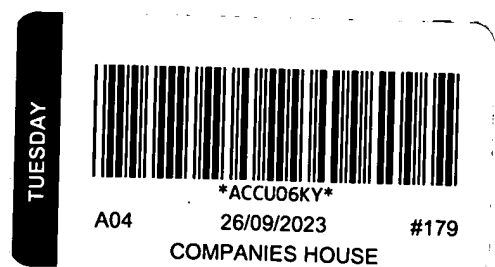


Pulse Power and Measurement Limited

Annual Report and Financial Statements

31 December 2022

Registered number: 02963819



Contents

	Page
Strategic Report	1 - 5
Directors' Report	6 - 7
Directors' Responsibilities Statement	8
Independent Auditor's Report to the Members of Pulse Power and Measurement Limited	9 - 12
Income Statement and Statement of Comprehensive Income	13
Balance Sheet	14 - 15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 - 36

Strategic Report
for the year ended 31 December 2022

Review of business and principal activities

Pulse Power and Measurement Limited (the "Company") is a member of the BAE Systems plc Group ("BAE Systems Group" or "Group") of companies. Its principal activity is the manufacture and distribution of specialist electrical components.

Key performance indicators

Key financial performance indicators are shown below:

	2022	15 Month Period 2021
	£	£
Revenue	11,771,905	11,653,337
Profit before tax	1,396,300	480,089

Revenue represents the amounts derived from the provision of goods and services. Revenue increased over the previous year as most commercial markets returned to pre-COVID activity levels and new development contracts commenced delivery to government customers.

Profit before tax is used for internal performance analysis as a measure of profitability that is comparable over time. Profit before tax has risen due to revenue growth, a slight decrease in some supply chain costs from COVID induced peaks, and a shift in deliverables to higher margin products and projects.

Principal risks and uncertainties

The Company's principal risks are identified below, along with their potential impact on the Company and how these are currently being managed:

The Company's strategy is dependent on its ability to recruit and retain people with appropriate talent and skills

Description: Delivery of the Company's strategy and business plan is dependent on its ability to compete to recruit and retain people with appropriate talent and skills, including those with innovative technological capabilities. It is important that the Company recruits and retains management with the necessary skills and experience.

Impact: The loss of key employees or inability to attract the appropriate people on a timely basis could adversely impact the Company's ability to deliver its strategy, meet the business plan and, accordingly, have a negative impact on the Company's future results and financial condition

Mitigation: The Company recognises that its employees are key to delivering its strategy and business plan, and focuses on developing the existing workforce and hiring talented people to meet current and future requirements. In order to seek to maximise its talent pool, the Company is committed to creating a diverse and inclusive environment for its employees.

The Company is subject to risk from a failure to comply with laws and regulations

Description: The Company operates in a highly-regulated environment across many jurisdictions and is subject to regulations relating to import-export controls, money laundering, false accounting, anti-bribery and anti-boycott provisions. It is important that the Company maintains a culture in which it focuses on embedding responsible business behaviours and that all employees act in accordance with the Company's policies at all times.

Strategic Report (continued)
for the year ended 31 December 2022

Principal risks and uncertainties (continued)

The Company is subject to risk from a failure to comply with laws and regulations (continued)

Impact: Failure by the Company, or its sales representatives, marketing advisers or others acting on its behalf, to comply with these regulations could result in fines and penalties and/or the suspension or debarment of the Company from government contracts or the suspension of the Company's export privileges, which could have a material adverse effect on the Company. Reduced access to export markets could have a material adverse effect on the Company's future results and financial condition.

Mitigation: BAE Systems has a well-established legal and regulatory compliance structure aimed at ensuring adherence to regulatory requirements and identifying restrictions that could adversely impact the Company's activities. Internal and external market risk assessments form an important element of ongoing corporate development and training processes. A uniform global policy and process for the appointment of advisers engaged in business development is in effect.

BAE Systems continues to reinforce its ethics programme globally, driving the right behaviours by supporting employees in making ethical decisions and embedding responsible business practices.

Supply chain

Description: The Company is dependent upon the delivery of materials by suppliers and the assembly of components by subcontractors used in its products in a timely and satisfactory manner, on satisfactory commercial terms and in full compliance with applicable terms and conditions. The external supply chain environment is very dynamic at this time, with both lead-time and availability issues, but also pricing pressures, including from inflationary increases in labour, energy and other key materials.

