

Registration number: 00589650

Brush Transformers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



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Brush Transformers Limited

Company Information

Directors

G E Barnes (resigned 18 June 2021)

G D Morgan (resigned 18 June 2021)

M J Richards (resigned 18 June 2021)

J C F Crawford (resigned 18 June 2021)

D P Crossland (appointed 18 June 2021, resigned 22 September 2021)

C B Lordereau (appointed 18 June 2021)

N R L Pitrat (appointed 18 June 2021)

Company secretary

B P T Hewitson

Registered office

Brush Group

Nottingham Road

Loughborough

Leicestershire

United Kingdom

Brush Transformers Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

Principal activity

The principal activity of Brush Transformers Limited (hereafter referred to as "The Company") is that of the manufacture and sale of transformers. The Directors do not expect any change in this activity in the foreseeable future.

Fair review of the business

Turnover for the year ended 31 December 2021 was £27,875,000 (year ended 31 December 2020: £29,688,000). The operating profit for the year ended 31 December 2021 was £1,565,000 (year ended 31 December 2020: profit of £2,129,000). The retained profit for the year ended 31 December 2021 was £1,485,000 (year ended 31 December 2020: £2,273,000).

The Company considers its key performance indicators to be Revenue and Operating Profit

	2021	2020
<u>Key Performance Indicator</u>	£000	£000
Revenue	27,875	29,688
Operating Profit	1,565	2,129

During the year, the COVID-19 pandemic created uncertainty in the markets worldwide. Despite this, the Company was able to continue operating throughout lockdown although at times this was at reduced capacity. The order intake in the year and in subsequent months post year-end, has given the business a strong order book for the year ahead and the Directors are confident that the medium to long-term trading prospects of the Company are good.

The Company has not suffered any significant impact due to Brexit. The Directors consider that any on-going impact on the Company's continuing business will be minimal.

Brush Transformers Limited

Strategic Report for the Year Ended 31 December 2021

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies and approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are bank balances and trade and other receivables (including amounts due from other Group undertakings).

The Company's credit risk is primarily attributable to its trade receivables and receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies occurs so that intragroup funding can be made available, where required.

Brush Transformers Limited**Strategic Report for the Year Ended 31 December 2021****Going concern**

The Company has been impacted in the period by the on-going global implications of the COVID-19 pandemic. However, although the Company's activities continued to be adversely affected in the 2021 by the global uncertainties and restrictions arising from the pandemic, the Company remained resilient. The on-going uncertainties on the Company's supply chain arising from both the implications of COVID-19 and the impact of the war in the Ukraine are being carefully monitored and managed by the Directors and key management team.

The Directors have reviewed the Company's Statement of Financial Position cash balance, financing (including the terms of intercompany borrowing and the lack of covenant conditions thereon) and cash flow forecasts and projections, including the current order book, which show that the Company expects to be able to continue to meet its liabilities as they fall due for the next 12 months from the date of the approval of these financial statements. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence thus they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 16/12/2022 and signed on its behalf by:



.....
N R L Pitrat

Director

Brush Transformers Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021. An indication of likely future developments in the business of the Company is included in the Strategic Report. Information on financial risk management and going concern are also included in the Strategic Report.

Directors of the Company

The Directors who held office during the year and up to the date of signing these financial statements were as follows:

G E Barnes (resigned 18 June 2021)
C D Abbott
G D Morgan (resigned 18 June 2021)
M J Richards (resigned 18 June 2021)
J C F Crawford (resigned 18 June 2021)
B P T Hewitson (appointed 18 June 2021)
D P Crossland (appointed 18 June 2021, resigned 22 September 2021)
C B Lordereau (appointed 18 June 2021)
N R L Pitrat (appointed 18 June 2021)

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2021 (year ended 31 December 2020: £nil).

The Directors paid a dividend in the year of £nil (year ended 31 December 2020: £7,700,000).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. The Company has developed a wide range of voluntary practices and procedures for employee involvement. The Company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing the individual business in which the employee works.

It is Company policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged.

Research and development

Product development and innovation is a continuous process. The Company has continued to invest resources to the development of new products to enhance the organic growth of the business. The Company incurred research costs of £133,000 during the year (year ended 31 December 2020: £116,000).

Brush Transformers Limited**Directors' Report for the Year Ended 31 December 2021****Directors' liabilities**

The ultimate parent undertaking has indemnified one or more Directors of the Company 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 was in force throughout the year and at the date of this report.

