

Company Registration No. 00046253 (England and Wales)

WALLABY GRIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



WALLABY GRIP LIMITED

COMPANY INFORMATION

Directors	M L Thomas K Lewis
Secretary	S R Grant
Company number	00046253
Registered office	Pilot Way Ansty Business Park Coventry CV7 9JU
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

WALLABY GRIP LIMITED

CONTENTS

	Page(s)
Directors' report	1 - 3
Independent auditors' report to the members of Wallaby Grip Limited	4 - 6
Income statement	7
Statement of financial position	8 - 9
Statement of changes in equity	10
Notes to the financial statements	11 - 21

WALLABY GRIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

Results for the year

The company made a loss for the financial year of £2,294,000 (2019: £5,025,000) and has net assets of £1,003,000 as at 31 December 2020 (2019: net liabilities of £1,703,000).

The directors do not recommend the payment of a dividend (2019: nil).

Principal activities and business review

The principal activity of the company is to serve as an intermediary holding company and owns shares in certain non-trading overseas subsidiaries of Meggitt Investments Limited, its parent company.

On 21 December 2020, an additional 5,000,000 ordinary shares of £1 each (2019: 4,000,000 ordinary shares) were allotted to Meggitt Investments Limited at par value (see note 14).

Implications of COVID-19 on the business

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic. The case numbers and transmission rates vary country to country however, a number of vaccines have been developed and are in the process of being rolled out.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets. Many countries, including the UK, have reacted by instituting quarantines, mandating business and school closures and restricting travel. With the rollout of vaccines it is anticipated that the impact caused by the pandemic will lead to a gradual recovery and passengers returning to flying.

As a non-trading company with no employees, the pandemic has not had a direct impact on the entity, nor is expected to do so in the future.

Financial risk management objectives and policies

The company's exposure to financial risks is considered to be limited to credit risk and foreign exchange risk.

The amounts subject to credit risk is in respect of amounts due from fellow group undertakings (see note 10). These amounts are repayable on demand. As the counterparties are within the Meggitt PLC group, the credit risk is considered to be low.

The company has international transactions and is subject to foreign exchange risk on future transactions with the principal exposure being the Australian dollar against Pound Sterling. To mitigate risks associated with future transactions the policy is to hedge known and certain forecast transaction exposures based on historical experience and projections. These hedges are taken out centrally by Meggitt PLC and then amounts are allocated to individual business operations. The overall aim of hedging is to achieve, on a group-wide basis, at least 70% of the next 12 months anticipated exposure with additional cover to hedge up to five years ahead. The amount of hedging cover achieved per business unit will therefore not necessarily always be 70% as it may fluctuate as circumstances necessitate within the overall group-wide policy parameters. The company has determined that the additional costs of meeting the extensive documentation requirements to meet the requirements to be able to apply hedge accounting for the company's large number of foreign currency forward contracts is not merited. Accordingly gains and losses arising from measuring the contracts at fair value are recorded immediately in the income statement and hedge accounting is not applied (see note 9).

Directors

The directors who held office during the year and up to the date of approval of the financial statements were as follows:

M L Thomas

K Lewis (appointed 1 April 2020)

WALLABY GRIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' indemnities

The directors have the benefit of qualifying third-party indemnity provisions for the purposes of Section 234 of the Companies Act 2006. This remained in force during the financial year and also at the date of approval of these financial statements.

Future prospects

There are no anticipated changes to the nature of the Company. The directors consider that a return to profitability in 2021 is unlikely. The directors continue to rely on funds being made available to the company by its parent company to enable it to discharge its liabilities.

It is our view, to the best of our current knowledge, that COVID-19 will not have an adverse impact on the company and there will not be a material effect on the company's ability to continue as a going concern. The directors have considered the impact of going concern in note 1.2.

Climate change

The company is subject to minimal impacts or opportunities due to climate change. The key impacts of climate change are fully discussed, in the context of the group, on pages 71 to 73 of the Meggitt PLC 2020 Annual Report, which does not form part of this report.

Independent auditors

PricewaterhouseCoopers LLP is deemed to be reappointed as the Company's auditors under section 487 of the Companies Act 2006.

Strategic report

The directors have taken advantage of the small companies exemption from preparing a strategic report.

