Mission Systems Wimborne Limited

Annual report and financial statements for the year ended 31 December 2023

Registered number 00293529

Mission Systems Wimborne Limited

Annual report and financial statements for the year ended 31 December 2023

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Mission Systems Wimborne Limited

Directors' report for the year ended 31 December 2023

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 2023. Comparatives are presented for the year ended 31 December 2022. 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 2022, 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).

Results and dividends

The Company's results for the year are set out in the income statement on page 12 showing a profit for the financial year after tax of £26,320,000 (2022: profit after tax of £41,494,000). At 31 December 2023, the Company had net assets of £251,973,000 (2022: net assets of £225,313,000).

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 no dividends in 2023 (2022: £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 2022)
J Stanbrook (appointed 24 February 2023)
K Clark (appointed 27 September 2023)
J Cox (appointed 27 September 2023)
D Quartey (resigned 24 February 2023)
M Lee (resigned 11 Aug 2023)

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

Mission Systems Wimborne Limited

Directors' report for the year ended 31 December 2023 (continued)

Statement of directors' responsibilities (continued)

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

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 7.

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 Company has undertaken a reverse stress test in May 2024 to model what would need to occur for the Company to not be liquid, the conclusion being that given the large cash balance (December 2022 £222,794k , December 2023 £262,574k , June 2024 £225,350k) and between physical cash in the bank and the balance with the Eaton Treasury Center there is no probable risk large enough to impact liquidity in the next 12 months. The balance with Eaton Treasury Center has been included as cash and cash equivalents in this analysis as the funds are returnable to the Company if the treasury agreement were to be terminated. The Directors are comfortable with this being included after considering the Q1 2024 investors presentation which shows Eaton Corporation PLC has sufficient free cash and revolving credit facility to support the cash pooling amounts on balance sheet.

Taking account of the relevant business risk, the Directors believe that the Company is well placed to continue to manage its business successfully and has adequate resources to continue operation for the period until 31 July 2025. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 31 July 2025 (the going concern period) as a standalone business.

Mission Systems Wimborne Limited

Directors' report for the year ended 31 December 2023 (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:

	2023	2022
GHG emissions (scope 1 and 2) (CO2 tonnes)	**87**	**54**
Total energy consumption (kilowatt per hour)	**2,138,166**	**2,444,951**
Intensity Ratio (Total emissions per employee)	**0.16**	**0.102**

In the period covered by the SECR report, The Company has purchased 1,706,885kWh of renewable energy, eliminating emissions from purchased electricity covering most of the site's energy needs.

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. During 2023 the Company became Zero Waste to Landfill certified, completed installation of EV infrastructure and sitewide LED lighting upgrades and now replaced diesel pool cars with electric vehicles. The company also offers an employee salary sacrifice scheme for the purchase of an electric vehicle.

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.

J Stanbrook
Director
11 July 2024

Mission Systems Wimborne Limited

Strategic report for the year ended 31 December 2023

Business review

The results for the year and financial position at the year-end are set out in the financial statements on pages 11 to 15.

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 2023 shows a 13% decrease in revenue on 2022. 2022 included an £18.5m one-off uplift resulting from a KC46 development contract true up following contract negotiations with the customer. With the one off KC46 adjustment removed from 2022 year on year air-to-air refuelling revenue is flat across the AAR portfolio of products, with lower Pod deliveries, mainly within A400 (Airbus) being offset by higher revenue from aftermarket spares and repairs revenue, the lower A400 Pod deliverables in 2023 was expected and is driven by contracted delivery times. Revenue from the Probes business is up year on year again from the aftermarket spares and repairs side of the business. For both air-to-air refuelling and Probes this is reflective of the increased number of Pods and Probes being actively used.

The Actuation side of the business showed a decline year on year driven by Eurofighter deliveries which reflects the stage of the contract deliverables. Several development contracts within Actuation also concluded in 2022.

