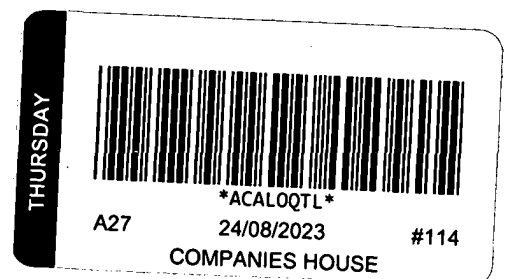


Registration number: 00589650

Brush Transformers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Brush Transformers Limited

Company Information

Directors

C B Lordereau

N R L Pitrat

B P T Hewitson

C D Abbott (resigned 02 March 2023)

S Woodmass (appointed 05 April 2023)

Company secretary

B P T Hewitson

Registered office

Nottingham Road

Loughborough

Leicestershire

LE11 1EX

United Kingdom

Auditor

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

United Kingdom

Brush Transformers Limited**Contents**

	Page
Company Information	2
Strategic Report for the Year Ended 31 December 2022	4
Directors' Report for the Year Ended 31 December 2022	6
Directors' Responsibilities Statement.....	8
Independent Auditor's report to the Members of Brush Transformers Limited	9
Income Statement for the Year Ended 31 December 2022	13
Statement of Comprehensive Income for the Year Ended 31 December 2022.....	14
Statement of Financial Position as at 31 December 2022	15
Cash Flow Statement for the Year Ended 31 December 2022	16
Statement of Changes in Equity for the Year Ended 31 December 2022	17
Notes to the Financial Statements for the Year Ended 31 December 2022	18

Brush Transformers Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

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

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.

Turnover for the year ended 31 December 2022 was £26.262m (2021: £27.875m). The operating loss for the year ended 31 December 2022 was £1.029m (2021: profit of £1.565m). The retained loss for the year ended 31 December 2022 was (£0.954m) (2021: profit of £1.485m).

During the year, the Company faced disruption to the global supply chain as a result of the war in Ukraine and the lasting effects of the COVID-19 pandemic, this has however been carefully monitored and managed by the Directors and key members of the management team. Order intake for 2023 has however remained strong which gives cause for optimism and the Directors are confident that the medium to long-term trading prospects of the Company are good.

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

Key Performance Indicator	2022 £000	2021 £000
Revenue	26,262	27,875
Operating (loss)/Profit	(1,029)	1,565

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.

Brush Transformers Limited**Strategic Report for the Year Ended 31 December 2022****Financial risk management - continued****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 where deemed necessary.

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.

Going concern

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 4 August 2023 and signed on its behalf by:

Stephanie Woodmass

.....
S Woodmass

Director

Brush Transformers Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022. 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:

C B Lordereau
N R L Pitrat
B P T Hewitson
C D Abbott (resigned 02 March 2023)
S Woodmass (appointed 05 April 2023)

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2022 (2021: £nil).

The Directors paid a dividend in the year of £nil (2021: £Nil).

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 £158,000 during the year (year ended 31 December 2021: £133,000).

Brush Transformers Limited**Directors' Report for the Year Ended 31 December 2022****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 4 August 2023 and signed on its behalf by:

Stephanie Woodmass

.....
S Woodmass

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 UK-adopted international accounting standard. 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-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brush Transformers Limited**Independent Auditor's report to the Members of Brush Transformers Limited****Opinion**

We have audited the financial statements of Brush Transformers Limited (the 'Company') for the year ended 31 December 2022, 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 UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards ; 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 the economic downturn and the war in Ukraine, 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 to the Members of Brush Transformers Limited
(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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matter 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 to the Members of Brush Transformers Limited (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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (UK-adopted international accounting standards 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 to the Members of Brush Transformers Limited
(continued)****Auditor's responsibilities for the audit of the financial statements (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

4 August 2023

Brush Transformers Limited**Income Statement for the Year Ended 31 December 2022**

