

Eaton Electrical Systems Limited

Registered Number: 03012749

Report and Financial Statements

31 December 2022

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Corporate information

Directors

J Meikle
R Howes

Auditors

Ernst & Young LLP
G1 Building
5 George Square
Glasgow G2 1DY

Bankers

Deutsche Bank AG
1 Great Winchester Street
London EC2N 2DB

Solicitors

Eversheds
1 Wood Street
London
EC2V 7WS
United Kingdom

Registered Office

252 Bath Road
Slough
Berkshire
SL1 4DX

Strategic report

The Directors present their strategic report for the year ended 31 December 2022.

Introduction

The principal activity of Eaton Electrical Systems Limited (the Company) is the manufacture and distribution of emergency lighting and fire detection equipment.

Business review

Turnover for the year ended 31 December 2022 has increased from 2021 by 16.9% to £35.5m. Gross margin percentage decreased by 7.0% as the Company continues to navigate a challenging cost environment due to a combination of supply chain issues and elevated inflation. Overhead costs, excluding exceptional items, were in line with the prior year.

The profit for the year, after taxation, is £2,208,000 (2021 – profit of £1,219,000).

The Directors do not recommend that a dividend is paid (2021 – £nil).

Measurement of the Company's performance is applied consistently and control is exercised by local and divisional management. The Company has a budgeting system in place whereby actual performance is measured against budget on a monthly reporting timetable.

The Company's key financial and other performance indicators during the year and historical trend data, together with definition, method of calculation and analysis are set out below:

	2022	* Restated 2021	Method of calculation and analysis
Company turnover	35,495	30,357	Notes 2.3a, 3
% change from prior year	16.9%	(20.2%)	
Gross profit	9,509	10,289	
As a % of net revenue	26.8%	33.4%	
Operating profit	1,496	2,647	Note 4
As a % of net revenue	4.2%	8.7%	
Trade receivable days	86.3	47.9	
Stock days	27.7	35.4	

Strategic report (continued)

Principal risks and uncertainties

The Company is exposed to a number of financial risks outlined in the financial risk management section of the Directors' report.

Furthermore, the management of the business and the execution of the Company's strategy are subject to a number of key business risks affecting the Company, which are set out below:

Pricing pressure

The Company continues to experience strong pricing pressure from its competitors in key segments of the business.

Environmental

The Company pays particular attention to environmental matters and ensures corporate responsibility.

The Company is committed to developing and implementing sustainable business practices. The Company's products are specifically designed to allow customers to reduce energy consumption and operate in a more sustainable manner. In addition the Company continues to work to reduce its own carbon footprint and has implemented a range of measures to reduce energy use, eliminate waste and to increase use of recyclable materials

Legislative

In the UK and Europe, lighting equipment must be manufactured to EU standards. These standards are subject to continuous revision and any new directive may have a material impact on the ability of the Company to manufacture and supply products at a profit.

Macroeconomic environment

COVID-19 is no longer considered to have a direct impact on the Company's financial and operational performance.

The Company is exposed to impacts arising from rising inflation in sourcing materials and products and with respect to remuneration paid to staff. The Company has adopted strategies on pricing in a bid to protect its financial performance.

The ongoing conflict in Ukraine has had a limited direct impact on the Company. Management continue to diligently ensure all restrictions announced by the UK Government are adhered to.

Section 172(1) Statement

The Company is a member of the Eaton Corporation plc group (*Eaton*) (www.eaton.com). Eaton is a power management company with 2022 net sales of \$20.8 billion, listed on the New York Stock Exchange (NYSE:ETN). Eaton's mission is to improve the quality of life and the environment through the use of power management technologies and services. Eaton provides sustainable solutions that help its customers effectively manage electrical, hydraulic and mechanical power – more safely, more efficiently and more reliably. Eaton has approximately 92,000 employees in 60 countries and sells products to customers in more than 175 countries.

As a member of Eaton, the Company is fully aligned to the shared culture and unified practices of Eaton as set out in the Eaton Business System model. This identifies and codifies the Eaton culture, vision and shared values. It allows the Company to harness the scale and breadth of the entire Eaton business to effectively work as an integrated operating Company through standardised processes and the transfer of best practices. The directors, in conjunction with management of the Company, ensure overall compliance to the Eaton model and this forms the basis for meeting the Section 172(1) aims to promote the success of the Company, as outlined below in more detail utilising the headings set out in section 172(1), having regard to:

a) the likely consequences of any decision in the long term

Eaton has been in existence over 100 years and has a footprint in 175 countries. The oldest UK legal entity was incorporated in 1919. The annual planning cycle include multi-year strategic plans and reviews, annual

Strategic report (continued)

operational budgets, capital allocation programmes and regular review and forecast processes. The content and structure of each element of the planning cycle is aligned to the Company's immediate division and overall to Eaton's strategic and financial targets. Stringent corporate review processes are in place at all stages of the cycle including risk and compliance reviews. Factors such as market conditions, macro economy, political decisions and competitors' offerings are under constant review by the directors and any impact on current or future plans are mitigated in a timely manner.

b) the interests of the Company's employees

Eaton has about 2,800 employees based in the UK. The welfare of all the Company's employees (including permanent and temporary staff and site visitors) is paramount.