Impact: Some of the Company's suppliers or subcontractors may be impacted by the economic environment (including inflationary pressures) which could impair their ability to meet their obligations to the Company and to supply on satisfactory commercial terms which could have a negative impact on the Company's future results of operations and financial condition.

Mitigation: The Company continues to actively manage supplier lead times against demand requirements. The Company seeks to manage the inflation risk through its contracting arrangements, effective cost management and improved efficiency of the Company's own operations and through its long-term supplier agreements.

The Company could be negatively impacted by threats to the security of its information technology and operational technology systems

Description: The cyber security threats faced by the Company include: the potential for business disruptions due to an attack impacting the availability of its information technology and operational technology infrastructure and systems; unlawful attempts to gain access to both the Company's proprietary or classified information and that of its customers, partners and suppliers; and the potential for business disruptions and loss or compromise of classified, proprietary or personal information through an attack on the Company's supply chain.

Impact: Failure to combat these risks effectively could disrupt business operations, compromise the security of the Company's products and services, erode the Company's competitive advantage, harm staff and negatively impact the Company's reputation among its customers and the public, resulting in a negative impact on the Company's future results and financial condition.

Mitigation: It is critical that the Company's networks, as well as the products and services that it sells, are cyber resilient and the intellectual property and confidential information held and processed on them is appropriately secured.

Cyber risk is constantly reviewed through the Group's IT and Security functions and an agile, proactive approach to mitigating the risk is taken. The Group does this by efficiently leveraging its core internal capabilities in cyber security, including its specialist threat intelligence service, to maintain a managed risk position as it digitally transforms and the threat landscape evolves.

Strategic Report (continued)
for the year ended 31 December 2022

Section 172(1) statement

This statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the Company.

Decision making

The BAE Systems Group Operational Framework sets out the principles of good governance to which BAE Systems Group subsidiaries are required to adhere, together with BAE Systems Group's values, policies and processes. Decisions affecting a subsidiary are required to be taken in line with the Operational Framework, including in accordance with applicable delegations of authority.

Pursuant to the Operational Framework, BAE Systems' businesses each produce a strategic plan, a financial forecast for the current year and financial projections for the next five years. The directors of the Company contribute towards this process for the respective businesses of the Company for which they are responsible and are also responsible for identifying and managing principal and emerging risks in such businesses. In so doing the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company and its businesses.

Employees

Employee engagement is a primary focus for the directors of the Company – connecting employees to the Company's and the BAE Systems Group's strategy and purpose, empowering them to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. We keep the Company's employees informed about what is happening across the BAE Systems Group through the Group's intranet and email, employee app, podcasts, newsletters, and leadership blogs and briefings.

These engagement activities form part of the Company's implementation of the BAE Systems Group-wide employee engagement processes and policies which are described on pages 32, 35 and 72 of BAE Systems plc's Annual Report 2022 (available at: www.baesystems.com/investors).

Pursuant to the Group's People Policy, directors and employees are required to contribute to creating an engaged and inclusive work environment, where individuals are respected and where the value of a diverse workforce is recognised. Also, pursuant to the Policy, employees are to be provided with the means to give their views and feedback.

Through the implementation by the Company of these measures, the directors have regard to the interests of the Company's employees.

Fostering business relationships with suppliers, customers and others

The directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the Company's success. The Company has close relationships with its customers, suppliers and industry partners which help us to create best-in-class, cost-effective equipment, goods, services and solutions.

Strategic Report (continued)
for the year ended 31 December 2022

Fostering business relationships with suppliers, customers and others (continued)

Our largest customers are commercial businesses. Strong and collaborative relationships with our principal customers help us to identify their requirements and to help position the Company as a trusted provider. The directors and their teams are in regular contact with the principal customers of the Company.

The Company, together with its procurement and supply chain function, works with its suppliers and their supply chains to provide services that meet its customers' requirements. The directors meet with key suppliers and work with the BAE Systems Group's procurement function to develop deeper relationships with businesses in the supply chain and develop strategic relationships with key suppliers.

The community and the environment

The directors recognise the importance of leading a company that not only generates value for shareholders but also contributes to wider society. Through the Operational Framework the Company is subject to the requirements of the BAE Systems Group's Community Investment Policy, which looks to ensure that we build and nurture mutually beneficial relationships between our business, our people and local stakeholders. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to our Company and our employees, allowing us to make a positive difference and have an impact where it counts.

We recognise that our operations have an impact on the environment – from the energy and resources we use, to the products we manufacture and the waste that we generate. As an organisation, the BAE Systems Group is committed to reducing the environmental impact of its operations and products, minimising its environmental footprint and, in turn, decreasing its operational costs.