Post balance sheet events

On 21 September 2021, the shareholders of Meggitt PLC are due to vote on the acquisition of Meggitt PLC and all of its subsidiaries by Parker-Hannifin Corporation. The acquisition is not expected to complete until Q3 2022.

WALLABY GRIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

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

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

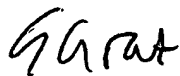
Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors on 17 September 2021.

Signed by order of the Board:



S R Grant

Secretary

20 September 2021

WALLABY GRIP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALLABY GRIP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Wallaby Grip Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

WALLABY GRIP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALLABY GRIP LIMITED (CONTINUED)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to bribery and corruption, tax legislation and data protection, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, omitting, advancing or delaying recognition of events and transactions that have occurred during the reporting period and management bias in accounting estimates or judgements to manipulate results. Audit procedures performed by the engagement team included:

- Holding discussions with Meggitt PLC and Wallaby Grip Limited's management, Head of Internal Audit, legal and tax advisors, including consideration of known or suspected instances of non compliance with laws and regulation and fraud.
- Reviewing meeting minutes of the Board (Wallaby Grip Limited and Meggitt PLC) and the Group's Audit, Nominations, Remuneration, Corporate Responsibility and Finance Committees.
- Evaluating management's controls designed to prevent and detect irregularities.
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the treatment of tax provisions and legal provisions.
- Assessing matters reported on the Group's Speak Up Line and the results of management's investigation of such matters.
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WALLABY GRIP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALLABY GRIP LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
21 September 2021

WALLABY GRIP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£000	£000
Administrative expenses		(2,508)	(5,163)
Other gains/(losses)		86	(56)
		<hr/>	<hr/>
Operating loss	3	(2,422)	(5,219)
Interest receivable from group undertakings		157	146
Interest payable to group undertakings		(17)	(13)
		<hr/>	<hr/>
Loss before taxation		(2,282)	(5,086)
Tax on loss	6	(12)	61
		<hr/>	<hr/>
Loss for the financial year		(2,294)	(5,025)
		<hr/>	<hr/>

The income statement has been prepared on the basis that all operations are continuing operations.

The company has no other comprehensive income or expenses other than the losses for the years as set out above, and therefore no separate statement of comprehensive income has been presented.

WALLABY GRIP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020 £000	2019 £000
	Note		
Fixed assets			
Investments	7	78	78
Derivative financial instruments	9	58	-
		<u>136</u>	<u>78</u>
Current assets			
Derivative financial instruments	9	121	6
Other receivables	10	7,387	7,125
Cash at bank and in hand		531	427
		<u>8,039</u>	<u>7,558</u>
Current liabilities			
Derivative financial instruments	9	-	(51)
Other payables	12	(1,626)	(1,623)
Provisions	13	(2,777)	(1,913)
		<u>(4,403)</u>	<u>(3,587)</u>
Net current assets		<u>3,636</u>	<u>3,971</u>
Total assets less current liabilities		<u>3,772</u>	<u>4,049</u>
Non-current liabilities			
Derivative financial instruments	9	-	(148)
Deferred tax liabilities	11	(34)	(14)
Provisions	13	(2,735)	(5,590)
		<u>(2,769)</u>	<u>(5,752)</u>
Net assets/(liabilities)		<u>1,003</u>	<u>(1,703)</u>
Equity			
Called up share capital	14	59,341	54,341
Accumulated losses		(58,338)	(56,044)
Total equity		<u>1,003</u>	<u>(1,703)</u>

WALLABY GRIP LIMITED


STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

The notes on pages 11 to 21 are an integral part of these financial statements.

The financial statements on pages 7 to 21 were approved by the Board of Directors and authorised for issue on 17 September 2021.

Signed on behalf of the Board:



K Lewis

Director

20 September 2021

Company Registration No. 00046253

WALLABY GRIP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital	Accumulated losses	Total equity
		£000	£000	£000
Balance at 1 January 2019		50,341	(51,019)	(678)
Loss for the financial year		-	(5,025)	(5,025)
Total comprehensive expense for the year		-	(5,025)	(5,025)
Issue of share capital	14	4,000	-	4,000
Balance at 31 December 2019		54,341	(56,044)	(1,703)
Loss for the financial year		-	(2,294)	(2,294)
Total comprehensive expense for the year		-	(2,294)	(2,294)
Issue of share capital	14	5,000	-	5,000
Balance at 31 December 2020		59,341	(58,338)	1,003

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

General Information

The company is an intermediate holding company owning shares in certain non-trading overseas subsidiaries. The company is private, limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Pilot Way, Ansty Business Park, Coventry, CV7 9JU.