Disclosure of information to the auditor

Each Director has taken 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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 16/12/2022 and signed on its behalf by:



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N R L Pitrat

Director

Brush Transformers Limited

Directors' Responsibilities Statement

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), including Financial Reporting Standard 101:Reduced Disclosure Framework ("FRS101"). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Financial Reporting Standard (FRS 101) 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.

Brush Transformers Limited

Independent Auditor's Report

Opinion

We have audited the financial statements of Brush Transformers Limited (the 'company') for the year ended 31 December 2021, which comprise:

- Income Statement;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

Brush Transformers Limited**Independent Auditor's Report (continued)****Conclusions relating to going concern (continued)**

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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 this 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 the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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.

Brush Transformers Limited

Independent Auditor's Report (continued)

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks (FRS 101 and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- We enquired of management concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquires to relevant supporting documentation

Brush Transformers Limited**Independent Auditor's Report (continued)****Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it. Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions.

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.

Grant Thornton UK LLP

Charlotte Anderson

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

16 December 2022

Brush Transformers Limited**Income Statement for the Year Ended 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Turnover	4	27,875	29,688
Cost of sales		<u>(23,551)</u>	<u>(24,664)</u>
Gross profit		4,324	5,024
Distribution costs		(1,368)	(863)
Administrative expenses		(1,610)	(2,088)
Other operating income		371	56
Exceptional costs	25	<u>(152)</u>	<u>-</u>
Operating profit	5	1,565	2,129
Finance income	7	-	40
Finance costs	8	<u>(101)</u>	<u>(18)</u>
Profit before tax		1,464	2,151
Tax credit on profit	11	<u>21</u>	<u>122</u>
Profit for the year attributable to owners of the Company		1,485	2,273

The above results were derived from continuing operations for both financials years.

Brush Transformers Limited**Statement of Comprehensive Income for the Year Ended 31 December 2021**

	2021 £ 000	2020 £ 000
Profit for the year	1,485	2,273
Items that may be reclassified subsequently to profit or loss		
Gain on cash flow hedges (net)	-	80
Income tax relating to items that may be reclassified subsequently to the Income Statement	-	(14)
	-	66
Total Comprehensive Income for the year	1,485	2,339

Brush Transformers Limited**(Registration number: 00589650)****Statement of Financial Position as at 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Intangible assets	12	34	45
Property, plant and equipment	13	8,298	8,490
Deferred tax asset	19	15	-
Trade and other receivables	15	-	4,609
		8,347	13,144
Current assets			
Inventories	14	4,298	2,884
Trade and other receivables	15	4,809	5,028
Derivative financial instruments		4	8
Cash at bank and in hand		2,077	482
		11,188	8,402
Total assets		19,535	21,546
Non-current liabilities			
Lease and Other Liabilities	17	(4,923)	(5,616)
Deferred tax liabilities	19	-	(6)
Provisions	18	(921)	(375)
Non-current liabilities		(5,844)	(5,997)
Current liabilities			
Trade and other payables	16	(6,081)	(9,317)
Lease and Other Liabilities	17	(558)	(748)
Derivative financial instruments		(49)	(18)
Provisions	18	(216)	(169)
Current liabilities		(6,904)	(10,252)
Total liabilities		(12,748)	(16,249)
Net Assets		6,787	5,297
Equity			
Share capital	21	-	-
Cash flow hedge reserve	22	-	(5)
Retained earnings	22	6,787	5,302
Equity attributable to owners of the Company		6,787	5,297

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

Approved by the Board on 16/12/2022 and signed on its behalf by:



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N R L Pitrat

Director

Brush Transformers Limited**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	-	(71)	10,729	10,658
Profit for the year	-	-	2,273	2,273
Other Comprehensive Income	-	66	-	66
Total Comprehensive Income	-	66	2,273	2,339
Dividends paid (Note 23)	-	-	(7,700)	(7,700)
At 31 December 2020	-	(5)	5,302	5,297

	Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	-	(5)	5,302	5,297
Profit for the year	-	5	1,485	1,490
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	5	1,485	1,490
Dividends paid (Note 23)	-	-	-	-
At 31 December 2021	-	-	6,787	6,787

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital incorporated in The United Kingdom under the Companies Act 2006 and is registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The address of its registered office is:

Brush Group
Nottingham Road
Loughborough
Leicestershire
United Kingdom

These financial statements were authorised for issue by the Board on the 16/12/2022.