Through the Operational Framework the Company is subject to the requirements of the BAE Systems Group's Environmental Policy, which details our commitment to high standards of environmental management. In particular, the Company is supporting the Group's target of achieving net zero greenhouse gas emissions across the Group's operations (Scope 1 and 2) by 2030 and its target of working towards a net zero value chain by 2050.

All the above activities form part of the implementation of the BAE Systems Group-wide community and environment processes and policies and the BAE Systems Group's impacts thereon which are described on pages 40-53 and 64-67 of BAE Systems plc's Annual Report 2022 (available at: www.baesystems.com/investors).

Maintaining a reputation for high standards of business conduct

The BAE Systems Group aims to be a recognised leader in business conduct which helps it to earn and maintain stakeholder trust and sustain business success. The Directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. All employees of the Company are expected to act in accordance with the requirements of BAE Systems Group policies, including the Code of Conduct, at all times. As well as being the right thing to do, this reduces the risk of compliance failure and supports the business in attracting and retaining high-calibre employees.

Detailed information on the BAE Systems Group-wide business conduct processes and policies are described in BAE Systems plc's Annual Report 2022 (available at: www.baesystems.com/investors) on pages 75-77.

Strategic Report (continued)
for the year ended 31 December 2022

Approved by the Board and signed on its behalf by:



J E Fothergill
Director

Date: 7 September 2023

Directors' Report

Company registration

Pulse Power and Measurement Limited is a private company, limited by shares and registered in England and Wales with the registered number 02963819.

Results and dividends

The Company's profit for the financial year is £1,296,789 (2021: £377,943 profit). The directors propose a dividend of £1,400,000 (2021: £4,200,000).

The dividend proposed per share is £280 (2021: £840). Dividends are paid on all classes of ordinary shares other than ordinary E shares.

Business review and principal activities

The principal activity of the Company continued to be that of the manufacture and distribution of specialist electrical components.

Looking forward

The Company expects to continue with its existing contracts for the foreseeable future.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £1,619,616, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by BAE Systems plc, the Company's ultimate parent. BAE Systems plc has indicated in writing that, for at least 12 months from the date of approval of these financial statements, it will continue to make available funds as are needed by the Company to meet its liabilities as they fall due and in particular will not seek repayment of amounts currently made available.

Research and development

The Company is focused on technology innovation and engineering excellence and invests in next-generation research and technology programmes to improve the manufacturing and service of products, generating substantial intellectual property.

Credit risk and liquidity

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flow risks are discussed in detail within the BAE Systems plc Group accounts.

Energy and carbon reporting exemption

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed on pages 40-53 in the 2022 consolidated accounts of its ultimate parent, BAE Systems plc (available at www.baesystems.com/investors).

Post balance sheet events

Subsequent to the end of the year, a non-adjusting event occurred whereby the Company received a dividend of 484k on 18 January 2023 from its subsidiary, Pulse Power and Measurement Inc.

Directors' Report (continued)

Directors and their interests

The directors who served throughout the year and up to the date of this Directors' Report, unless otherwise stated, were as follows:

N E Seager
Dr. M E Ryan
Sir S D Atha
A W Morgan (resigned 15 June 2022)
J E Fothergill
R Checkley (appointed 15 June 2022)

The Board is not aware of any contract of significance in relation to the Company in which any director has, or has had, a material interest.

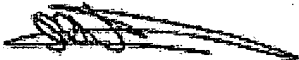
Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is 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.

Auditor

The auditor, Deloitte LLP, has indicated its willingness to continue in office and, in accordance with Section 487(2) of the Companies Act 2006, has been re-appointed.

Approved by the Board and signed on its behalf by:



J E Fothergill
Director

Date: 7 September 2023

Registered office:
Pulse Power and Measurement Limited
65 Shrivenham Hundred Business Park
Watchfield
Swindon
Wiltshire
SN6 8TY

Directors' Responsibilities Statement

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 Pulse Power and Measurement Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pulse Power and Measurement Limited (the "Company"):

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

We have audited the financial statements which comprise:

- the Income Statement and the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Pulse Power and Measurement Limited (continued)

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty including in respect of export controls, defence contracting and anti-bribery and corruption legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the Members of Pulse Power and Measurement Limited (continued)

As a result of performing the above, we identified the greatest potential for fraud to be in relation to revenue recognition on significant contracts within the Systems revenue stream. The specific procedures we performed to respond to this risk included:

- making inquiries of project engineers with regard to contract progress, future risks and the existence of any unusual contract terms;
- obtaining relevant evidence including customer and supplier agreements, purchase orders, sales invoices, milestone completion certificates, and delivery notes; and
- assessing the terms of the agreements to ensure appropriate recognition of revenue.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements**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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- *the Directors' Report have been prepared in accordance with applicable legal requirements.*

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 any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

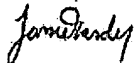
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Pulse Power and Measurement Limited (continued)

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.