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 "Reduced Disclosure Framework". The financial statements have been prepared on the historical cost basis, modified by the revaluation of derivative financial assets and financial liabilities held at fair value through profit and loss, and in accordance with the Companies Act 2006. These policies have been applied consistently to all periods presented unless otherwise stated.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1 'Presentation of Financial Statements';
- the requirements of paragraphs 10(d), 16 and 134 -136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- 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; and
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. These financial statements present information about the company as an individual entity and not about its group.

Wallaby Grip Limited is a wholly owned subsidiary of Meggitt PLC and the results of Wallaby Grip Limited are included in the consolidated financial statements of Meggitt PLC which are publicly available, as set out in note 16.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the company financial statements.

In reaching this conclusion, the directors have considered:

- the financial position of the company as set out in this report and additional information provided in the financial statements;
- the resources available to the company, including the continued support of Meggitt PLC;
- the principal risks and uncertainties to which the Meggitt PLC group is exposed, as set out on pages 56 to 61 of the Meggitt PLC 2020 Annual Report (which does not form part of these financial statements), the likelihood of them arising and the mitigating actions available; and
- the impact of COVID-19 on both the entity and the Meggitt PLC group as part of their assessment.

Meggitt PLC, the group, is closely monitoring the potential impact of COVID-19 on our 2021 financial results and cashflows and have prepared a detailed model and revised projections for the business.

The impact on the commercial aerospace segment following the outbreak of COVID-19 is substantial and unprecedented, affecting many areas of the Group's business including its employees, supply chain and customer base. To model the expected impact on the Group, a base case model has been developed which reflects its current view of the most likely impact on the Group's revenues, the extent to which appropriate mitigating actions on costs can be implemented and how this impacts cash flows over the next five years. In assessing whether the going concern principle remains appropriate, the Group has leveraged the output from this model covering the period to 21 September 2022. The Group has also considered the liquidity available to it over the period to 21 September 2022. This model has also been stress tested using a downside ('severe but plausible') scenario. Under the downside scenario, the Group has sufficient financing to be able to meet its obligations as they fall due in the period under assessment, and no covenants contained within external funding agreements would be breached.

On 2 August 2021, Meggitt PLC announced that its Board unanimously recommends that shareholders vote in favour of the formal rule 2.7 offer from Parker-Hannifin Corporation to acquire the entire issued and to be issued share capital of Meggitt PLC. This offer is subject to shareholder, regulatory and other approvals, with completion of the acquisition currently not anticipated until Q3 2022. The transaction would result in a change of control of the Group which may impact contracts including financing agreements. The directors have concluded that this change in control does not impact their assessment that the business can continue to operate as a going concern. In forming this conclusion, the directors have considered that as part of the formal offer, Parker-Hannifin Corporation has made binding commitments to HM Government to maintain Meggitt's existing R&D, product engineering and direct manufacturing labour headcount in the UK, as well as maintain Meggitt's UK headquarters and ensure the four divisions of Meggitt remain in place.

Under the UK Takeover Code, in announcing its intention to make an offer for Meggitt PLC, Parker-Hannifin Corporation is required to ensure it has every reason to believe that it can and will continue to be able to implement the offer. To satisfy these requirements, Parker-Hannifin Corporation and its advisors will have needed to ensure it will have the funds to settle the equity consideration and any debt on a change of control. These requirements, together with the disclosures Parker-Hannifin have made in its recently released annual audited financial statements regarding the financing of the Meggitt acquisition and the resources it currently has available, support the director's conclusion that Parker-Hannifin Corporation will have the ability to continue to provide support to the company during the going concern assessment period, should the acquisition complete in this period.

On this basis, the directors do not consider the potential change of control to cast significant doubt on the company's ability to continue as a going concern during the assessment period. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these statutory statements.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 New standards, amendments and IFRIC interpretations

During the year, no new accounting standards, amendments or revisions to existing standards, or interpretations have become effective which had a significant impact on the financial statements.