2 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards as adopted by the UK and prepared in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Summary of disclosure exemptions

As permitted by FRS 101 and where relevant, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Brush HoldCo 1 Limited (Brush Group), which are available to the public and can be obtained electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Going concern

The Company has been impacted in the year by the global implications of the COVID-19 pandemic. However, whilst some companies were adversely affected by the global uncertainties and restrictions arising from the pandemic, the Company remained resilient and has performed well. Due to the global nature of the business, visibility over trading conditions in some markets remains difficult due to the continuing uncertainties caused by the pandemic, however the impact on the next 12 months' results is expected to be significantly less than in 2021.

The Directors have reviewed the Company's balance sheet cash position, financing (including the terms of intercompany borrowing and the lack of covenant conditions thereon) and cash flow forecasts and projections, including the current order book, which show that the Company expects to be able to continue to meet its liabilities as they fall due for the next 12 months from the date of the approval of these financial statements. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence thus they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Revenue is recognised at the point of transfer of control of goods and services. Costs are recognised as they are incurred.

Contracts are reviewed to identify each performance obligation relating to distinct goods or services and the associated consideration. A performance obligation is identified if the customer can benefit from the good or service on its own or together with other readily available resources, and it can be separately identified within the contract.

Invoices for goods are raised and revenue is recognised when control of goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch or acceptance by the customer. The revenue recognised is the transaction price as it is the observable selling price per product.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Income Statement over the expected useful lives of the assets concerned. Other grants are recognised in the Income Statement as the related expenditure is incurred.

Finance income and costs policy

Finance income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the Income Statement within finance costs.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Foreign currency transactions and balances

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Income Statement in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Tax

Current and deferred tax are recognised in the Income Statement, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

The Company's liability for current tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is recognised on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value is calculated on prices prevailing at the date of acquisition or revaluation. The estimated useful lives, residual values and depreciation method are reviewed at the end of every reporting period. Depreciation is provided as follows:

Asset class	Depreciation rate
Leasehold Buildings	10 years
Leasehold Plant and Equipment	Depreciation over the life of the lease
Plant and equipment	3 to 15 years

Right-of-use-Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable:

- any lease payments made at or before the commencement date net of any lease incentives received;
- any initial direct costs incurred; and
- except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset as required by the terms and conditions of the lease

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Intangible assets

Internally-generated intangible assets - research and development expenditure.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete its development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the Income Statement in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are amortised over their useful economic life, not exceeding 10 years.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, on a straight-line basis over their expected useful economic life as follows:

Asset Class	Amortisation rate
Computer software	5 years or less

Trade receivables

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. If impaired, the carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by the expected credit lifetime losses under the simplified approach permitted under IFRS 9. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting receipts, an increase in the number of delayed receipts in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the Income Statement. Provision is made for obsolete, slow-moving or defective items where appropriate.

Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the Group's incremental borrowing rate. Lease payments comprise of:

- fixed payments less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

- any anticipated termination penalties if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease term; or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the Company has; a present obligation (legal or constructive) 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 balance sheet 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.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation, are recognised at the date of sale of the relevant products and at the Directors' best estimate of the expenditure required to settle the Company's obligation.

The provision is based on the level of historical claims over the Company's warranty period as a percentage of revenue (after removal of any anomalies).

Other Provisions

Liabilities for building dilapidations and legal costs are recognised when repairs or legal claims are probable, and the associated costs can be reliably estimated.

Impairment of non-financial assets

At each Balance Sheet date, the Company reviews the carrying amounts of its 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future 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 the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Financial assets and liabilities

Classification

All financial assets are classified as either those which are measured at fair value, through the Income Statement, or Other Comprehensive Income, and those measured at amortised cost.

Financial assets recognition and measurement

Financial assets which comprise of cash at bank and in hand, derivatives and trade and other receivables initially recognised at fair value. For those which are not subsequently measured at fair value through the Income Statement, this includes directly attributable transaction costs. Trade and other receivables and cash at bank and in hand are subsequently measured at amortised cost.

Financial assets are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade and other receivables, as these balances do not contain a significant financing element, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. Cash and cash equivalents are also subject to impairment requirements.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Financial liabilities and equity

Classification

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Recognition and measurement

Financial liabilities which comprise trade and other payables, provisions, derivatives and loans and borrowings recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Derivatives and hedging

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****2 Accounting policies (continued)****Derivatives and Hedging (continued)****Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement and is included in the 'other gains and losses' line item.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item is recognised in the Income Statement, in the same line of the Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other Comprehensive Income at that time accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Income Statement.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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.