Jamie Mander ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor
Reading, United Kingdom

7 September 2023

Pulse Power and Measurement Limited
Annual Report and Financial Statements
31 December 2022

Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £	15 month period 2021 £
Revenue	3	11,771,905	11,653,337
Operating costs	4	(10,378,873)	(11,223,652)
Other operating income	5	34,855	91,425
Operating profit	4	1,427,887	521,110
Financial income	7	1,225	2,189
Financial expense	6	(32,812)	(43,210)
Profit before tax		1,396,300	480,089
Tax on profit	10	(99,511)	(102,146)
Profit for the financial year/ 15 month period		1,296,789	377,943
Total comprehensive income for the year/ 15 month period		1,296,789	377,943

The notes on pages 17 to 36 form part of these financial statements.

The results for 2022 and 2021 arise from continuing activities

Pulse Power and Measurement Limited
Annual Report and Financial Statements
31 December 2022

Balance Sheet
as at 31 December 2022

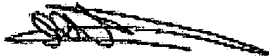
	Note	2022 £	2021 £
Non-current assets			
Property, plant and equipment	11	1,107,502	873,013
Investments	12	640	640
Right-of-use assets	13	1,264,572	1,429,187
Other receivables	14	2,018,902	2,020,547
		<u>4,391,616</u>	<u>4,323,387</u>
Current assets			
Trade and other receivables	14	2,022,598	746,949
Inventories	15	1,932,696	1,152,669
Cash and cash equivalents		829,588	1,086,552
		<u>4,784,882</u>	<u>2,986,170</u>
Total assets		<u>9,176,498</u>	<u>7,309,557</u>

Pulse Power and Measurement Limited
Annual Report and Financial Statements
31 December 2022

Balance Sheet (continued)
as at 31 December 2022

	Note	2022 £	2021 £
Non-current liabilities			
Lease liabilities	13	(1,290,702)	(1,436,126)
Deferred tax liabilities	16	(49,641)	(9,584)
		<u>(1,340,343)</u>	<u>(1,445,710)</u>
Current liabilities			
Trade and other payables	17	(6,259,074)	(1,404,852)
Lease liabilities	13	(145,424)	(124,127)
		<u>(6,404,498)</u>	<u>(1,528,979)</u>
Total liabilities		<u>(7,744,841)</u>	<u>(2,974,689)</u>
Net assets		<u>1,431,657</u>	<u>4,334,868</u>
Capital and reserves			
Issued share capital	18	5,386	5,386
Retained earnings		1,426,271	4,329,482
Total equity		<u>1,431,657</u>	<u>4,334,868</u>

Approved by the Board on 7 September 2023 and signed on its behalf by:



J E Fothergill
Director

Registered number: 02963819

The notes on pages 17 to 36 form part of these financial statements.

Pulse Power and Measurement Limited
Annual Report and Financial Statements
31 December 2022

Statement of Changes in Equity
for the period ended 31 December 2022

	Issued share capital	Retained earnings	Total equity
	£	£	£
At 1 October 2020	5,000	4,002,828	4,007,828
Profit for the 15 month period	-	377,943	377,943
Dividends (note 19)	-	(51,289)	(51,289)
Shares issued	386	-	386
At 30 September 2020	<u>5,386</u>	<u>4,329,482</u>	<u>4,334,868</u>
Profit for the year	-	1,296,789	1,296,789
Dividends (note 19)	-	(4,200,000)	(4,200,000)
At 31 December 2022	<u>5,386</u>	<u>1,426,271</u>	<u>1,431,657</u>

The notes on pages 17 to 36 form part of these financial statements.

Notes to the Financial Statements

1. General information

Pulse Power and Measurement Limited is a private company, limited by shares, and registered in England and Wales and incorporated in the United Kingdom. Its ultimate controlling party is disclosed in note 21. The address of the Company's registered office is shown on page 7.

