Eaton Electric Limited

Registered Number: 4617032

Report and Financial Statements

31 December 2019

Corporate information

Directors
J Mannerkoski
M Mullin
S Meikle

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

Bankers
Deutsche Bank AS
1 Great Winchester Street
London EC2N 2DB

Solicitors
Eversheds Southerland
1 Wood Street
London
EC2V 7WS

Registered Office
PO Box 554
Abbey Park
Southampton Road
Titchfield
Fareham
PO14 4QA

Strategic report

The Directors present their strategic report for the year ended 31 December 2019.

Introduction

The principal activities of the company are the manufacture, sale and service of electrical products.

The directors do not anticipate any changes in the company's activities in the foreseeable future.

Business review

Turnover for the year ended 31 December 2019 increased from 2018 by 5% to £156,193,000. The company's gross profit decreased to 20% from 24% in 2018.

The profit for the year, after taxation, is £3,363,000 (2018 - £7,532,000).

The directors do not recommend that a dividend is paid (2018 – £nil).

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

Prior Year Restatement

In 2019, the company identified a mis-alignment between the stated accounting policy in the pension note not to recognise an asset if the pension scheme is in an asset position and the accounting that occurred in practice as presented in the audited financial statements in 2018 and prior accounting periods. To rectify this error, the company has restated the pension accounting in 2018 and prior accounting periods. The overall impact of the pension adjustment is to reduce the pension asset held on the balance sheet from £5.3m to £Nil.

Additionally, the company identified further adjustments that impact the audited financial statements in 2018 and prior accounting periods and has rectified them in this set of financial statements. The overall impact of these adjustments is to reduce retained earnings by £14.4m.

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

Financial risk management

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

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

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

Liquidity risk

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

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

Foreign currency cash flow risk

The company buys and sells goods and services denominated in currencies other than sterling. The company manages such receipts and payments through the operation of other denominated currency bank

Strategic report (continued)

for the year ended 31 December 2019

accounts. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

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

Credit risk

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

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk. Some operating units purchase bad debt insurance where the cost is not excessive when compared to the risks covered.

In agreeing annual budgets, operating units set limits for debtors' days and doubtful debts expense against which performance is monitored at both operating unit and company level. A process for alerting management to operations failing to meet monthly cash collection targets serves to reduce the likelihood of an unmanaged concentration of credit risk.

Principal risks and uncertainties

Financial and non-financial

COVID-19

In early 2020, a novel strain of coronavirus "COVID-19" spread throughout the world and was declared a pandemic by the World Health Organization on 11 March 2020. On a Macro economic level, the COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries resulting in economic uncertainties. The extent of the impact of COVID-19 on the Company's financial performance will depend on certain developments, including the duration and spread of the outbreak. We are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cash flows and beyond.

Brexit

Eaton has implemented structures and processes to implement changes due to the impact of Brexit on its businesses. The Company is confident that the underlying business will be able to meet the initial and on-going challenges or opportunities that Brexit may bring.

Pricing

The company continues to experience strong pricing pressure from its competitors.

Section 172(1) Statement

The Company is a member of the Eaton Corporation plc group (*Eaton*) (www.eaton.com). Eaton is a power management company with 2019 net sales of $21.4 billion, listed on the New York Stock Exchange (NTSE:ETN). Eaton's mission is to improve the quality of life and the environment through the use of power management technologies and services. Eaton provides sustainable solutions that help its customers effectively manage electrical, hydraulic and mechanical power – more safely, more efficiently and more reliably. Eaton has approximately 100,000 employees in 60 countries and sells products to customers in more than 175 countries.

Strategic report (continued)

for the year ended 31 December 2019

Section 172(1) Statement (continued)

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

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

Eaton has been in existence over 100 years and has a footprint in 175 countries. The oldest UK legal entity was incorporated in 1919. The annual planning cycle include multi-year strategic plans and reviews, annual operational budgets, capital allocation programmes and regular review and forecast processes. The content and structure of each element of the planning cycle is aligned to the Company's immediate division and overall to Eaton's strategic and financial targets. Stringent corporate review processes are in place at all stages of the cycle including risk and compliance reviews. Factors such as market conditions, macro economy, political decisions and competitors' offerings are under constant review by the directors and any impact on current or future plans are mitigated in a timely manner.

b) the interests of the Company's employees

Eaton has about 4,000 employees based in the UK. The welfare of all the Company's employees (including permanent and temporary staff and site visitors) is paramount.

