

# Mission Systems Wimborne Limited

(formerly Cobham Mission Systems Wimborne Limited)

Annual report and financial statements

for the year ended 31 December 2021

Registered number 00293529



# Mission Systems Wimborne Limited

## Annual report and financial statements for the year ended 31 December 2021

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# Mission Systems Wimborne Limited

## Directors' report for the year ended 31 December 2021

The directors have pleasure in submitting their report, together with the strategic report and the audited financial statements of Mission Systems Wimborne Limited (the Company) for the year ended 31 December 2021. Comparatives are presented for the year ended 31 December 2020. The Company is a private company limited by shares and is incorporated, registered and domiciled in England, number 00293529. The address of the registered office of the Company is Brook Road, Wimborne, Dorset BH21 2BJ.

The Company is a wholly owned indirect subsidiary of Eaton Corporation plc and trades under the name "Eaton Mission Systems Division". On 1 June 2021, the Company was acquired by Eaton Industries XX Unlimited Company (part of the Eaton Corporation plc group), having previously been owned by Cobham Limited (formerly Cobham plc).

The Company's name was changed from Cobham Mission Systems Wimborne Limited to Mission Systems Wimborne Limited on 9 March 2022.

### Results and dividends

The Company's results for the year are set out in the income statement on page 13 showing a profit for the financial year after tax of £128,965,000 (2020: profit after tax of £50,096,000). At 31 December 2021, the Company had net assets of £183,819,000 (2020: net assets of £117,528,000).

A review of the Company's business during the year and future developments, together with information on the Company's involvement in research and development, risks and uncertainties, financial risk management and events since the balance sheet date are provided in the strategic report on pages 4 to 8.

The Company paid dividends totalling £64,028,000 in May 2021 (2020: £nil)

### Directors

The following directors held office during the year and up to the date of signing these financial statements, unless otherwise noted:

M Price (appointed 7 September 2021)  
D M Quartey (appointed 7 September 2021)  
J S Connell (resigned 19 August 2022)  
D Thorndike (resigned 3 September 2021)  
K J McKeown (resigned 7 September 2021)  
D A Clapp (resigned 3 September 2021)

The directors benefited from a Directors' and Officers' liability insurance policy which was in place during the financial year and at the date of this report.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) 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 UK 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

# Mission Systems Wimborne Limited

## Directors' report for the year ended 31 December 2021 (continued)

### Statement of directors' responsibilities (continued)

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, exposures to price, credit, liquidity and cash flow risk are described in the strategic report on pages 4 to 8.

The Company has considerable financial resources together with long-term contracts/trading relationships with a number of customers and suppliers across different geographic areas and industries. All of the business of the Company is in the aerospace defence sector.

The directors continue to review the level of risk the COVID-19 pandemic poses to business activity. During the period the directors continued to take extensive steps to maintain the integrity of the Company's operations including requiring a significant portion of the workforce to work remotely; applying social distancing rules and enhanced cleaning procedures under guidance from the government and NHS; reconfiguring work spaces and providing enhanced personal protective equipment where required. In March 2022 measures have been relaxed following changes in government guidance, although the level of COVID-19 cases at the workplace continue to be monitored and the directors will implement measures again if required to protect the continuity of delivery of product to our customers. The Company continues to work with customers, many of whom are 'Tier 1' prime defence contractors and suppliers to ensure continuity of supply.

The Company undertook scenario planning in August 2022 in respect of the COVID-19 pandemic, Ukraine conflict and wider economic outlook. The planning was centred on revenue sensitivities in the defence business and potential one off charges, including a 10% to 25% revenue reduction on a full year basis (with a corresponding reduction in variable costs with fixed costs held constant). The impact of all scenarios has a direct impact on profit and cashflow generation. Each scenario considered controllable mitigating actions by the Company in respect of possible internal cost reduction and restructuring. The scenarios include the treasury receivable from Eaton Treasury Center as cash and cash equivalent on the basis that the treasury entity is compelled to return the swept cash if it has the funds and the directors have gained assurance it would have the funds based on Eaton Corporation plc financial performance and discussion with Eaton management. The directors concluded that the Company has sufficient funding to manage the risks associated with all the scenarios modelled and maintain positive cash balances throughout the going concern period. The directors also noted as part of this consideration that nearly 80% of the current orders for 2022 delivery are already in backlog and that the forward looking outlook as a backlog orders book is 1.4 x annual revenues.

After completing the above and making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence during the period to 30 September 2023 (the going concern period) as a standalone business.

# Mission Systems Wimborne Limited

## Directors' report for the year ended 31 December 2021 (continued)

### Streamlined Energy and Carbon Reporting

The Company's environmental performance information is presented in accordance with the Streamlined Energy and Carbon Reporting (SECR) Guidance. The most significant environmental aspects include energy consumption and associated greenhouse gas emissions. The scope of the reporting includes all continuing business under the Company's operational control and does not include several small leased office spaces. UK operations account for 100% of emissions and energy use.

The table below provides a summary of GHG emissions and energy data for the Company to support business activities for which the Company is responsible for:

	2021	2020
GHG emissions (scope 1 and 2) (CO2 tonnes)	750	1,005
Total energy consumption (kilowatt per hour)	3,374,770	4,309,396
Intensity Ratio (Total emissions per employee)	0.99	1.35

The COVID-19 pandemic has had a significant positive impact on the Company's emissions in 2021. Energy emissions decreased due to lower footfall on site as well as a significant reduction in travel for business. The estimated energy for individuals working from home has not been measured.

The Company is actively seeking ways to reduce the impact on the environment and build resilience to climate change by focusing on energy, waste, water and travel. The strategy is to reduce global GHG emissions through improving energy efficiency to reduce consumption and explore electricity from renewable sources. To improve energy efficiency, the Company is evaluating the opportunity to move to hybrid and electric vehicles, installing high speed charging points, introducing LED lighting and exploring options for solar power generation.

### Stakeholder engagement

See stakeholder engagement and s172 statement within the strategic report on pages 4 to 8.

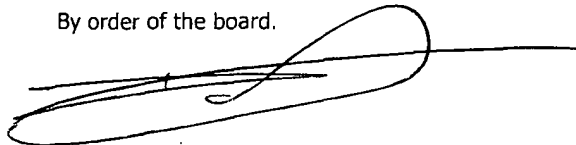
### Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board.



D M Quartey  
**Director**  
28 September 2022

# Mission Systems Wimborne Limited

## Strategic report for the year ended 31 December 2021

### Business review

The results for the year and financial position at the year-end are set out in the financial statements on pages 13 to 17.

The principal activity of the company is the design, manufacture and sale of military aerospace equipment and is not expected to change in the foreseeable future.

Financial performance for the year ending 31 December 2021 was mixed. There was continued strength across air-to-air refuelling platforms in both new build and aftermarket support activity as well as weapons carriage and release (WC&R), although review of cost to complete on programmes result in a charge to the income statement of £27.1m (2021: credit of £17.1m).

The air-to-air refuelling business had another high output year in respect of original equipment shipments, principally to Airbus and Embraer in support of the A400M, A330 and KC390 platforms respectively. In addition new orders were received for A400M and A330 on the back of further international sales. Significant progress has been made on the KC46 WARP development programme in 2021 including despatch of 8 red label WARP units. The requirement for aftermarket continues to develop both with Airbus and the end customers. In addition, aftermarket continues to be strong for legacy tanking platforms as nations, in particular the US, continue to lengthen the in-service life of their existing tanking fleets.

The WC&R business continues to show strong order intake and revenue growth supporting key customer export campaigns as well as upgrades and emergent work for the core European Nation platforms. The business has successfully established and developed close partnerships with a number of key customers to develop launchers. The business pipeline continues to remain strong with approximately two years of orders in backlog.

On 31 August 2021, the company and Eaton Intelligent Power Limited entered into intercompany intellectual property agreements. The subject of the transfer included manufacturing process IP, technology IP, and related know how. The gain on the transfer of IP of £145.3m has been recorded as an exceptional item on the face of the income statement.

