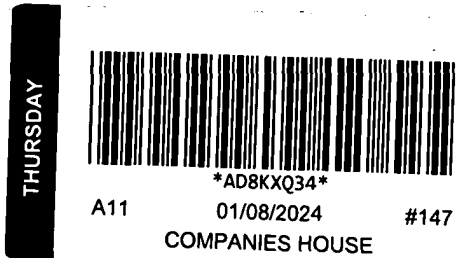


Pulse Power and Measurement Limited

Annual Report and Financial Statements

31 December 2023

Registered number: 02963819



Contents

	Page
Strategic Report	1 - 5
Directors' Report	6 - 5
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 - 35

Strategic Report

for the year ended 31 December 2023

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 design and manufacture of fibre optic and electronic equipment and the supply of current and field probes, electronic power products and components to clients globally.

Key performance indicators

Key financial performance indicators are shown below:

	2023	2022
	£	£
Revenue	16,603,709	11,771,905
Operating profit	1,673,777	1,427,887

Revenue represents the amounts derived from the provision of goods and services. Revenue increased over the current year driven by growth in all operating markets. Demand for commercial products for customers in the US was particularly high, as was demand for UK project work from government customers. Growth also came from initial shipments of new products that completed development.

Operating profit is used for internal performance analysis as a measure of operating profitability that is comparable over time. Profit levels remained good and above expectations given the continued reinvestment into new product development. Much of the business growth through the year was in higher margin products and projects helping to maintain profitability.

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:

Supply chain

Description: The Company is dependent upon the delivery of services and materials by suppliers and the assembly of components and subsystems 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. This can be exacerbated where the Company is dependent on either one or a limited number of suppliers. Some of the Company's suppliers or subcontractors may be impacted by the economic environment (including inflationary pressures and material shortages) which could impair their ability to meet their obligations to the Company and to supply on satisfactory commercial terms.

Impact: A failure by one or more of the Company's suppliers to provide the agreed-upon materials, components or products or perform the agreed-upon services, on a timely basis, at the agreed price, according to specifications (including compliance with regulatory requirements) or at all may adversely affect the Company's ability to perform its obligations, result in additional costs or delays, require the Company to transition work to other companies (resulting in further additional costs and delay) and/or result in penalties under, or the termination of, customer contracts. This impact is heightened where a supplier is a sole supplier or one of a small number of suppliers. Additionally, the Company could be adversely affected by actions, or issues experienced by, the Company's suppliers which are outside its control, such as misconduct and reputational issues involving the Company's suppliers, which could subject the Company to liability or adversely affect its ability to compete for contracts. Any of the foregoing could have a material adverse effect on the Company's business, results of operations, financial condition, prospects and reputation.

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

Principal risks and uncertainties (continued)

Supply chain (continued)

Mitigation: The Company's supply chain function establishes and manages enduring end-to-end integrated supplier arrangements, in partnership with the programmes it supports. In many cases, the Company benefits from long-term programme positions and incumbencies with more stable forward visibility for long-lead items allowing the Company to better manage supplier deliverables against programme requirements. Supply chain management starts with the BAE Systems Group's Global Procurement Policy which defines the requirements to be implemented by each of its sectors for the establishment of procurement controls and the management of supplier-related risk. Risk-based due diligence and audit activity is undertaken for each supplier whom the BAE System Group engages. Once a supplier has been approved, and a contract has been executed, the supply chain function continues to monitor that supplier. The supply chain risk management programme is working toward providing an enterprise-wide view of supplier risk, contributing to the continuity of supply and enabling better intelligence of sub-tier supply chain risk. Regular global supply chain meetings are held with senior procurement leaders to ensure that the latest risk data is appropriately shared. The Company seeks to manage inflation risk through its customer contracting arrangements on many of its major programmes, supplier cost management activity 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: It is critical that the Company's information technology and operational technology ("IT & OT") infrastructure, as well as the products and services it sells, are cyber resilient and the proprietary, classified, confidential or otherwise protected information, intellectual property and personal data held and processed on them are appropriately secured. Cyber security threats are continuous and evolving, and vary from attacks common to most industries, including those originating both externally and internally, to those from more advanced and persistent, highly organised adversaries, including nation states. The war in Ukraine has also increased Russian-aligned hacktivist activity against pro-Ukraine nations and their defence industries. The cyber security threats faced by the Company include (but are not limited to): an attack impacting the availability of the Company's IT & OT infrastructure and systems and/or those of its customers, partners and suppliers; unlawful attempts to gain access to the Company's proprietary, classified, confidential or otherwise protected information, intellectual property and personal data, and that held or generated by the Company on behalf of its customers, partners and suppliers; and compromise of products and services for the purposes of sabotage or to disable or deny their use and/or alter their performance characteristics. The Company might also be exposed to cyber security risks through an attack on the Company's supply chain.