The order book continues to grow year on year with significant bookings including development of an older generation Pod for the United States Government, strong long term A330 OE order intake and new high value DMMEL orders split across OE production and conversion phase 2.

Key performance indicators

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

	2023	2022	Change
Book to bill ratio	**1.35**	1.20	12.85%
Organic revenue % growth	**-14.4%**	4.3%	-18.7%
Underlying operating profit margin	**14.9%**	25.9%	-11.0%

Book to bill ratio is calculated as 2023 order intake as a % of statutory reported revenue.

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 2024 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 £6.6m (2022: £7.1m) during the year.

Mission Systems Wimborne Limited

Strategic report for the year ended 31 December 2023 (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 uncertainty affecting the Company are considered to relate to execution to time and budget of major new development programmes and order awards of key new business opportunities, along with retention of key personnel.

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 Eaton Corporation. The Eaton Corporation 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.

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 Centre as required. The Company has an uncapped drawdown facility with the Eaton Treasury Centre.

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 the groups treasury center.

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Strategic report for the year ended 31 December 2023 (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.

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Strategic report for the year ended 31 December 2023 (continued)

Stakeholder engagement and S172 Statement (continued)

Employees

The Company continues to offer flexible working practices with a working pattern of 3 office days per week.

Monthly leadership community meetings, weekly newsletter updates and quarterly All Hands take 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 has six employee led councils who meet regularly and provide updates in the weekly newsletter.

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.

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.

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, a salary sacrifice scheme is now offered for the purchase of an electric vehicle, and appropriate waste segregation to reduce waste going to landfill.

Investors

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.

Post balance sheet events

In May 2024 The Company completed the acquisition of UK based thermal monitoring provider Exertherm as part of the expansion of The Group's capabilities in thermal monitoring and critical electrical equipment.

Strategic report for the year ended 31 December 2023 (continued)

Directors' indemnity insurance

The Company has arranged insurance cover to indemnify one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

By order of the board

J Stanbrook
Director
11 July 2024

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 2023 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 31 July 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

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

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 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 agreement (NDA), Health and Safety and GDPR.

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

- Furthermore, the Company must comply with specific FAA regulation and Aviation Law including the Civil Aviation Act 2006, Civil Aviation Authority Regulation 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 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 risks 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, contingencies held on contracts, as well as the risk of liquidated damages or any other claims from customers.
  - 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 based on applicable INCO terms by obtaining evidence for the point at which control passes such as proof of delivery to confirm the period that the revenue relates to and;
  - We incorporated data analytics into our testing of manual journals 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 non compliance 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.

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

Use of our report

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

DocuSigned by:
Ernst & Young LLP
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Ryan Squires (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
11 July 2024

Mission Systems Wimborne Limited

Income statement for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Revenue	2	**161,194**	188,321
Cost of sales		**(108,333)**	(112,822)
Gross profit		**52,861**	75,499
Distribution costs		**(3,903)**	(3,654)
Administrative expenses		**(6,909)**	(13,219)
Allocations		**(1,112)**	993
Other operating expense		**(16,987)**	(10,460)
Operating profit	3	**23,950**	49,159
Finance income	4	**11,027**	2,861
Finance costs	5	**(6,243)**	(2,997)
Profit on ordinary activities before taxation		**28,734**	49,023
Tax on profit on ordinary activities	6	**(3,212)**	(7,190)
Profit after taxation for the year		**25,522**	41,833

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 2023

	Note	**2023 £000**	2022 £000
Profit after taxation for the year		**25,522**	41,833
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit pension obligations		-	-
Tax effects	6	-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**25,522**	49,833

