(3,685)	-	(3,685)
- Deferred tax relating to hedge reserve	-	-	655	-	655
<b>Total comprehensive income for the financial year</b>	-	-	(3,030)	29,886	26,856
<b>Dividend</b>				(375,000)	(375,000)
<b>Balance as at 31 December 2022</b>	-	105,598	(2,617)	974,940	1,077,921

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**

**1. GENERAL INFORMATION**

B/E Aerospace (UK) Limited ('the Company') is part of the world's leading manufacturer of cabin interior products for commercial passenger aircraft and business jets. Its customers include some of the world's major airlines and aircraft manufacturers.

The Company is a private limited Company limited by shares, and is incorporated and domiciled in the United Kingdom. The address of its registered office is Nissen House, Grovebury Road, Leighton Buzzard, Bedfordshire, LU7 4TB. Additionally, the Company has a facility at 2 Moore Road, Kilkeel, Northern Ireland, BT34 4NG. A legal branch of B/E Aerospace (UK) Limited is also established in Dubai which provides product support and repair activities. The income and expenses of all sites are included in the numbers disclosed in the financial statements.

The Company's financial statements cover the year ended 31 December 2022. The comparative year covers the 2021.

**2. ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The financial statements of B/E Aerospace (UK) Limited have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of IFRS 1, 'First-time adoption of International Financial Reporting Standards', to present a statement of financial position at the date of transition.
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the year).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B–D (additional comparative information);
  - 111 (statement of cash flows information); and 134–136 (capital management disclosures).

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.1 Basis of preparation (continued)**

- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a to c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

##### **2.2 Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to cash flow risk, credit risk and liquidity risk.

The Company is part of Raytheon Technologies Corporation ("RTX") which is one of the largest aerospace and defence manufacturers in the world by revenue and market capitalisation. Being part of such a large corporation gives the Company the ability to access any necessary funding and investment during challenging times.

The directors have performed cashflow forecasts and are satisfied based on those forecasts, the strong order book in place and the Company's ability to take appropriate cost reduction actions, that the business is well placed to trade through the challenging economy. The base case model assumes continued recovery, but with the downside incorporating further delays and lower sales. The base case and downside risk models indicate that the Company has adequate resources, therefore, the Directors are satisfied that the Company has sufficient liquidity levels to support its continued operations for a period of at least 12 months from the date that the financial statements are approved. As a result, the Directors believe it is appropriate that the going concern assumption continues to be adopted.

The Company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

##### **2.3 New standards, amendments and IFRS IC interpretations**

No new accounting standards or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 have had a material impact on the Company's financial statements.

##### **2.4 Consolidation**

At the year end, the Company was a wholly owned subsidiary of BE Aerospace Holdings (UK) Limited and of its ultimate parent, RTX. It is included in the consolidated financial statements of RTX, which are publicly available. Therefore, the Company is exempt, by virtue of section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. Copies of the RTX financial statements are publicly available and can be obtained from [www.rtx.com](http://www.rtx.com). These financial statements are separate financial statements.

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.5 Foreign currency**

###### Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in US Dollars (\$), which is also the Company's functional currency.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transaction, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within cost of sales.

##### **2.6 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less provision for depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This includes professional fees in accordance with the Company's accounting policy.

Freehold land and assets under the course of construction are not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows:

Freehold land and buildings	-	40 years
Long leasehold land and buildings	-	Over the length of the lease
Plant and machinery	-	3 years to 12 years
Office equipment	-	3 years to 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount - see note 2.7

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and they are recognised within cost of sales in the income statement.

##### **2.7 Impairment of non-financial assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.7 Impairment of non-financial assets (continued)**

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.

##### **2.8 Financial assets**

The Company classifies its financial assets in the following categories:

- Amortised cost.
- Fair value through profit or loss (FVTPL).
- Fair value through other comprehensive income (FVOCI).

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statement.

###### **a) Financial assets at amortised cost**

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement under 'net impairment losses on financial and contract assets.'