Impact: Given the nature and scope of cyber attacks, it is possible that the Company is unable to defend itself against all cyber-attacks, that unknown vulnerabilities could be exploited or that the Company may otherwise be unable to mitigate customer losses and other potential liabilities (including potential liabilities related to privacy and intellectual property). The Company could potentially be subject to: (a) production downtimes; (b) operational delays; (c) other detrimental impacts to its operations or ability to provide products and services to customers; (d) the compromise, misappropriation, destruction or corruption of the Company's proprietary, classified, confidential or otherwise protected information, intellectual property and personal data, and that held or generated by the Company on behalf of its customers, partners and suppliers; (e) security breaches; (f) other manipulation or improper use of the Company's or third-party systems, networks or products; and/or (g) financial losses from remedial actions, loss of business, or potential liability, penalties, fines and/or damages. Any of these could have a material adverse effect on the Company's business, results of operations, financial condition, prospects and reputation.

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

Principal risks and uncertainties (continued)

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

Mitigation: The security of the BAE Systems Group's products and services, data, facilities and IT & OT infrastructure is regularly considered by the BAE Systems Group's Board and senior management and underpins the BAE Systems Group's strategy and influences its engineering, technology and digital strategies. Education and awareness to embed a strong cyber security culture across the Company is another vital part of its preventative activities. Employees are subject to mandatory training which, depending on role, covers cyber security, physical security, document marking, security of export-controlled information, and personal data protection. As many cyber-attacks involve email, the Company runs a programme of phishing exercises for all email users across the enterprise. To further increase cyber resilience, protective monitoring is undertaken on the Company's networks. The Cyber Incident Response plan feeds into the BAE Systems Group's crisis management plan and regular exercises are conducted across the business to test the Cyber Incident Response plan, including up to the BAE Systems Group's Executive Committee. The BAE Systems Group purchases cyber insurance; however, as with all insurance, it does not provide full cover against all potential loss scenarios. To mitigate the cyber security risk posed by suppliers, the Company includes cyber security-related obligations in its contracts where relevant. Cyber security risk is constantly reviewed and an agile, proactive, approach to mitigating the risk is taken. The BAE Systems 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.

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

Description: Competition for the people the Company needs to deliver its strategy, including those with innovative technological capabilities, is high. Competition may be intensified by nationality and regulatory restrictions (including the requirement for security clearances for certain roles), and exacerbated by macroeconomic, industry and labour market conditions more generally.

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 its business plan and deliver on its contractual commitments, which accordingly could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

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. The Company has well-established graduate recruitment and apprenticeship programmes and, to maximise the contribution that its workforce can make to the performance of the business, has an effective through career capability development programme. In order to seek to maximise its talent pool, the Company is committed to creating a diverse and inclusive environment for its employees.

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.

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

Section 172(1) statement (continued)

Decision making

The BAE Systems Group Operational Framework (the "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

The safety, wellbeing, skills, capabilities and commitment of the Company's people are critical to ensuring the long-term sustainability of the Company's business and delivering the innovation needed to solve the Company's customers' complex challenges.

Effective engagement enables our employees to contribute to improving business performance and helps the Company to create an environment in which everyone is safe, valued and can fulfil their potential.

The Company used a range of channels to engage with employees throughout the year, as well as keeping employees informed about the performance, developments and prospects of the business and the BAE Systems Group. This included surveys and insight sessions; in-person and virtual meetings, briefings, conferences, events and listening forums at all levels; regular leadership updates through videos and events throughout the year (including in relation to financial and business performance); and engagement through the BAE Systems Group's Employee App, intranet, email and TV systems.

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 24 and 56 of BAE Systems plc's 2023 Annual Report (available at: www.baesystems.com/investors).

Pursuant to the BAE Systems Group's People Policy, directors and employees are required to contribute to creating an engaged and inclusive working 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 processes and policies, 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.