Mission Systems Wimborne Limited

Balance sheet as at 31 December 2023

	Note	**2023 £000**	2022 £000
Assets			
Non-current assets			
Intangible assets	10	**1,173**	542
Property, plant and equipment	11	**25,334**	23,961
Trade and other receivables	12	**4,400**	5,084
Contract assets	13	**6,317**	-
Deferred taxation	14	**3,748**	5,633
Derivative financial instruments	15	**-**	419
		40,972	35,639
Current assets			
Inventories	16	**37,572**	34,402
Contract assets	13	**7,518**	10,605
Trade and other receivables	12	**306,483**	308,664
Derivative financial instruments	15	**794**	585
Cash and cash equivalents		**2,908**	2,227
		355,275	356,483
Liabilities			
Current liabilities			
Derivative financial instruments	15	**(59)**	(1,295)
Trade and other payables	17	**(72,513)**	(88,557)
Contract liabilities	19	**(24,070)**	(11,286)
Provisions	20	**(5,001)**	(20,423)
		(101,643)	(121,561)
Non-current liabilities			
Trade and other payables	17	**(501)**	(319)
Contract liabilities	19	**(36,353)**	(41,692)
Provisions	20	**(6,576)**	(2,754)
Derivative financial instruments	15	**-**	(144)
		(43,430)	(44,909)
Net assets		**251,174**	225,652

Mission Systems Wimborne Limited

Balance sheet as at 31 December 2023 (continued)

	Note	**2023 £000**	2022 £000
Equity			
Share capital	21	**300**	300
Accumulated profits		**250,874**	225,352
Total equity		**251,174**	225,652

The financial statements on pages 12 to 42 were approved by the board on 11 July 2024 and were signed on its behalf by:

J Stanbrook
Director

Mission Systems Wimborne Limited

Statement of changes in equity for the year ended 31 December 2023

	Share capital £000	Accumulated profits £000	Total equity £000
Total equity at 1 January 2022	300	183,519	183,819
Profit for the year	-	41,833	41,833
Total comprehensive income for the year	300	41,833	42,133
Total equity at 31 December 2022	**300**	**255,352**	**225,652**
Profit for the year	-	25,522	25,522
Total comprehensive income for the year	-	25,522	25,522
Total equity at 31 December 2023	**300**	**250,874**	**251,174**

Notes to the financial statements for the year ended 31 December 2023

1. Statement of accounting policies

General information

Mission Systems Wimborne Limited is a private company limited by shares, incorporated in England under the Companies Act 2006.

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 Company used a functional currency of Great British Pounds and the financial statements are prepared rounded to the nearest thousand.

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 2023 (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 are and neither held as part of a trading portfolio or derivatives.

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 7.

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 Company has undertaken a reverse stress test in May 2024 to model what would need to occur for the Company to not be liquid, the conclusion being that given the large cash balance (December 2022 £222,794k , December 2023 £262,574k , June 2024 £225,350k) and between physical cash in the bank and the balance with the Eaton Treasury Center there is no probable risk large enough to impact liquidity in the next 12 months. The balance with Eaton Treasury Center has been included as cash and cash equivalents in this analysis as the funds are returnable to the Company if the treasury agreement were to be terminated. The Directors are comfortable with this being included after considering the Q1 2024 investors presentation which shows Eaton Corporation PLC has sufficient free cash and revolving credit facility to support the cash pooling amounts on balance sheet.

Taking account of the relevant business risk, the Directors believe that the Company is well placed to continue to manage its business successfully and has adequate resources to continue operation for the period until 31 July 2025. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 31 July 2025 (the going concern period) as a standalone business.

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.

<u>Significant judgements in applying accounting policies</u>

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.

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

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 19) and onerous contract provisions (note 20) - 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 16) - 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 2023 (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 systematic basis as the related performance obligation is delivered.

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 2023 (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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. Statement of accounting policies (continued)

Pension costs

The Company contributes and operates a defined contribution scheme for which 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.

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.

<u>Financial assets</u>

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 though profit or loss.

1. Statement of accounting policies (continued)

Financial instruments (continued)

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.

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.

2. Statement of accounting policies (continued)

Financial instruments (continued)

Trade payables (note 17)

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 agreed month end rate provided by a central Eaton function.