###### **b) Financial assets at fair value through profit or loss**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss. The assets are subsequently measured at fair value with gains or losses recognised in the income statement and presented net within other (expenses)/income in the year they arise. Fair values are determined by reference to active market or using valuation techniques where no active market exists.

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost (see note (a) above).
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.8 Financial assets (continued)**

###### **c) Financial assets at fair value through other comprehensive income (FVOCI) comprise:**

- Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

###### **d) Derivative financial instruments**

The Company uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. Hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. In relation to derivative financial instruments used to hedge a forecast transaction, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the hedge reserve and the ineffective portion is recognized in the consolidated income statement. Amounts taken to the hedge reserve are transferred to the consolidated income statement when the hedged transaction affects profit or loss.

Where the entity has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when the Company's right to receive payments is established.

##### **2.9 Investments**

Investments in subsidiaries are held at cost less accumulated impairment losses.

##### **2.10 Impairment of financial assets**

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables – see note 2.12

##### **2.11 Inventories**

Inventories and work-in-progress, other than long-term contracts, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production (based on normal operating capacity). Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### **2.12 Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **For the year ended 31 December 2022**

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and costs to fulfil contracts.

To measure the expected credit losses, trade and other receivables, contract assets and costs to fulfil contracts are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The costs to fulfil contracts relate to costs incurred in delivering specific contract and will be released over the life of the contract. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets and costs to fulfil contracts.

If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

#### **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **2.15 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting year.

#### **2.16 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise 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. Deferred tax is

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.16 Taxation (continued)**

determined 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 tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### **2.17 Pension costs**

The Company operates a contributory scheme which is available to all employees. The scheme is a defined contribution scheme. Pension costs are charged to the income statement account on the basis of premiums payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

##### **2.18 Share - based payments**

Incentives in the form of shares are provided to one or more Directors under share option and share award schemes that are established by the ultimate parent Company, RTX. The fair value of these options and awards at the date of their grant is determined by a valuation as described in note 20 and is charged to the income statement over the relevant vesting years. An amount equivalent to that charged to profit in any year is credited to intercompany reflecting the fact that there is no cash cost to the Company of these share based payments.

##### **2.19 Provisions**

Provisions for liabilities are recognised when: i) the Company has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### **2.20 Warranties**

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

##### **2.21 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied. The Company's activities are described in detail below.

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**2. ACCOUNTING POLICIES (continued)**

**2.21 Revenue recognition (continued)**

**Sale of goods- over time revenue recognition**

Performance obligations are satisfied over time if the customer receives the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

**Sale of goods – point in time revenue recognition**

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

**Sales of services**

Revenue from providing services is recognised in the accounting year in which the services are rendered. For fixed price long term contracts, revenue is recognised based on the actual service provided to the end of the reporting year as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on actual costs incurred relative to the total expected costs of fulfilling the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the year in which the circumstances that give rise to the revision become known by management.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

**Non-recurring engineering**

Funding received from the customers for Non-recurring engineering (NRE) effort forms part of the transaction price associated with the sale of goods and is deferred to the balance sheet as a contract liability. The contract liabilities are amortised to revenue as the performance obligations satisfied over time are met.

NRE costs will be deferred balance sheet as a cost to fulfil contract and are amortised to cost of sales as the performance obligations satisfied over time are met.

**Other operating income**

Other operating income represents royalties, revenue grants and other similar operating income and is measured at the fair value of the consideration received or receivable and is stated net of discounts and value added taxes. The Company

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (continued)**

##### **Other operating income (continued)**

recognises other operating income when the amount of income can be reliably measured and when it is probable that future economic benefits will flow to the entity. Royalty income is recognised on a straight line basis over the year of the related agreement.

##### **2.22 Grants**

Capital grants received and receivable are added to deferred credits and credited to the income statement over a period equal to the useful economic lives of the related assets.

Grants in respect of revenue expenditure are credited to other income within the income statement in the year in which the related expenditure is incurred. Under the terms of the grant, should a claw back arise full provision is debited to the income statement.