	Note	2022 £ 000	2021 £ 000
Turnover	4	26,262	27,875
Cost of sales		(24,156)	(23,551)
Gross profit		2,106	4,324
Distribution costs		(1,737)	(1,368)
Administrative expenses		(1,571)	(1,610)
Other operating income	7	478	371
Other operating expense		(58)	-
Exceptional costs	10	(247)	(152)
Operating (loss)/profit	5	(1,029)	1,565
Finance income	8	86	-
Finance costs	9	(143)	(101)
(Loss)/Profit before tax		(1,086)	1,464
Tax credit	13	132	21
(Loss)/Profit for the year attributable to owners of the Company		(954)	1,485

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

Brush Transformers Limited**Statement of Comprehensive Income for the Year Ended 31 December 2022**

	2022 £ 000	2021 £ 000
(Loss)/Profit for the year	(954)	1,485
Items that may be reclassified subsequently to profit or loss		
Gain on cash flow hedges (net)	-	5
Income tax relating to items that may be reclassified subsequently to the Income Statement	-	-
	-	-
Total Comprehensive (Expense)/Income for the year	(954)	1,490

Brush Transformers Limited
(Registration number: 00589650)

Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Intangible assets	14	3,223	34
Property, plant and equipment	15	7,283	8,298
Deferred tax asset	22	147	15
Trade and other receivables	17	5,167	-
		15,820	8,347
Current assets			
Inventories	16	7,901	4,298
Trade and other receivables	17	3,405	4,809
Derivative financial instruments		-	4
Cash at bank and in hand	18	2,166	2,077
		13,472	11,188
Current liabilities			
Trade and other payables	19	(9,497)	(6,081)
Lease and Other Liabilities	20	(585)	(558)
Derivative financial instruments		-	(49)
Provisions	21	(659)	(216)
		(10,741)	(6,904)
Net Current assets			
		2,731	4,284
Non-current liabilities			
Trade and other payables	19	(2,101)	-
Lease and Other Liabilities	20	(4,283)	(4,923)
Provisions	21	(956)	(921)
		(7,340)	(5,844)
Net Assets			
		11,211	6,787
Equity			
Share capital	24	3	-
Share Premium	24	3,197	-
Capital Contribution Reserve	29	2,178	-
Retained earnings	25	5,833	6,787
Equity attributable to owners of the Company		11,211	6,787

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 4 August 2023 and signed on its behalf by

Stephanie Woodmass^S Woodmass Director

Brush Transformers Limited**Cash Flow Statement for the Year Ended 31 December 2022**

	Note	2022 £ 000	2021 £ 000
Net cash flow from operating activities			
Profit before Taxation		(1,086)	1,464
<i>Adjustments for:</i>			
Depreciation and amortisation	5	1,234	1,193
Finance Income	8	(86)	-
Finance Expenses	9	143	101
Cash flow hedge movement	25	-	5
Increase in net inventories	16	(3,603)	(1,414)
Decrease in trade and other receivables including Derivatives	17	65	1,805
Decrease in trade inter-company receivable	17	34	(273)
Increase / (decrease) in trade and other creditors including Derivatives	19	3,366	(3,205)
Movement in provisions	21	478	593
Tax paid		-	-
Net Cash generated from operating activities		<u>545</u>	<u>269</u>
Returns on Investment & servicing of finance			
Interest paid	9	(143)	(101)
Interest received	8	86	-
		<u>(57)</u>	<u>(101)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	<u>(184)</u>	<u>(990)</u>
Net cash used in investing activities		<u>(184)</u>	<u>(990)</u>
Cash flows from financing activities			
(Increase)/ Decrease in amounts owed by Group Companies	30	(3,858)	3,300
Increase in amounts owed to Group Companies	30	2,101	-
New loan converted to a Capital Contribution (See Note 29)	30	2,178	-
Payment of lease liabilities	30	<u>(636)</u>	<u>(823)</u>
Net cash from financing activities		<u>(215)</u>	<u>2,477</u>
Net increase in cash and cash equivalents		<u>89</u>	<u>1,655</u>
Cash and cash equivalents at beginning of period		<u>2,077</u>	<u>422</u>
Cash and cash equivalents at end of period		<u>2,166</u>	<u>2,077</u>

Brush Transformers Limited**Statement of Changes in Equity for the Year Ended 31 December 2022**

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

	Share capital £ 000	Share Premium £ 000	Cash flow hedge reserve £ 000	Capital Contribution Reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	-	-	-	-	6,787	6,787
Profit for the year	-	-	-	-	(954)	(954)
Total Comprehensive Income	-	-	-	-	(954)	(954)
Transactions with Shareholders						
New Shares issued in the year	3	3,197	-	-	-	3,200
Capital Contribution (See Note 29)	-	-	-	2,178	-	2,178
At 31 December 2022	3	3,197	-	2,178	5,833	11,211

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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:

Nottingham Road
Loughborough
Leicestershire
United Kingdom

These financial statements were authorised for issue by the Board on 4 August 2023.