There are no critical judgements, apart from those involving estimations, to disclose within the scope of paragraph 122 of IAS 1: "Presentation of financial statements".

Provisions estimates

The Company holds warranty provisions of £483,000, which is in line with Company policy and is reviewed by the Key Management Team on annual basis. The Company also holds a dilapidation provision for the building right-of-use asset of £600,000, which is assessed at the start of the lease. Further details are shown in Note 18.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

4 Revenue

The analysis of the Company's revenue for the year from continuing operations was as follows:

	2021 £ 000	2020 £ 000
Sale of goods	21,899	25,318
Rendering of services	5,976	4,370
	27,875	29,688

The analysis of the Company's turnover for the year by geographical market was as follows:

	2021 £ 000	2020 £ 000
United Kingdom	25,872	25,760
Europe	105	9
North America	11	9
Asia	770	3,349
Rest of the world	1,117	561
	27,875	29,688

The analysis of the Company's turnover for the year by class of business was as follows:

	2021 £ 000	2020 £ 000
Utilities	15,498	14,709
Oil & Gas	522	2,607
Industrials	2,767	5,001
Parts and Services	9,088	7,371
	27,875	29,688

5 Operating profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense: Owned	367	741
Depreciation expense: Leased	816	219
Amortisation expense	11	11
Research spend	133	116
Foreign exchange (gains)/losses	63	(43)
Staff costs	4,820	4,085
Cost of inventories recognised as expense	16,304	24,664
Write-downs of inventory	465	174

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****6 Auditor's remuneration**

	2021 £ 000	2020 £ 000
Audit of the financial statements	57	44

7 Finance income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	-	6
Interest on loans to Group undertakings	-	34
	<u>-</u>	<u>40</u>

8 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	4	1
Interest on obligations under leases	97	17
	<u>101</u>	<u>18</u>

9 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	4,101	3,516
Social security costs	481	381
Pension costs, defined contribution scheme	238	188
	<u>4,820</u>	<u>4,085</u>

The average number of people employed by the Company (including Directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Production	73	71
Sales, marketing and distribution	9	8
Administration and support	5	7
	<u>87</u>	<u>86</u>

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Directors' remuneration

The directors' remuneration for the period was as follows:

	2021 £ 000	2020 £ 000
Directors' and key management emoluments including benefits in kind	50	-
Pension contributions to defined contribution schemes	3	-
	<u>53</u>	<u>-</u>

The highest paid Director received remuneration of £50,000 in the period. The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,000.

The Directors received remuneration for their services to the Company during the year (year ended 31 December 2020: £nil). The Directors of the Company who served during the prior year were also Directors of a number of companies within the Brush Group and as such remuneration of Directors is borne by a fellow company.

11 Income tax

Tax credited in the Income Statement:

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	-
Total current income tax		
Deferred taxation		
Arising from origination and reversal of temporary differences	(21)	(122)
Tax credit in the Income Statement	<u>(21)</u>	<u>(122)</u>

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. Income tax (continued)

The tax on profit before tax for the year was different to the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	1,464	2,151
Corporation tax at standard rate	278	409
Adjustment for prior periods	32	(15)
Non Qualifying depreciation	10	-
Expenses not deductible in determining taxable profit	7	-
Group relief at nil consideration	(344)	(529)
Effect of rate differences on deferred tax recognition	(4)	13
Total tax credit	(21)	(122)

The enacted rate of UK corporation tax for the year ended 31 December 2021 was 19%. Finance Act 2021 includes an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This change had been substantively enacted at the balance sheet date. Deferred tax balances at 31 December 2021 have been recognised at an effective rate of 24% reflecting when the deferred tax asset or liability is expected to be realised.