### Key performance indicators

The directors assess the performance of the business using key performance indicators, including:

	2021	2020	Change
Book to bill ratio	<b>0.95</b>	0.7	35.3%
Organic revenue % growth	<b>(6.8%)</b>	23.8%	(30.6%)
Underlying operating profit margin	<b>12.8%</b>	30.1%	(17.3%)

Underlying operating profit margin is calculated as operating profit excluding exceptional items as a % of revenue

### Future developments

The directors are confident that the business will continue to be profitable in 2022 based on the order book backlog and future looking customer forecasts. The Company remains committed to working in partnership with its key customers and is committed to investing in research and development over the five-year strategic plan period for the future development of next generation equipment.

### Research and development

The Company is committed to research and development by investing in both new products and enhancements to the current product base, and has invested £5.8m (2020: £5.4m) during the year.

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# Mission Systems Wimborne Limited

## Strategic report for the year ended 31 December 2021 (continued)

### Principal risks and uncertainties

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

The key business risks and uncertainties affecting the Company are normally considered to relate to the execution and delivery of current development programmes. In addition, the impact of the COVID-19 pandemic has introduced an element of uncertainty to the company. The Company continues to work through the impacts of the pandemic and has mitigated all risks to date based on the implementation of Government, NHS and Public Health England advice.

### Financial risk undertakings

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

During the year, the directors have followed the financial risk management policies set by the board of directors of Cobham Limited, which were managed by the group finance department. The Cobham Limited group had a written treasury policy and risk management programme that sought to limit the adverse effects on the financial performance of the group, which was applied by the Company. This included the use of foreign currency financial instruments, debt and other instruments. The Company does not trade in financial instruments.

The directors have revisited the appropriateness of these policies following the Company's acquisition by Eaton Corporation plc and determined that the policies remain appropriate for the time being. A number of new policies will be adopted during the Company's integration into Eaton Corporation plc's control framework.

#### *Price risk*

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

#### *Credit risk*

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

#### *Liquidity risk*

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions, and has access to funding from the Eaton Treasury Center as required. The Company has an uncapped drawdown facility with the Eaton Treasury Center.

#### *Interest rate cash flow risk*

The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include only cash/bank balances, all of which earn interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs.

#### *Foreign currency exchange rate risk*

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with its parent undertaking.

# Mission Systems Wimborne Limited

## Strategic report for the year ended 31 December 2021 (continued)

### Stakeholder engagement and S172 Statement

A director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

Engagement with our stakeholders plays a vital role throughout the business. By understanding our stakeholders, we can factor into boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

The Company desires to maintain a reputation for high standards of business conduct across its whole stakeholder population to ensure that the Company enhances its reputation as an employer of choice and the premier UK-based supplier of air to air refuelling and weapons carriage and release systems.

#### *Customers*

The Company supplies Tier 1 and Prime defence customers on a worldwide basis. Our customers are important to us as they provide equipment to many nations throughout the world in respect of national defence. The nature of our product range requires the company to maintain a high degree of availability of equipment, as well as the provision of timely spares and repairs.

The Company engages with the customers through the lifecycle of development, production and aftermarket support through dedicated teams of individuals both at the company facility and in the field. One of the Company's key priorities has been to foster closer relationships with customers at all levels. Engaging closely with the customer helps the company provide value for money and high-performance technical solutions to meet their needs.

The Company engages with customers through structured senior management reviews on a regular basis and at an integrated product team level on a working basis. This level of engagement has resulted in the establishment of a better collaborative discussion and a quicker route to resolving supply issues that, as an example, has driven the Company to better on time deliveries as well as fostering our ability to react to technological challenges in respect of customer requirements and maintenance in the field. This provides increased opportunities for revenue generation.

In addition, the required on time delivery for our customers led to a shift in focus to ongoing customer partnerships rather than short-term delivery arrears reduction. The continued focus and decisions by the Company during this period have generated future business development opportunities.

#### *Suppliers*

The Company relies on an extensive supply chain of local and international suppliers to facilitate the production and support of equipment. In addition, the Company relies on local suppliers to support its running of site operations.

The Company engages with suppliers through short and long-term contracts designed to support the individual product builds and forward-looking customer demands. The Company engages with suppliers with an ongoing dialogue in respect of order placement, quality and compliance processes, receipt and payments. The Company undertakes to pay suppliers in line with the government payment practice guidelines.

Suppliers are closely monitored by the Company in respect of order acceptance, delivery performance, quality, financial health and other supply chain criteria that are represented in a supplier scorecard. The Company actively maintains a dialogue with suppliers in respect of their performance and works proactively with them to resolve any issues at all stages of the supply lifecycle.

# Mission Systems Wimborne Limited

## Strategic report for the year ended 31 December 2021 (continued)

### Stakeholder engagement and S172 Statement (continued)

#### *Employees*

Through 2021, the environment in which our colleagues work has continued to be impacted by the Covid-19 pandemic.

For those colleagues unable to work from home through business or personal need, we have altered working hours, site layout, introduced safe distancing and cleaning protocols and developed a range of checks and practices to keep people in the workplace as safe as possible. For those able to work from home, we have provided the required technology and developed our flexible working practices and training available to focus on remote management, remote working and wellbeing.

Through this period, the importance of regularly engaging with our colleagues has never been so critical to our success. The cadence has remained consistent, with bi-weekly Covid-19 updates, monthly leadership community meetings, monthly everyone updates and quarterly All Hands taking place. These exist to instil a sense of common purpose, to update on relevant news and developments, to respond to questions and to listen. Higher levels of people engagement helps attract and retain talented employees, which is critical to future growth.

The Company is committed to providing all colleagues with equal opportunities in a workplace free from discrimination. Our employment policies for recruitment, selection, training, development and promotion of employees are designed to ensure no application receives less favourable treatment on the grounds of age, race, nationality, religion, political beliefs, disability, sex or marital status.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and 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 training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Our organisational commitments on Equality, Diversity and Inclusion have been developed by the Leadership Team and shared with all colleagues. Support available to colleagues where required includes an Employee Assistance Programme, Counselling services, Occupational Health, and Mental Health First Aiders. Campaigns have been run through 2021 focusing on Mental Health and the support and training available.

All colleagues are eligible for the Annual Incentive Plan (AIP), a bonus scheme that ensures people are rewarded financially for their contribution towards strong performance. There is also a Recognition Scheme in place aligned to the core behaviours that underpin the way we work, to allow peer to peer recognition with a reward element.

The Company maintains an active apprenticeship programme in conjunction with local learning institutes, has a rotational graduate programme and in addition, offers both in house and external learning development opportunities for everyone.

#### *Society, Community and Environment*

The Company is key part of the local community in Wimborne Minster, Dorset, as a large local employer. The Company supports local charitable initiatives through a charity committee made up of staff members. Local fund raising is performed for the chosen charities and contributions are matched in part by the Company.

In addition, the Company is active in the community through supporting for example the local Air Cadets as well as providing infrastructure and support to the wider Wimborne community through the Cobham Sports and Social Club which is open to the community at large.

Environmental issues and challenges remain a key focus for the company. We continue to encourage car sharing, use of electric vehicles and appropriate waste segregation to reduce waste going to landfill.

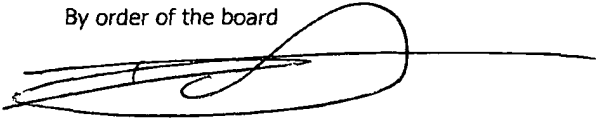
# Mission Systems Wimborne Limited

## Strategic report for the year ended 31 December 2021 (continued)

### *Investors*

During the current year the Company has undergone a change in shareholders. Prior to June 2021 the Company undertook monthly dialogue with the parent company through a structured business review with the Advent Advisory Board. Post-acquisition by Eaton Corporation plc in June 2021, the Company reports performance through Eaton group reporting systems and the Company's results form part of quarterly reporting to the New York Stock Exchange (NYSE:ETN). The Company reports results on a regular monthly basis with a particular focus on customer relationships, supplier performance, profit and loss and cash performance.