Health, Safety & Wellness - The Company has strict Health & Safety guidelines and a 'zero incident' target in all workplaces and manufacturing sites to prevent accidents, injuries and occupational illnesses. All incidents and near misses are documented and thoroughly investigated. In recent months, the directors ensured the relevant COVID-19 precautions were consistently applied in all UK workplaces. The Company promotes healthy and safe lifestyles for employees through wellness initiatives including various benefits schemes, cycle to work, flu immunisations and health check-ups. A third party provides a 24/7 wellbeing help line to any employee requiring support due to personal or life changing events.

Diversity & Fair Employment Practices - The Company is committed to respecting a culturally diverse workforce through practices that provide equal access and fair treatment to all employees on the basis of merit. Harassment or discrimination is not tolerated in the workplace.

Communication & Feedback - The Company encourages constant feedback between employees and their manager. The annual appraisal process is a mandatory formal review which allows employees and managers to reflect on the past year and identify future training and work opportunities. In addition to providing feedback to employees and managers, it enables the Company to identify any open or changing roles and implement succession plans.

Employees are asked to complete regular staff surveys covering a range of the Company's processes. Formal communications are issued by Eaton and divisional and local teams on an on-going basis and action plans formulated and implemented.

c) the need to foster the Company's business relationships with suppliers, customers and others

The directors consider the Company's business relationships with stakeholders, which includes employees, customers and suppliers as well as the wider Eaton Group to be a partnership. The stated aim by the Company in these partnerships is to ensure compliance, promote safety, reduce our collective environmental footprint and develop sustainable solutions to the world's environmental and power management challenges. Extensive 'Know your Customer' and 'Know your Supplier' checks are undertaken before any new customer or supplier is engaged by the Company. Suppliers must adhere to Eaton's "Supplier Code of Conduct" which ensures workplace standards and business practices are consistent with the Company's values. The Company and directors commit to treating its customers, suppliers and others fairly and in a consistent manner and the Company has published bi-annual reports under section 3 of the Small Business, Enterprise and Employment Act 2015 on its payment policies, practices and performance since 2018.

d) the impact of the Company's operations on the community and the environment

Environmental stewardship - The Company's commitment to the environment goes beyond legal compliance and extends to actions intended to reduce our environmental footprint through our operations, products and supply chain. In our operations, this commitment is reflected in our efforts to prevent pollution, reduce greenhouse gas emissions and conserve natural resources – efforts incorporated into supply-chain commitments. The Company's manufacturing facilities are required to be certified to ISO 14001, an international standard for environmental management systems. Eaton has committed that by 2030 it will aim to reduce Greenhouse Gas emissions from operations by 50% from 2018 levels to achieve carbon neutrality and all manufacturing sites will be zero waste-to-landfill certified.

Strategic report (continued)

Community Involvement - The Company encourages its employees to become involved in local community and volunteer projects allowing for volunteer days and matching fundraising. The COVID-19 pandemic created challenges around the world. Eaton stepped up to help local communities, from donating personal protective equipment to healthcare providers to sharing our power management expertise across critical industries.

Sustainability - Eaton publishes an annual sustainability report outlining its commitments and activities which can be viewed on the website.

e) the desirability of the Company maintaining a reputation for high standards of business conduct

The Company is committed to “doing business right”. Every year, the directors recommit to the Eaton Code of Ethics, which defines the standards of ethical behaviour that is expected of everyone and is used to govern all business activities. In 2020 Eaton was named one of the World’s Most Ethical Companies by Ethisphere, a firm focused on defining and advancing the standards of ethical best practices around the world. This was the ninth time Eaton has been recognised in this way by Ethisphere.

f) the need to act fairly as between members of the Company

The Company is 100% owned by Eaton and as such the Company is fully aligned and integrated with Eaton objectives, policies and procedures.



S Meikle
Director
29 September 2023

Registered No. 03012749

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2022.

Directors

J Meikle

R Howes

Dividends

The Directors do not recommend that a dividend is paid (2021 – £nil).

Future developments

The Directors anticipate an improvement in the trading environment in 2023 and future periods. The Directors do not anticipate any changes in the Company's activities in the foreseeable future.

Prior Year Restatement

In 2023, in the preparation of these statutory financial statements the company identified local statutory adjustments relating to transfer pricing adjustments that were omitted in error from the prior year comparatives for the year ended 31 December 2021.

This has been rectified in this set of financial statements. The overall impact of these adjustments is to increase opening retained earnings by £1.8m.

Further detail of these adjustments and the overall impact on the income statement and the statement of financial position is outlined in section 2.3 of the notes to the financial statements.

Financial risk management

The Company's policy does not permit trading in any financial instruments. The Company's principal financial instruments comprise of cash, intercompany deposits and or borrowings, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

The Company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the Company's financial instruments are liquidity, foreign currency cash flow and credit risks. The Company has clear policies for managing each of these risks, as summarised below.