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

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

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

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

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

The directors consider the Company's business relationships with stakeholders, which includes employees, customers and suppliers as well as the wider Eaton Group to be a partnership. The stated aim by the Company in these partnerships is to ensure compliance, promote safety, reduce our collective environmental footprint and develop sustainable solutions to the world's environmental and power management challenges. Extensive 'Know your Customer' and 'Know your Supplier' checks are undertaken before any new customer or supplier is engaged by the Company. Suppliers must adhere to Eaton's "Supplier Code of Conduct" which ensures workplace standards and business practices are consistent with the Company's values. The Company and directors commit to treating its customers,

Strategic report (continued)

for the year ended 31 December 2019

Section 172(1) Statement (continued)

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

suppliers and others fairly and in a consistent manner and the Company has published bi-annual reports under section 3 of the Small Business, Enterprise and Employment Act 2015 on its payment policies, practices and performance since 2018.

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

Environmental stewardship - The Company's commitment to the environment goes beyond legal compliance and extends to actions intended to reduce our environmental footprint through our operations, products and supply chain. In our operations, this commitment is reflected in our efforts to prevent pollution, reduce greenhouse gas emissions and conserve natural resources – efforts incorporated into supply-chain commitments. The Company's manufacturing facilities are required to be certified to ISO 14001, an international standard for environmental management systems.

Eaton has committed that by 2030 it will aim to reduce Greenhouse Gas emissions from operations by 50% from 2018 levels to achieve carbon neutrality and all manufacturing sites will be zero waste-to-landfill certified.

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

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

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

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

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

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

By order of the board

J Mannerkoski
Director
16 December 2020

Directors' report (continued)

for the year ended 31 December 2019

Registered No. 4617032

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Directors

J Mannerkoski
K Miller (resigned 16 January 2020)
M Mullin
I Thompson (resigned 30 August 2019)
D Quartey (appointed 16 January 2020, resigned 24 September 2020)
S Meikle (appointed 24 September 2020)

Dividends

The directors do not recommend that a dividend is paid (2018 – £nil).

Future developments

The directors anticipate an uncertain trading environment in late 2020 and early 2021 due to the COVID-19 pandemic but are confident they will be able to maintain a steady trading result.

Research and development

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

Employees

The Company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion of employees are designed to ensure no application receives less favourable treatment on the grounds of age, race, nationality, religion, political beliefs, disability, sex or marital status.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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

Employee involvement

The employee involvement programme has been maintained and communications between management and employees remain good. Total quality management teams, briefing groups and joint consultative committees continue to operate in all the main plants.

Going concern

The Directors of the Company have assessed the financial position of the Company for the year ended 31 December 2019. The assessment period considered by the Directors is at least 12 months from the date of signing the accounts and concluded on 31 December 2021. The Directors have reviewed budgets and other financial information and assessed a number of factors as set out below and have concluded there is a

Directors' report (continued)

for the year ended 31 December 2019

Going concern (continued)

reasonable expectation that the Company has adequate financial resources to continue to operate for the foreseeable future. The Directors have considered the impacts of COVID-19, including the risk of a prolonged downturn in the business environment and believe the entity has enough options to mitigate costs if the internal forecasts identify commercial concerns. Over this initial phase of COVID-19, trading has remained relatively strong and has recovered from a dip in the second quarter of 2020.

The basis of the conclusion is based on the following factors:

The Company has positive net current assets of £119m at the balance sheet date

The Company is forecast to be profitable and has historically been profitable. In 2019 the Company made a profit after tax of £3.4m

The Company cash forecasts shows no additional financing required to meet its liabilities

The Company has access to the group treasury account as required and does not have any borrowings from external third parties at the balance sheet date. Further a fellow group undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of at least one year following the signature date of these financial statements.

Taking account of the relevant business risks, the Directors believe that the Company is well placed to continue to manage its business successfully. The Company has a strong market position as a B2B supplier and is not exposed to retail end markets that have been more volatile in 2020.

The directors consider that the Company has adequate resources to continue in operation for the period at least until 31 December 2021. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors' liabilities

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

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

Disclosure of information to the auditors

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

On behalf of the Board

J Mannerkoski
Director
16 December 2020

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 judgments 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 EATON ELECTRIC LIMITED

Opinion

We have audited the financial statements of Eaton Electric Limited for the year ended 31 December 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of Matter- Effects of Covid-19

We draw attention to Note 2 and 25 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19 which may impact on sales and profitability. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Auditor's report (continued)for the year ended 31 December 2019

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.