The principal activity of the Company is set out in the Strategic Report on page 1. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless otherwise stated, rounded to the nearest pound.

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS"), but makes amendments where necessary in order to comply with the Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1 Presentation of Financial Statements; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party 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.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Notes to the Financial Statements

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BAE Systems plc, a company registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments).

These financial statements have been prepared using the going concern basis of accounting. As discussed in the Director's Report (page 6).

Key sources of estimation uncertainty

There were no significant accounting policies that are considered by the directors to contain key sources of estimation uncertainty.

Critical accounting judgments

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimates, that have had a significant effect on the amounts recognised in the financial statements.

Changes in accounting policies

The following standards, interpretations and amendments to existing standards became effective on 1 January 2022 and have not had a material impact on the Company:

- Amendments to IFRS 3 Business Combinations, effective from 1 January 2022;
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use effective from 1 January 2022;
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract effective from 1 January 2022; and
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle effective from 1 January 2022.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2022. These either have been, or are expected to be endorsed by the UK Endorsement Board and are not expected to have a material impact on the Company:

- IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Amendment to IFRS 101 reduced disclosure framework, effective from 1 January 2023;
- Amendments to IAS 1: Presentation of Financial Statements, effective from 1 January 2023;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, effective from 1 January 2023;
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and
- Amendments to IAS 12: Income Taxes, effective from 1 January 2023.

Notes to the Financial Statements

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The directors believe that the financial statements reflect appropriate judgements and estimates, and provide a true and fair view of the Company's financial performance and position.

2.2 Revenue and profit recognition

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract. The Company provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Company's pricing principles. Whilst payment terms vary from contract to contract, on many of the Company's contracts, an element of the transaction price is received in advance of delivery. The Company therefore has significant contract liabilities. The Company's contracts are not considered to include significant financing components on the basis that there is minimal difference between the consideration and the cash selling price either as a result of UK Ministry of Defence contracting rules which prohibit the inclusion of financing in the sales price or negotiations on competitive international export contracts which do not make allowance for the cash payment profile.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied or as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;

Notes to the Financial Statements

2. Accounting policies (continued)

2.2 Revenue and profit recognition (continued)

Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

The Company has determined that most of its contracts satisfy the point in time criteria.

Revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Contract modifications

The Company's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract; or
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Company's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Company expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Company does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over-time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 Inventories.

Notes to the Financial Statements

2. Accounting policies (continued)

2.3 Leases

The Company as lessee

All leases in which the Company is lessee (except as noted below) are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the Income Statement over the lease term to produce a constant periodic rate of interest on the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

Payments in respect of short-term leases, low-value leases and leases of intangible assets are charged to the Income Statement on a straight-line basis over the lease term.

2.4 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, and on development activities not meeting the conditions for capitalisation, is written off as incurred and charged to the Income Statement.

Where the research and development activity is performed on behalf of customers, the revenue arising is recognised in the Income Statement in accordance with the Company's revenue recognition policy.

2.5 Interest income and borrowing costs

Interest income and borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

2.6 Property, plant and equipment

Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of demonstration assets is written off as incurred. Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation and impairment losses.

Notes to the Financial Statements

2. Accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation

Depreciation is provided, normally on a straight-line basis, to write off the cost of property, plant and equipment over their estimated useful lives to any estimated residual value, using the following rates:

Land and buildings leasehold	- 1.5 years straight line
Plant and machinery	- 5 to 10 years straight line
Fixtures, fittings & equipment	- 10 years straight line
Computer equipment	- 4 to 8 years straight line

No depreciation is provided on freehold land and assets in the course of construction.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each Balance Sheet date

Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

2.7 Investments

Fixed asset investments in shares in subsidiary undertakings and in shares in participating interests are stated at cost less provision for impairment.

2.8 Trade and other receivables

Trade and other receivables are stated at amortised cost including a provision for expected credit losses. The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when a debtor enters bankruptcy or financial reorganisation.

Contract receivables represent amounts for which the Company has an unconditional right to consideration in respect of unbilled revenue recognised at the Balance Sheet date and comprise costs incurred plus attributable margin.

2.9 Inventories

Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

2.10 Trade and other payables

Trade and other payables are stated at amortised cost.

Notes to the Financial Statements

2. Accounting policies (continued)

2.11 Dividends

Equity dividends paid on ordinary share capital are recognised as a liability in the period in which they are declared.

2.12 Pensions

Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions are recognised as an expense in the Income Statement as incurred.