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.

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 2022, 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 2023 (continued)

2. Revenue

Revenue can be analysed as follows:

	2023	2022
	£000	£000
Revenue from sale of goods	**118,844**	137,289
Revenue from services	**42,350**	51,032
	161,194	188,321

An analysis of revenue by geographical destination is given below:

	2023	2022
	£000	£000
United Kingdom	**33,844**	45,683
EU countries	**56,163**	68,941
United States of America	**42,012**	52,795
Rest of the world	**29,175**	20,902
	161,194	188,321

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 2023 (continued)

3. Operating profit

Operating profit is stated after charging/(crediting):

	2023 £000	2022 £000
Material costs included in cost of sales	**71,042**	75,591
Depreciation		
- owned assets	**3,344**	3,221
- leased assets	**375**	316
Amortisation of intangible assets	**318**	320
Research and development	**6,403**	7,068
Loss on disposal of property, plant and equipment	**29**	(3)
Research and development (tax credit)	**(1,387)**	(1,275)
Income from government grants	**(219)**	(236)
Eaton Head office recharge costs	**4,258**	4,003
Eaton Intelligent Power Limited technology royalty	**16,061**	15,551
Exchange differences	**(2,096)**	1,988
Auditors' remuneration for the audit of the Company's financial statements	**417**	362

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 Eaton Corporation plc for the year ended 31 December 2023 disclose the non-audit fees on a consolidated basis.

4. Finance income

	2023 £000	2022 £000
Intercompany interest receivable	**11,027**	2,861
	11,027	2,861

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

5. Finance costs

	2023	2022
	£000	£000
Other interest	**27**	31
Intercompany interest and charges	**4,013**	1,636
Intercompany Supply Chain Commission	**2,203**	1,318
Interest on lease obligations	**-**	12
	6,243	2,997

6. Tax on profit on ordinary activities

Tax charged in the income statement:

	2023	2022
	£000	£000
Current tax:		
UK corporation tax on profit for the year	**5,507**	6,962
Adjustments in respect of previous years	**(4,181)**	(2,418)
Total current tax	**1,327**	4,544
Deferred tax:		
Charge for the year	**665**	3,071
Effect of change in tax rate	**-**	(1,585)
Adjustment in respect of previous years	**1,220**	1,160
Total deferred tax (note 14)	**1,855**	2,646
Tax charge on profit on ordinary activities	**3,212**	7,190

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

6. Tax on profit on ordinary activities (continued)

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

	2023 **£000**	2022 £000
Profit on ordinary activities before taxation	**28,734**	49,023
Profit on ordinary activities multiplied by the standard rate in the UK of 23.5%* (2022: 19%)	**6,752**	9,314
Effects of:		
Expenses not deductible for tax purposes	**194**	15
Depreciation in excess of capital allowances	**(138)**	(129)
Timing difference in respect of unutilised trading losses	**(1,169)**	376
Timing difference in derivatives	**293**	99
Timing difference in provisions	**240**	355
Effect of change in tax rate	**-**	(1,585)
Adjustments in respect of previous years	**(4,181)**	(2,418)
Adjustments in respect of previous years – deferred tax	**1,220**	1,160
Total tax charge/(credit) on profit/(loss) on ordinary activities	**3,211**	7,190

*Prorated for change in tax rate from 19% to 25% on 1 April 2023.

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

7. Employee costs

	2023 £000	2022 £000
Wages and salaries	**40,237**	41,855
Social security costs	**3,586**	3,574
Pension costs	**2,624**	2,542
	46,447	**47,970**

Included within employee costs above is £842,000 (2022: £2,323,000) 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.

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:

By activity	**2023**	2022
Production and engineering	398	420
Management and administration	286	351
	684	771

8. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2023 £000	2022 £000
Directors' emoluments	**327**	-
Directors' pension costs	**61**	-
Aggregate emoluments	-	516
	388	526

Two directors (2022: two) 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 5 (2022: 3) 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.