##### **2.23 Research and development expenditure**

Research and development expenditure is charged against profit in the year in which it is incurred.

##### **2.24 Leases**

The Company leases buildings and equipment. Rental contracts are typically made for fixed years of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. A lessee may elect an accounting policy, by asset class, to include both the lease and non-lease components as a single component and account for it as a lease (thus eliminating the pricing allocation). The Company has adopted this accounting policy election for equipment and vehicle leases only.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measure on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**2. ACCOUNTING POLICIES (continued)**

**2.24 Leases (continued)**

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease for each year.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

**2.25 Dividend distribution**

Dividend distribution to the Company's shareholders are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's directors.

**2.26 Rounding of amounts**

All amounts in the financial statements and notes have been rounded off to the nearest thousand unless otherwise stated.

**2.27 Exceptional items**

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the Company's accounting policies, which are described in note 2 above, 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. There are no accounting judgements.

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**Key sources of estimation uncertainty**

**Product warranty**

Provision for the expected cost of warranty obligations requires estimation of the costs to settle the obligations. The directors use all available information including defect rates, estimated costs to repair and settlement rates in determining

the obligation. A 0.1% increase in the warranty rate used to calculate the provision would result in an increase to the provision of \$1.2m. A 0.1% decrease in the warranty rate would result in a decrease to the provision of \$1.2m. See note 19.

**Revenue recognition**

Revenue recognised is based on the actual costs incurred and estimated profit on the contract. The profit on the contract is based on the stage of completion and therefore management judgement is required in the estimates of the forecast costs to complete and the percentage of completion.

**Investment carrying value**

An impairment assessment was performed in respect of the Company's investment in a subsidiary undertaking resulting in a impairment of \$36,073,000 being recognised in the income statement in the year. Determining the impairment required the Company to estimate the recoverable amount of the investment. The significant assumptions used for the valuation are the forward-looking cash flow forecast, discount rate and the growth rate. When calculating the discount rate, the directors determined a range of reasonable discount rates and used an estimate in the middle of the range to calculate the recoverable amount. The discount rates used in the model ranged from 11.00% - 11.75% and the growth rate used was 3.0%. An increase of 0.4% in the discount rates to the top end of the range would result in \$20,611,000 increase in the impairment for the year. A 0.5% reduction in the growth rates would result in \$8,423,000 increase in the impairment.

**Contract manufacturing agreement with B/E Aerospace B.V**

The Company has performed an evaluation of the long-term profitability of the contract manufacturing agreement with the B/E Aerospace B.V. facility in the Philippines. Under the contract manufacturing agreement, the Company is liable to make payments to the intercompany partner or is entitled to receive royalty payments from the intercompany partner depending on the profitability of the intercompany partner in any calendar year. Evaluation of the contract profitability required the Company to consider the length of the galleys manufacturing contract with the customer of B/E Aerospace B.V and the long-term profitability forecasts associated with the contract manufacturing agreement. The Company concluded the manufacturing agreement is expected to be profitable and therefore no provision has been recognised in these financial statements. The Directors have sensitised the profitability forecasts and a 10% reduction in the contract revenues would not result in a loss being recognised. A 5-year reduction in the length of the agreement with the customer would not result in a loss being recognised in these financial statements.

**4. REVENUE**

All of the Company's revenue and profit on ordinary activities before taxation relates to the Company's principal activity, being the manufacture, supply and refurbishment of aircraft seating and accessories and the manufacture, assembly and installation of aircraft galley equipment.

A geographical analysis of turnover by destination is as follows:

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**4. REVENUE (continued)**

	2022 \$'000	2021 \$'000
United Kingdom	119,892	86,708
Rest of Europe	173,774	98,963
North, South and Central America	161,799	113,813
Rest of the world	79,403	106,561
	<b>534,868</b>	<b>406,045</b>

An analysis of the Company's turnover is as follows:

	2022 \$'000	2021 \$'000
Sales of goods	479,610	367,038
Sale of services	55,258	39,007
	<b>534,868</b>	<b>406,045</b>

Assets and liabilities related to contracts with customers:

The Company has recognised the following assets and liabilities related to contracts with customers.