2 Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IAS) and those parts of Companies Act 2006 that are applicable.

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 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.

Going concern

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.

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****2 Accounting policies (continued)****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.

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.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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.

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

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****2 Accounting policies (continued)****Property, plant and equipment (continued)***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

Intangible assets are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The BRUSH Trading name (known as the Brand) is carried at valuation less accumulated impairment losses, if any and is not amortised. At each reporting date, the Company reviews the Brand's carrying value to determine whether there is any indication that it is impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any and where it is not possible to estimate the recoverable amount of the assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. Any impairment loss is recognised as an expense within the Income Statement immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognised for that asset. A reversal of an impairment loss is recognised as a gain within the Income Statement immediately.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – Research and development costs

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

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Intangible assets (continued)

Amortisation

Amortisation is recognised on all intangible assets, other than goodwill, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset 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 amortisation method are reviewed on a regular basis and the rates are outlined below;

Asset class	Amortisation
Computer software	5 years or less
Brand	Indefinite useful life

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

Lease liabilities are recognised on the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term, 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.
- any anticipated termination penalties if the lease term reflects the exercise of an option to terminate the lease.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Leases (continued)

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 the Income Statement 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 this obligation and a reliable estimate can be made of the amount. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the Statement of Financial Position 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.

Restructuring

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring exercise and has raised a valid expectation in those affected that it will carry this out by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the exercise and not costs associated with the ongoing activities of the entity.

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, at the Directors' best estimate of the expenditure required to settle the obligations.

Contract Loss

Provision for an expected loss on a contract is recognised at the point that the project is identified as loss making and is based on the Directors' best estimate of the expected overall loss.

Other

Liabilities associated with the dilapidation of the leased building are recognised when the expenditure is probable, due to contractual terms, and the costs can be reliably estimated.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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.

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 in the period that 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 are 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 move to that entity.

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****2 Accounting policies (continued)***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.

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 are 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 2022

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 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. The significant judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below;

Significant Judgement

Capital Contribution

As part of the sale of Brush Transformers Limited to BRUSH Jersey HoldCo V Limited, a loan totalling £2,178,000, that was granted in the year and repayable to Brush Electrical Machines Limited, was novated. The Directors have considered the substance of this transaction and have deemed this to be part of the overall group reconstruction due to the sale and so this has been treated as a capital contribution to the Company's retained reserves.

Sources of Significant Estimation Uncertainty

Provisions

The Company has recognised a number of provisions based on the Directors' assessment of present obligations; a warranty provision of £475,000, a Dilapidations Provision of £600,000, a provision recognising the loss on a contract of £411,000, a re-structuring provision of £75,000 and a provision for foreign VAT of £54,000. The Directors have used both their judgement and historical experience in estimating the value and the timing of the cashflows required to settle these obligations. Further details are shown in Note 21.

Brand carrying value

The Company has acquired the BRUSH Trading name within the year (the 'Brand') for £3,200,000 which has not been amortised. The Directors have therefore undertaken an impairment review of the intangible asset at the end of the year. The Directors have concluded that as the Brand was only sold to the Company for £3,200,000 on the 7th of October 2022 and there has been no evidence of any impairment in the remaining months to the end of the year, no impairment should be recognised. Further information is included in Note 14.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

4 Revenue

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

	2022 £ 000	2021 £ 000
Sale of goods	20,344	21,899
Rendering of services	5,918	5,976
	<u>26,262</u>	<u>27,875</u>

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

	2022 £ 000	2021 £ 000
United Kingdom	25,634	25,872
Europe	32	105
North America	9	11
Asia	287	770
Rest of the world	300	1,117
	<u>26,262</u>	<u>27,875</u>