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Gomer (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

Date: 18 December 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	156,193	148,802
Cost of sales		(125,044)	(112,740)
Gross Profit		31,149	36,062
Distribution costs		(19,794)	(16,815)
Administrative expenses		(3,818)	(8,250)
Other operating income		1,002	997
Other operating charges		(5,249)	(2,639)
Operating Profit	4	3,290	9,355
Interest receivable and similar income	8	856	389
Interest payable and similar costs	9	(409)	(27)
Profit on ordinary activities before taxation		3,737	9,717
Tax on profit on ordinary activities	10	(374)	(2,185)
Profit for the financial year		3,363	7,532

All amounts relate to continuing operations

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000 (restated*)
Profit for the financial year		3,363	7,532
Net pension surplus transfer in		(658)	1,121
Actuarial loss arising during the year	20	(2,640)	(302)
Total other comprehensive loss of the year		(3,298)	819
Total comprehensive gain of the year		65	8,351

*certain amounts shown here do not correspond to the 31 December 2018 financial statements and reflect adjustments made as per the significant accounting policy note below

Statement of changes in equity

for the year ended 31 December 2019

	Share capital	*Share premium*	*Capital contribution reserve*	*Share based payment contribution*	*Profit and loss account*	*Total equity*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January 2018	-	66,000	58,442	1,265	9,414	135,121
Capitalisation of reserves	124,442	(66,000)	(58,442)	-	-	-
Capital reduction	(124,442)	-	-	-	124,442	-
Prior period error (note 2.3)					(15,556)	(15,556)
Profit for the year	-	-	-	-	7,532	7,532
Actuarial loss on pension scheme (restated)	-	-	-	-	819	819
Other comprehensive loss	-	-	-	-	819	819
Total comprehensive income for the year	-	-	-	-	8,351	8,351
Restricted stock unit compensation	-	-	-	196	-	196
At 31 December 2018 (restated)	-	-	-	1,461	126,651	128,112
Profit for the year	-	-	-	-	3,363	3,363
Actuarial loss on pension scheme and net pension surplus transfer in					(3,298)	(3,298)
Other comprehensive loss	-	-	-	-	(3,298)	(3,298)
Total comprehensive income for the year	-	-	-	-	65	65
Dividends paid					(12,804)	(12,804)
Restricted stock unit compensation	-	-	-	128	-	128
At 31 December 2019	-	-	-	1,589	113,912	115,501

*certain amounts shown here do not correspond to the 31 December 2018 financial statements and reflect adjustments made as per the significant accounting policy note below

Statement of financial position

at 31 December 2019

	Notes	2019 £000	2018 £000 (restated*)
Fixed assets			
Intangible assets	11	484	819
Tangible assets	12	7,991	7,960
		8,475	8,779
Current assets			
Stocks	13	14,425	14,602
Debtors	14	321,279	403,171
Cash at bank and in hand		1,515	1,028
		337,219	418,801
Creditors: amounts falling due within one year	15	(218,070)	(289,137)
Net current assets		119,149	129,664
Total assets less current liabilities		127,624	138,443
Provisions & Deferred Income	16	(642)	(1,686)
Retirement benefits	20	(11,481)	(8,645)
Net Assets		115,501	128,112

*certain amounts shown here do not correspond to the 31 December 2018 financial statements and reflect adjustments made as per the significant accounting policy note below

Statement of financial position (continued)

at 31 December 2019

		2019	*2018*
		£000	*£000*
			(restated*)
Capital and reserves			
Called up share capital	*17*	-	-
Share premium account	*18*	-	-
Capital contribution reserve	*18*	-	-
Share based payment contribution	*18*	1,589	1,461
Profit and loss account	*18*	113,912	126,651
		115,501	128,112

*certain amounts shown here do not correspond to the 31 December 2018 financial statements and reflect adjustments made as per the significant accounting policy note below

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

J Mannerkoski
Director
16 December 2020

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance

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

The financial statements of Eaton Electric Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 16 December 2020 and the balance sheet was signed on the board's behalf by J Mannerkoski.

2. Accounting policies

2.1 Basis of preparation

Eaton Electric Limited has taken advantage of the exemption available under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Eaton Corporation PLC, which prepares publicly available group financial statements which include the results of the Company and its subsidiaries. Eaton Electric Limited financial statements therefore purely reflect the Company as an individual undertaking.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

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

(a) the requirements of section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d)

(b) the requirements of Section 26 Share based Payment: paragraph 26.18 (b), 26.19 to 26.21 and 26.23

(c) Requirements of Section 33 Related Party Disclosures, paragraph 33.7

Going Concern

The Directors of the Company have assessed the financial position of the Company for the year ended 31 December 2019. The assessment period considered by the Directors is at least 12 months from the date of signing the accounts and concluded on 31 December 2021. The Directors have reviewed budgets and other financial information and assessed a number of factors as set out below and have concluded there is a reasonable expectation that the Company has adequate financial resources to continue to operate for the foreseeable future. The Directors have considered the impacts of COVID-19, including the risk of a prolonged downturn in the business environment and believe the entity has enough options to mitigate costs if the internal forecasts identify commercial concerns. Over this initial phase of COVID-19, trading has remained relatively strong and has recovered from a dip in the second quarter of 2020.