	2022 \$'000	2021 \$'000
Contract assets	114,304	52,539
Asset recognised for costs incurred to fulfil a contract	147,175	103,956
Contract liabilities	101,720	80,008

There were no impairments in the year. The amount of contract assets amortized in the year was \$26,324,000 (2021: \$13,197,000). The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was \$11,077,000 (2021: \$10,525,000).

**5. OTHER OPERATING INCOME AND EXPENSES**

An analysis of the Company's other operating income is as follows:

	2022 \$'000	2021 \$'000
Royalty income	27,500	27,500
Revenue grants	-	154
Furlough grant	-	1,426
	<b>27,500</b>	<b>29,080</b>
Other expenses	<b>21,200</b>	<b>6,391</b>
Net operating income	<b>6,300</b>	<b>22,689</b>

Royalty income is in relation to Aftermarket services intellectual property license and will continue until 2025.

There are no unfulfilled conditions or other contingencies attaching to the grants that have been recognised in income.

## B/E AEROSPACE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

#### 5. OTHER OPERATING INCOME AND EXPENSES (continued)

Other expenses are true up payments to an intercompany partner in relation to a contract manufacturing agreement – see note 3.

#### 6. OPERATING PROFIT

Operating profit is stated after charging / (crediting) the following items:

	2022	2021
	\$'000	\$'000
Staff costs (see note 8)	74,892	69,136
Research & development	5,795	11,096
Depreciation on property, plant and equipment (see note 11)	9,002	8,762
Depreciation of right-of-use assets (see note 12)	678	446
Loss on disposal of fixed assets	56	298
Short term and low value leases:		
- Hire of plant and machinery	406	361
- Storage and other rental	2,889	3,015
Net foreign exchange gains	(6,017)	(18,787)
Cost of stock recognised as expense	319,857	249,232
Auditors' remuneration for the audit of the Company's financial statements	292	299

#### EXCEPTIONAL ITEM

An impairment assessment was performed in respect of the Company's investment in a subsidiary undertaking. As a result, an impairment of \$36,073,000 has been recognised in the income statement in the year (impairment reversal 2021: \$510,874,000).

#### 7. FINANCIAL INSTRUMENTS

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2022, the outstanding contracts all mature within 24 months of the year end.

The Company has committed to sell US\$63,757,000 and receive a fixed sterling amount.

The forward currency contracts are measured at fair value through other comprehensive income (FVOCI), which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD.

The amount recognised in the income statement in the year was a gain of \$1,988,000 (2021: gain \$2,807,000). The amount held in the hedge reserve at 31 December 2022 was (\$2,767,000) (2021: \$413,000).

At the year end the Company had neither financial assets or liabilities measured through profit or loss (FVTPL) nor financial liabilities measured through other comprehensive income.

The Company has the following (financial liabilities) / assets measured at fair value through other comprehensive income:

	2022	2021
	\$'000	\$'000
Derivative financial instruments:	(3,693)	(76)

## B/E AEROSPACE (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

#### 8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

##### Directors' remuneration

Five of the eight directors, who held office during part of the financial year, are also directors and executives of fellow group companies. These directors received no amounts for services provided to B/E Aerospace (UK) Limited and there is no recharge to the Company for their services.

Three directors were employed directly by B/E Aerospace (UK) Limited. During the year they received aggregate emoluments of \$346,874 (2021: \$215,880). The Company also paid aggregate amounts of \$40,651 (2021: \$29,127) as pension contributions to personal pension schemes. Additionally, the Company paid \$148,433 for pay in lieu of notice in 2022 (2021: nil).

The highest paid directors emoluments were \$168,342 (2021: \$215,880) with pension contributions of \$11,102 (2021: \$29,127).