1.4 Investments in subsidiaries

Investments held as non-current assets are stated at cost less provision for impairment.

1.5 Impairment of fixed, non-financial assets

At each reporting end date, the company reviews the carrying amounts of its fixed, non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.6 Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. The borrowers access to sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date is assessed to consider the expected manner of recovery to measure expected credit losses. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss will be limited to the effect of discounting the amount due on the loan at the loan's effective interest rate, over the period until cash is realised. Interest income is recognised using the effective interest method.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.8 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.9 Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to foreign currency transactional risk. Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date using values determined indirectly from quoted prices that are observable for the asset or liability.

To the extent the maturity of the financial instrument is more than 12 months from the balance sheet date, the fair value is reported as a non-current asset or non-current liability. All other derivative financial instruments are reported as current assets or current liabilities.

The company utilises foreign currency forward contracts to mitigate against currency fluctuations. The company has determined the additional costs of meeting the extensive documentation requirements in order to apply hedge accounting under IAS 39 are not merited. Accordingly gains and losses arising from measuring the contracts at fair value are recorded immediately in the income statement and hedge accounting is not applied.

Particulars of derivative financial instruments are detailed in note 9.

1.10 Current tax

Current tax is based on taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in the income statement, other comprehensive income or directly in equity depending on where the item to which they relate has been recognised.

1.11 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Particulars of provisions held by the company are detailed in note 13.

1.13 Foreign exchange

The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Provisions

The company is subject to legal proceedings and is consequently required to assess the likelihood of any adverse judgements or outcomes, as well as a potential range of probable losses. A determination of any provisions required and any impairment of related receivables for these matters is based on a careful analysis of each individual issue with the assistance of legal counsel. However, actual losses could differ from the original estimates.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Operating loss	2020	2019
	£000	£000
Operating loss for the year is stated after charging/(crediting):		
Net foreign exchange loss/(gain)	484	(344)
Other (gains)/losses	(86)	56
Provisions (see note 13)	790	3,548
Other costs	1,234	1,959
	<u> </u>	<u> </u>

Other (gains)/losses relate to movement in fair value of foreign currency forward contracts.

4 Auditors' remuneration

Audit fees for the year were borne by the ultimate parent company, Meggitt PLC. The following allocation is made, but has not been recharged to the company:

	2020	2019
	£	£
Audit fees payable to the company's auditors	4,500	4,500
	<u> </u>	<u> </u>

5 Employees and directors

The company has no employees (2019: none).

All of the directors as at the year end are employees of either the ultimate parent company, Meggitt PLC or Meggitt Aerospace Limited and are remunerated by those companies for their services to the group as a whole. The directors did not receive any remuneration in their capacity as directors of Wallaby Grip Limited (2019: £nil), as their services to the company were incidental to their services to the Group.

One of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2019: two). No options were issued in regards to services for Wallaby Grip Limited.

6 Tax on loss

	2020	2019
	£000	£000
Current tax		
Current year taxation	(13)	21
Adjustments in respect of prior periods	5	(11)
	<u> </u>	<u> </u>
	(8)	10
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of temporary differences	67	(10)
Adjustment in respect of prior periods	(47)	(61)
	<u> </u>	<u> </u>
	20	(71)
	<u> </u>	<u> </u>
Total tax charge/(credit) for the year	<u> </u>	<u> </u>
	12	(61)
	<u> </u>	<u> </u>

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

6 Tax on loss

The tax charge/(credit) for the year is higher (2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The difference is explained below:

	2020 £000	2019 £000
Loss before taxation	(2,282)	(5,086)
Effects of:		
Loss before taxation multiplied by the standard rate of tax in the UK of 19.00% (2019: 19.00%)	(434)	(966)
Adjustment in respect of prior years	(42)	(72)
Permanent differences	488	977
Tax charge/(credit) for the year	12	(61)

Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Furthermore, in the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As the change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

7 Investments

	2020 £000	2019 £000
Investments in subsidiaries	78	78

The company has a wholly-owned subsidiary, Wallaby Grip Australia Pty Limited, which is incorporated in Australia and which was placed into liquidation on 19 March 2002.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Wallaby Grip Australia Pty Limited	Australia	100%	100%	In liquidation
Wallaby Grip B.A.E. Pty Limited	Australia	100%	100%	In liquidation
Wallaby Grip Industries Australia Pty Limited	Australia	100%	100%	In liquidation
Wallaby Grip (NSW) Pty Limited	Australia	100%	100%	In liquidation

Wallaby Grip Australia Pty Limited is directly held, all other subsidiaries are held indirectly. Unless otherwise stated, ownership comprises ordinary shares representing 100% of the issued share capital.