By order of the board



D M Quartey  
**Director**  
28 September 2022

# **Independent auditors' report to the members of Mission Systems Wimborne Limited (formerly known as Cobham Mission Systems Wimborne Limited)**

## **Opinion**

We have audited the financial statements of Mission Systems Wimborne Limited for the year ended 31 December 2021 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, and the Statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

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

## **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2023.

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

## **Other information**

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

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

## **Independent auditors' report to the members of Mission Systems Wimborne Limited (formerly known as Cobham Mission Systems Limited) (continued)**

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

## **Independent auditors' report to the members of Mission Systems Wimborne Limited (formerly known as Cobham Mission Systems Limited) (continued)**

with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our procedures were as follows;

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework ('FRS 101' and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including exports of product and service regulations, offset terms on foreign contracts, UK Anti-bribery act, procurement regulations, Proceeds of Crime Act 2002 and The Money Laundering (Amendment) Regulations 2012, Intellectual property (IP) law and non-disclosure agreements (NDA), Health and Safety and GDPR.

Furthermore, the Company must comply with specific FAA regulations and Aviation Law including the Civil Aviation Act 2006, Civil Aviation Authority Regulations 2007 and US Aviation legislation.

- We understood how Mission Systems Wimborne Limited is complying with those frameworks by making enquiries of management including internal legal counsel to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. Specifically, we inspected the code of conduct and employee handbook issued to each employee, we also verified that specific training on the above frameworks were offered to employees throughout the year; obtaining and inspecting the training compliance report held by the company. We also reviewed correspondence with relevant authorities, including HMRC.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk – either through the manipulation of costs to complete and estimation of margins on long term contracts, or via recognising revenue in the incorrect period for 'point in time' sales. Our procedures to address this involved:
  - Understanding the revenue recognition process, policy and how it is applied, including relevant controls;
  - Selecting a sample of key contracts to test based on various risk criteria and testing a sample of costs incurred to supporting documentation to assess their accuracy and that they were recorded to the appropriate contract. For the same contracts we performed detailed contract reviews, including challenging management assumptions on costs to complete and contingencies held on contracts.
  - Testing of revenue cut-off at the year end by selecting a sample of revenue transactions and testing whether revenue was recorded in the correct period through agreement to proof of delivery to confirm the period that the revenue relates to and;
  - We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing work, with focus on transaction recorded at or close to the year-end date
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing and the relevant tax legislation including tax computations and returns.

## **Independent auditors' report to the members of Mission Systems Wimborne Limited (formerly known as Cobham Mission Systems Limited) (continued)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Ryan Squires (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Southampton  
29 September 2022

## Mission Systems Wimborne Limited

### Income statement for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Revenue</b>	2	<b>180,572</b>	193,684
Cost of sales		<b>(134,503)</b>	(116,839)
<b>Gross profit</b>		<b>46,069</b>	76,845
Distribution costs		<b>(3,563)</b>	(3,388)
Administrative expenses		<b>(31,064)</b>	(24,051)
Other operating income		<b>11,911</b>	6,613
Exceptional item – loss on exit from pension scheme	16	<b>(9,545)</b>	-
Exceptional item – profit on disposal of Intellectual Property		<b>145,283</b>	-
<b>Operating profit/(loss) before derivatives</b>	3	<b>159,091</b>	56,019
Gain/(loss) on derivative financial instruments		<b>(228)</b>	2,252
<b>Operating profit/(loss)</b>	3	<b>158,863</b>	58,271
Finance income	4	<b>1,692</b>	3,317
Finance costs	5	<b>(1,621)</b>	(3,202)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>158,934</b>	58,386
Tax on profit on ordinary activities	6	<b>(29,969)</b>	(8,290)
<b>Profit/(loss) after taxation for the year</b>		<b>128,965</b>	50,096

All the Company's activities are classed as continuing in the current year and comparative period.

## Mission Systems Wimborne Limited

### Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Profit/(loss) after taxation for the year</b>		<b>128,965</b>	50,096
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit pension obligations	16	<b>1,671</b>	10,193
Tax effects	6	<b>(317)</b>	(1,937)
<b>Other comprehensive income for the year</b>		<b>1,354</b>	8,256
<b>Total comprehensive income/(expense) for the year</b>		<b>130,319</b>	58,352

# Mission Systems Wimborne Limited

## Balance sheet as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	651	3,991
Property, plant and equipment	11	21,532	21,092
Trade and other receivables	12	-	4,012
Contract assets	13	3,539	10,097
Deferred taxation	14	8,279	24,216
Derivative financial instruments	15	-	228
Retirement benefit assets	16	-	7,384
		<b>34,001</b>	71,020
<b>Current assets</b>			
Inventories	17	39,962	38,379
Contract assets	13	10,784	10,807
Trade and other receivables	12	266,257	68,128
Derivative financial instruments	15	131	679
Intercompany loan receivable	18	-	140,000
Cash and cash equivalents		11,687	16,805
		<b>328,821</b>	274,798
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	15	(963)	(737)
Trade and other payables	19	(91,002)	(34,221)
Contract liabilities	21	(24,945)	(33,595)
Provisions	22	(14,595)	(40,568)
Intercompany Loan Payable	18	-	(93,091)
		<b>(131,505)</b>	(202,212)
<b>Non-current liabilities</b>			
Trade and other payables	19	(847)	(2,929)
Contract liabilities	21	(28,018)	(10,801)
Provisions	22	(18,633)	(11,555)
Derivative financial instruments	15	-	(793)
Retirement benefit obligations	16	-	-
		<b>(47,498)</b>	(26,078)
<b>Net assets</b>		<b>183,819</b>	117,528

# Mission Systems Wimborne Limited

## Balance sheet as at 31 December 2021 (continued)

	Note	2021 £000	2020 £000
<b>Equity</b>			
Share capital	23	300	300
Share premium	23	-	225,000
Accumulated profits / (losses)		183,519	(107,772)
<b>Total equity</b>		<b>183,819</b>	117,528

The financial statements on pages 13 to 47 were approved by the board on 28 September 2022 and were signed on its behalf by:



D M Quartey  
Director

## Mission Systems Wimborne Limited

### Statement of changes in equity for the year ended 31 December 2021

	Share capital £000	Share premium £000	Accumulated profits / (losses) £000	Total equity £000
Total equity at 1 January 2021	300	225,000	(107,772)	117,528
Profit for the year	-	-	128,965	128,965
Other comprehensive income	-	-	1,354	1,354
Total comprehensive income for the year	-	-	130,319	130,319
Share premium cancellation (note 23)	-	(225,000)	225,000	-
Dividends paid (note 9)	-	-	(64,028)	(64,028)
<b>Total equity at 31 December 2021</b>	<b>300</b>	<b>-</b>	<b>183,519</b>	<b>183,819</b>

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021

### 1. Statement of accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared on the going concern basis, under the historical cost convention unless as otherwise stated or as modified to include the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101.

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 below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraphs 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of:
  - i. paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
  - ii. paragraph 73(e) of IAS 16, Property, plant and equipment;
  - iii. paragraph 118(e) of IAS 38, Intangible assets; and
- additional comparative information as required by paragraphs 38A to 38D of IAS 1, Presentation of Financial Statements
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraph 10(f) and 40A-D of IAS 1 prior period balance sheet following a restatement);
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)-(c), 120-127 and 129 of IFRS 15, Revenue from Contracts with Customers;
- the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- details of compensation of key management personnel required by paragraph 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Basis of preparation (continued)

In addition, as the consolidated financial statements of Eaton Corporation plc include the equivalent disclosures, the following exemptions under FRS 101 have also been taken:

- details of assumptions as required by paragraphs 134 (d) to (f) and 135 (c) to (e) of IAS 36, Impairment of Assets; additional details where recoverable amount is fair value less costs of disposal as required by s130(f)(ii) and 130(f)(iii) of IAS 36 Impairment of Assets.
- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value and neither held as part of a trading portfolio or derivatives.

#### Going concern

The Company has considerable financial resources together with long-term contracts/trading relationships with a number of customers and suppliers across different geographic areas and industries. All of the business of the Company is in the aerospace defence sector.