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

	2022 £ 000	2021 £ 000
Utilities	14,579	15,498
Oil & Gas	7	522
Industrials	1,515	2,767
Parts and Services	10,161	9,088
	<u>26,262</u>	<u>27,875</u>

5 Operating profit

Arrived at after charging

	2022 £ 000	2021 £ 000
Depreciation expense: Owned	454	367
Depreciation expense: Leased	769	816
Amortisation expense	11	11
Research spend	158	133
Foreign exchange losses	94	63
Staff costs	5,656	4,820
Cost of inventories recognised as expense	19,952	19,157
Write-downs of inventory	236	465

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

6 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>43</u>	<u>57</u>

7 Other Operating Income

	2022 £ 000	2021 £ 000
Storage Income	<u>478</u>	<u>371</u>

8 Finance income

	2022 £ 000	2021 £ 000
Interest due from loans to Group undertakings	<u>86</u>	<u>-</u>
	<u>86</u>	<u>-</u>

9 Finance costs

	2022 £ 000	2021 £ 000
Interest on bank overdrafts and borrowings	-	4
Interest on obligations under leases	100	97
Interest payable on loans from Group undertakings	<u>43</u>	<u>-</u>
	<u>143</u>	<u>101</u>

10 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.

	2022 £ 000	2021 £ 000
Restructuring / reorganisation costs	<u>247</u>	<u>152</u>
	<u>247</u>	<u>152</u>

The 2022 exceptional items relate to costs that arose from the Group re-organisation as part of the sale of the Company to BRUSH Group on the 7th of October 2022.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	4,835	4,101
Social security costs	560	481
Pension costs, defined contribution scheme	261	238
	<u>5,656</u>	<u>4,820</u>

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

	2022 No.	2021 No.
Production	83	73
Sales, marketing and distribution	11	9
Administration and support	6	5
	<u>100</u>	<u>87</u>

12 Directors' remuneration

The Directors' remuneration for the period was as follows:

	2022 £ 000	2021 £ 000
Directors' and key management emoluments including benefits in kind	-	50
Pension contributions to defined contribution schemes	-	3
	<u>-</u>	<u>53</u>

The Directors' remuneration was nil within the year (2021: £50,000) as all the Directors were also Directors of a number of companies within the Brush Group and as such their remuneration was borne by a fellow company. In 2021, Directors' remuneration totalled £50,000 for Directors directly employed by the Company.

The highest paid Director received remuneration of £Nil in the year (2021 : £50,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director in the year amounted to £nil (2021 : £3,000).

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Income tax

Tax credited in the Income Statement:

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	-
Total current income tax		
Deferred taxation		
Arising from origination and reversal of temporary differences	(132)	(21)
Tax credit in the Income Statement	(132)	(21)

The tax on profit before tax for the year was different to the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/Profit before tax	(1,086)	1,464
Corporation tax at standard rate	(206)	278
Adjustment for prior periods	82	32
Non Qualifying depreciation	-	10
Expenses not deductible in determining taxable profit	44	7
Group relief at nil consideration	-	(344)
Effect of rate differences on deferred tax recognition	(52)	(4)
Total tax credit	(132)	(21)

The enacted rate of UK corporation tax for the year ended 31 December 2022 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 2022 have been recognised at an effective rate of 25% reflecting when the deferred tax asset or liability is expected to be realised.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Intangible assets

	Computer software £ 000	Brand £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	613	-	613
Additions	-	3,200	3,200
At 31 December 2022	613	3,200	3,813
Amortisation charge			
At 1 January 2022	579	-	579
Charge for the year	11	-	11
At 31 December 2022	590	-	590
Carrying amount			
At 31 December 2022	23	3,200	3,223
At 31 December 2021	34	-	34

The Company has acquired the BRUSH Trading name within the year (the 'Brand') for £3,200,000 which has not been amortised. The Directors have undertaken an impairment review of the asset at the end of the year and as the Brand was only sold to the Company for £3,200,000 on the 7th of October 2022 and there has been no evidence of any impairment, the carrying value was deemed appropriate.