The basis of the conclusion is based on the following factors:

The Company has positive net current assets of £119m at the balance sheet date

The Company is forecast to be profitable and has historically been profitable. In 2019 the Company made a profit after tax of £3.4m

The Company cash forecasts shows no additional financing required to meet its liabilities

The Company has access to the group treasury account as required and does not have any borrowings from external third parties at the balance sheet date. Further a fellow group undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of at least one year following the signature date of these financial statements.

Taking account of the relevant business risks, the Directors believe that the Company is well placed to continue to manage its business successfully. The Company has a strong market position as a B2B supplier and is not exposed to retail end markets that have been more volatile in 2020.

The directors consider that the Company has adequate resources to continue in operation for the period at least until 31 December 2021. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

at 31 December 2019

2.2 Judgements and key sources of estimation uncertainty

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

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

Post-employment benefits

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

Taxation

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

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Warranties and restructuring costs

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

2.3 Significant accounting policies

(a) Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

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

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(b) Research and development costs

Research and development expenditure not chargeable to customers was written off in the year in which it was incurred. Chargeable research and development expenditure is held on the balance sheet and charged to the profit and loss account on completion of the development work.

(c) Trademarks

Acquired brands are only recognised on the balance sheet as intangible assets where title is clear, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase consideration of an acquired business between the underlying fair values of the tangible assets, goodwill and brands acquired. All brands are being amortised over 10 years. Brands are reviewed for impairment following the first full year following recognition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

(d) Tangible fixed assets

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

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

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(e) Investments

Shares in group undertakings

These comprise investments in subsidiaries are recognised at cost less impairment.

(f) Provision for liabilities

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

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

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

Provisions for onerous trading contracts are recognised when the expected benefits to be derived by the company from the contract are lower than the unavoidable costs of meeting its obligations under the contract. The company considered carefully the commercial and contractual relationship with its customers and contracts within the group it considered appropriate for consideration of the expected benefits. The future cash flows used in the onerous trading contract provision were discounted using an appropriate pre-tax rate (or rates) that reflect current market assessments of the time value of money and risks specific to the liability. The risks specific to the liability are reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(g) Stocks and work in progress

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

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

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

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

(h) Leasing commitments

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

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

(i) Deferred tax

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

(j) Tax losses

Tax losses are surrendered for £nil consideration in the current year (2018: £nil). This is in line with standard Eaton policy.

(k) Pensions commitments

Defined benefit scheme

The company is a member of the Eaton UK Retirement Benefits which is a multi-employer defined benefit scheme where the assets cannot be apportioned to individual companies. Accordingly, these financial statements account for the pension costs of the scheme as defined contribution schemes and charges are made as incurred.

The company is also a member of the Moeller Electric Group Pension scheme, which is a defined benefit pension, which is not a multi-employer scheme, scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least every three years and are updated at each balance sheet date. The resulting surplus or deficit, net of taxation thereon, is presented separately above the total for net assets on the face of the statement of financial position. Where the surplus is determined to be recoverable an asset will not be recognised in the statement of financial position as it is deemed unlikely the asset would be distributable to the Company in the future.

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(k) Pensions commitments (continued)

The service cost of post-retirement medical benefits is accrued in the financial statements over the expected service lives of the relevant employees and is charged to operating profit. The post-retirement benefit liabilities are calculated by the actuarial projection of estimated future benefit payments, discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The interest on liabilities is included in other finance costs. Actuarial gains/losses are recognised in the statement of comprehensive income.

(l) Foreign currency

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

(m) Share based payments

Incentives in the form of shares are provided to certain employees under share option and share award schemes that are established by the ultimate parent company, Eaton Corporation PLC. The fair value of these options and awards at the date of their grant is determined by a valuation and is charged over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the company of these share based payments.

Where a charge is made by Eaton Corporation PLC on the company in respect of share based payments, it is offset against the corresponding amount credited in the period within shareholders' funds. Any charge in excess of this amount is treated as a distribution to Eaton Corporation PLC.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the income statement.

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(n) Prior year adjustment - correction of an error

In 2019, the company identified a mis-alignment between the stated accounting policy in the pension note not to recognise an asset if the pension scheme is in an asset position and the accounting that occurred in practice as presented in the audited financial statements in 2018 and prior accounting periods. To rectify this error, the company has restated the pension accounting in 2018 and prior accounting periods. The overall impact of the pension adjustment is to reduce the pension asset held on other debtors from £5.3m to £Nil.

Additionally, the company identified further adjustments that impact the audited financial statements in 2018 and prior accounting periods and has rectified them in this set of financial statements.