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.

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

Section 172(1) statement (continued)

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

The Company, through its supply chain function, works with its suppliers and their supply chains to provide services that meet its customers' requirements. Meetings are held with key suppliers to foster deeper relationships with businesses in the supply chain and develop strategic relationships with key suppliers. The Group's supply chain function continues to actively manage supply lead times against demand requirements.

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. The Company implements the requirements of the BAE Systems Group's Community Investment Policy, which is mandated through the Operational Framework and 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.

The Company recognises that its operations have an impact on the environment – from the energy and resources it uses, to the products it manufactures and the waste that it generates. 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 implements the requirements of the BAE Systems Group's Environmental Policy, which details its 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.

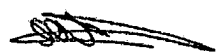
All the above activities form part of the Company's implementation of the BAE Systems Group-wide community and environment processes and policies and the BAE Systems Group's impacts thereon which are described on pages 59 to 60 and pages 48 to 55, respectively, of BAE Systems plc's 2023 Annual Report (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 us 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 Company in attracting and retaining high-calibre employees.

Detailed information on the BAE Systems Group-wide business conduct processes and policies is described on pages 62 to 65 in BAE Systems plc's 2023 Annual Report (available at: www.baesystems.com/investors).

Approved by the Board and signed on its behalf by:



J E Fothergill
Director

Date: 2 July 2024

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 £1,899,155 (2022: £1,296,789 profit). The directors propose a dividend of £1,900,000 (2022: £1,400,000).

The dividend proposed per share is £380 (2022: £280). Dividends are paid on all classes of ordinary shares other than ordinary E shares.

Looking forward

The Company expects to continue to supply its existing customer base as well as seeking opportunities to expand the market for its products and services in the UK and internationally.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £1,476,183. 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 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. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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 48 to 55 and pages 232 to 235 of BAE Systems plc's 2023 Annual Report (available at www.baesystems.com/investors).

Post balance sheet events

There have been no significant events affecting the Company since the year end.

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
J E Fothergill
R Checkley

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: 2 July 2024

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;
- 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 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 2023 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 Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 22.

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 specific contracts. The specific procedures we performed to respond to this risk includes:

- 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 Strategic Report 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 Strategic Report or 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.

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
Date: 2 July 2024

Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2023

	Note	2023 £	2022 £
Revenue	3	16,603,709	11,771,905
Operating costs	4	(15,021,254)	(10,378,873)
Other operating income	5	91,322	34,855
Operating profit		1,673,777	1,427,887
Dividends from investments	6	483,637	-
Financial income	7	27,408	1,225
Financial expense	8	(33,553)	(32,812)
Profit before tax		2,151,269	1,396,300
Tax	11	(252,114)	(99,511)
Profit for the financial year		1,899,155	1,296,789
Total comprehensive income for the year		1,899,155	1,296,789

The notes on pages 17 to 35 form part of these financial statements.

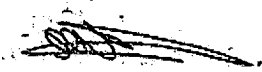
The results for 2023 and 2022 arise from continuing activities

Balance Sheet
as at 31 December 2023

	Note	2023 £	2022 £
Non-current assets			
Property, plant and equipment	12	1,585,956	1,107,502
Investments	13	640	640
Right-of-use assets	14	1,301,070	1,264,572
Other receivables	15	2,021,325	2,018,902
		<u>4,908,991</u>	<u>4,391,616</u>
Current assets			
Trade and other receivables	15	1,339,381	2,022,598
Inventories	16	2,530,621	1,932,696
Cash and cash equivalents		3,938,324	829,588
		<u>7,808,326</u>	<u>4,784,882</u>
Total assets		<u>12,717,317</u>	<u>9,176,498</u>
Non-current liabilities			
Lease liabilities	14	(1,291,339)	(1,290,702)
Deferred tax liabilities	17	(210,657)	(49,641)
		<u>(1,501,996)</u>	<u>(1,340,343)</u>
Current liabilities			
Trade and other payables	18	(9,120,642)	(6,259,074)
Lease liabilities	14	(163,867)	(145,424)
		<u>(9,284,509)</u>	<u>(6,404,498)</u>
Total liabilities		<u>(10,786,505)</u>	<u>(7,744,841)</u>
Net assets		<u>1,930,812</u>	<u>1,431,657</u>
Capital and reserves			
Issued share capital	19	5,386	5,386
Retained earnings		1,925,426	1,426,271
Total equity		<u>1,930,812</u>	<u>1,431,657</u>

Balance Sheet (continued)
as at 31 December 2023

Approved by the Board on 2 July 2024 and signed on its behalf by:



J E Fothergill
Director

Registered number: 02963819

The notes on pages 17 to 35 form part of these financial statements.