The registered office address of all subsidiaries is:

- Level 8, 1 O'Connell Street, Sydney, NSW 2000.

9 Derivative financial instruments

	2020				2019			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non	Current	Non	Current	Non	Current	Non
	Current	Current	Current	Current	Current	Current	Current	Current
	£000	£000	£000	£000	£000	£000	£000	£000
Fair value:								
Australian \$ forward purchases (AUD/£):	121	58	-	-	6	-	(51)	(148)
Nominal value:								
Australian \$ forward purchases (AUD/£):	3,401	1,700	-	-	1,513	-	(1,593)	(4,779)

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:AUD.

10 Other receivables

	2020 £000	2019 £000
Corporation tax recoverable	13	-
Amounts due from fellow group undertakings	7,374	7,125
	<u>7,387</u>	<u>7,125</u>

Amounts due from fellow group undertakings totalling £7,374,000 (2019: £7,125,000) are interest bearing, unsecured and are repayable on demand. Interest accrues at 3% (2019: 3%).

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Deferred tax liabilities

	Revaluation of derivative financial instruments £000
Deferred tax liability at 1 January 2019	(85)
Deferred tax movements in prior years	
Credit to profit and loss	71
Deferred tax liability at 31 December 2019 and 1 January 2020	(14)
Deferred tax movements in current year	
Charge to profit or loss	(20)
Deferred tax liability at 31 December 2020	(34)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax liabilities	(34)	(14)

12 Other payables

	2020 £000	2019 £000
Amounts due to fellow group undertakings	1,620	1,402
Corporation tax payable	-	221
Other payables	6	-
	1,626	1,623

Amounts due to fellow group undertakings totalling £527,000 (2019: £378,000) are interest bearing, unsecured and are repayable on demand. Interest accrues at an average rate of 5% (2019: 5%).

The remaining amounts due to fellow group undertakings totalling £1,093,000 (2019: £1,024,000) are unsecured, interest free and are repayable on demand.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Provisions

	2020 £000	2019 £000
Current liabilities	2,777	1,913
Non-current liabilities	2,735	5,590
	<u>5,512</u>	<u>7,503</u>
		£000
At 1 January 2020		7,503
Additional provisions in the year		3,149
Reversal of provision		(2,363)
Utilisation of provision		(2,777)
At 31 December 2020		<u>5,512</u>

The company continues to meet its obligations and those of its subsidiary undertakings in Australia in relation to legal claims. Funding continues to be provided to the company by its parent company to enable it to meet its obligations in relation to these claims as they fall due. Provision has been made in these financial statements to reflect the directors' best estimate of the costs associated with settling all claims at the balance sheet date. It is not possible to accurately predict the timing of cash flows as these are dependent on external factors. The determination of provision required is based on a careful analysis of each individual issue with the assistance of legal counsel. However, actual losses could differ from the original estimate.

As noted in the Directors' report, the directors continue to rely on funds being made available to the company by its parent company to enable it to discharge its liabilities.

14 Called up share capital	2020 No.	2019 No.	2020 £000	2019 £000
Ordinary share capital				
Allotted, issued and fully paid				
Ordinary shares of £1 each	59,341,300	54,341,300	59,341	54,341

On 21 December 2020 an additional 5,000,000 ordinary shares (2019: 4,000,000 ordinary shares) of £1 each were allotted to Meggitt Investments Limited at par value.

15 Post balance sheet events

On 21 September 2021, the shareholders of Meggitt PLC are due to vote on the acquisition of Meggitt PLC and all of its subsidiaries by Parker-Hannifin Corporation. The acquisition is not expected to complete until Q3 2022.

WALLABY GRIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Meggitt Investments Limited. The ultimate parent undertaking and controlling party is Meggitt PLC, a company incorporated in the United Kingdom. Meggitt PLC is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Meggitt PLC are available from its registered office; Pilot Way, Ansty Business Park, Coventry, CV7 9JU.