Liquidity risk

Liquidity risk is the risk that an organisation may not have, or not be able to raise, cash funds when needed. The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

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

Foreign currency cash flow risk

The Company buys and sells goods and services denominated in currencies other than Sterling. The Company manages such receipts and payments through the operation of other denominated currency bank accounts. As a result of the value of the Company's non-Sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The Company seeks, where appropriate, to mitigate its exposure to currency movements by working with the world-wide group's treasury department to enter into forward currency contracts, denominated in the same currency as the operating funds flow (against Sterling), to match transactional exposures on the balance sheet and future cash flow exposures anticipated in the business. Such forward contracts are entered into on the basis of regularly updated forecast information on the level of trading in each denominated currency.

Directors' report (continued)

Financial risk management (continued)

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Company provides goods and services on deferred credit terms.

Company policies are aimed at minimising such losses and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not significant.

In agreeing annual budgets, the Company set limits for debtors' days and doubtful debts expense against which performance is monitored. Management's review of these performance indicators serves to reduce the likelihood of an unmanaged concentration of credit risk.

Research and development

The Company has continued its programme of research and development to improve a number of its existing products and to develop new products for the future.

Employees

The Company is committed to the principle of equal opportunity in employment. 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.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are made aware of the financial and economic performance of their business units and of the Company as a whole.

Employee involvement

It is Company policy to communicate with and involve employees on matters affecting their interests at work and to inform them of the performance of the business. Each department adopts such employee consultations as appropriate.

Directors' report (continued)

Going concern

The Directors of the Company have undertaken an exercise to review the appropriateness of the continued use of the going concern basis. The assessment covers the period to 30 September 2024. The Directors have reviewed budgets and other financial information and assessed a number of factors as set out below and have concluded there is a reasonable expectation that the Company has adequate financial resources to continue to operate for the period to 30 September 2024.

In making such assessment, the Directors have considered reasonably possible downside sensitivities, including the potential impact of the cost-of-living crises in the UK and further disruption to the world economy from the continuing war in Ukraine. Taking account of the relevant business risks, the Directors believe that the Company is well placed to continue to manage its business successfully.

The Company also participates in the Group's centralised treasury arrangements, which operate across the Group and so shares banking arrangements with its parent and fellow subsidiaries. Under such an arrangement, short term cash flow (both deficits and excesses) is managed by Group Treasury to optimise the Group's overall cash position. The Directors have made enquiries with Group Treasury to confirm access to and availability of funds as and when required over the going concern assessment period and concluded that such access and availability will continue and that there are no indicators that a material uncertainty exists that may cast significant doubt over the ability of the Eaton Corporation plc Group to continue as a going concern and correspondingly its ability to continue with the current banking arrangements over the assessment period.

The Directors consider that the Company has adequate resources to continue in operation for the period at least until 30 September 2024. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Streamlined Energy and Carbon Reporting

The Company's environmental performance information is presented in accordance with the Streamlined Energy and Carbon Reporting (SECR) Framework. The most significant environmental aspects include energy consumption and associated greenhouse gas emissions. The scope of the reporting includes all UK business activity within the Company's operational control. The Company has a small sales operation outside the UK but UK operations account for virtually all of emissions and energy use. The following is a summary of the greenhouse gas emissions and energy data for the Company during the year ended 31 December 2022 to support UK business activities for which the Company is responsible:

	2022	2021
Energy consumption used to calculate emissions kWh	1,149,943	1,295,320
Total gross CO ₂ e based on above	226	265
Intensity ratio: tCO ₂ e gross figure based on above per employee	1.75	1.90

Methodology for emissions calculation:

The UK Government's "Greenhouse gas reporting: conversion factors 2020" have been used as part of these carbon emissions calculation.

Comparison with previous year

The Company's intensity ratio is continuing to decrease for the third year in a row. Further reductions are expected in 2023 as new energy reduction projects are to be developed and executed.

Measures taken to improve energy efficiency

As a member of the Eaton Corporation plc group ("Eaton"), the Company is fully aligned with Eaton which has made a strong commitment to improve the quality of life and the environment. At sites around the globe,

Directors' report (continued)

Eaton are focused on reducing energy consumption and greening our energy supply. At the same time, we have defined targets to reduce waste and water use. One of our critical sustainability goals is to mitigate climate change while improving the efficiency of our operations. We have identified several innovative ways to promote resource use reduction that not only limit emissions and our consumption of resources, but also lower our cost of production. Our businesses are held accountable for the implementation of these efforts by our group Chief Digital Officer and group Executive Vice President of Eaton Business System and Sustainability.

By 2030, Eaton aim to:

- Reduce our greenhouse gas emissions by a science-based target (SBT) of 50 percent - Eaton supports the global movement to limit the world's temperature increase to 1.5°C. The Science-Based Targets Initiative (SBTi) offers an objective, scientific evaluation of what is needed for global greenhouse gas emissions reduction to limit catastrophic climate change. These targets include cutting Scope 1 and Scope 2 greenhouse gas emissions from our operations by at least 50 percent by 2030.
- Achieve carbon neutral operations - Carbon neutrality builds on our science-based target to reduce GHG emissions, which we'll achieve by reducing the carbon intensity of our Scope 2 emissions from purchased electricity and reductions to our Scope 1 direct emissions from natural gas, fleet fuels and process fuels. We also plan to use offsets where we can't reduce emissions.