Statement of Changes in Equity
for the period ended 31 December 2023

	Issued share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2022	5,386	4,329,482	4,334,868
Profit for the year	-	1,296,789	1,296,789
Dividends (note 20)	-	(4,200,000)	(4,200,000)
At 31 December 2022	<u>5,386</u>	<u>1,426,271</u>	<u>1,431,657</u>
Profit for the year	-	1,899,155	1,899,155
Dividends (note 20)	-	(1,400,000)	(1,400,000)
At 31 December 2023	<u>5,386</u>	<u>1,925,426</u>	<u>1,930,812</u>

The notes on pages 17 to 35 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, registered in England and Wales and incorporated in the United Kingdom. Its ultimate controlling party is disclosed in note 22. 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 properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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), and in accordance with the Companies Act 2006. Advantage has been taken of the FRS 101 disclosure exemptions as set out below:

- 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;
 - 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.

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).

Notes to the Financial Statements

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

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 be critical because of the level of complexity and estimation uncertainty involved in their application and their impact on the financial statements.

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, that have had a significant effect on the amounts recognised in the financial statements.

Changes in accounting policies

Several standards, interpretations and amendments to existing standards became effective on 1 January 2023, none of which had a material impact on the Company. The following standards, interpretations and amendments to existing standards became effective on 1 January 2023 and have not had a material impact on the Company:

- IFRS 17: Insurance Contracts, effective from 1 January 2023;
- Amendments to IAS 1: Presentation of Financial Statements, effective from 1 January 2023;
- Amendments to 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; and
- Amendments to IAS 12: Income Taxes, effective from 1 January 2023.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2023. 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:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective from 1 January 2024;
- Amendments to IAS 1: Non-Current Liabilities with Covenants, effective from 1 January 2024;
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements, effective from 1 January 2024;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or joint venture;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback, effective from 1 January 2024; and
- IFRS 18: Presentation and Disclosure in Financial Statements, effective from 1 January 2027.

Material accounting policies

The material 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.

Notes to the Financial Statements

2. Accounting policies (continued)

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;
- 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.

Notes to the Financial Statements

2. Accounting policies (continued)

2.2 Revenue and profit recognition (continued)

Revenue and profit recognition (continued)

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.

The carrying amounts of the Company's right-of-use assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

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 Income Statement 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 their cost less expected credit losses. An expected credit loss is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

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.

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.

2.11 Dividends

Qualifying dividends received and receivable are credited to the Company's Income Statement. Equity dividends paid on ordinary share capital are recognised as a liability in the period in which they are declared.

Notes to the Financial Statements

2. Accounting policies (continued)

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

	2023 £	2022 £
External sales	16,603,709	11,771,905

Revenue by customer location:

	2023 £	2022 £
United Kingdom	9,636,724	6,388,104
Rest of Europe	1,259,139	1,054,934
Rest of the world	5,707,846	4,328,867
	16,603,709	11,771,905

4. Operating costs

	2023 £	2022 £
Inventory recognised as an expense	6,752,920	5,145,409
Staff costs (note 9)	5,921,490	3,739,757
Depreciation on property, plant and equipment	264,162	188,995
Depreciation on right-of-use assets	160,835	164,615
Other operating charges	1,921,847	1,140,097
	15,021,254	10,378,873

The remuneration of the auditor for the year ended 31 December 2023 was £34,000 (2022: £55,000) and £nil (2022: £nil) in respect of non-audit work.