15 Property, plant and equipment

	Buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	6,824	4,298	11,122
Additions	-	208	208
Disposals	-	(93)	(93)
At 31 December 2022	6,824	4,413	11,237
Accumulated depreciation			
At 1 January 2022	853	1,971	2,824
Charge for the year	682	541	1,223
Eliminated on disposals	-	(93)	(93)
At 31 December 2022	1,535	2,419	3,954
Carrying amount			
At 31 December 2022	5,289	1,994	7,283
At 31 December 2021	5,971	2,327	8,298

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Property, plant and equipment (continued)

Right-of-use asset	Buildings £000	Plant and equipment £000	Total £000
At 1 January 2022	5,971	107	6,078
Additions	-	23	23
Depreciation	(682)	(87)	(769)
Net book value at 31 December 2022	5,289	43	5,332

The Company leases several assets including buildings and plant as disclosed above and further information on lease liabilities is included in Note 27. 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.

16 Inventories

	2022 £ 000	2021 £ 000
Raw materials and consumables	2,294	946
Work in progress	5,607	3,352
	7,901	4,298

Inventories are stated after provisions for impairment of £236,000 (2021: £442,000).

17 Trade and other receivables

	2022 £ 000	2021 £ 000
Trade receivables	2,224	2,694
Provision for impairment of trade receivables	(25)	(38)
Net trade receivables	2,199	2,656
Amounts owed by Group undertakings	5,414	1,590
Prepayments and accrued income	959	563
	8,572	4,809

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 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;

	2022 £ 000	2021 £ 000
Current Assets	3,405	4,809
Non-current Assets	5,167	-
	8,572	4,809

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. Included within the non-current assets were amounts owed by Group Undertakings totalling £5,167,000 (2021: £Nil).

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 2022 and as at 31 December 2021 was as determined below;

As at 31 December 2022	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	3	12	3	7	-	25

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	12	-	38

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

18 Cash & cash equivalents

	2022	2021
	£ 000	£ 000
Cash at bank and in hand	2,166	2,077
	<u>2,166</u>	<u>2,077</u>

19 Trade and other payables – amounts falling due within one year

	2022	2021
	£ 000	£ 000
Trade payables	2,614	2,860
Accruals and deferred income	1,110	420
Amounts owed to Group undertakings	2,101	1,374
Social security and other taxes	801	834
Payments on account	4,972	593
	<u>11,598</u>	<u>6,081</u>

Amounts owed to 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. Included within the non-current assets were amounts owed to Group Undertakings totalling £2,101,000 (2021: £Nil).

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;

	2022	2021
	£ 000	£ 000
Current liabilities	9,497	6,081
Non-current liabilities	2,101	-
	<u>11,598</u>	<u>6,081</u>

20 Lease and Other Liabilities

	2022	2021
	£ 000	£ 000
Lease and Other Liabilities		
Leases liabilities	4,868	5,481
	<u>4,868</u>	<u>5,481</u>

Lease liabilities are analysed further in Note 27.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

20 Lease and Other Liabilities (continued)

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;

	2022 £ 000	2021 £ 000
Current liabilities	585	558
Non-current liabilities	4,283	4,923
	4,868	5,481

21 Provisions

	Warranties £ 000	Restructuring £ 000	Contract Loss £ 000	Other £ 000	Total £ 000
At 1 January 2022	483	-	-	654	1,137
Additional provisions charged	91	75	564	-	730
Provisions released	(9)	-	(153)	-	(162)
Provisions utilised	(90)	-	-	-	(90)
At 31 December 2022	475	75	411	654	1,615

The Warranty provision includes both general and specific provisions and relates to the expected warranty claims on products sold. The re-structuring provision relates to costs arising from the sale of the Company to BRUSH Group on the 7th of October 2022 and the Contract loss provision is to recognise the anticipated loss on a small number of onerous contracts. Other provisions included obligations in relation to Building dilapidations and foreign VAT. All the provisions have been aged based on the expected date of settlement and the split between current and non-current liabilities is outlined below;

	2022 £ 000	2021 £ 000
Current liabilities	659	216
Non-current liabilities	956	921
	1,615	1,137