How we'll achieve our targets:

- Implement energy-efficient solutions in our operations such as compressed air optimization, shut down measures, LED lighting, etc..
- Optimizing renewable energy generation and purchases, greening our energy contracts and purchasing carbon offsets where necessary
- Establish a chartered executive sustainability council chaired by our CEO to provide oversight and enhance accountability and alignment on our sustainability strategy.
- Invest more than \$3 billion across Eaton in research and development over the next 10 years targeted at creating sustainable solutions for our customers that reduce our value chain emissions.
- Continue to reduce our operational footprint by accelerating our zero waste-to-landfill initiative and replicating our successful waste reduction approach for our new water target.

Eaton 2022 sustainability report:

<https://www.eaton.com/content/dam/eaton/company/sustainability/files/eaton-sustainability-report.pdf>

Eaton 2022 sustainability strategy and dashboard:

<https://www.eaton.com/content/dam/eaton/company/sustainability/files/eaton-sustainability-dashboard.pdf>

Statement from our Group Chairman: <https://www.eaton.com/us/en-us/company/sustainability/from-our-chairman.html>

Directors' liabilities


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.

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



S Meikle
Director
29 September 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

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

Independent auditor's report

To the members of Eaton Electrical Systems Limited

Opinion

We have audited the financial statements of Eaton Electrical Systems Limited for the year ended 31 December 2022 which comprise Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 23, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the period to 30 September 2024.

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.

Independent auditor's report (continued)

To the members of Eaton Electrical Systems Limited.

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 11, 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

Independent auditor's report (continued)

To the members of Eaton Electrical Systems Limited

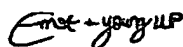
irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those related to the reporting framework (FRS 102) and the Companies Act 2006, Companies (Miscellaneous Reporting) Regulation 2018 and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how Eaton Electrical Systems Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We verified our enquiries through review of board minutes and correspondence of relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with the management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to accelerate revenue and manage earnings. Where the risk was considered to be higher, we performed audit procedures that include cut-off tests, analysed and investigated relationships between revenue, receivable, cash and reviewed journal entries to understand unusual or unexpected changes.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: conducting management enquiries and testing journal entries identified by specific risk criteria. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the relevant reporting frameworks (FRS 102 and the Companies Act 2006).

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.



Fabrizio Marchetti (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

29 September 2023

Income statement

for the year ended 31 December 2022

		<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021 (as restated – note 2)</i>
		<i>Total</i>	<i>Total</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>
Turnover	3	35,495	30,357
Cost of sales		(25,986)	(20,068)
Gross Profit		9,509	10,289
Distribution costs		(1,936)	(5,011)
Administrative expenses		(6,077)	(2,858)
Exceptional items	4	-	227
Operating Profit	4	1,496	2,647
Interest receivable and similar income	8	430	-
Interest payable and similar costs	9	(14)	(27)
Other finance costs	10	257	152
Profit on ordinary activities before taxation		2,169	2,772
Tax on profit on ordinary activities	11	39	263
Profit for the financial year		2,208	3,035

All amounts relate to continuing operations

Statement of comprehensive income

for the year ended 31 December 2022

		<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021 (as restated – note 2)</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Profit for the financial year		2,208	3,035
Re-translation of opening reserves of overseas operation		(21)	35
Remeasurement (loss)/gain on defined benefit pension scheme	20	(12,015)	1,773
Pension asset not recognised		12,097	(1,662)
Total other comprehensive profit for the year		61	146
Total comprehensive profit for the year		2,270	3,181

Statement of changes in equity

for the year ended 31 December 2022

	<i>Called up share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
At 1 January 2021 (as reported)	550	38,276	38,826
Prior year restatement	-	(961)	(961)
At 1 January 2021 (restated)	550	37,315	37,865
Profit for the year restated (note 2.3)	-	3,035	3,035
Retranslation of opening reserves of overseas operation	-	35	35
Remeasurement gain on defined benefit pension scheme	-	1,773	1,773
Pension asset not recognised	-	(1,662)	(1,662)
Total comprehensive income for the year	-	3,181	3,181
At 31 December 2021 (restated)	550	40,496	41,046
Profit for the year	-	2,208	2,209
Retranslation of opening reserves of overseas operation	-	(21)	(21)
Remeasurement (loss) on defined benefit pension scheme	-	(12,015)	(12,015)
Pension asset not recognised	-	12,097	12,097
Total comprehensive income for the year	-	2,270	2,270
At 31 December 2022	550	42,766	43,316