2.13 Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for temporary differences:

on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
related to investments in subsidiaries and equity accounted investments to the extent that it is probable that they will not reverse in the foreseeable future; and
arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Financial Statements

3. Revenue

Revenue by reporting segment

	2022	15 month period 2021
	£	£
External sales	11,771,905	11,653,337
	<u>11,771,905</u>	<u>11,653,337</u>

Revenue by customer location:

	2022	15 month period 2021
	£	£
United Kingdom	6,388,104	7,798,191
Rest of Europe	1,054,934	1,191,863
Rest of the world	4,328,867	2,663,283
	<u>11,771,905</u>	<u>11,653,337</u>

Notes to the Financial Statements

4. Operating costs

	2022 £	15 month period 2021 £
Inventory recognised as an expense	5,145,409	5,493,707
Staff costs (note 8)	3,739,757	3,943,336
Depreciation on property, plant and equipment	188,995	188,738
Depreciation on right-of-use assets	164,615	193,869
Other operating charges	1,140,097	1,404,002
	<u>10,378,873</u>	<u>11,223,652</u>

The remuneration of the auditor for the year ended 31 December 2022 was £34,000 (2021: £55,000) and £nil (2021: £nil) in respect of non-audit work.

5. Other income

	2022 £	15 month period 2021 £
Research and development expenditure credits	34,855	91,425
	<u>34,855</u>	<u>91,425</u>

6. Financial expense

	2022 £	15 month period 2021 £
Interest expense on lease liabilities (note 13)	32,812	43,210
	<u>32,812</u>	<u>43,210</u>

Notes to the Financial Statements

7. Financial income

	2022	15 month period 2021
	£	£
Interest income	1,225	2,189
	1,225	2,189
	1,225	2,189

8. Employees

The monthly average number of Company employees was 57 (2021: 54). There is only one category of employee. The aggregate staff costs of Company employees were as follows:

	2022	15 month period 2021
	£	£
Wages and salaries	3,243,687	3,405,282
Social security costs	345,721	353,894
Cost of defined contribution pension scheme	150,349	184,160
	3,739,757	3,943,336
	3,739,757	3,943,336

9. Directors' remuneration

The disclosures below represent an allocation of the emoluments received by the directors who served during the year, to reflect their qualifying services to the Company. None of the BAE Systems group directors who served during the year received any emoluments from the Company during that period. All BAE Systems group directors who served during year were employed by BAE Systems plc or other Group companies and were remunerated through those companies. The directors did not provide any material qualifying services to the Company during that period.

	2022	15 month period 2021
	£	£
Directors' remuneration	319,607	355,320
Company contributions to defined contribution pension schemes	19,264	32,737
	338,871	388,057
	338,871	388,057

Notes to the Financial Statements

9. Directors' remuneration (continued)

Retirement benefits are accruing to the following number of directors under:

	2022 Number of directors	15 month period 2021 Number of directors
Defined contribution schemes	2	2

	2022 Number of directors	15 month period 2021 Number of directors
Number of directors who exercised share options	2	2

Amounts paid in respect of the highest paid director were as follows:

	2022 £	15 month period 2021 £
Remuneration	162,591	131,750
Company contributions to defined contribution pension schemes	11,306	9,375
	173,897	141,125

Notes to the Financial Statements

10. Tax

Tax expense

	2022 £	15 month period 2021 £
Current tax		
UK:		
Current tax	(59,455)	(78,486)
Deferred tax		
Origination and reversal of temporary differences	(44,314)	(14,830)
Tax rate adjustment ¹	172	(1,664)
Adjustments in respect of prior years	4,086	(7,166)
	(40,056)	(23,660)
Tax income	(99,511)	(102,146)

¹The Government announced in 2021 that from 1 April 2023 the UK corporation tax rate would increase from 19% to 25%. The deferred tax liability at the Balance Sheet date has been calculated at the tax rates, enacted at that date, expected to apply to the temporary differences when they reverse.

Reconciliation of tax expense

The following reconciles the expected tax (expense), using the UK corporation tax rate, to the reported tax (expense).