##### Employees

The average monthly number of employees including directors during the year was as follows:

	2022 Number	2021 Number
Sales, administration and distribution	425	711
Manufacturing	729	368
	<b>1,154</b>	<b>1,079</b>

The aggregate payroll costs of these persons were as follows:

	2022 \$'000	2021 \$'000
Wages and salaries	65,900	60,513
Social security costs	5,786	5,363
Other pension costs	3,206	3,260
	<b>74,892</b>	<b>69,136</b>

Included above are redundancy costs of \$nil (2021: \$1,474,000).

Other pension costs comprise the Company's contributions to money purchase schemes. At the balance sheet date, contributions of \$nil remained unpaid (2021: \$nil).

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**9. FINANCE INCOME – NET**

	2022	2021
	\$'000	\$'000
<b>Finance income</b>		
Corporation tax interest	167	453
Interest received	8,350	62
<b>Total finance income</b>	<b>8,517</b>	<b>515</b>
<b>Interest expense</b>		
Interest payable to group undertakings	-	1
VAT interest paid	40	-
Bank interest paid	4	8
Lease liabilities	27	52
<b>Total finance expense</b>	<b>71</b>	<b>61</b>
<b>Net finance income</b>	<b>8,446</b>	<b>454</b>

**10. INCOME TAX (CREDIT)**

	2022	2021
	\$'000	\$'000
<b>The tax (credit) comprises:</b>		
<b>Current tax</b>		
Current tax on profit for the year	304	5,825
Adjustments in respect of prior years	(7,882)	(3,833)
<b>Total current tax (credit)</b>	<b>(7,578)</b>	<b>1,992</b>
<b>Deferred tax</b>		
Current year	596	25
Effect of changes in tax rates	285	(1,378)
Adjustments in respect of prior years	488	(1,173)
<b>Total deferred tax (expense)</b>	<b>1,369</b>	<b>(2,526)</b>
<b>Tax (credit) per income statement</b>	<b>(6,209)</b>	<b>(534)</b>
Other comprehensive income items		
Deferred tax current year (credit)	(655)	(615)

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**10. INCOME TAX (CREDIT) (continued)**

The (credit) / charge for the year can be reconciled to the profit per the income statement as follows:	2022 \$'000	2021 \$'000
Profit before tax	23,677	595,804
Tax on profit at standard UK tax rate of 19% (2021: 19%)	4,499	113,203
Effects of:		
Expenses not deductible	7,417	235
Adjustments in respect of prior years	(7,394)	(5,006)
Patent box deduction	(828)	(3,609)
Effects of group relief / other reliefs	(9,881)	(6,504)
Income not taxable	(253)	(97,446)
Transfer pricing adjustments	(53)	-
Tax rate changes	284	(1,378)
Share options	-	(29)
	<b>(6,209)</b>	<b>(534)</b>

In the UK budget on 3 March 2021, it was announced that the tax rate would be increased to 25% for companies with profit in excess of £250,000 with effect 1 April 2023. As substantive enactment took place before the balance sheet date, deferred tax balances as at 31 December 2022 are measured at a rate of 25%.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Freehold land and buildings \$'000	Long Leasehold land and buildings \$'000	Plant and machinery \$'000	Office equipment \$'000	Assets in course of construction \$'000	Total \$'000
<b>Cost</b>						
At 1 January 2022	37,841	3,646	53,707	14,038	2,139	111,371
Reclassification	256	41	706	464	(1,467)	-
Additions	374	18	2,439	118	3,907	6,856
Disposals	(48)	(119)	(115)	(9)	-	(291)
<b>At 31 December 2022</b>	<b>38,423</b>	<b>3,586</b>	<b>56,737</b>	<b>14,611</b>	<b>4,579</b>	<b>117,936</b>
<b>Accumulated depreciation</b>						
At 1 January 2022	14,748	1,300	43,370	11,715	-	71,133
Charge for year	1,278	462	6,753	509	-	9,002
Disposals	(19)	(87)	(105)	(2)	-	(213)
<b>At 31 December 2022</b>	<b>16,007</b>	<b>1,675</b>	<b>50,018</b>	<b>12,222</b>	<b>-</b>	<b>79,922</b>
<b>Net book value</b>						
<b>At 31 December 2022</b>	<b>22,416</b>	<b>1,911</b>	<b>6,719</b>	<b>2,389</b>	<b>4,579</b>	<b>38,014</b>
At 31 December 2021	23,093	2,346	10,337	2,323	2,139	40,238