Statement of financial position

at 31 December 2022

		2022	2021 (as restated – note 2)
	Notes	£000	£000
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	2,485	2,491
		<u>2,485</u>	<u>2,491</u>
Current assets			
Stocks	14	1,975	2,122
Debtors: amounts falling due within one year	15	79,864	68,241
Cash at bank and in hand		<u>9</u>	<u>11</u>
Total current assets		<u>81,848</u>	<u>70,374</u>
Creditors: amounts falling due within one year	16	<u>(39,749)</u>	<u>(30,175)</u>
Net current assets		<u>42,099</u>	<u>40,199</u>
Total assets less current liabilities		<u>44,584</u>	<u>42,690</u>
Provisions for liabilities	17	<u>(1,268)</u>	<u>(1,644)</u>
Retirement benefit liabilities	20	<u>-</u>	<u>-</u>
Net assets		<u>43,316</u>	<u>41,046</u>
Capital and reserves			
Called up share capital	18	550	550
Profit and loss account		<u>42,766</u>	<u>40,496</u>
		<u>43,316</u>	<u>41,046</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Meikle, Director

29 September 2023

Notes to the financial statements

for the year ended 31 December 2022

1. Authorisation of financial statements and statement of compliance

Eaton Electrical Systems Limited is a limited liability company incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 102 (FRS 102). The financial statements are prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below, and are presented in Sterling.

The financial statements of Eaton Electrical Systems Limited for the year ended 31 December 2022 were authorised for issue by the board of directors on 29 September 2023 and the balance sheet was signed on the board's behalf by S Meikle.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

Eaton Electrical Systems Limited has taken advantage of the following disclosure exemptions under FRS 102:

- (a) the requirements of section 4 Statement of Financial Position- Paragraph 4.12 (a) (iv)
- (b) the requirements of section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d)
- (c) the requirements of Basic Financial Instruments paragraphs 11.39 to 11.48A and section 12 Other Financial Instruments Issues paragraphs 12.26 to 12.29
- (d) the requirements of Section 26 Share based Payment: paragraph 26.18 (b), 26.19 to 26.21 and 26.23
- (e) requirements of Section 33 Related Party Disclosures, paragraph 33.7

Going concern

The Directors of the Company have undertaken an exercise to review the appropriateness of the continued use of the going concern basis. The assessment covers the period to 30 September 2024. The Directors have reviewed budgets and other financial information and assessed a number of factors as set out below and have concluded there is a reasonable expectation that the Company has adequate financial resources to continue to operate for the period to 30 September 2024.

In making such assessment, the Directors have considered reasonably possible downside sensitivities, including the potential impact of the cost-of-living crises in the UK and further disruption to the world economy from the continuing war in Ukraine. Taking account of the relevant business risks, the Directors believe that the Company is well placed to continue to manage its business successfully.

The Company also participates in the Group's centralised treasury arrangements, which operate across the Group and so shares banking arrangements with its parent and fellow subsidiaries. Under such an arrangement, short term cash flow (both deficits and excesses) is managed by Group Treasury to optimise the Group's overall cash position. The Directors have made enquiries with Group Treasury to confirm access to and availability of funds as and when required over the going concern assessment period and concluded that such access and availability will continue and that there are no indicators that a material uncertainty exists that may cast significant doubt over the ability of the Eaton Corporation plc Group to continue as a going concern and correspondingly its ability to continue with the current banking arrangements over the assessment period.

The Directors consider that the Company has adequate resources to continue in operation for the period at least until 30 September 2024. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2022

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments have the most significant effect on amounts recognised in the financial statements.

Post-employment benefits

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these benefits, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with assessment of the effect of future tax planning strategies.

Warranties

The warranty provision represents management's best estimate of the Company's liability under warranties granted on products sold, based on past experience and industry averages for defective products. It is anticipated that most of these costs will be incurred in the next five years.

2.3 Significant accounting policies

(a) Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

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

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(b) Research and development costs

Research and development expenditure is written off as incurred.

Notes to the financial statements (continued)

for the year ended 31 December 2022

(c) Tangible fixed assets

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	–	over 40 years
Plant and machinery	–	over 10 years
Fixtures, fittings, tools and equipment	–	over 3 to 10 years

2.3 Significant accounting policies (continued)

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

(d) Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

(e) Provision for liabilities

A provision is recognised when Eaton Electrical Systems Limited has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's liability. In addition, if an issue was identified such that the product range needed to be recalled or reworked in some way, the anticipated costs of the total campaign were provided as soon as they could be readily ascertained.

(f) Stock and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials: purchase cost on a first-in, first-out basis

Work in progress and finished goods: cost of direct materials and labour plus attributable overheads based on a first-in, first-out basis on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements (continued)

for the year ended 31 December 2022

(g) Leasing and hire purchase

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the arrangement. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.3 Significant accounting policies (continued)

(h) Financial Instruments

Cash at bank and in hand

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in operating expenses.

(i) Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(j) Pensions commitments

Defined benefit scheme

The Company operates a pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Pension scheme assets are measured using market values, for quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The Pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme deficit/surplus is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses.