5. Other operating income

	2023 £	2022 £
Research and development expenditure credits	91,322	34,855

Notes to the Financial Statements

6. Dividends from investments

	2023 £	2022 £
Dividends received from Pulse Power and Measurement Inc.	<u>483,637</u>	<u>-</u>

7. Financial income

	2023 £	2022 £
Interest income	<u>27,408</u>	<u>1,225</u>

8. Financial expense

	2023 £	2022 £
Interest expense on lease liabilities (note 14)	<u>33,553</u>	<u>32,812</u>

9. Employees

The monthly average number of Company employees was 70 (2022: 57). There is only one category of employee. The aggregate staff costs of Company employees were as follows:

	2023 £	2022 £
Wages and salaries	5,135,276	3,243,687
Social security costs	598,534	345,721
Cost of defined contribution pension scheme	187,680	150,349
	<u>5,921,490</u>	<u>3,739,757</u>

10. 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.

Notes to the Financial Statements

10. Directors' remuneration (continued)

	2023 £	2022 £
Directors' remuneration	320,169	319,607
Company contributions to defined contribution pension schemes	22,092	19,264
	342,261	338,871

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

	2023 Number of directors	2022 Number of directors
Defined contribution schemes	2	2
	2	2

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

	2023 £	2022 £
Remuneration	162,871	162,591
Company contributions to defined contribution pension schemes	11,741	11,306
	174,612	173,897

Notes to the Financial Statements

11. Tax

Tax expense

	2023	2022
	£	£
Current tax		
UK:		
Current tax	(91,370)	(59,455)
Adjustments in respect of prior years	272	-
	(91,098)	(59,455)
Deferred tax		
Origination and reversal of temporary differences	(153,783)	(44,314)
Tax rate adjustment ¹	(7,233)	172
Adjustments in respect of prior years	-	4,086
	(161,016)	(40,056)
	(252,114)	(99,511)
Tax income		

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).

	2023	2022
	£	£
Profit before tax	2,151,269	1,396,300
UK corporation tax rate	23.5%	19.0%
Expected tax expense	(505,990)	(265,297)
Expenses not tax effected	(2,615)	(5,731)
Property, plant and equipment	(3,481)	8,509
Provisions and accruals	(167)	-
Imputed interest income	27,888	(2,677)
Losses claimed from fellow group companies	239,212	161,427
Adjustments in respect of prior years	(6,961)	172
Tax rate adjustment	-	4,086
	(252,114)	(99,511)
Tax (expense)		

Notes to the Financial Statements

11. Tax (continued)

On 20 June 2023, Finance (No. 2) Act 2023 was substantively enacted in the UK, including legislation to implement the Organisation for Economic Co-operation and Development's Pillar Two income taxes rules. The Company, as part of the wider BAE Group is within the scope of the rules and the first period for which a Pillar Two tax return will be required for the BAE Group is the accounting period ending on 31 December 2024.

12. Property, plant and equipment

	Land and buildings leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2023	15,156	821,662	58,301	594,029	1,489,148
Additions	-	699,936	12,481	87,903	800,320
Disposals	(15,156)	(7,925)	(89)	(113,832)	(137,002)
At 31 December 2023	-	1,513,673	70,693	568,100	2,152,466
Depreciation					
At 1 January 2023	15,156	131,765	13,219	221,506	381,646
Depreciation charge for the year	-	134,970	6,302	122,890	264,162
Disposals	(15,156)	(3,126)	(28)	(60,988)	(79,298)
At 31 December 2023	-	263,609	19,493	283,408	566,510
Net book value					
At 31 December 2023	-	1,250,064	51,200	284,692	1,585,956
At 31 December 2022	-	689,897	45,082	372,523	1,107,502

Notes to the Financial Statements

13. Investments

	Subsidiary companies £
Cost	
At 1 January 2023 and 31 December 2023	640

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 2023

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings and significant holdings as at 31 December 2023 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%

14. Leases

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

	2023			2022		
	Land and buildings £	Vehicles £	Total £	Land and buildings £	Vehicles £	Total £
Net book value as at 1 January	1,234,747	29,825	1,264,572	1,384,786	44,401	1,429,187
Additions	191,688	5,645	197,333	-	-	-
Depreciation expense for the year	(146,259)	(14,576)	(160,835)	(150,039)	(14,576)	(164,615)
Net book value as 31 December	1,280,176	20,894	1,301,070	1,234,747	29,825	1,264,572

Notes to the Financial Statements

14. Leases (continued)

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.

	2023	2022
	£	£
Payments due:		
Within one year	194,095	175,308
Between one and five years	728,643	656,858
Later than five years	675,844	761,235
	1,598,582	1,593,401
Impact of discounting	(143,376)	(157,275)
Total discounted lease liability	1,455,206	1,436,126

The total cash outflow for leases recognised on the Balance Sheet in the year ended 31 December 2023, amounted to £195,273 (2022: £156,940).