Included in land and buildings of the Company is freehold land amounting to \$3,011,190 (2021: \$3,011,190) which is not depreciated.

**B/E AEROSPACE (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2022****12. LEASES**

The Company has a lease contract for buildings used in its operations. The amounts recognised in the financial statements in relation to the lease are as follows:

**(i) Amounts recognised in the statement of financial position**

The balance sheet shows the following amounts relating to leases:

	2022 \$'000	2021 \$'000
<b>Right-of-use assets</b>		
Buildings	942	1,477
	942	1,477
<b>Lease liabilities</b>		
Current	433	492
Non-current	484	951
	917	1,443

There weren't any additions to the right-of-use assets during the 2022 financial year (2021: \$269,000). Disposals from the right-of-use assets during the 2022 financial year were \$235,000 (2021: \$241,000).

**(ii) Amounts recognised in the income statement**

The income statement shows the following amounts relating to leases:

	2022 \$'000	2021 \$'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings	678	446
	678	446

**B/E AEROSPACE (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2022****12. LEASES (continued)**

	2022	2021
	\$'000	\$'000
Interest expense (included in finance cost note 9)	27	52
Expense relating to leases of low value assets that are not shown above as short-term leases (included in admin expenses)	93	95
	2022	2021
	\$'000	\$'000
Future minimum lease payments as at 31 December 2022 are as follows:		
Not later than one year	433	492
Later than one year and not later than five years	484	951
Later than five years	-	-
Total gross payments	917	1,443
Impact of finance expenses	-	-
<b>Carrying amount of liability</b>	<b>917</b>	<b>1,443</b>

**13. INVESTMENTS**

The Company's investment in subsidiary is made up as follows:

	\$'000
<b>Cost</b>	
At 1 January 2022	743,840
<b>At 31 December 2022</b>	<b>743,840</b>
<b>Impairment</b>	
At 1 January 2022	71,126
Impairment in year	36,073
<b>At 31 December 2022</b>	<b>107,199</b>
<b>Net book value</b>	
<b>At 31 December 2022</b>	<b>636,641</b>
At 31 December 2021	672,714

An impairment assessment was performed in respect of the Company's investment in a subsidiary undertaking resulting in an impairment of \$36,073,000 being recognised in the income statement in the year. Determining the impairment charge required the Company to estimate the recoverable amount of the investment. The significant assumptions used for the valuation are the forward-looking cash flow forecast, discount rate and the long-term growth rate. When calculating the discount rate, the directors determined a range of reasonable discount rates and used an estimate in the middle of the range to calculate the recoverable amount. The discount rates used in the model ranged from 11.00% - 11.75% and the long-term growth rate used was 3.0%. An increase of 0.4% in the discount rates to the top end of the range would result in \$20,611,000 increase in the impairment for the year. A 0.5% reduction in the long-term growth rate would result in \$8,423,000 increase in the impairment.