The directors continue to review the level of risk the COVID-19 pandemic poses to business activity. During the period the directors continued to take extensive steps to maintain the integrity of the Company's operations including requiring a significant portion of the workforce to work remotely; applying social distancing rules and enhanced cleaning procedures under guidance from the government and NHS; reconfiguring work spaces and providing enhanced personal protective equipment where required. In March 2022 measures have been relaxed following changes in government guidance, although the level of COVID-19 cases at the workplace continue to be monitored and the directors will implement measures again if required to protect the continuity of delivery of product to our customers. The Company continues to work with customers, many of whom are 'Tier 1' prime defence contractors and suppliers to ensure continuity of supply.

The Company undertook scenario planning in August 2022 in respect of the COVID-19 pandemic, Ukraine conflict and wider economic outlook. The planning was centred on revenue sensitivities in the defence business and potential one off charges, including a 10% to 25% revenue reduction on a full year basis (with a corresponding reduction in variable costs with fixed costs held constant). The impact of all scenarios has a direct impact on profit and cashflow generation. Each scenario considered controllable mitigating actions by the Company in respect of possible internal cost reduction and restructuring. The scenarios include the treasury receivable from Eaton Treasury Center as cash and cash equivalent on the basis that the treasury entity is compelled to return the swept cash if it has the funds and the directors have gained assurance it would have the funds based on Eaton Corporation plc financial performance and discussion with Eaton management. The directors concluded that the Company has sufficient funding to manage the risks associated with all the scenarios modelled and maintain positive cash balances throughout the going concern period. The directors also noted as part of this consideration that nearly 80% of the current orders for 2022 delivery are already in backlog and that the forward looking outlook as a backlog orders book is 1.4 x annual revenues.

After completing the above and making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence during the period to 30 September 2023 (the going concern period) as a standalone business.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### Significant judgements in applying accounting policies

The following are the judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

##### *a. Revenue recognition and contract accounting*

The Company has a number of contracts related to long term development programmes. For the majority of these contracts, revenue is recognised over time on a percentage of completion basis. A portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion.

There are three principal judgements associated with contract accounting:

- **Performance obligations:** Judgement is applied in determining how many performance obligations there are within each contract and whether the development phase represents a separate obligation. In most cases, the development phase is not considered to be distinct as the customer does not benefit from the development activities alone. It is instead combined with the early contracted production phases such as low rate initial production (LRIP) which are considered a key part of the development cycle;
- **Modifications and claims:** Judgement is applied in determining whether claims to or from the customer are likely to be successful. Estimation techniques are then used to quantify the impact;
- **Costs to fulfil a contract:** For some contracts, where revenue is recognised at a point in time (rather than over time), the Company incurs development costs in order to meet its performance obligation and these costs are recognised as an asset. The asset is then amortised to cost of sales as revenue is recognised. Judgement is applied in assessing whether these costs are costs to fulfil a contract or internally generated intangible assets. This judgement will depend on management's assessment of the nature of the underlying costs and whether they principally relate to a particular contract.

##### *b. Going concern assessment*

Given the impact of COVID-19 and Ukraine conflict on the wider UK and global economies, the going concern assessment performed by the directors as part of the approval of the financial statements is considered to be a significant judgement. The following are considered to be the key matters related to this judgement:

- Strong performance achieved by the Company in the past 2 years during the COVID-19 pandemic;
- Lack of cancellation of order book backlog and defence customers requesting Mission Systems to continue to supply during the COVID-19 pandemic;

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Going concern (continued)

- Ongoing collection of customer receivables; and
- Scenario planning in relation to a reduction in revenue, profit and cash generation

#### Assumptions and estimation uncertainties

The directors consider that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The key assumptions and estimation uncertainties are as follows:

- Revenue recognition (note 2), contract assets and liabilities (notes 13 and 21) and onerous contract provisions (note 22) - Recognition and measurement of revenue on long term contracts, associated contract assets and liabilities and contract loss provisions including those relating to the KC-46 programme require estimation of the costs to complete the contracts including some contingencies for the risks identified, the final costs of technical solutions, the outcome of negotiations with customers (including modifications and any potential damages claims) and the amounts recoverable under these contracts;
- Inventory provisions (note 17) - Recognition and measurement of provisions for obsolete, slow moving and defective items of inventory;
- Deferred tax assets (note 14) - The recoverability of deferred tax assets is assessed by reference to estimated future cash flows; and
- Amortisation of intangible assets (note 10) and depreciation of property, plant and equipment (note 11) – The determination of the useful economic lives for assets including measurement of residual values.

#### Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year are set out below.

#### Revenue

Revenue is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. A five-step process must be applied before revenue can be recognised:

1. identify contracts with customers;
2. identify the separate performance obligations;
3. determine the transaction price of the contract;
4. allocate the transaction price to each of the separate performance obligations; and
5. recognise the revenue as each performance obligation is satisfied.

The transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price has to be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using either standard list sales prices or an estimated costs methodology.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Revenue (continued)

The Company has a number of long-term development programmes. For the majority of these contracts, revenue is recognised over time on a percentage of completion basis. This is where a portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion. This method is considered to most faithfully depict the transfer of goods and services to the customer over the life of the performance obligation. As these products come out of the development phase and into full rate production, revenue is recognised at a point in time where there is an alternative use. For some programme specific products, markets may not be sufficiently mature to offer an alternative use and in these circumstances, where there is also a right to payment at all times, revenue is recognised over time based on a percentage of completion basis using costs as the measure of progress. For development and production contracts where there is not considered to be a right to payment at all times through the contract, these are accounted for at a point in time, with revenue recognised when control transfers to the customer, typically on delivery of the production units.

The majority of development programmes have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts recognised over time using percentage of completion methodology. This generally leads to recognition of revenue in advance of customer billings, for which a contract asset is recognised.

Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advanced payments from customers).

The practical expedient available under IFRS 15 has been taken whereby any financing element of the contract price has been ignored if the timing difference between the satisfaction of the obligations under the contract and the receipt of payment due under the contract are expected to be one year or less.

Where incremental costs of obtaining a contract are incurred, such as sales commissions, the Company has taken advantage of the practical expedient to recognise these costs as expense when incurred rather than capitalising them as an asset, on the basis that the amortisation period would typically be one year or less. Other costs to obtain a contract, such as bid costs that would have been incurred regardless of whether the contract was awarded, are expensed as incurred as they are not recoverable from the customer in the event of an unsuccessful bid.

Costs incurred in fulfilling a contract with a customer are capitalised where: they are directly related to a contract; they generate or enhance the resources of the Company in fulfilling the contract; and they are recoverable. Such costs are then amortised to cost of sales over a consistent period as the associated revenue is recognised.

#### Current and deferred taxation

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively.

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period in which the asset is realised or liability is settled.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Current and deferred taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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 deferred taxes relate to the same fiscal authority.

#### Intangible assets – software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Amortisation of intangible assets is included within administrative expenses in the income statement.

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

#### Property, plant and equipment and depreciation

Property, plant and equipment is stated at historic cost, less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

All property, plant and equipment, [other than freehold land and assets under construction] is depreciated on a straight-line basis to the estimated residual values over estimated useful lives. These lives are as follows:

Freehold buildings	50 years
Plant and machinery (including vehicles)	3 to 8 years
Fixtures, fittings, tools and equipment	3 to 8 years

Estimated residual values and the estimated useful lives are reviewed annually and adjusted where necessary.

Assets under construction are held at cost and transferred to the appropriate category of property, plant and equipment once construction is complete and they enter into service. They are depreciated from this point in accordance with the policies described above.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Right of use assets

Right of use assets are reported within property, plant and equipment on the balance sheet. The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset. The right-of-use asset is tested for impairment where appropriate.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provisions are made where necessary for obsolete, slow moving and defective items.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Pension costs

During the year the Company contributed to the Cobham Pension Plan (CPP), a multi-employer defined benefit pension scheme operated by Cobham Limited, the assets of which are held separately in trustee administered funds. The assets and liabilities of the CPP have been allocated to the contributing companies based on the proportional number of members. The Company also contributes to a defined contribution scheme operated by Cobham Limited during the year. Following the sale to Eaton Corporation plc, the Company left the Cobham Pension Plan and now contributes and operates a replica defined contribution scheme. The defined benefit obligations remain with Cobham Limited and the Company was not required to make any payment on exit.