Defined contribution scheme

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

(k) Foreign currency

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Notes to the financial statements (continued)

for the year ended 31 December 2022

2.3 Significant accounting policies (continued)

(l) Exceptional items

Exceptional items are events or transactions that fall within the activities of the Company and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

(m) Prior year adjustment – correction of an error

In 2023, in the preparation of these statutory financial statements the company identified local statutory adjustments relating to transfer pricing adjustments that were omitted in error from the prior year comparatives for the year ended 31 December 2021.

This has been rectified in this set of financial statements. The overall impact of these adjustments is to increase opening retained earnings by £1.8m.

Further detail of these adjustments and the overall impact on the income statement and the statement of financial position is outlined below.

Income statement

	<i>As previously stated 31 December 2021</i>	<i>Prior year correction of an error</i>	<i>As restated 31 December 2021</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	30,357	-	30,357
Cost of sales	(21,884)	1,816	(20,068)
Gross Profit	8,473	1,816	10,289
Distribution costs	(5,011)	-	(5,011)
Administrative expenses	(2,858)	-	(2,858)
Exceptional items	227	-	227
Operating profit	831	1,816	2,647
Interest payable and similar costs	(27)	-	(27)
Other finance costs	152	-	152
Profit on ordinary activities before taxation	956	1,816	2,772
Tax on profit on ordinary activities	263	-	263
Profit for the financial year	1,219	1,816	3,035

Notes to the financial statements (continued)

for the year ended 31 December 2022

(m) Prior year adjustment – correction of an error (continued)

Statement of comprehensive income

	<i>As previously stated year ended 31 December 2021</i>	<i>Prior year correction of an error</i>	<i>As restated year ended 31 December 2021</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Profit for the financial year	1,219	1,816	3,035
Re-translation of opening reserves of overseas operation	35	-	35
Remeasurement gain/(loss) on defined benefit pension scheme	1,773	-	1,773
Pension asset not recognised	(1,662)	-	(1,662)
Total other comprehensive profit of the year	146	-	146
Total comprehensive profit of the year	1,365	1,816	3,181

Notes to the financial statements (continued)

for the year ended 31 December 2022

(m) Prior year adjustment – correction of an error (continued)

Statement of financial position

	<i>As previously stated 31 December 2021</i>	<i>Prior year correction of an error</i>	<i>As restated 31 December 2021</i>
	£000	£000	£000
Fixed assets			
Intangible assets	-	-	-
Tangible assets	2,491	-	2,491
	<u>2,491</u>	<u>-</u>	<u>2,491</u>
Current assets			
Stocks	2,122	-	2,122
Debtors due within one year	66,708	1,533	68,241
Cash at bank and in hand	11	-	11
	<u>68,841</u>	<u>1,533</u>	<u>70,374</u>
Creditors due within one year	(29,497)	(678)	(30,175)
Net current liabilities	<u>39,344</u>	<u>855</u>	<u>40,199</u>
Total assets less current liabilities	<u>41,835</u>	<u>855</u>	<u>42,690</u>
Provisions for liabilities	<u>(1,644)</u>	<u>-</u>	<u>(1,644)</u>
Net Assets	<u>40,191</u>	<u>855</u>	<u>41,046</u>
Capital and reserves			
Called up share capital	550	-	550
Profit and loss account	39,641	855	40,496
	<u>40,191</u>	<u>855</u>	<u>41,046</u>

Notes to the financial statements (continued)

for the year ended 31 December 2022

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and to fellow subsidiary undertakings.

An analysis of turnover by geographical market is given below:

	2022 £'000	2021 £000
United Kingdom	7,733	7,426
Europe	18,295	13,467
Australasia and Far East	395	394
Rest of the World	9,072	9,070
	<u>35,495</u>	<u>30,357</u>

4. Operating Profit

This is stated after charging/(crediting):

	2022 £000	2021 £000
Research and development expenditure written off	182	207
Depreciation of owned assets	330	428
Operating lease rentals – land and buildings	259	291
– others	389	534
Provision for warranty claims	(205)	63
Auditor's remuneration (see note 5)	<u>86</u>	<u>48</u>

Exceptional items

The following items have been shown separately on the face of the income statement due to their size and because they relate to non-recurring events:

Provision for closure of Mains Lighting operations (note 17)	<u>171</u>	<u>227</u>
	<u>171</u>	<u>227</u>

On 12 August 2020 the Company began a consultation period which resulted in the closure of the Company's Mains Lighting business which had experienced several years of poor trading. The main site in Doncaster was disposed of in 2021 and all other Doncaster activities were moved to a site more appropriate for the level of continuing operations in late 2020. £nil costs were incurred by the Company during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2022

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements. There were no non-audit services provided to the Company by the Company's auditor.