Tax recognised in Other Comprehensive Income

In addition to the amounts recognised in the Income Statement, the following amounts relating to tax have been recognised in Other Comprehensive Income:

	2021 £ 000	2020 £ 000
Deferred tax		
Financial instruments treated as cash flow hedges	-	14

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Intangible assets

	Computer software £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	<u>613</u>	<u>613</u>
Amortisation		
At 1 January 2021	568	568
Amortisation charge	<u>11</u>	<u>11</u>
At 31 December 2021	<u>579</u>	<u>579</u>
Carrying amount		
At 31 December 2021	<u>34</u>	<u>34</u>
At 31 December 2020	<u>45</u>	<u>45</u>

13 Property, plant and equipment

	Buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	6,223	3,908	10,131
Additions	<u>601</u>	<u>390</u>	<u>991</u>
At 31 December 2021	<u>6,824</u>	<u>4,298</u>	<u>11,122</u>
Accumulated depreciation			
At 1 January 2021	156	1,485	1,641
Charge for the year	<u>697</u>	<u>486</u>	<u>1,183</u>
At 31 December 2021	<u>853</u>	<u>1,971</u>	<u>2,824</u>
Carrying amount			
At 31 December 2021	<u>5,971</u>	<u>2,327</u>	<u>8,298</u>
At 31 December 2020	<u>6,067</u>	<u>2,423</u>	<u>8,490</u>

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13 Property, plant and equipment (continued)

Right-of-use asset	Buildings £000	Plant and equipment £000	Right-of-use asset £000
At 1 January 2021	6,067	226	6,293
Additions	601	-	601
Depreciation	(697)	(119)	(816)
Net book value at 31 December 2021	5,971	107	6,078

The Company leases several assets including buildings and plant as disclosed above and further information on lease liabilities is included in Note 17. The Company has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Company's obligation is secured by the lessors' title to these assets.

14 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	946	916
Work in progress	3,352	1,847
Finished goods and goods for resale	-	121
	4,298	2,884

Inventories are stated after provisions for impairment of £442,000 (2020: £196,000).

15 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	2,694	4,363
Provision for impairment of trade receivables	(38)	(38)
Net trade receivables	2,656	4,325
Amounts owed by Group undertakings	1,590	4,617
Prepayments and accrued income	563	667
Other receivables	-	28
	4,809	9,637

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Trade and other receivables (continued)

Analysis of Current and Non-current Trade and other receivables

Included within Trade and other receivables above, were the following amounts due within and over one year;

	2021 £ 000	2020 £ 000
Current Assets	4,809	5,028
Non-current Assets	-	4,609
	4,809	9,637

Amounts owed by Group undertakings were receivable balances with fellow subsidiary undertakings of the Brush Group of companies, which were on standard terms: unsecured, interest bearing only where part of a credit facility and payable as per the terms of the agreements and therefore not on demand.

The Company applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. As the Company's historical credit loss experience does not show significantly different loss patterns for distinct customer segments, the provision is based on the total receivables balance. The provision as at 31 December 2021 and as at 31 December 2020 was as determined below;

As at 31 December 2021	Not past due £000	<30 days £000	31-60 £000	61-90 £000	91-120 £000	TOTAL
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	4	9	13	0	12	38

As at 31 December 2020	Not past due £000	<30 days £000	31-60 £000	61-90 £000	91-120 £000	TOTAL
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	15	7	2	2	-	26

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Trade and other payables - amounts falling due within one year

	2021 £ 000	2020 £ 000
Trade payables	2,860	3,091
Accruals and deferred income	420	741
Amounts owed to Group undertakings	1,374	1,423
Social security and other taxes	834	2,060
Payments on account	593	1,990
Other payables	-	12
	6,081	9,317

Amounts owed by Group undertakings were payable balances with fellow subsidiary undertakings of the Brush Group of companies, which were on standard terms: unsecured, interest bearing only where part of a credit facility and payable as per the terms of the agreements and therefore not on demand.

Analysis of Current and Non-current Trade and other payables

Included within Trade and other payables above, were the following amounts due within and over one year;

	2021 £ 000	2020 £ 000
Current liabilities	6,081	9,317
Non-current liabilities	-	-
	6,081	9,317

17 Lease and Other Liabilities

	2021 £ 000	2020 £ 000
Lease and Other Liabilities		
Bank overdrafts	-	60
Leases liabilities	5,481	6,304
	5,481	6,364

The bank overdrafts were unsecured, interest bearing and payable on demand. Lease liabilities are analysed further in Note 24.

Analysis of Current and Non-current Lease and Other Liabilities

Included within Lease and Other Liabilities above, were the following amounts due within and over one year;

	2021 £ 000	2020 £ 000
Current liabilities	558	748
Non-current liabilities	4,923	5,616
	5,481	6,364

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Provisions

	Warranties £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	449	95	544
Additional provisions charged	129	663	792
Provisions released	(9)	(103)	(112)
Provisions utilised	(86)	(1)	(87)
At 31 December 2021	483	654	1,137

The Warranty provision includes both a general and specific provision. Other provisions relate to obligations in relation to Building dilapidations. All the provisions have been aged based on the expected date of settlement.