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**13. INVESTMENTS (continued)**

The Company's subsidiary, which is wholly owned is:

Company	Country of registration and operation	Registered Office	Principal activity	Holding	%
B/E Aerospace B.V. (Company number 30273270)	Netherlands	Galvanibaan 5, 3439 MG Nieuwegein, The Netherlands	Manufacturing	Ordinary	100

**14. INVENTORIES**

	2022 \$'000	2021 \$'000
Raw materials	63,708	56,616
Work-in-progress	4,271	2,702
Finished goods	362	258
	<b>68,341</b>	<b>59,576</b>

The replacement value of inventories and work-in-progress is not considered to be materially different from the book value. Inventories are stated after provision for impairment of \$12,112,000 (2021: \$14,474,000). The amount recognised as an expense in the year for the write down of inventory was \$11,489,000 (2021: \$4,936,000)

**15. TRADE AND OTHER RECEIVABLES**

**Amounts falling due within one year:**

	2022 \$'000	2021 \$'000
Trade receivables	76,372	66,609
Corporation Tax	-	11,713
Amounts due from group undertakings	276,541	687,599
Prepayments and accrued income	4,220	2,552
Contract assets	114,304	52,539
Asset recognised for costs incurred to fulfil a contract	54,637	40,157
Intercompany loan notes	27,500	27,500
	<b>553,574</b>	<b>888,669</b>

Trade receivables are stated after provision for expected credit losses of \$7,856,000 (2021: \$10,906,000).

Amounts due by group undertakings relates to Cash pool arrangements and other intercompany loans. \$188,210,000 (2021: \$615,191,000) and attracts interest at rates of between 0.01% and 1.5%. The remaining balances owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The intercompany loans noted above and below are recognised at fair value and relate to the AMS loan. The AMS loan does not attract interest and is repaid annually with the final repayment due to be received in 2025.

**B/E AEROSPACE (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2022**

**15. TRADE AND OTHER RECEIVABLES (continued)**

Amounts falling due after more than one year:

	2022 \$'000	2021 \$'000
Deferred tax asset (see note 16)	4,736	5,450
Intercompany loan notes	51,915	75,821
Asset recognised for costs incurred to fulfil a contract	92,538	63,799
	<b>149,189</b>	<b>145,070</b>

**16. DEFERRED TAX ASSET**

	2022 \$'000	2021 \$'000
Deferred tax assets due after more than 12 months	4,736	5,450
Net deferred tax asset	<b>4,736</b>	<b>5,450</b>

The Deferred tax asset position relates to fixed assets \$502,000 (2021: \$2,126,000), R&D expenditure credit \$304,000 (2021: \$nil) and temporary trading differences in relation to derivatives and other provisions \$3,930,000 (2021: \$3,324,000).

The analysis and movement of deferred tax (liabilities)/ assets is as follows:

	Accelerated tax depreciation \$'000	Other timing differences \$'000	Tax Credits \$'000	Total \$'000
At 1 January 2021	1,544	764	-	2,308
Adjustments in respect of prior years	34	1,139	-	1,173
Deferred tax credit to Income statement	548	806	-	1,354
Deferred tax charge in Other comprehensive income for the year	-	615	-	615
At 31 December 2021	2,126	3,324	-	5,450
Adjustments in respect of prior years	(439)	(49)	-	(488)
Deferred tax credit to Income statement	(1,185)	-	304	(881)
Deferred tax credit in Other comprehensive income for the year	-	655	-	655
At 31 December 2022	<b>502</b>	<b>3,930</b>	<b>304</b>	<b>4,736</b>

**B/E AEROSPACE (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2022****17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	\$'000	\$'000
Trade creditors	64,861	45,856
Customer deposits	72	164
Amounts owed to group undertakings	64,160	88,116
Other taxes and social security	1,512	1,426
Corporation tax	630	-
Accruals and deferred income	42,323	42,361
Derivative financial instruments (note 7)	3,693	76
Contract liabilities	26,630	21,989
Lease liability (note 12)	433	492
Provision for liabilities (note 19)	5,331	8,516
	<b>209,645</b>	<b>208,996</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022	2021
	\$'000	\$'000
Accruals and deferred income	69,290	93,196
Contract liabilities	75,090	58,019
Lease liability (note 12)	484	951
Provision for liabilities (note 19)	16,903	23,456
	<b>161,767</b>	<b>175,622</b>