For the defined benefit scheme in the period to 31 May 2021, current service costs and costs related to the administration of the scheme are charged to operating profit. Past service costs are recognised in the income statement. The interest on net assets or liabilities is shown within finance income and costs. Actuarial remeasurements up to the date of cessation have been recognised immediately in OCI. On cessation of the Company's participation in the plan, the net asset at the date of exit was transferred to the income statement and charged to operating profit. The Company estimated the net asset at 31 May 2021 by apportioning the full year IAS 19 returns prepared by the Actuary for the relevant time period on a straight line basis.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. There is no defined benefit asset or liability at the year end, since the Company is no longer a member of the Cobham Pension Plan.

For the defined contribution scheme, contributions are charged to the income statement as they fall due.

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and where the amount can be reliably measured.

No provision is recognised where the existence of an obligation is possible but will only be confirmed by uncertain future events.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's liabilities, based on past experience and industry averages for defective products.

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Right of use asset provisions are made where the Company leases assets and has an obligation to return the asset to the lessor in a specific condition or to restore the site on which the asset is located. In these cases, at initial recognition of the lease, the estimated restoration or remediation costs are included in the right of use asset and a provision is recognised.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments and are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date. All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments.

Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

#### Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect – where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell - where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets held within a hold to collect and sell business model.

All other financial assets, including derivative financial instruments, are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Impairment of financial assets

The Company recognises the lifetime expected credit losses at the point of initial recognition for trade receivables and contract assets (under IFRS 15). These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and a provision matrix where appropriate.

For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to administrative expenses in the Income Statement.

#### Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Financial instruments (continued)

##### Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and foreign exchange contracts are used to reduce these exposures. The Company does not use derivative financial instruments for speculative purposes.

Foreign exchange contracts entered into to mitigate foreign exchange impacts of trading in non-functional currencies are not accounted for using hedge accounting principles. These derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. Movements in fair value of the derivative financial instruments are included in the income statement within operating costs.

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates.

The fair value is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument.

##### Trade and other receivables

Trade and other receivables are stated at their amortised cost, net of impairment loss allowances. Where there is clear evidence that the receivable will not be recovered, and generally where receivables are in excess of 12 months old, the balance is written off in full.

##### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of direct issue costs and subsequently held at amortised cost. Borrowing costs, net of amounts capitalised, are accounted for on an accruals basis in the income statement. Premiums payable on settlement or redemption and direct issue costs are capitalised and amortised over the period to which the facility relates. Borrowing costs that are directly attributable to relevant property, plant and equipment are capitalised as part of the cost of that asset.

##### Trade payables (note 19)

Trade payables do not carry any interest and are stated at their nominal value.

#### Foreign currencies

Transactions denominated in currencies other than the functional currency are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year.

Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date. All exchange differences are dealt with in administrative expenses in the income statement.

Non-monetary items (such as investments) that are measured in terms of historical cost in a non-functional currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency (such as some derivative financial instruments) are translated using the exchange rate at the date when the fair value was determined.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 1. Statement of accounting policies (continued)

#### Lease obligations

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

#### Research and development

The Company undertakes research and development activities either on its own behalf or on behalf of customers. Company funded expenditure on research activities is written off as incurred and charged to the income statement.

Development costs are capitalised when it can be demonstrated that the conditions for capitalisation as described in IAS 38, intangible assets are met, paying particular attention to the requirements for the product to be technically feasible and capable of generating a financial return. At that point, further costs are capitalised as an intangible asset until the intangible asset is readily available for use and is then amortised as described above. All development costs not capitalised are written off as incurred together with all research costs.

On 31 August 2021, the company and Eaton Intelligent Power Limited entered into intercompany intellectual property agreements. From date of this agreement all research and development costs expensed to the income statement are recharged to Eaton Intelligent Power Limited.

#### Government grants

Government grants of a revenue nature are credited in full against the relevant project costs in the year in which grants are receivable. Government grants of a capital nature are shown as deferred income and credited to the income statement over the estimated useful life of the asset.

#### Costs incurred on behalf of other companies

The Company incurs costs on behalf of other group companies which are recharged at an arm's length price. The cost incurred and recharge income is shown net within administrative expenses.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2. Revenue

Revenue can be analysed as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Revenue from sale of goods	<b>137,965</b>	135,467
Revenue from services	<b>42,607</b>	58,217
	<b>180,572</b>	193,684

An analysis of revenue by geographical destination is given below:

	<b>2021</b>	2020
	<b>£000</b>	£000
United Kingdom	<b>35,985</b>	24,564
EU countries	<b>106,859</b>	88,801
United States of America	<b>15,182</b>	53,608
Australasia	<b>224</b>	5,049
Rest of the world	<b>22,322</b>	21,662
	<b>180,572</b>	193,684

All revenue is derived from the sale of goods and engineering services.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3. Operating profit

Operating profit is stated after charging/(crediting):

	<b>2021</b>	2020
	<b>£000</b>	£000
Material costs included in cost of sales	<b>90,325</b>	92,602
Write down of inventories to net realisable value	-	115
Depreciation		
- owned assets	<b>3,191</b>	3,920
- leased assets	<b>230</b>	315
Amortisation of intangible assets	<b>451</b>	12,212
Net (gain)/loss on derivative financial instruments	<b>228</b>	(2,252)
Research and development	<b>5,813</b>	5,438
Research and development (tax credit)	<b>(3,001)</b>	(2,182)
Income from government grants	<b>(349)</b>	(136)
Cobham Limited non-US IT hub infrastructure	-	11,214
MSD Head office recharge costs	<b>4,305</b>	2,174
Cobham Limited recharge costs	<b>562</b>	411
Eaton Intelligent Power Limited technology royalty	<b>8,308</b>	-
Exchange differences	<b>3,886</b>	9,694
Auditors' remuneration for the audit of the Company's financial statements	<b>280</b>	136

Included within other operating income is £4,769,431 (2020: £9,191,996) in relation to Cobham brand charges.

Fees paid to the Company's auditors, Ernst & Young LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of AI Convoy (Luxembourg) SARL and Eaton Corporation plc for the year ended 31 December 2021 disclose the non-audit fees on a consolidated basis.

### 4. Finance income

	<b>2021</b>	2020
	<b>£000</b>	£000
Bank interest receivable	-	218
Intercompany loan interest receivable	<b>1,692</b>	3,073
Interest on net pension scheme asset	-	26
	<b>1,692</b>	3,317

Intercompany loan interest receivable relates to interest bearing loans with Cobham Limited. All loans were settled prior to Eaton Corporation plc acquisition of the Company on 1 June 2021.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 5. Finance costs

	2021 £000	2020 £000
Interest payable on bank overdrafts	107	1,016
Intercompany loan interest payable	1,112	2,148
Intercompany interest and charges	306	-
Interest on net pension scheme liabilities	60	-
Factoring charges	-	9
Interest on lease obligations	36	29
	<b>1,621</b>	<b>3,202</b>

Intercompany loan interest payable relates to interest bearing loans with Cobham Limited. All loans were settled prior to Eaton Corporation plc acquisition of the Company on 1 June 2021.

The third party non-recourse factoring scheme ceased on 31 May 2021 on acquisition of the Company by Eaton Corporation plc.