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

8. Directors' emoluments (continued)

Highest paid director

The highest paid director received remuneration of £157k (2022: £447k).

The value of the Company's contributions paid to a defined contribution pension scheme for the highest paid director amounted to £26k (2022: £nil)

9. Dividends

	2023 **£'000**	2022 £'000
Dividend in specie	-	-
Cash dividend	-	-
	-	-

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

10. Intangible assets

	Software licences £000
Cost	
As at 1 January 2023	**2,712**
Additions	949
At 31 December 2023	**3,661**
Accumulated amortisation	
At 1 January 2023	**2,170**
Charge for the year	318
At 31 December 2023	**2,488**
Carrying amount	
At 31 December 2023	**1,173**
At 31 December 2022	**542**

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

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

11. Property, plant and equipment

	2023 £000	2022 £000
Owned property, plant and equipment	**24,548**	23,056
Right of use assets	**786**	905
	25,334	23,961

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**
Cost					
At 1 January 2023	15,957	25,764	11,586	5,845	59,152
Additions	1,650	1,944	1,339	79	5,012
Disposals	-	(1,261)	(1,229)	-	(2,490)
At 31 December 2023	**17,607**	**26,447**	**11,696**	**5,924**	**61,674**
Accumulated depreciation					
At 1 January 2023	9,606	16,613	9,877	-	36,096
Charge for the year	886	1,847	553	-	3,286
Disposals	-	(1,029)	(1,227)	-	(2,256)
At 31 December 2023	**10,492**	**17,431**	**9,203**	**-**	**37,126**
Carrying amount					
At 31 December 2023	**7,115**	**9,016**	**2,493**	**5,924**	**24,548**
At 31 December 2022	6,351	9,151	1,709	5,845	23,056

Included with Freehold land and buildings is land of £49,056 (2022: £49,056) which is not depreciated.

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Notes to the financial statements for the year ended 31 December 2023 (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
Cost				
At 1 January 2023	1,359	340	308	2,007
Additions	-	256	-	256
At 31 December 2023	**1,359**	**596**	**308**	**2,263**
Accumulated depreciation				
At 1 January 2023	790	97	215	1,102
Charge for the year	199	130	46	375
At 31 December 2023	**989**	**227**	**261**	**1,477**
Carrying amount				
At 31 December 2023	**370**	**369**	**47**	**786**
At 31 December 2022	461	327	129	905

12. Trade and other receivables

Current assets:

	2023 £000	2022 £000
Trade receivables	**39,336**	56,550
Amounts owed by fellow subsidiary undertakings	**262,300**	249,462
Prepayments and accrued income	**4,847**	2,652
	306,483	308,663

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Notes to the financial statements for the year ended 31 December 2023 (continued)

12. Trade and other receivables (continued)

Non-current assets:

	2023 £000	2022 £000
Prepayments and accrued income	4,400	5,084
	4,400	**5,084**

Trade receivables are stated after provision for impairment of £319,000 (2022: £225,000).

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

13. Contract assets

Current assets:

	2023 £000	2022 £000
Unbilled amounts related to goods and services transferred	**7,518**	**9,735**
Costs to fulfil a contract	-	**870**
	7,528	**10,605**

Non-current assets:

	2023 £000	2022 £000
Unbilled amounts related to goods and services transferred	**6,317**	-
	6,317	-

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 £5,089,000 (2022: £8,193,000) of the opening contract asset was transferred to trade receivables; additional amounts of £6,854,000 were recognised as a contract asset during the year (2022: £4,477,000) 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.