**19. PROVISIONS FOR LIABILITIES**

	Warranty	Other	Total
	\$'000	\$'000	\$'000
At 1 January 2021	32,232	6,425	38,657
Additions charged to the income statement:	3,945	-	3,945
Transfers in the year	3,952	-	3,952
Released in the period	(8,485)	-	(8,485)
Utilised in the period	(6,097)	-	(6,097)
At 31 December 2021	25,547	6,425	31,972
Additions charged to the income statement:	5,316	-	5,316
Transfers in the year	-	-	-
Released in the year	(8,122)	(184)	(8,306)
Utilised in the year	(6,748)	-	(6,748)
At 31 December 2022	15,993	6,241	22,234

**B/E AEROSPACE (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****For the year ended 31 December 2022****19. PROVISIONS FOR LIABILITIES (continued)**

	2022	2021
	\$'000	\$'000
Current	5,331	8,516
Non-current	16,903	23,456
<b>Balance at the end of the year</b>	<b>22,234</b>	<b>31,972</b>

**Warranty**

The Company offers warranties on certain products. The provision represents management's best estimate of the likely costs of servicing warranties in place at the balance sheet date, one third of which is expected to be incurred within one year. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current year are consistent with those in the prior year.

**Other provisions**

Other provisions relate to asset retirement and environmental obligations as a result of group activities.

**20. SHARE-BASED PAYMENTS****Equity-settled share option/awards scheme**

The Company has a share option scheme where it grants to its employees rights to equity instruments of RTX, its parent Company. The required disclosures are therefore included in the consolidated financial statements. B/E Aerospace (UK) Limited measures its share-based payment expense as a proportion of the expense recognised for the entire share-based payment scheme based on the number of employees participating in the scheme.

**21. CALLED UP SHARE CAPITAL**

	2022	2021
	\$	\$
<b>Allotted, called-up and fully paid</b>		
4 ordinary shares of £1 (2021: 4 ordinary shares of £1)	5	5

**22. DIVIDENDS**

Amounts recognised as distributions to equity holders in the year:

	2022	2021
	\$'000	\$'000
Interim dividend was distributed for the year ended 31 December 2022 of \$93,750m (2021: £nil) per £1 ordinary share	375,000	-

## **B/E AEROSPACE (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the year ended 31 December 2022**

#### **23. FINANCIAL COMMITMENTS**

At the balance sheet date, the total future minimum lease payments for low value leases not included in note 12 are:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	75	83
Later than one year and not later than five years	129	111
Later than five years	-	-
	<b>204</b>	<b>194</b>

#### **24. RELATED PARTIES**

In accordance with UK Financial Reporting Standards 'Related Party Disclosures', the transactions with other undertakings within RTX have not been disclosed within these financial statements.

#### **25. CONTINGENT LIABILITIES**

##### **Contract manufacturing agreement with B/E Aerospace B.V**

In October 2021 the galleys business adjusted its operating methodology and adopted a contract manufacturing agreement with the B/E Aerospace B.V. facility in the Philippines. This adjustment better represents the risks and rewards of the engineering and contract management activities conducted in the UK. The Company has performed an evaluation of the long-term profitability of the contract manufacturing agreement. Under the contract manufacturing agreement, the Company is liable to make payments to the intercompany partner or is entitled to receive royalty payments from the intercompany partner depending on the profitability of the intercompany partner in any calendar year. The Company concluded the manufacturing agreement is expected to be profitable and therefore no provision has been recognised in these financial statements. Refer to further information in note 3 and note 5 in the financial statements.

#### **26. CONTROLLING PARTIES**

The immediate holding Company is BE Aerospace Holdings (UK) Limited, a Company incorporated in England and Wales. The Company's ultimate parent undertaking and controlling party is Raytheon Technologies Corporation, a Company incorporated in the United States of America.

Raytheon Technologies Corporation is the smallest and largest group to consolidate these financial statements. Copies of the Raytheon Technologies Corporation financial statements are publicly available and can be obtained from [www.rtx.com](http://www.rtx.com).

#### **27. EVENTS AFTER THE BALANCE SHEET DATE**

No significant changes since the balance sheet date.