### 6. Tax on profit on ordinary activities

#### Tax charged in the income statement:

	2021 £000	2020 £000
<b>Current tax:</b>		
UK corporation tax on profit/(loss) for the year	14,964	2,057
Adjustments in respect of previous years	(615)	-
Group relief receipts	-	-
<b>Total current tax</b>	<b>14,349</b>	<b>2,057</b>
<b>Deferred tax:</b>		
Charge/(credit) for the year	15,290	8,552
Effect of change in tax rate	(1,153)	(3,704)
Adjustment in respect of previous years	1,483	1,385
<b>Total deferred tax (note 14)</b>	<b>15,620</b>	<b>6,233</b>
<b>Tax charge/(credit) on profit/(loss) on ordinary activities</b>	<b>29,969</b>	<b>8,290</b>

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 6. Tax on profit on ordinary activities (continued)

#### Deferred tax expense included in OCI:

	2021 £000	2020 £000
Actuarial gain on defined benefit retirement benefit obligations	317	1,937

#### Deferred tax income/(expense) included in equity:

	2021 £000	2020 £000
Timing differences relating to share based payments	-	(486)

The tax on profit on ordinary activities can be reconciled to the accounting profit as follows:

	2021 £000	2020 £000
<b>Profit on ordinary activities before taxation</b>	<b>158,934</b>	58,386
Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2020: 19.00%)	30,197	11,093
Effects of:		
Expenses not deductible for tax purposes	397	1,541
Depreciation in excess of capital allowances	(458)	(1,480)
Timing difference in respect of unutilised trading losses	-	-
Timing difference in derivatives	(9)	-
Timing difference in provisions	2,326	-
Other timing differences	(2,199)	(546)
Effect of change in tax rate	(1,153)	(3,704)
Group relief receipts in excess of tax losses multiplied by the standard rate	-	-
Adjustments in respect of previous years	(615)	-
Adjustments in respect of previous years – deferred tax	1,483	1,386
<b>Total tax charge/(credit) on profit/(loss) on ordinary activities</b>	<b>29,969</b>	8,290

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 7. Employee costs

	<b>2021</b>	2020
	<b>£000</b>	£000
Wages and salaries	<b>41,935</b>	42,104
Social security costs	<b>4,104</b>	4,461
Pension costs (note 16)	<b>2,549</b>	2,464
	<b>48,588</b>	49,029

Included within employee costs above is £2,021,000 (2020: £2,334,000) in respect of Mission Systems business unit management. Although these employees are not employees of the Company, they are paid through the Company and these costs have been recovered from other group companies.

Also included within employee costs above is £nil (2020: £4,884,000) in respect of Cobham Limited's non-US IT hub infrastructure, for which the Company acted as a host centre until July 2020. Although these employees were not employees of the Company, their cost was borne by the Company and recovered from other Cobham group companies.

The associated income has been recognised within administrative expenses in the income statement on page 13.

The average monthly number of employees (including executive directors) employed by the Company during the year was:

<b>By activity</b>	<b>2021</b>	2020
Production and engineering	<b>413</b>	407
Management and administration	<b>348</b>	337
	<b>761</b>	744

### 8. Directors' emoluments

The emoluments of the directors employed by the Company are:

	<b>2021</b>	2020
	<b>£000</b>	£000
Aggregate emoluments	<b>662</b>	1,194
Aggregate amounts paid in respect of money purchase pension schemes	<b>14</b>	19
Amounts receivable under long-term incentive schemes	-	654
Amounts paid to directors for loss of office	-	230
	<b>676</b>	2,097

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 8. Directors' emoluments (continued)

Two directors (2020: one) are employed by, and receive emoluments from another group undertaking and also acts as director for a number of legal entities within the Eaton Corporation plc group. Where this is the case, no specific amounts can be apportioned in the current or prior year in respect of director services supplied to the Company.

Retirement benefits are accruing to all 3 (2020: 4) directors under money purchase pension schemes (where two of the directors are employed by, and receive emoluments from another group undertaking their retirement benefits are accruing as a result of their employment elsewhere within the Eaton Corporation group). No directors exercised options over shares in Eaton Corporation plc in the year. In 2020 3 directors vested shares of Cobham plc upon the acquisition by Advent International.

#### Highest paid director

	2021 £000	2020 £000
Total emoluments including amounts accruing under long-term incentive schemes	373	989
Company contributions paid to money purchase pension schemes	-	1
Accrued pension at end of year under defined benefit scheme	-	-
Accrued pension lump sum at end of year under defined benefit scheme	-	-

### 9. Dividends

	2021 £'000	2020 £'000
Dividend in specie	50,528	-
Cash dividend	13,500	-
	64,028	-

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10. Intangible assets

	Software licences £000	Development costs £000	Total £000
<b>Cost</b>			
As at 1 January 2021	2,401	2,989	5,390
Additions	100	1,228	1,328
Transfers	-	-	-
Disposals	-	(4,217)	(4,217)
<b>At 31 December 2021</b>	<b>2,501</b>	<b>-</b>	<b>2,501</b>
<b>Accumulated amortisation</b>			
At 1 January 2021	1,399	-	1,399
Charge for the year	451	-	451
Transfers	-	-	-
Disposals	-	-	-
<b>At 31 December 2021</b>	<b>1,850</b>	<b>-</b>	<b>1,850</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>651</b>	<b>-</b>	<b>651</b>
At 31 December 2020	1,002	2,989	3,991

Intangible assets comprise of development costs and software licences. Software licences are amortised over their expected useful life, up to a maximum of 5 years.

On 31 August 2021, the company and Eaton Intelligent Power Limited entered into intercompany intellectual property agreements, as a result the capitalised development costs were disposed. The value of disposal is reflect in the profit on disposal of Intellectual Property present on the face of the income statement. Following this agreement a royalty is paid to Eaton Intelligent Power Limited for use of this intellectual property as disclosed in note 3.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 11. Property, plant and equipment

	2021 £000	2020 £000
Owned property, plant and equipment	20,615	20,415
Right of use assets	917	677
	<b>21,532</b>	21,092

#### Owned property, plant and equipment

	Freehold land and buildings £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 January 2021	15,689	22,370	10,377	2,122	50,558
Additions	245	881	606	1,659	3,391
Transfers	-	-	-	-	-
Disposals	-	(46)	(16)	-	(62)
<b>At 31 December 2021</b>	<b>15,934</b>	<b>23,205</b>	<b>10,967</b>	<b>3,781</b>	<b>53,887</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	7,844	13,532	8,767	-	30,143
Charge for the year	924	1,673	594	-	3,191
Transfers	-	-	-	-	-
Disposals	-	(46)	(16)	-	(62)
<b>At 31 December 2021</b>	<b>8,768</b>	<b>15,159</b>	<b>9,345</b>	<b>-</b>	<b>33,272</b>
<b>Carrying amount</b>					
<b>At 31 December 2021</b>	<b>7,166</b>	<b>8,046</b>	<b>1,622</b>	<b>3,781</b>	<b>20,615</b>
At 31 December 2020	7,845	8,838	1,610	2,122	20,415

Included with Freehold land and buildings is land of £49,056 (2020: £49,056) which is not depreciated.

## Mission Systems Wimborne Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 11. Property, plant and equipment (continued)

##### Right of use assets

	Property £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2021	974	217	310	1,501
Additions	123	347	-	470
Disposals	-	(247)	(13)	(260)
<b>At 31 December 2021</b>	<b>1,097</b>	<b>317</b>	<b>297</b>	<b>1,711</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	548	142	134	824
Charge for the year	78	105	47	230
Disposals	-	(247)	(13)	(260)
<b>At 31 December 2021</b>	<b>626</b>	<b>-</b>	<b>168</b>	<b>794</b>
<b>Carrying amount</b>				
<b>At 31 December 2021</b>	<b>471</b>	<b>317</b>	<b>129</b>	<b>917</b>
At 31 December 2020	426	75	176	677

#### 12. Trade and other receivables

##### Current assets:

	2021 £000	2020 £000
Trade receivables	28,477	31,892
Amounts owed by fellow subsidiary undertakings	229,731	28,562
Corporation tax recoverable	-	1,377
Prepayments and accrued income	8,049	6,297
	<b>266,257</b>	<b>68,128</b>

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 12. Trade and other receivables (continued)

Non-current assets:

	<b>2021</b>	2020
	<b>£000</b>	£000
Prepayments and accrued income	-	4,012
	-	4,012

Trade receivables are stated after provision for impairment of £338,000 (2020: £271,000).