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Notes to the financial statements for the year ended 31 December 2023 (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	Revaluation of derivative financial instruments £000	Tax losses £000	Contract provisions £000	Other £000	Total £000
At 1 January 2022	**224**	**208**	**1,113**	**6,737**	**(3)**	**8,279**
Charged to the income statement	(502)	(99)	2,029	(4,075)	1	(2,646)
At 31 December 2022	**(278)**	**109**	**3,142**	**2,662**	**(2)**	**5,633**
Charged to the income statement	30	(293)	(1,121)	(501)	-	(1,885)
At 31 December 2023	**(248)**	**(184)**	**2,021**	**2,161**	**(2)**	**3,748**

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:

	2023 £000	2022 £000
Non-current assets	**-**	419
Current assets	**794**	585
Current liabilities	**(59)**	(1,295)
Non-current liabilities	**-**	(144)
	735	(435)

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (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 2023, the outstanding contracts all mature within 12 months (2022: 24 months) of the year end The Company is committed to sell US$3.2m, €6.2m and sell SEK8.6m 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. Inventories

	2023	2022
	£000	£000
Raw materials and consumables	**27,598**	22,431
Work in progress	**9,974**	11,971
	37,572	34,402

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

Inventories are stated after provision for impairment of £2,008,000 (2022: £2,537,000).

17. Trade and other payables

Current liabilities:

	2023 £000	2022 £000
Lease obligations (note 18)	**455**	619
Trade payables	**20,570**	16,895
Amounts owed to fellow subsidiary undertakings	**40,279**	58,423
Corporation tax payable	**4,629**	5,144
Other tax and social security	**952**	1,017
Accruals and deferred income	**5,628**	6,459
	72,513	88,557

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

Non-current liabilities:

	2023 £000	2022 £000
Trade payables	**143**	-
Lease obligations (note 18)	**358**	319
	501	319

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

18. Lease obligations

At 31 December 2023, as a lessee, the Company had the following lease obligations:

	2023	2022
	£000	£000
Current	**455**	619
Non-current	**358**	319
	813	938

Contractual undiscounted cash flows:

	2023	2022
	£000	£000
Within one year	**387**	353
In the second to fifth years inclusive	**481**	620
After five years	**-**	35
	868	1,008
Less: future finance charges	**(55)**	(70)
	813	938

19. Contract liabilities

Contract liabilities of £60,423,000 (2022: £52,978,000) 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 2022, £19,909,000 (2022: £23,869,000) has been recognised in revenue during the year. Advance payments of £27,354,000 (2022: £23,885,000) have been received during the year and are included in the balance sheet.

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Notes to the financial statements for the year ended 31 December 2023 (continued)

20. Provisions

	Contract provisions £000	Warranty provisions £000	Total £000
At 31 December 2022	21,088	2,089	23,177
Charged to the income statement	1,950	494	2,444
Utilised during the year	(12,431)	(1,613)	(14,044)
At 31 December 2023	**10,607**	**970**	**11,577**

Aging

Provisions are expected to be utilised as follows:

	2023 £000	2022 £000
Current – within one year	**6,576**	20,423
Non-current – in more than one year	**5,001**	2,754
	11,577	23,177

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 22.

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.

21. Share capital and share premium

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

	2023 £000	2022 £000
300,003 (2022: 300,003) Ordinary shares of £1 each	**300**	300

No shares were issued in the year.

22. Contingent liabilities

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.

23. 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 £214,000 at 31 December 2023 (2022: £595,000).

Mission Systems Wimborne Limited

Notes to the financial statements for the year ended 31 December 2023 (continued)

24. 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 January 2023 to 31 December 2023 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 2022 Annual Report of Eaton Corporation plc can be obtained from Eaton House, 30 Pembroke Road, Dublin 4, DO4 YOC2, Ireland.

25. 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. Some of these transactions include allocations as shown on the income statement. These allocations are based on local expenses and recharges with Group companies as part of centralised costs and task allocations.

In May 2024 The Company completed the acquisition of UK based thermal monitoring provider Exertherm as part of the expansion of The Group's capabilities in thermal monitoring and critical electrical equipment.

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).