Amounts recognised in the Income Statement

	2023	2022
	£	£
Included in operating costs:		
Depreciation on right-of-use assets	160,835	164,615
	160,835	164,615
Included in net finance costs:		
Interest expense on lease liabilities	33,553	32,812
	33,553	32,812

Notes to the Financial Statements

15. Trade and other receivables

	2023 £	2022 £
Non-current		
Amounts owed by BAE Systems plc subsidiaries	2,021,325	2,018,902
	2,021,325	2,018,902
Current		
Trade receivables	817,651	1,656,147
Amounts owed by BAE Systems plc and its subsidiaries	17,000	-
Amounts owed by Pulse Power and Measurement Inc.	108,969	-
Corporation tax	78,243	78,019
Prepayments	285,576	287,092
Other debtors	31,942	1,340
	1,339,381	2,022,598

Amounts owed by BAE Systems plc and its subsidiaries and Pulse Power and Measurement Inc. 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 subsidiaries is not material given that the amounts are repayable on demand and therefore the contractual period over which these loans could be recalled is one day after the end of the reporting period, so has not been applied.

16. Inventories

	2023 £	2022 £
Raw materials	1,386,617	1,285,601
Work in progress	328,750	125,314
Finished goods	815,254	521,781
	2,530,621	1,932,696

Notes to the Financial Statements

17. Deferred tax

	Deferred tax assets		Deferred tax liabilities		Net deferred tax assets/ (liabilities)	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
Property, plant and equipment	-	-	(233,532)	(78,532)	(233,532)	(78,532)
Provisions and accruals	22,875	28,891	-	-	22,875	28,891
Deferred tax assets/(liabilities)	22,875	28,891	(233,532)	(78,532)	(210,657)	(49,641)
Set off of tax	(22,875)	(28,891)	22,875	28,891	-	-
Net deferred tax liabilities	-	-	(210,657)	(49,641)	(210,657)	(49,641)

Movement in temporary differences during the year

	As at 1 January 2023 £	Recognised in income £	As at 31 December 2023 £
Property, plant and equipment	(78,532)	(155,000)	(233,532)
Provisions and accruals	28,891	(6,016)	22,875
	(49,641)	(161,016)	(210,657)

	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)

Notes to the Financial Statements

18. Trade and other payables

	2023 £	2022 £
Current		
Trade payables	607,263	228,450
Amounts owed to BAE Systems plc and its subsidiaries	5,622,224	4,200,000
Other taxes and social security costs	158,085	206,394
Accruals	2,185,006	631,789
Deferred Income	473,303	904,577
Other payables	74,761	87,864
	9,120,642	6,259,074

Included in the opening balance of deferred income is £904,577 (2022: £459,105) which has been recognised as revenue in the current year.

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

19. Share capital

The Company has 10,000 authorised shares (2022: 10,000).

Issued and fully paid

At 1 January 2022, 31 December 2022 and 31 December 2023.

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

The ordinary shares carry no right to a fixed income.

Notes to the Financial Statements

20. Dividends

	2023 £	2022 £
Final dividend of £280 (2022: £840) per ordinary share proposed and paid during the year relating to the previous year's results.	1,400,000	4,200,000
	1,400,000	4,200,000

The directors are proposing a final dividend of £380 (2022: £280) per share totalling £1,900,000 (2022: £1,400,000). Dividends are paid on all classes of ordinary shares apart from ordinary E shares.

This dividend has not been accrued in the Balance Sheet.

21. Related party transactions

The directors' remuneration, analysed under the headings required by Company law is set out in note 10.

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, £180,225 (2022: £117,465) was paid in respect of a lease that is held with Fraser John Limited. The estimated commitment outstanding as at 31 December 2023 was £1,402,275 (2022: £1,562,535).

	2023 Sales £	2023 Debtors £	2023 Purchases £	2023 Creditors £	2022 Sales £	2022 Debtors £	2022 Purchases £	2022 Creditors £
Fraser John Limited	155	-	180,225	18,023	1,880	27	117,770	-
	155	-	180,225	18,023	1,880	27	117,770	-

Notes to the Financial Statements

22. 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 consolidated 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