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

### 13. Contract assets

Current assets:

	<b>2021</b>	2020
	<b>£000</b>	£000
Unbilled amounts related to goods and services transferred	<b>10,784</b>	6,540
Costs to fulfil a contract	-	4,267
	<b>10,784</b>	10,807

Non-current assets:

	<b>2021</b>	2020
	<b>£000</b>	£000
Unbilled amounts related to goods and services transferred	<b>1,367</b>	7,418
Costs to fulfil a contract	<b>2,172</b>	2,679
	<b>3,539</b>	10,097

Unbilled amounts related to goods and services transferred are included in contract balances until they become unconditional, at which point they are transferred to trade receivables. Unbilled amounts arise when revenue is recognised prior to an invoice being raised to the customer; typically this arises when revenue is recognised over time as payments often have milestone payments conditional on customer acceptances on progress. During the year £10,242,000 (2020: £9,298,000) of the opening contract asset was transferred to trade receivables; additional amounts of £3,661,000 were recognised as a contract asset during the year (2020: £5,957,000) as a result of changes in the measure of progress of the satisfaction of performance obligations.

Costs to fulfil a contract relate to costs incurred in advance of the commencement of delivering performance obligations to the customer, in respect of certain air-to-air refuelling contracts.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 14. Deferred taxation

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

	Property, plant and equipment £000	Retirement benefit obligations £000	Revaluation of derivative financial instruments £000	Tax losses £000	Contract provisions £000	Other £000	Total £000
At 1 January 2020	(77)	690	489	15,816	15,563	391	32,872
Charged to the income statement	1,628	329	(370)	(1,083)	(6,287)	(450)	(6,233)
Charged to OCI	-	(1,937)	-	-	-	-	(1,937)
Charged to reserves	-	(486)	-	-	-	-	(486)
<b>At 31 December 2020</b>	<b>1,551</b>	<b>(1,404)</b>	<b>119</b>	<b>14,733</b>	<b>9,276</b>	<b>(59)</b>	<b>24,216</b>
Charged to the income statement	(1,327)	1,721	89	(13,620)	(2,539)	56	(15,620)
Charged to OCI	-	(317)	-	-	-	-	(317)
Charged to reserves	-	-	-	-	-	-	-
<b>At 31 December 2021</b>	<b>224</b>	<b>-</b>	<b>208</b>	<b>1,113</b>	<b>6,737</b>	<b>(3)</b>	<b>8,279</b>

Other deferred tax relates to share based payments and other short term timing differences. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023. These changes were substantially enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end.

### 15. Derivative financial instruments

The Company has the following derivative financial instruments which are financial assets measured at fair value through profit or loss or financial liabilities categorised as held for trading:

	2021 £000	2020 £000
Non-current assets	-	228
Current assets	131	679
Current liabilities	(963)	(737)
Non-current liabilities	-	(793)
	<b>(832)</b>	<b>(623)</b>

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 15. Derivative financial instruments (continued)

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables/payables. At 31 December 2021, the outstanding contracts all mature within 12 months (2020: 30 months) of the year end. The Company is committed to sell US\$54m, buy €5m and SEK8m and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions in valuing the derivatives are the exchange rates for GBP: USD and GBP: EUR. Movements in fair value are reported in the income statement within administrative expenses.

### 16. Retirement benefit asset

Pension costs included in employment costs in note 7 are as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Defined contribution scheme	<b>2,549</b>	2,464
Defined benefit scheme	-	-
	<b>2,549</b>	2,464

#### Defined contribution scheme

During the year the Company participated in the Cobham Personal Pension Plan until 31 May 2021, a defined contribution scheme operated for companies within the Cobham group. By year end, the Company has set up its own separate defined benefit contribution scheme, with the same providers and on consistent terms with that operated historically by Cobham. The pension cost charged represents contributions payable by the Company to the fund and amounted to £2,549,000 (2020: £2,464,000). At 31 December 2021 there were no contributions outstanding (2020: no contributions outstanding).

#### Defined benefit scheme

	<b>2021</b>	2020
	<b>£000</b>	£000
Defined benefit scheme assets	-	217,735
Defined benefit obligations	-	(210,351)
	-	7,384

The Company also participated in the defined benefit section of the Cobham Pension Plan (CPP) operated by Cobham Limited until June 2021. The scheme was of the funded defined benefit type (where benefits are based on employees' length of services and average final salary) and its assets are held in a separate trustee administered fund. It has been closed to new members since 2003 and closed to future accrual from 1 April 2016. Following the Company's acquisition by Eaton Corporation plc on 1 June 2021, the Company has been released as a participating employer of the CPP and has no further obligations thereunder.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 16. Retirement benefit asset (continued)

The Company continued paying deficit contributions into the CPP until its acquisition by Eaton Corporation plc in June 2021. There were no significant contributions outstanding at the end of 2021 or 2020.

A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include discount rates, inflation and mortality rates. However, given the Company is no longer part of the defined benefit arrangement following its acquisition, there is no ongoing risk to the Company. Full details of the Scheme along with historic assumptions used can be found in the Company's 2020 financial statements.

Analysis of amount charged to the income statement within exceptional costs:

	<b>2021</b>	2020
	<b>£000</b>	£000
Transfer to income statement following cessation of Company liability	<b>9,545</b>	-

Analysis of amount credited/(charged) to other finance expense:

	<b>2021</b>	2020
	<b>£000</b>	£000
Net interest	<b>(60)</b>	26

Analysis of amount recognised in OCI:

	<b>2021</b>	2020
	<b>£000</b>	£000
Actual return less interest income on scheme assets	<b>(1,908)</b>	57,570
Experience gains and losses arising on scheme liabilities	<b>(1,618)</b>	-
Actuarial (gains)/losses arising from changes in financial assumptions	<b>3,452</b>	(47,714)
Actuarial losses arising from changes in demographic assumptions	<b>1,745</b>	337
Amounts recognised in OCI	<b>1,671</b>	10,193

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 16. Retirement benefit asset (continued)

Changes in the fair value of scheme liabilities are as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Fair value of scheme liabilities at the beginning of the year	<b>210,350</b>	166,036
Past service cost	-	98
Interest cost	<b>1,203</b>	3,524
Actuarial losses/(gains) arising from changes in financial assumptions	<b>(1,834)</b>	47,717
Actuarial (gains) arising from changes in demographic assumptions	<b>(1,745)</b>	(337)
Transfer to income statement following cessation of the company liability	<b>(204,657)</b>	-
Benefits paid	<b>(3,317)</b>	(6,685)
Fair value of scheme liabilities at the end of the year	-	210,350

The weighted average duration of the scheme liabilities is estimated to be 16 years.

Changes in the fair value of scheme assets are as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Fair value of scheme assets at the beginning of the year	<b>217,733</b>	161,979
Interest	<b>1,144</b>	3,549
Actuarial gains/(losses)	<b>(1,908)</b>	57,570
Scheme administration expenses	-	-
Contributions by employer	<b>550</b>	1,320
Transfer to income statement following cessation of the company liability	<b>(214,202)</b>	-
Benefits paid	<b>(3,317)</b>	(6,685)
Fair value of scheme assets at the end of the year	-	217,733

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 16. Retirement benefit asset (continued)

The fair value of major categories of scheme assets, and as a percentage of total scheme assets, is as follows:

	2021 £000	2021 £000	2020 £000	2020 £000
Global equities	-	-	23,378	10.7%
Liability driven investments	-	-	74,132	34.0%
Corporate bonds	-	-	11,448	5.3%
Private credit	-	-	18,048	8.3%
Insurance contracts	-	-	62,439	28.7%
Diversified growth funds	-	-	27,813	12.8%
Other assets	-	-	475	0.2%
	-	-	217,733	100.0%

Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company. None of the scheme assets are quoted in an active market. The above, except for the insurance contracts assets, are pooled investment vehicles and are valued based on bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads based on valuations provided by the investment manager. Insurance contracts are valued based on the valuation of the liabilities insured.

### 17. Inventories

	2021 £000	2020 £000
Raw materials and consumables	28,131	32,829
Work in progress	11,831	4,313
Finished goods and goods for resale	-	1,237
	39,962	38,379

There is no significant difference between the replacement cost and the value of inventories shown.