	2022 £	15 month period 2021 £
Profit before tax	1,396,300	480,089
UK corporation tax rate	19.00%	19.00%
Expected tax expense	(265,297)	(91,217)
Expenses not tax effected	(5,731)	(506)
Property, plant and equipment	8,509	4,225
Imputed interest income	(2,677)	(5,818)
Losses (claimed from) fellow group companies	161,427	-
Adjustments in respect of prior years	172	(1,664)
Tax rate adjustment	4,086	(7,166)
Tax (expense)	(99,511)	(102,146)

Notes to the Financial Statements

11. Property, plant and equipment

	Land and buildings leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2022	15,156	472,093	58,301	532,801	1,078,351
Additions	-	375,347	-	78,126	453,473
Disposals	-	(25,778)	-	(16,898)	(42,676)
At 31 December 2022	15,156	821,662	58,301	594,029	1,489,148
Depreciation					
At 1 January 2022	15,156	62,825	7,386	119,971	205,338
Depreciation charge for the year	-	74,745	5,833	108,417	188,995
Disposals	-	(5,805)	-	(6,882)	(12,687)
At 31 December 2022	15,156	131,765	13,219	221,506	381,646
Net book value					
At 31 December 2022	-	689,897	45,082	372,523	1,107,502
At 31 December 2021	-	409,268	50,915	412,830	873,013

Notes to the Financial Statements

12. Investments

	Subsidiary companies £
Cost	
At 1 January 2022	640
At 31 December 2022	<u>640</u>

Impairment testing

During the year, management conducted an impairment review of the investments held by the Company. As a result of this review, no impairments were identified.

Subsidiary undertakings and participating interests at 31 December 2022

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings and significant holdings as at 31 December 2022 is disclosed below. Unless otherwise stated, all subsidiary undertakings and significant holdings are owned directly by the Company and, unless otherwise stated, have a financial year end of 31 December.

Company name	Class of shares held	Proportion of class (%)
PULSE POWER AND MEASUREMENT INC <i>1717 Pennsylvania Avenue NW, Washington, DC, 20006</i>	Ordinary shares	100%

Notes to the Financial Statements

13. Leases

The Company leases land, buildings, vehicles and equipment under non-cancellable lease arrangements. There are no terms that represent unusual arrangements or create material onerous or beneficial rights or obligations.

	2022			2021		
	Land and buildings £	Vehicles £	Total £	Land and buildings £	Vehicles £	Total £
Opening NBV	1,384,786	44,401	1,429,187	1,572,335	-	1,572,335
Additions during the year	-	-	-	-	50,721	50,721
Depreciation expense for the year	(150,039)	(14,576)	(164,615)	(187,549)	(6,320)	(193,869)
Closing NBV	<u>1,234,747</u>	<u>29,825</u>	<u>1,264,572</u>	<u>1,384,786</u>	<u>44,401</u>	<u>1,429,187</u>

Lease liabilities

A maturity analysis of the future undiscounted lease payments in respect of the Company's lease liabilities is presented in the table below.

	2022 £	2021 £
Payments due:		
Within one year	175,308	156,939
Between one and five years	656,858	671,906
Later than five years	761,235	921,495
	<u>1,593,401</u>	<u>1,750,340</u>
Reconciliation to Balance Sheet:		
Undiscounted lease liability	1,593,401	1,750,340
Impact of discounting	(157,275)	(190,087)
Total discounted lease liability	<u>1,436,126</u>	<u>1,560,253</u>

The total cash outflow for leases recognised on the Balance Sheet in the year ended 31 December 2022, amounted to £156,940 (2021: £165,400).

The amounts paid in respect of short-term leases and low-value leases not recognised on the Balance Sheet amount to £5,064 (2021: £24,959).

Notes to the Financial Statements

13. Leases (continued)

Amounts recognised in the Income Statement

	2022	2021
	£	£
Included in operating costs:		
Depreciation on right-of-use assets	164,615	193,869
	164,615	193,869
Included in net finance costs:		
Interest expense on lease liabilities	32,812	43,210
	32,812	43,210
	32,812	43,210

14. Trade and other receivables

	2022	2021
	£	£
Non-current		
Amounts owed by BAE Systems plc subsidiaries	2,018,902	2,020,547
	2,018,902	2,020,547
Current		
Trade receivables	1,656,147	566,201
Corporation tax	78,019	-
Prepayments	287,092	167,695
Othr debtors	1,340	13,053
	2,022,598	746,949
	2,022,598	746,949

Amounts owed by BAE Systems plc subsidiaries are payable on demand and are unsecured. No interest is applied to amounts owed.

The impact of discounting non-current amounts owed by BAE Systems plc and its subsidiaries is not material so has not been applied.