	2022	2021
	£000	£000
Audit of the financial statements	86	48

6. Staff costs

(a) Staff costs

Staff costs, including Directors' remuneration, were as follows

	2022	2021
	£000	£000
Wages and salaries	4,950	4,986
Social security costs	468	438
Pension cost defined contribution	442	723
Pension cost defined benefit	339	263
	<u>6,199</u>	<u>6,680</u>

(b) Staff numbers

The average monthly number of employees during the year was made up as follows:

	2022	2021
	No.	No.
Manufacturing	60	71
Distribution	36	40
Administration	17	22
	<u>113</u>	<u>133</u>

7. Directors' remuneration

	2022	2021
	No.	No.
Number of directors who received shares in respect of qualifying services	2	2
Number of directors who exercised share options	2	2
Number of directors who are members of money purchase pension schemes	1	1

No other director received, or was due to receive, any emoluments in connection with their services as a director of the Company during the year. The fair value of the services received has been assessed at £5,000 per director; therefore, Eaton Electrical Systems Limited recognises a notional charge of £10,000 (2021: £10,000) for director's services during the year.

Notes to the financial statements (continued)

for the year ended 31 December 2022

8. Interest receivable and similar income

	2022	2021
	£000	£000
On loans and balances due from fellow group undertakings	430	-
	<u>430</u>	<u>-</u>

9. Interest payable and similar costs

	2022	2021
	£000	£000
On loans and balances due to fellow group undertakings	14	27
	<u>14</u>	<u>27</u>

10. Other finance costs

	2022	2021
	£000	£000
Interest on pension liabilities	(854)	(622)
Interest on pension assets	1,111	774
	<u>257</u>	<u>152</u>

11. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2022	2021 (as restated – note 2)
	£000	£000
Current tax:		
UK corporation tax at 19% (2021: 19%)	52	-
Foreign tax relief	(52)	-
Adjustment in respect of prior year	20	(36)
Foreign tax	34	30
Total current tax	<u>54</u>	<u>(6)</u>

Notes to the financial statements (continued)

for the year ended 31 December 2022

11. Taxation (continued)

	2022	2021 (as restated – note 2)
Deferred tax:	£000	£000
Origination and reversal of temporary differences	(81)	(75)
Adjustment in respect of prior year	13	(240)
Effect of change in the tax rate on opening liability	(25)	58
Other	-	-
Total change in the deferred tax	(93)	(257)
Tax on profit on ordinary activities	(39)	(263)

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are reconciled below:

	2022	2021 (as restated – note 2)
	£000	£000
Profit on ordinary activities before tax	2,169	2,772
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021-19%)	412	527
Expenses not deductible for tax purposes (including goodwill amortisation)	2	4
Income not taxable	-	(8)
Share options	(17)	(15)
Tax rate changes	(25)	58
Foreign tax	(18)	27
Adjustments from previous periods	33	(276)
Deferred tax not recognised	16	(39)
Non-taxable capital gains	-	(460)
Other	(16)	(5)
Group relief	(426)	(76)
Total tax (credit)	(39)	(263)

Notes to the financial statements (continued)

for the year ended 31 December 2022

11. Taxation (continued)

(c) Factors that may affect future tax charges

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. The Finance Bill 2021 was substantively enacted on 24 May 2021 and given Royal Assent on 10 June 2021. Deferred taxes on the balance sheet have been measured at 25% which represents the future corporation tax rate that was enacted at the balance sheet date.

(d) Deferred tax

The deferred tax asset included in the balance sheet is as follows:

	2022 £000	2021 £000
Included in debtors (note 15)	353	260
Accelerated capital allowances	20	116
Other timing differences	333	144
Losses	158	354
Deferred tax not recognised	(158)	(354)
Provision for deferred tax	353	260
At 1 January 2022		260
Deferred tax charge in profit and loss account		93
At 31 December 2022		353

The deferred tax balances as at 31 December 2022 have been stated at a rate of 25% as this is the rate at which deferred tax is expected to reverse.

Notes to the financial statements (continued)

for the year ended 31 December 2022

12. Intangible fixed assets

	<i>Goodwill</i> £000
Cost:	
At 1 January 2022 and 31 December 2022	<u>1,002</u>
Amortisation and impairment:	
At 1 January 2022 and 31 December 2022	<u>(1,002)</u>
Carrying amount	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

Goodwill was amortised evenly over the Directors' estimate of its useful economic life of 10 years based on pre-tax cash flow projections derived from financial budgets covering the amortization period. The asset is now fully amortised.

Notes to the financial statements (continued)

for the year ended 31 December 2022

13. Tangible fixed assets

	<i>Freehold property</i> £000	<i>Plant and machinery</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2022	1,826	4,575	6,401
Additions	54	270	324
Disposals	(70)	(142)	(212)
At 31 December 2022	<u>1,810</u>	<u>4,703</u>	<u>6,513</u>
Depreciation and impairment:			
At 1 January 2022	348	3,562	3,910
Provided during the year	49	281	330
Disposals	(70)	(142)	(212)
At 31 December 2022	<u>327</u>	<u>3,701</u>	<u>4,028</u>
Carrying amount			
At 31 December 2022	<u>1,483</u>	<u>1,002</u>	<u>2,485</u>
At 31 December 2021	<u>1,478</u>	<u>1,013</u>	<u>2,491</u>

The value of freehold land included in land and buildings amounted to £nil (2021 - £nil)

14. Stocks

	2022 £000	2021 £000
Raw materials and consumables	860	546
Work in progress	394	524
Finished goods and goods for resale	721	1,052
	<u>1,975</u>	<u>2,122</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks written down in the year were £372,000 (2021 - £556,000).