22 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
2022			
Accelerated tax depreciation	(143)	-	(143)
Other temporary differences	290	-	290
	147	-	147

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Deferred tax (continued)

	Assets £ 000	Liabilities £ 000	Net £ 000
2021			
Accelerated tax depreciation	(101)	-	(101)
Other temporary differences	116	-	116
	<u>15</u>	<u>-</u>	<u>15</u>

	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	<u>(101)</u>	<u>116</u>	<u>15</u>

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
At 1 January 2022	(101)	116	15
Recognised in income	(42)	174	132
Recognised in equity	-	-	-
At 31 December 2022	<u>(143)</u>	<u>290</u>	<u>147</u>

23 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 £261,000 (2021: £238,000).

Contributions totalling £44,000 (2021: £31,000) were payable to the scheme at the end of the year and were included in creditors.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

24 Share capital

Authorised, issued and fully paid shares

	2022		2021	
	Number	£ 000	Number	£ 000
Ordinary shares of £1.00 each	3,300	3	100	-

On the 7th of October 2022, the Company issued 3,200 Ordinary £1 shares financed by a Capital Contribution (see Note 29). The issued Share Capital of the Company is comprised of Ordinary Shares which carry equal voting rights.

25 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	5	5

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.

Capital Contribution reserve

The Capital Contribution reserve represents capital contributions made to the Company.

Retained earnings reserve

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

26 Dividends

Dividends paid

Amounts recognised as distributions to equity holders:

	2022 £ 000	2021 £ 000
Dividends paid	-	-

Dividend paid per share totalled £ Nil for the year ending 31 December 2022 (2021 : Nil)

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

27 Lease arrangements

	Minimum lease payments	Interest	Present value
	£ 000	£ 000	£ 000
As at 31 December 2022			
Within one year	627	(42)	585
One year to five years	2,626	(111)	2,515
Over five years	1,791	(23)	1,768
	5,044	(176)	4,868
	Minimum lease payments	Interest	Present value
	£ 000	£ 000	£ 000
As at 31 December 2021			
Within one year	607	(49)	558
One year to five years	2,657	(134)	2,523
Over five years	2,442	(42)	2,400
	5,706	(225)	5,481

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

	31 December 2022	31 December 2021
	£ 000	£ 000
Current liabilities	585	558
Non-current liabilities	4,283	4,923
	4,868	5,481

Future finance charges are expected to be £176,000 (2021: £225,000)

28 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.

29 Capital Contribution

As part of the sale of Brush Transformers Limited to BRUSH Jersey HoldCo V Limited, a loan totalling £2,178,000, that was granted in the year and repayable to Brush Electrical Machines, was novated. As this transaction was deemed to be part of the overall group reconstruction due to the sale, this has been treated as a capital contribution within the Company's reserves.

Brush Transformers Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

30 Notes to the Cashflow

Changes in liabilities arising from financing activities

	At 1 January 2022 £ 000	Cash Transactions Capital Repayments £ 000	Capital advanced £ 000	Non-cash transactions Capital Contribution (See Note 29) £ 000	New leases £ 000	At 31 December 2022 £ 000
Amounts owed by Group Companies (See Note 17)	1,309		3,858			5,167
Amounts owed to Group Companies (See Note 19)	-	-	(2,101)	-	-	(2,101)
Loans (See Note 20)	-	-	(2,178)	2,178	-	-
Lease liabilities (See Note 27)	(5,481)	636	-	-	(23)	(4,868)
Total liabilities from financing activities	(4,172)	636	(421)	2,178	(23)	(1,802)

	At 1 January 2021 £ 000	Cash Transactions Capital Repayments £ 000	Capital advanced £ 000	Non-cash transactions Capital Contribution £ 000	New leases £ 000	At 31 December 2021 £ 000
Amounts owed by Group Companies	4,609	(3,300)	-	-	-	1,309
Lease liabilities (See Note 27)	(6,304)	823	-	-	-	(5,481)
Total liabilities from financing activities	(1,695)	(2,477)	-	-	-	(4,172)

Balances with other Group Companies which are non-trading are deemed financing and as such these movements have been classified as cashflows arising from financing;

Brush Transformers Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****31 Controlling party**

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