Notes to the Financial Statements

15. Inventories

	2022 £	2021 £
Raw materials	1,285,601	700,783
Work in progress	125,314	99,276
Finished goods	521,781	352,610
	1,932,696	1,152,669

16. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net deferred tax assets/ (liabilities)	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
Property, plant and equipment	-	-	(78,532)	(29,857)	(78,532)	(29,857)
Provisions and accruals	28,891	20,273	-	-	28,891	20,273
	28,891	20,273	(78,532)	(29,857)	(49,641)	(9,584)
Deferred tax assets/(liabilities)						
Set off of tax	(28,891)	(20,273)	28,891	20,273	-	-
	-	-	(49,641)	(9,584)	(49,641)	(9,584)
Net deferred tax liabilities	-	-	(49,641)	(9,584)	(49,641)	(9,584)

Movement in temporary differences during the year

	As at 1 January 2022 £	Recognised in income £	As at 31 December 2022 £
Property, plant and equipment	(29,857)	(48,675)	(78,532)
Provisions and accruals	20,273	8,618	28,891
	(9,584)	(40,057)	(49,641)
	(9,584)	(40,057)	(49,641)

Notes to the Financial Statements

16. Deferred tax (continued)

	As at 1 October 2020 £	Recognised in income £	As at 31 December 2021 £
Property, plant and equipment	-	(29,857)	(29,857)
Provisions and accruals	14,076	6,197	20,273
	<u>14,076</u>	<u>(23,660)</u>	<u>(9,584)</u>

17. Trade and other payables

	2022 £	2021 £
Current		
Trade payables	228,450	359,694
Amounts owed to Pulse Power and Measurement Inc.	-	14,198
Amounts owed to BAE Systems plc	4,200,000	-
Other taxes and social security costs	206,394	62,176
Accruals	631,789	483,279
Deferred Income	904,577	459,105
Other payables	87,864	26,400
	<u>6,259,074</u>	<u>1,404,852</u>

Included in the opening balance of deferred income is £459,105 (2021: £377,030) which has been recognised as revenue in the current year.

Amounts owed to BAE Systems plc are payable on demand and are unsecured. No interest is applied to amounts owed.

Notes to the Financial Statements

18. Share capital

The Company has 10,000 authorised shares (2021: 10,000).

Issued and fully paid

	2022			2021		
	Value per share £	Number of shares	Nominal value £	Number of shares issued	Number of shares	Nominal value £
Ordinary A	1.00	4,798	4,798	-	4,798	4,798
Ordinary B	1.00	198	198	-	198	198
Ordinary C	1.00	1	1	-	1	1
Ordinary D	1.00	1	1	-	1	1
Ordinary E	1.00	386	386	386	386	386
Ordinary F	1.00	1	1	-	1	1
Ordinary G	1.00	1	1	-	1	1
Total		5,386	5,386	386	5,386	5,386

The ordinary shares carry no right to a fixed income.

19. Dividends

	2022 £	2021 £
Final dividend of £840 (2021: £10.26) per ordinary share proposed and paid during the year relating to the previous year's results.	4,200,000	51,289
	4,200,000	51,289

The directors are proposing a final dividend of £280 (2021: £840) per share totalling £1,400,000 (2021: £4,200,000). Dividends are paid on all classes of ordinary shares apart from ordinary E shares.

This dividend has not been accrued in the balance sheet.

Notes to the Financial Statements

20. Related party transactions

The directors' remuneration, analysed under the headings required by Company law is set out in note 9.

Mr. N. Seager is also a director of Fraser John Limited. All transactions with Fraser John Limited occurred in the normal course of business, are priced on an arm's-length basis and settled on normal credit terms.

During the period, £117,465 (2021: £129,000) was paid in respect of a lease that is held with Fraser John Limited. The estimated commitment outstanding as at 31 December 2022 was £1,562,535 (2021: £1,680,000).

	2022	2022	2022	2022	2021	2021	2021	2021
	Sales	Debtors	Purchases	Creditors	Sales	Debtors	Purchases	Creditors
	£	£	£	£	£	£	£	£
Fraser John Limited	1,880	27	117,770	-	25,923	-	304,927	10,320
	<u>1,880</u>	<u>27</u>	<u>117,770</u>	<u>-</u>	<u>25,923</u>	<u>-</u>	<u>304,927</u>	<u>10,320</u>

21. Controlling parties

The immediate parent company is BAE Systems (Holdings) Limited and the ultimate parent company and controlling party is BAE Systems plc, which is both the smallest and largest parent company preparing group financial statements. Both companies are incorporated in the United Kingdom and registered in England and Wales.

The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from its registered address:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com