The overall impact of the adjustments is to reduce the 2018 retained earnings by £14.4m.

The impact of the restatement on the statement of comprehensive income and the statement of financial position is set out below.

Statement of comprehensive income

	As previously stated 12 months ended 31 December 2018	*Prior year correction of an error*	*As restated 12 months ended 31 December 2018*
	£000	*£000*	*£000*
Profit for the financial year	7,532	-	7,532
Actuarial (loss)/gain arising during the year	(302)	1,121	819
Total other comprehensive (loss)/gain of the year	(302)	1,121	819
Total comprehensive gain of the year	7,230	1,121	8,351

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(n) Prior year adjustment - correction of an error (continued)

Statement of financial position

	As previously stated 31 December 2018	*Prior year correction of an error*	*As restated 31 December 2018*
	£000	*£000*	*£000*
Fixed assets			
Intangible assets	819	-	819
Tangible assets	7,960	-	7,960
	8,779	-	8,779
Current assets			
Stocks	14,751	(149)	14,602
Debtors	413,885	(10,714)	403,171
Cash at bank and in hand	1	1,027	1,028
	428,637	(9,836)	418,801
Creditors: amounts falling due within one year	(283,826)	(5,311)	(289,137)
Net current assets	144,811	(15,147)	129,664
Total assets less current liabilities	153,590	(15,147)	138,443
Provisions & Deferred Income	(2,398)	712	(1,686)
Retirement benefits	(8,645)	-	(8,645)
Net Assets	142,547	(14,435)	128,112

Notes to the financial statements

at 31 December 2019

2.3 Significant accounting policies (continued)

(n) Prior year adjustment - correction of an error (continued)

Statement of financial position (continued)

	As previously stated 31 December 2018	*Prior year correction of an error*	*As restated 31 December 2018*
	£000	*£000*	*£000*
Capital and reserves			
Called up share capital	-	-	-
Share premium account	-	-	-
Capital contribution reserve	-	-	-
Share based payment contribution	1,461	-	1,461
Profit and loss account	141,086	(14,435)	126,651
	142,547	(14,435)	128,112

Notes to the financial statements

at 31 December 2019

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and to fellow subsidiary undertakings. Turnover is attributable to continuing activities in the UK.

The directors consider that the disclosure of turnover, net assets and profits by classes of business and by geographical market would be seriously prejudicial to the interests of the company.

4. Operating Profit

This is stated after charging/(crediting):

		2019	*2018*
		£000	*£000*
Depreciation of owned assets		1,311	1,374
Research and development		4,851	5,170
Foreign exchange differences		698	(162)
Operating lease rentals	– land and buildings	528	408
	– others (machinery, MV, other)	1,019	972
Amortisation of goodwill and trademarks		691	678
Redundancy and other restructuring costs – provision (release)		-	(3,276)
Dilapidation reserve		-	(1,136)
Provision for warranty claims		507	782
Auditors' remuneration (see note 5)		185	185

The release of the redundancy and other restructuring cost provision related to the closure of a site at Redding's Lane and other site restructurings that cost less than anticipated.

5. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2019	*2018*
	£000	*£000*
Audit of the financial statements	185	185

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2019	*2018*
	£000	*£000*
Wages and salaries	25,892	23,903
Social security costs	3,007	2,974
Other pension costs	2,212	4,724
	31,111	31,601

Staff costs include £128,000 (2018 – £196,000) arising from transactions accounted for as equity-settled share-based payments transactions.

Notes to the financial statements

at 31 December 2019

6. Staff costs (continued)

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

	2019	*2018*
	No.	*No.*
Manufacturing	224	250
Distribution	205	209
Administration	70	50
	499	509

7. Directors remuneration

No director received, or was due to receive, any emoluments in connection with their services as a director of the company during the year. The fair value of the services received has been assessed at £5,000 per director; therefore Eaton Electric Limited recognises a notional charge of £25,000 (2018: £25,000) for director's services during the year.

	2019	*2018*
	No	*No*
Number of directors who received shares in respect of qualifying services	1	1
Number of directors who exercised share options	1	1

8. Interest receivable and similar income

	2019	*2018*
	£000	*£000*
On loans and balances due from fellow group undertakings	856	389

9. Interest payable and similar costs

	2019	*2018*
	£000	*£000*
On balances due to fellow group undertakings	409	27

Notes to the financial statements

at 31 December 2019

10. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2019	*2018*
	£000	*£000*
Current tax:		
UK corporation tax at 19.00% (2018: 19.00%)	288	333
Adjustment in respect of prior years	86	388
Total current tax	374	721
Deferred tax:		
Origination and reversal of timing differences	-	1,464
Adjustments in respect of prior years	-	-
Effect of changes in tax rates	-	-
Total deferred tax	-	1,464
Total tax charge for the year	374	2,185