Notes to the financial statements (continued)

for the year ended 31 December 2022

15. Debtors

	2022 £000	2021 (as restated – note 2) £000
Trade and other receivables	8,389	3,980
Prepayments and accrued income	3,720	1,591
Amounts owed by group undertakings	67,034	62,319
Deferred tax	353	260
Other debtors	368	91
	<u>79,864</u>	<u>68,241</u>

Included within amounts owed by group undertakings is an unsecured balance of £41,179,000 which has no fixed date of repayment and is repayable on demand. Interest is credited at 2.91% (2021: 0.0%).

16. Creditors: amounts falling due within one year

	2022 £000	2021 (as restated – note 2) £000
Trade creditors	4,457	3,982
Amounts owed to group undertakings	31,309	22,966
Taxation and social security	1,426	1,870
Corporation tax	-	-
Other creditors	230	173
Accruals and deferred income	2,327	1,184
	<u>39,749</u>	<u>30,175</u>

Included within amounts owed to group undertakings is an unsecured balance of £4,923,000 (2021: £38,000) which has no fixed date of repayment and is repayable on demand. Interest is charged at 1.30% (2021: 1.04%).

17. Provisions for liabilities

	Warranty provision £000
At 1 January 2022	1,644
Reduction during the year	(171)
Amounts charged against the provision	(205)
At 31 December 2022	<u>1,268</u>

The warranty provision represents management's best estimate of the Company's liability under warranties granted on products sold, based on past experience and industry averages for defective products. It is anticipated that most of these costs will be incurred in the next five years.

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Issued share capital

	2022	2021
	£000	£000
11,000,000 (2021 – 11,000,000) ordinary shares of 5p each	550	550

19. Related party disclosures

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption in Section 33.1A, whereby disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

20. Pensions

The Company participates in a number of pension schemes including the Cooper Consolidated Pension Plan - a defined benefit pension scheme. The scheme was closed to new entrants on 1 April 1993 and closed to future accrual on 1 May 2008.

Contributions of £nil were made to the scheme by the Company in 2022 (2021 - £nil).

The valuation used has been based on the most recent actuarial valuation of 5 April 2019 and was updated for FRS 102 purposes at 31st December 2022 by a qualified, independent actuary. The major assumptions used by the actuary to determine the liabilities on a FRS102 basis for the scheme are set out below:

	2022	2021
	%	%
Inflation	3.00 to 3.40	3.20 to 3.60
Pension increases	2.30 to 3.60	2.70 to 3.45
Discount rate	4.75	1.8

The major categories of assets as a percentage of total assets are as follows:

	2022	2021
	%	%
Bonds	45	16
Cash	3	27
Liability driven investments	33	35
Other Assets	19	22

Notes to the financial statements (continued)

for the year ended 31 December 2022

20. Pensions (continued)

The assets of the scheme and expected rate of return were:

	2022 £'000	2021 £'000
Defined benefit obligation	(33,293)	(48,322)
Scheme assets	35,651	62,777
Surplus in scheme	<u>2,358</u>	<u>14,455</u>

No asset is recorded on the Company's statement of financial position with respect to the surplus in the scheme.

Changes in the defined benefit obligation during the year:

	2022 £000	2021 £000
Defined benefit obligation at 1 January	(48,322)	(52,935)
Past service cost	-	-
Interest cost	(854)	(622)
Benefits paid	1,772	2,166
Re-measurement effects recognised in OCI	(3,104)	-
Changes to assumptions	17,215	3,069
Defined benefit obligation at 31 December	<u>(33,293)</u>	<u>(48,322)</u>

Changes in the scheme assets during the year:

	2022 £000	2021 £000
Fair value of assets at 1 January	62,777	65,728
Interest on assets	1,111	774
Company contributions	-	-
Benefits paid	(1,772)	(2,166)
Administration costs	(339)	(263)
Return on plan assets less interest	(26,126)	(1,296)
Fair value of assets at 31 December	<u>35,651</u>	<u>62,777</u>

The other schemes in which the Company participates are defined contribution pension schemes. The pension cost charged to the profit and loss account represents the contributions payable by the Company to the scheme and amounted to £442,000 in the year ended 31 December 2022 (2021 – £723,000).

Contributions totalling £nil (2021 – £nil) were payable to the fund at the balance sheet date.

Notes to the financial statements (continued)

for the year ended 31 December 2022

21. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follow:

	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	2022	2022	2021	2021
	£000	£000	£000	£000
Not later than one year	256	127	222	144
After one year but not more than five years	1,025	183	856	197
After five years	647	-	678	-

22. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Eaton Industries (UK) Ltd, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Eaton Corporation plc which is incorporated in Ireland. 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 the following address:

Eaton Center
1000 Eaton Boulevard
Cleveland
Ohio 44122
USA

23. Events after the reporting period

There are no events subsequent to 31 December 2022, which in the opinion of the Directors require adjustment of, or disclosure in the financial statements.