Inventories are stated after provision for impairment of £6,327,000 (2020: £7,115,000).

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 18. Intercompany loans

	<b>2021</b>	2020
	<b>£000</b>	£000
Intercompany loan payable	-	(93,091)
Intercompany loan receivable	-	140,000

The loans in the prior year were intercompany cash arranged by the group treasury department at Cobham Limited. These were interest bearing loans at 3% and are repayable upon request. All loans were settled prior to Eaton Corporation plc acquisition of the Company on 1 June 2021.

### 19. Trade and other payables

Current liabilities:

	<b>2021</b>	2020
	<b>£000</b>	£000
Lease obligations (note 20)	<b>84</b>	216
Trade payables	<b>17,154</b>	21,239
Amounts owed to fellow subsidiary undertakings	<b>52,792</b>	2,036
Corporation tax payable	<b>8,601</b>	-
Other tax and social security	<b>1,053</b>	941
Accruals and deferred income	<b>11,318</b>	9,789
	<b>91,002</b>	34,221

Prior to Eaton Corporation acquisition, the Company had a bank overdraft secured by a bank guarantee under a Cobham group banking arrangement which was repayable on demand. Bank overdraft balances were off-set against cash and cash equivalent balances held on current cash pooling accounts as the accounts were settled on a net basis. The amount off-set for this at 31 December 2021 was £nil (2020: £12,204,000).

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

Non-current liabilities:

	<b>2021</b>	2020
	<b>£000</b>	£000
Trade payables	-	2,458
Lease obligations (note 20)	<b>847</b>	471
	<b>847</b>	2,929

## Mission Systems Wimborne Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 20. Lease obligations

At 31 December 2021, as a lessee, the Company had the following lease obligations:

	<b>2021</b>	2020
	<b>£000</b>	£000
Current	<b>84</b>	216
Non-current	<b>847</b>	471
	<b>931</b>	687

Contractual undiscounted cash flows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Within one year	<b>262</b>	217
In the second to fifth years inclusive	<b>558</b>	579
After five years	<b>185</b>	-
	<b>1,005</b>	796
Less; future finance charges	<b>(74)</b>	(109)
	<b>931</b>	687

#### 21. Contract liabilities

Contract liabilities of £52,963,000 (2020: £44,396,000) reflect advance payments from customers. These are amounts received prior to transferring goods and services to the customer. Of the amount recognised at 31 December 2020, £22,593,000 (2020: £12,433,000) has been recognised in revenue during the year. Advance payments of £31,179,000 (2020: £22,471,000) have been received during the year and are included in the balance sheet.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 22. Provisions

	Contract provisions £000	Warranty provisions £000	Total £000
At 31 December 2020	48,511	3,612	52,123
Charged to the income statement	5,665	587	6,252
Utilised during the year	(21,637)	(1,016)	(22,653)
Unused amounts reversed in the year	(2,465)	(29)	(2,494)
<b>At 31 December 2021</b>	<b>30,074</b>	<b>3,154</b>	<b>33,228</b>

#### Aging

Provisions are expected to be utilised as follows:

	2021 £000	2020 £000
Current – within one year	14,595	40,568
Non-current – in more than one year	18,633	11,555
	<b>33,228</b>	52,123

#### Contract provisions

The contracts provision is set up to provide against losses identified on specific long-term contracts when the expected benefits to be derived by the Company are lower than the forecasted unavoidable cost of meeting the related contractual obligations. The assessment of the amount provided is a source of estimation uncertainty which may have a significant effect on the carrying amount of these provisions within the next financial year. The estimated costs to complete including contingencies to cover the risks identified, the outcome of negotiations with customers, the amounts recoverable under these contracts and the risk of incurring penalties for not meeting challenging delivery schedules are all areas requiring management judgement and the Company may take account of the advice of experts in quantifying the expected costs of future adverse outcomes. Due to the inherent uncertainty associated with such matters, the timing and determination of the total costs or amount of any payments under any claims could differ from the amounts provided. These provisions are expected to be utilised within three years although, where there are uncertainties surrounding the timing of utilisation, they have been disclosed as current liabilities.

There are multiple sensitivities to be considered in assessing contract loss provisions, in particular the ability to achieve development milestone dates, the accuracy of cost estimates to complete contractual work and the ability to successfully invoice and collect cash from the end customer. It is not considered practical to provide sensitivities for each of these items, and potentially misleading to suggest each one can be considered separately, so this risk is disclosed as part of our contingent liabilities in note 24.

#### Warranty provision

The warranty provision represents obligations under the terms of sale to guarantee the parts for a minimum period of 12 months from date of shipment. The warranty calculation is based upon return levels in previous periods.

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 23. Share capital and share premium

#### Share capital – authorised, allotted, called up and fully paid

	2021	2020
	£000	£000
300,003 (2020: 300,003) Ordinary shares of £1 each	<b>300</b>	300

No shares were issued in the year.

#### Share premium

On 17<sup>th</sup> March 2021 the Company cancelled the share premium account in full and credited the value arising from the capital reduction (£225,000,000) to distributable reserves in accordance with article 3(2) of the Companies (Reduction of Share Capital) Order 2008 (SI 2008/1915).

### 24. Contingent liabilities

Prior to the Company's acquisition by Eaton Corporation plc in June 2021, the Company was a participant in the Cobham group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company had issued an unlimited guarantee to support these group facilities. The Company was released from all obligations in connection with the Cobham group banking arrangement in June 2021.

The nature of some of the contracting work done by the Company means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, whose resolution is uncertain and could materially impact the Company's future reported earnings. In particular, on fixed price and fixed fee development contracts, costs incurred and anticipated can significantly exceed amounts estimated as a result of material enhancements to the specifications originally agreed under the contracts. Also, there are onerous contract terms and challenging delivery schedules on air to air refuelling development contracts.

The directors may take account of the advice of experts as required in making judgements on contractual issues and whether the outcome of negotiations will result in an appropriate recovery of costs. Judgement is therefore required as regards the estimated costs to complete, the outcome of negotiations with customers and the amounts recoverable under these contracts. The amount recoverable may be subject to direct damages due to the customer and damages or penalties they incur from their own end users.

In the case where the Company is undertaking development activity at its own cost and has given performance undertakings to the prospective customer then a liability for losses consequent upon the failure to meet such undertakings could exist.

### 25. Capital and other commitments

The Company had capital commitments for the purchase of property, plant and equipment and intangible assets (software) contracted for but not provided of £1,335,000 at 31 December 2021 (2020: £529,000).

# Mission Systems Wimborne Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 26. Immediate and ultimate parent undertakings

The Company's immediate parent undertaking is Eaton Industries XX Unlimited Company, a company incorporated in the Republic of Ireland. The Company's ultimate parent undertaking and controlling party is Eaton Corporation plc which is incorporated in the Republic of Ireland. For the period from 1 June 2021 to 31 December 2021 the only group of which the Company is a member and for which group financial statements are prepared is that headed by Eaton Corporation plc. Copies of the 2021 Annual Report of Eaton Corporation plc can be obtained from Eaton Center, 1,000 Eaton Boulevard, Cleveland, Ohio 44122, USA.

Prior to the Company's acquisition by Eaton Corporation plc (period to 31 May 2021), the Company was part of the Cobham group. While under Cobham ownership, the Company's immediate parent undertaking was Cobham Limited. The ultimate holding company was AI Convoy (Luxembourg) SARL and the ultimate controlling party was Advent Funds GPE IX. Copies of the AI Convoy (Luxembourg) SARL consolidated financial statements can be obtained from the Company Secretary at AI Convoy (Luxembourg) SARL, 2-4 Rue Beck, 1222 Luxembourg, Luxembourg.

### 27. Related party disclosures

During the year, the Company entered into transactions, in the ordinary course on business, with related parties that are part of the Eaton Corporation plc group.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 from disclosing related party transactions with fellow wholly owned subsidiary undertakings of Eaton Corporation plc (Republic of Ireland).