(b) Tax included in statement of total other comprehensive income £-

The tax assessed on the profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are reconciled below:

	2019	*2018*
	£000	*£000*
Profit on ordinary activities before tax	3,737	9,717
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	710	1,846
Expenses not deductible for tax purposes and income not taxable	33	(117)
Deferred tax not provided – timing differences	(841)	422
Group relief	(1)	(154)
Share options – permanent difference	60	(78)
Tax rate changes	-	(9)
Other	-	(113)
Adjustment in respect of prior years	413	388
Total tax charge	374	2,185

Notes to the financial statements

at 31 December 2019

10. Taxation (continued)

(c) Factors that may affect future tax charges

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. The effect of this change on the company's deferred tax balance is not material.

(d) Deferred tax asset

The deferred tax asset is made up as follows:

	2019	*2018*
	£000	*£000*
Recognised		
Fixed assets timing differences	-	-
Pension deficit	-	-
Provision for deferred tax	-	-
Unrecognised		
Fixed assets timing differences	(1,036)	(1,320)
Losses	(2,137)	(2,315)
Pensions	-	(1,469)
Other timing differences	(1,161)	(139)
	(4,334)	(5,243)

Deferred tax asset

	2019	*2018*
	£000	*£000*
Provision at start of period	-	(1,464)
Adjustment in respect of prior years	-	-
Deferred tax charge to income statement for the period	-	1,464
Deferred tax charge to OCI for the period	-	-
Provision for deferred tax	-	-

Notes to the financial statements

at 31 December 2019

11. Intangible fixed assets

	Trademarks	*Goodwill*	*Other Intangibles*	*Total*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2019	8,857	6,180	-	15,037
Additions	-	-	356	356
At 31 December 2019	8,857	6,180	356	15,393
Amortisation				
At 1 January 2019	8,174	6,044	-	14,218
Provided during the year	637	13	41	691
At 31 December 2019	8,811	6,057	41	14,909
Net book value				
At 31 December 2019	46	123	315	484
At 1 January 2019	683	136	-	819

Goodwill is being amortised evenly over the directors' estimate of its useful economic life of 20 years. Amortisation charge for the year is £13,000 (2018 - £13,000). The remaining amortisation period is 8 years.

Additions to Other Intangibles relate to software costs which are being amortised over 10 years.

Notes to the financial statements

at 31 December 2019

12. Tangible fixed assets

	Land and buildings £000	*Plant and machinery £000*	*Fixtures and fittings £000*	*Total £000*
Cost:				
At 1 January 2019	874	22,836	2,066	25,776
Additions	26	1,349	12	1,387
Disposals	-	(935)	(216)	(1,151)
At 31 December 2019	900	23,250	1,862	26,012
Depreciation and impairment:				
At 1 January 2019	402	15,641	1,773	17,816
Provided during the year	48	1,177	86	1,311
Disposals	-	(886)	(220)	(1,106)
At 31 December 2019	450	15,932	1,639	18,021
Carrying amount				
At 31 December 2019	450	7,318	223	7,991
At 1 January 2019	472	7,195	293	7,960

Notes to the financial statements

at 31 December 2019

13. Stocks

	2019 £000	2018 (Restated) £000
Raw materials and consumables	4,077	3,597
Work in progress	4,011	6,215
Finished goods and goods for resale	6,337	4,790
	14,425	14,602

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

14. Debtors

	2019 £000	2018 (Restated) £000
Trade and other receivables	29,696	27,044
Prepayments and accrued income	7,674	3,799
Amounts owed by group undertakings	262,384	368,946
Loan to group undertaking	19,300	-
Other debtors	2,225	3,382
	321,279	403,171

The loan to group undertaking is an unsecured loan in the amount of £19.3m with its parent Eaton Limited. The interest rate on this loan was 2.27% and the maturity date was 27 February 2020. On 27 February 2020, the loan was refinanced for an amount of £19.3m. The interest rate on the refinanced loan is 1.64% and the maturity date is 27 February 2021.

15. Creditors: amounts falling due within one year

	2019 £000	2018 (Restated) £000
Trade creditors	8,836	6,509
Amounts owed to group undertakings	187,942	261,806
Corporation tax	1,013	1,016
Taxation and social security	6,679	5,473
Other creditors	13,600	14,333
	218,070	289,137

Amounts owed to group undertakings are unsecured and consist of intercompany trading balances.