The provision for product warranties relates to expected warranty claims on products sold.

Other provisions are primarily the addition of a £600,000 dilapidation provision in the year for the new building lease in Loughborough, which is not expected to be utilised until 2029 or beyond.

Included within Provisions above, were the following amounts due within and over one year;

	2021 £ 000	2020 £ 000
Current liabilities	216	169
Non-current liabilities	921	375
	1,137	544

19 Deferred tax

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

	Assets £ 000	Liabilities £ 000	Net £ 000
2021			
Accelerated tax depreciation	(101)	-	(101)
Other temporary differences	116	-	116
	15	-	15
2020			
Accelerated tax depreciation	-	(135)	(135)
Other temporary differences	-	129	129
	-	(6)	(6)

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****19 Deferred tax (continued)**

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
At 1 January 2020	(192)	78	(114)
Recognised in income	57	65	122
Recognised in equity	-	(14)	(14)
At 31 December 2020	(135)	129	(6)
	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
At 1 January 2021	(135)	129	(6)
Recognised in income	34	(13)	21
Recognised in equity	-	-	-
At 31 December 2021	(101)	116	15

20 Pension scheme**Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £238,000 (2020: £188,000).

Contributions totalling £31,000(2020: £-) were payable to the scheme at the end of the year and were included in creditors.

21 Share capital**Authorised, issued and fully paid shares**

	2021		2020	
	Number	£ 000	Number	£ 000
Ordinary shares of £0.25 each	100	-	100	-

The Company has one class of Ordinary share which carry no right to fixed income.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22 Reserves

The changes to each component of equity resulting from items of Other Comprehensive Income for the current year were as follows:

	Cash flow hedge reserve £ 000	Total £ 000
Gain on cash flow hedges	-	-

The changes to each component of equity resulting from items of Other Comprehensive Income for the prior year were as follows:

	Cash flow hedge reserve £ 000	Total £ 000
Gain on cash flow hedges	66	66

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the Income Statement only when the hedged transaction impacts the Income Statement or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Retained earnings reserve

The retained earnings reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

23 Dividends

Dividends paid

Amounts recognised as distributions to equity holders:

	2021 £ 000	2020 £ 000
Dividends paid	-	7,700

Dividend paid per share totalled £ Nil to 31 December 2021 (2020 : £77,000 per share).

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2021****24 Lease arrangements**

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
As at 31 December 2021			
Within one year	607	(49)	558
One year to five years	2657	(134)	2523
Over five years	2442	(42)	2400
	5706	(225)	5481
	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
As at 31 December 2020			
Within one year	744	(56)	688
One year to five years	2,748	(158)	2,590
Over five years	3,093	(67)	3,026
	6,585	(281)	6,304

All leases were on a fixed term repayment basis. The present value of future finance lease payments are analysed as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Current liabilities	558	688
Non-current liabilities	4,923	5,616
	5,481	6,304

Future finance charges are expected to be £225,000 (2020: £281,000).

25 Exceptional Items

Included within operating loss are the following items of a significant size and nature which warrant separate disclosure in the financial statements in order to fully understand the underlying performance of the Company.

	31 December 2021 £ 000	31 December 2020 £ 000
Restructuring / reorganisation costs	(152)	-
	(152)	-

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

26 Contingent liabilities

As part of the Brush Group's banking facilities, the Company entered into a multilateral cross-guarantee with certain Group undertakings in respect of Group borrowings.

27. Controlling party

The Company's immediate parent company is Brush Electrical Machines Ltd, a company incorporated in England & Wales.

The parent of the smallest and largest group in which these financial statements are consolidated is Brush Holdco 1 Limited, incorporated in England & Wales.

Copies of the Group financial statements of Brush Holdco 1 Limited are available electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

On the 18th of June 2021, Brush Electrical Machines Ltd was acquired by One Equity Partners. From this date, the ultimate parent and controlling party was Brush Jersey HoldCo II Limited, a Company incorporated in Jersey.

28. Events after the reporting date

On the 7th October 2022, Brush Transformers Limited was sold to Brush Jersey HoldCo V Limited, a subsidiary of Brush Group Ltd. From this date, the ultimate parent and controlling party was Brush Jersey HoldCo IV Limited, a Company incorporated in Jersey.