Notes to the financial statements
at 31 December 2019

16. Provisions for liabilities

	Restructuring	*Warranty*	*Total*
	£000	*£000*	*£000*
At 1 January 2019 (restated)	-	1,686	1,686
Additions during the year	-	507	507
Release of provision	-	(1,551)	(1,551)
At 31 December 2019	-	642	642

Provision is made for expected warranty claims on products sold and services provided. It is expected that all costs related to such claims will be incurred within the next five years.

The restructuring provision represented management's best estimate of the Company's liability as a result of the restructuring of the UK electrical business. These costs related to severance costs and costs involved in the transfer of manufacture of some electrical components produced at the Reddings Lane, Birmingham site to other Eaton facilities. In 2018, it was determined by the Company that the majority of the costs relating to that transfer had been incurred and that future costs would be minimal. Management assessed that a reduced liability existed at the balance sheet date which resulted in a provision release of £1,551,000 to the income statement. In 2018, the restructuring provision was reduced to nil.

Allotted and Issued share capital

	2019	*2018*
	£	*£*
Allotted and fully paid		
Ordinary share(s) of £1 each (2018: 1 share)	1	1

17. Reserves

Share capital, Share premium and Capital contribution reserve

At 28 May 2018, the Company had an amount of £66,000,000 standing to the credit of its share premium account and £58,442,000 standing to the credit of the capital contribution reserve. Combined these amounts became a capitalisation amount of £124,442,000.

As part of a legal entity simplification project, the Company agreed that the capitalisation amount of £124,442,000 be capitalised and distributed to Eaton Limited in the form of 124,442,000 fully paid ordinary shares of £1.00 each.

On the same day, the Company effected a reduction in its issued share capital by cancelling and extinguishing 124,441,999 ordinary shares of £1.00 each. The amount by which the capital was reduced was credited to a distributable reserve of the Company.

Share based payment contribution

This reserve represents share based payment contributions.

18. Related party disclosures

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

Notes to the financial statements

at 31 December 2019

19. Pensions

Eaton Electric Limited makes contributions to the Eaton UK Retirement Benefits Plan (Eaton UK Plan) and the Moeller Electric Group Pension scheme. Both schemes are defined benefit plans. Assets of the scheme are held separately from those of the company and are administered independently.

The Moeller Electric Group pension scheme had a full actuarial valuation carried out at 1 January 2010 and updated to 31 December 2019 by qualified independent actuaries, on the basis of triennial valuations using the projected unit credit method.

The sponsoring employer of the Eaton UK Plan is Eaton Limited and as such the liability in relation to this scheme is accounted for in the financial statements of that entity. In the opinion of the directors it is not possible to separate out in a reasonable and consistent basis the assets and liabilities of the Plan between the group companies which contribute to it.

In June 2018, Eaton Electric Limited became the sponsoring employer of the Willsher & Quick pension scheme.

The Moeller Electric Group pension scheme

The assets and liabilities of the scheme at 31 December are:

	2019	*2018*
	£000	*£000*
Fair value of scheme assets	103,980	95,166
Present value of funded obligation	(85,804)	(78,950)
Surplus in the scheme	18,176	16,216
Irrecoverable surplus	(13,048)	(11,693)
Net pension asset	5,128	4,523

The retirement benefit asset of £5,128,000 has not been recognised in the balance sheet of the Company at 31 December 2019 (2018: £4,523,000) as it has been deemed unlikely the asset would be distributable to the Company in the future.

Notes to the financial statements

at 31 December 2019

20. Pensions (continued)

	2019	*2018*
	% per annum	*% per annum*
Main assumptions:		
Discount rate	2.0%	2.9%
Inflation rate (RPI)	2.9%	3.1%
Inflation rate (CPI)	2.0%	2.0%

The assets of the post-retirement benefits plan are:

	2019	*2018*
	£000	*£000*
Present value of plan assets	103,980	95,166

Analysis of the present value of the defined benefit obligation during the year:

	2019	*2018*
	£000	*£000*
Opening defined benefit obligation	78,950	84,552
Movement in year:		
Current service costs	136	138
Other finance expense	2,240	2,085
Contributions	1	1
Actuarial loss/(gain)	7,885	(6,142)
Gross benefits paid out	(3,408)	(2,311)
Past service cost	-	627
Closing defined benefit obligation	85,804	78,950

Analysis of the fair value of scheme assets during the year:

	2019	*2018*
	£000	*£000*
Opening fair value of scheme assets	95,166	102,009
Movement in year:		
Interest income on scheme assets	2,704	2,518
Gain/(loss) on scheme assets	9,945	(6,818)
Contributions by employer	26	19
Contributions by scheme participants	1	1
Gross benefits paid out	(3,408)	(2,311)
Administration cost incurred	(454)	(252)
Closing fair value of scheme assets	103,980	95,166

Notes to the financial statements

at 31 December 2019

20. Pensions (continued)

Analysis of amount recognised in the statement of comprehensive income:

	2019	2018
	£000	*£000*
Return on scheme assets (in excess of)/below that recognised in net interest	(9,945)	6,818
Liability losses/(gains) arising during the year	7,885	(6,142)
Change in effect of the asset ceiling	1,016	(274)
Net (gain)/loss recognised in the statement of comprehensive income	(1,044)	402

Willsher & Quick Pension Scheme

The assets and liabilities of the scheme at 31 December are:

	2019	*2018*
	£000	*£000*
Fair value of scheme assets	1,784	1,515
Present value of funded obligation	(1,593)	(1,377)
Surplus in the scheme	191	138
Net pension asset	191	138

(o) The retirement benefit asset of £191,000 has not been recognised in the balance sheet of the Company at 31 December 2019 (2018: £138,000) Share based payments

Main assumptions:	*2019*	*2018*
	% per annum	*% per annum*
Discount rate	2.02%	2.85%
Inflation rate (RPI)	3.00%	3.25%
Inflation rate (CPI)	2.25%	2.25%

Notes to the financial statements

at 31 December 2019

20. Pensions (continued)

Analysis of the present value of the defined benefit obligation during the year:

	2019	*2018*
	£000	*£000*
Opening fair value at beginning of year	1,377	1,453
Movement in year:		
Interest costs	36	34
Re-measurement of the DBO	215	(102)
Settlements	-	22
Benefits paid from plan assets	(35)	(30)
Defined benefit obligation at end of year	1,593	1,377

Analysis of the fair value of scheme assets during the year:

	2019	*2018*
	£000	*£000*
Opening fair value of scheme assets	1,515	1,269
Movement in year:		
Interest income on plan assets	42	33
Return on plan assets	51	9
Contributions by employer	211	239
Benefits paid	(35)	(30)
Administrative costs paid	-	(5)
Fair value of assets at end of current period	1,784	1,515

Analysis of amount recognised in the statement of comprehensive income:

	2019	**2018**
	£000	***£000***
Actuarial loss/(gain) arising during period	215	(102)
Return on plan assets greater than discount rate	(51)	(9)
Net loss/(gain) recognised in the statement of comprehensive income	164	(111)

Notes to the financial statements

at 31 December 2019

20. Pensions (continued)

MTL Instruments Group Pension Scheme

Analysis of retirement benefits liabilities shown on balance sheet:

	2019	*2018*
	£000	*£000*
Present value of plan liabilities	11,481	8,645
Retirement benefits liabilities	11,481	8,645

Main assumptions:	*2019*	*2018*
	% per annum	*% per annum*
Discount rate	2.00%	2.84%
Inflation rate (RPI)	3.20%	3.25%

Analysis of the movement in deficit during the year:

	2019	*2018*
	£000	*£000*
Deficit at beginning of year	(8,645)	(8,617)
Movement in year:		
Current service costs	(714)	(1,516)
Contributions	1,398	1,499
Actuarial loss	(3,520)	(11)
Deficit at end of year	(11,481)	(8,645)

Analysis of amount recognised in the statement of comprehensive income:

	2019	**2018**
	£000	***£000***
Return on scheme assets excluding interest	7,692	(816)
Actuarial (loss)/gain	(11,212)	805
Net loss recognised in the statement of comprehensive income	(3,520)	(11)

Notes to the financial statements
at 31 December 2019

21. Operating lease commitments

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

	Land and buildings 2019 £000	*Land and buildings 2018 £000*	*Other 2019 £000*	*Other 2018 £000*
Not later than one year	962	408	466	972
After one year but not more than five years	3,462	3,005	738	850
	4,424	3,413	1,204	1,822

22. Capital commitments

Amounts authorised and contracted for but not provided in the financial statements amounted to £34,587 for the company (2018 – £123,278).

23. Contingent liabilities

There are no contingent liabilities as of 31 December 2019.

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Eaton Limited, a company registered in England and Wales.

The company's ultimate parent undertaking and controlling party is Eaton Corporation PLC which is incorporated in Ireland. The only group of which the company is a member and for which group financial statements are prepared is that headed by Eaton Corporation PLC. Copies of the 2019 Annual Report of Eaton Corporation PLC can be obtained from the following address:

Eaton Center
1000 Eaton Boulevard
Cleveland
Ohio 44122
USA

25. Events after the reporting period

In early 2020, a novel strain of coronavirus "COVID-19" spread throughout the world and was declared a pandemic by the World Health Organization on 11 March 2020. On a Macro economic level, the COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries resulting in economic uncertainties. The extent of the impact of COVID-19 on the Company's financial performance will depend on certain developments, including the duration and spread of the outbreak. However, the Directors believe to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern.