

Registration number: 00589650

**Brush Transformers Limited**  
**Annual Report and Financial Statements**  
**for the Year Ended 31 December 2020**



# **Brush Transformers Limited**

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# **Brush Transformers Limited**

## **Company Information**

### **Directors**

G E Barnes

C D Abbott

G D Morgan

M J Richards

B P T Hewitson

D P Crossland

C B Lordereau

N R L Pitrat

### **Company secretary**

B P T Hewitson

J C F Crawford

### **Registered office**

Power House

Excelsior Road

Ashby-de-la-Zouch

England

LE65 1BU

### **Auditor**

Deloitte LLP

Statutory Auditor

London

United Kingdom

# **Brush Transformers Limited**

## **Strategic Report for the Year Ended 31 December 2020**

The Directors present their Strategic Report for the year ended 31 December 2020.

### **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 for the foreseeable future.

### **Fair review of the business**

Revenue for the year ended 31 December 2020 was £29,688,000 (year ended 31 December 2019: £16,001,000). The operating profit for the year ended 31 December 2020 was £2,129,000 (year ended 31 December 2019: loss of £910,000). The profit for the year ended 31 December 2020 was £2,273,000 (year ended 31 December 2019: loss of £812,000).

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

Revenue increased by an impressive 86% during the year due to increased activity within all the Company's revenue streams both with the existing UK customer base but also reaping the benefits of export sales, specifically within the Middle East market. This on-going diversification of the business will allow the business to continue grow and exploit further export opportunities when these arise.

The increased Revenue and associated activity has in part driven the huge improvement in Operating profit (an increase of 334%) in the year but the strong performance was also underpinned by the success of the process efficiency initiatives implemented in 2019.

Since the year end, whilst the Coronavirus (Covid 19) pandemic has continued, the Company has continued to operate and service its customer base. The order intake in the year and post year-end has given the business a strong order book for the year ahead, and as lockdown measures continue to ease, the Directors are confident that the medium to long term trading prospects of the Company are good.

### **Principal risks and uncertainties**

The Company considers its principal risks and uncertainties to be Economic and Political; Loss of Key Management; Legal, Regulatory and Environmental; Information Security and Cyber Threat.

# **Brush Transformers Limited**

## **Strategic Report for the Year Ended 31 December 2020**

### **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 provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

### **Principal risks**

#### **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 Company seeks advance payments where possible, performs credit checks and reviews previous history with customers to ensure credit risk is reduced.

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.

### **Going concern**

The Company, whilst being impacted by the on-going global implications from the Covid-19 pandemic, does not expect its forecast results to be significantly affected. 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 and 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 26 July 2021 and signed on its behalf by:



N R L Pitrat  
Director

# **Brush Transformers Limited**

## **Directors' Report for the Year Ended 31 December 2020**

The Directors present their report and the audited financial statements for the year ended 31 December 2020. 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 the 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)  
D P Crossland (appointed 18 June 2021)  
B P Hewitson (appointed 18 June 2021)  
C B Lordereau (appointed 18 June 2021)  
N R L Pitrat (appointed 18 June 2021)

No Director had a beneficial interest in the share capital of the Company or any of its subsidiaries, except for the fact that some of the Directors, held shares and/or options over shares in Melrose Industries PLC, the ultimate parent company and controlling party, and therefore had an indirect beneficial interest in the Company.

### **Dividends**

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2020 (year ended 31 December 2019: £nil). The Directors paid an interim dividend in the year totalling £7,700,000 (year ended 31 December 2019: £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 commit resources to the development of new products to enhance the organic growth of the business. The Company incurred research and development costs of £116,000 during the year (year ended 31 December 2019: £125,000).

### **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.

## **Brush Transformers Limited**

### **Directors' Report for the Year Ended 31 December 2020**

#### **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.

Approved by the Board on 26 July 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'N R L Pitrat', written over a horizontal line.

N R L Pitrat  
Director

# **Brush Transformers Limited**

## **Directors' Responsibilities Statement**

### **Directors' Responsibilities Statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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



# **Brush Transformers Limited**

## **Independent Auditor's Report to the members of Brush Transformers Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Brush Transformers Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

# **Brush Transformers Limited**

## **Independent Auditor's Report to the members of Brush Transformers Limited**

### **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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **Brush Transformers Limited**

## **Independent Auditor's Report to the members of Brush Transformers Limited**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's environmental regulations in the jurisdictions the Company operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Revenue Recognition in respect of cut off:
  - obtained an understanding of the relevant controls over the cut off of revenue;
  - vouched a sample of items of revenue recorded either side of year-end to supporting documentation; and
  - assessed the timing of transfer of control and hence the appropriateness of revenue recognised by identifying the performance obligations from contracts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

# **Brush Transformers Limited**

## **Independent Auditor's Report to the members of Brush Transformers Limited**

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

#### **Matters on which we are required to report by exception**

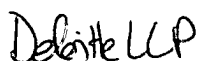
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **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.



Lucy Openshaw (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

26 July 2021

## Brush Transformers Limited

### Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	29,688	16,001
Cost of sales		<u>(24,664)</u>	<u>(14,711)</u>
<b>Gross profit</b>		<b><u>5,024</u></b>	<b><u>1,290</u></b>
Distribution costs		(863)	(978)
Administrative expenses		(2,088)	(1,313)
Other operating income	5	<u>56</u>	<u>91</u>
<b>Operating profit/(loss)</b>	6	<b><u>2,129</u></b>	<b><u>(910)</u></b>
Finance income	8	40	48
Finance costs	9	<u>(18)</u>	<u>(1)</u>
<b>Profit/(loss) before tax</b>		<b><u>2,151</u></b>	<b><u>(863)</u></b>
Tax on profit/(loss)	12	<u>122</u>	<u>51</u>
<b>Profit/(loss) for the year attributable to owners of the Company</b>		<b><u>2,273</u></b>	<b><u>(812)</u></b>

The above results were derived from continuing operations.

# Brush Transformers Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
<b>Profit/(loss) for the year</b>	<b>2,273</b>	<b>(812)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Gain/(loss) on cash flow hedges (net)	80	(124)
Income tax relating to items that may be reclassified subsequently to the Income Statement	(14)	21
	<b>66</b>	<b>(103)</b>
<b>Total Comprehensive Income/(Expense) for the year</b>	<b>2,339</b>	<b>(915)</b>

# Brush Transformers Limited

(Registration Number : 00589650)

## Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Intangible assets	13	45	56
Property, plant and equipment	14	8,490	2,760
Trade and other receivables	16	4,609	4,575
		<u>13,144</u>	<u>7,391</u>
<b>Current assets</b>			
Inventories	15	2,884	6,592
Trade and other receivables	16	5,028	4,122
Derivative financial instruments	27	8	67
Cash at bank and in hand		482	2,033
		<u>8,402</u>	<u>12,814</u>
<b>Current liabilities</b>			
Trade and other payables	17	(9,317)	(8,781)
Loans and borrowings	18	(748)	(98)
Derivative financial instruments	27	(18)	(139)
Provisions	19	(169)	(295)
		<u>(10,252)</u>	<u>(9,313)</u>
<b>Net current assets</b>		<u>(1,850)</u>	<u>3,501</u>
<b>Total assets less current liabilities</b>		<u>11,294</u>	<u>10,892</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	(6)	(114)
Loans and borrowings	18	(5,616)	-
Provisions	19	(375)	(120)
<b>Non-current liabilities</b>		<u>(5,997)</u>	<u>(234)</u>
<b>Net assets</b>		<u>5,297</u>	<u>10,658</u>
<b>Equity</b>			
Share capital	22	-	-
Cash flow hedge reserve		(5)	(71)
Retained earnings		5,302	10,729
<b>Equity attributable to owners of the Company</b>		<u>5,297</u>	<u>10,658</u>

Approved by the Board on 26 July 2021 and signed on its behalf by:



N R L Pitrat  
Director

## Brush Transformers Limited

### Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained Earnings £ 000	Total £ 000
<b>At 1 January 2019</b>	-	32	11,541	11,573
Loss for the year	-	-	(812)	(812)
Other Comprehensive Expense	-	(103)	-	(103)
<b>Total Comprehensive Expense</b>	-	(103)	(812)	(915)
Dividends paid	-	-	-	-
<b>At 31 December 2019</b>	-	(71)	10,729	10,658

	Share capital £ 000	Cash flow hedge reserve £ 000	Retained Earnings £ 000	Total £ 000
<b>At 1 January 2020</b>	-	(71)	10,729	10,658
Profit for the year	-	-	2,273	2,273
Other Comprehensive Income	-	66	-	66
<b>Total Comprehensive Income</b>	-	66	2,273	2,339
Dividends paid	-	-	(7,700)	(7,700)
<b>At 31 December 2020</b>	-	(5)	5,302	5,297



# **Brush Transformers Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **1 General information**

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

The address of its registered office is:

Power House  
Excelsior Road  
Ashby-de-la-Zouch  
England  
LE65 1BU

These financial statements were authorised for issue by the Board on 26 July 2021.

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

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 Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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 Melrose Industries PLC, which are available to the public and can be obtained from 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

#### **Going concern**

The Company, whilst being impacted by the on-going global implications from the Covid-19 pandemic, does not expect its forecast results to be significantly affected. 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 and 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 2020**

### **2 Accounting policies (Continued)**

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The nature of agreements into which the Company enters means that:

Certain of the Company's arrangements with its customers are multiple element arrangements that can include any combination of products and services such as extended warranties, installation and start up testing as deliverables. With the exception of certain extended warranty arrangements, substantially all of the deliverables within the Company's multiple-element arrangements are delivered within a one year period. Revenue for any undelivered elements are deferred until delivery occurs. The Company allocates revenue to multiple-element arrangements based on the relative fair value of each element's estimated selling price.

The service element of the contract is usually insignificant in relation to the total contract value and is often provided on a short-term or one-off basis. Where this is the case, revenue is recognised when the service is complete.

Aftermarket activities generally relate to the provision of spare parts, repairs and the rebuild of equipment. Revenue on the provision of parts is recognised in accordance with the policy on the sale of goods and revenue for repairs and rebuild is recognised upon completion of the activity.

The majority of the Company's revenue is recognised on a sale of goods basis.

The specific methods used to recognise the different forms of revenue earned by the Company are as follows:

#### **Sale of goods**

Revenue is recognised when all of the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transfers of risks and rewards vary depending on the nature of the products sold and the individual terms of the contract of sale. Sales made under internationally accepted trade terms are recognised as revenue when the Company has completed the primary duties required to transfer risks as stipulated in those terms. Sales made outside of such terms are generally recognised on delivery to the customer.

No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs or the possible return of goods.

#### **Provision of services**

As noted above, because revenue from the rendering of services is usually not significant in relation to the total contract value and is generally provided on a short-term or one-off basis, revenue is usually recognised when the service is complete.

# **Brush Transformers Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **2 Accounting policies (Continued)**

#### **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 revenue 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.

#### **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.

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 2 Accounting policies (Continued)

#### Tax - Continued

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 property, plant and equipment, other than freehold land, 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 Building	10 years
Leasehold Plant and Equipment	Depreciated over the life of the lease
Plant and equipment	3 to 15 years

#### Right-of-use-Asset

Right-of-use assets capitalised under IFRS 16 requirements are depreciated over the shorter of the estimated useful life and the lease term.

#### Intangible assets

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. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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.

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 2 Accounting policies (Continued)

#### Intangible assets - Continued

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 development of the asset and to use or sell the intangible asset; 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 reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Income Statement when the asset is derecognised.

#### 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 are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

#### Inventories

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

# **Brush Transformers Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **2 Accounting policies (Continued)**

#### **Inventories - Continued**

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.

#### **Trade payables**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **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.

#### **Warranty provision**

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 Company's obligation.

#### **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### **Leases**

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability.

Finance charges are recorded in the Income Statement within finance costs. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases with a term of twelve months or less and leases for low value are not recorded on the Balance Sheet and lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 2 Accounting policies (Continued)

#### **Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amounts of its non-financial and intangible 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. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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, 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 (known as FVTPL), or Other Comprehensive Income, and those measured at amortised cost.

##### ***Financial assets recognition and measurement***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the Income Statement.

##### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# **Brush Transformers Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **2 Accounting policies (Continued)**

#### **Financial assets and liabilities - Continued**

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### **Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Derecognition of financial assets**

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***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. For trade and other receivables 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. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents are also subject to impairment requirement.

#### **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 are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other 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 period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.



# **Brush Transformers Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020**

### **2 Accounting policies (Continued)**

#### **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 and swaps.

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 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 Company 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.

##### **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 is 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 Income Statement.

## **Brush Transformers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **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 or estimation uncertainties to disclose within the scope of paragraph 122 of IAS 1: "Presentation of financial statements"

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 4 Revenue

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

	2020 £ 000	2019 £ 000
Sale of goods	25,318	13,095
Rendering of services	4,370	2,906
	<b>29,688</b>	<b>16,001</b>

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

	2020 £ 000	2019 £ 000
United Kingdom	25,760	13,548
Europe	9	10
North America	9	9
Asia	3,349	1,821
Rest of the world	561	613
	<b>29,688</b>	<b>16,001</b>

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

	2020 £ 000	2019 £ 000
Utilities	14,709	7,749
Oil & gas	2,607	1,643
Industrials	5,001	1,469
Aftermarket	7,371	5,140
	<b>29,688</b>	<b>16,001</b>

### 5 Other operating income

The analysis of the Company's other operating income for the year was as follows:

	2020 £ 000	2019 £ 000
Other operating income	<b>56</b>	<b>91</b>

Other operating income comprises £56,000 from storage income (2019: £91,000).

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 6 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	960	493
Amortisation expense	11	1
Research and development spend	116	125
Foreign exchange (gains)/losses	(43)	101
Staff costs	4,085	3,822
Cost of inventories recognised as expense	24,664	14,711
Write-downs of inventory	174	-
Reversals of write-downs of inventory	-	(151)
Profit on disposal of property, plant and equipment	-	(14)

### 7 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	44	48

### 8 Finance income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	6	6
Interest on loans to Group undertakings	34	42
	<b>40</b>	<b>48</b>

### 9 Finance costs

	2020 £ 000	2019 £ 000
Interest on finance lease payments	17	-
Interest on bank overdrafts and borrowings	1	1
	<b>18</b>	<b>1</b>

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 10 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	3,516	3,344
Social security costs	381	317
Pension costs, defined contribution scheme	188	161
	<u>4,085</u>	<u>3,822</u>

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

	2020 No.	2019 No.
Production	71	56
Sales, marketing and distribution	8	11
Administration and support	7	3
	<u>86</u>	<u>70</u>

### 11 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2019: £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group and as such remuneration of Directors is borne by a fellow Company.

### 12 Income tax

Tax credit in the Income Statement

	2020 £ 000	2019 £ 000
Total current income tax	-	-
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(122)</u>	<u>(51)</u>
Tax credit in the Income Statement	<u>(122)</u>	<u>(51)</u>

## Brush Transformers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 12 Income tax - Continued

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 : higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
<b>Profit/(loss) before tax</b>	<b>2,151</b>	<b>(863)</b>
Corporation tax at standard rate	409	(164)
Adjustment for prior periods	(15)	1
Group relief at nil consideration	(529)	106
Effect of rate differences on deferred tax recognition	13	6
<b>Total tax credit</b>	<b>(122)</b>	<b>(51)</b>

The enacted rate of UK corporation tax for the year ended 31 December 2020 was 19% due to the reversal in the Finance Act 2020 of the previously enacted rate reduction to 17%. Therefore, a rate change effect arises in this period where deferred tax that was previously recognised at 17% is now recognised at 19%.

The Finance Act 2021, includes a further increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This further change had not been substantively enacted at the balance sheet date, so deferred tax balances as at 31 December 2020 have been recognised at the enacted rate of 19%. If the new rate of 25% had been applied to the closing balance sheet there would have been an increase in the deferred tax liability of £2,000.

#### 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:

	2020 £ 000	2019 £ 000
<b>Deferred tax</b>		
Financial instruments treated as cash flow hedges	14	(21)

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 13 Intangible assets

	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 January 2020	342	342
Reclassification (see Note 14)	271	271
<b>At 31 December 2020</b>	<b>613</b>	<b>613</b>
<b>Amortisation</b>		
At 1 January 2020	286	286
Amortisation charge	11	11
Reclassification (see Note 14)	271	271
<b>At 31 December 2020</b>	<b>568</b>	<b>568</b>
<b>Carrying amount</b>		
At 31 December 2020	45	45
At 31 December 2019	56	56

### 14 Tangible assets

	Leasehold Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2020	-	3,915	3,915
Additions	6,223	467	6,690
Disposals	-	(203)	(203)
Reclassification (see Note 13)	-	(271)	(271)
<b>At 31 December 2020</b>	<b>6,223</b>	<b>3,908</b>	<b>10,131</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	-	1,155	1,155
Charge for the year	156	804	960
Eliminated on disposal	-	(203)	(203)
Reclassification (see Note 13)	-	(271)	(271)
<b>At 31 December 2020</b>	<b>156</b>	<b>1,485</b>	<b>1,641</b>
<b>Carrying amount</b>			
At 31 December 2020	6,067	2,423	8,490
At 31 December 2019	-	2,760	2,760

## Brush Transformers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 14 Tangible assets - Continued

The reclassifications relate to movement of assets between Tangible and Intangible categories within the year.

	Land and buildings	Plant and equipment	Right-of-use asset
	£000	£ 000	£ 000
<b>Right-of-use asset</b>			
<b>At 1 January 2020</b>	-	-	-
Additions	6,223	316	6,539
Depreciation	(156)	(90)	(246)
<b>Net book value at 31 December 2020</b>	<b>6,067</b>	<b>226</b>	<b>6,293</b>

At 31 December 2020, the Company is committed to lease payments of £6,585,000 with a present value of £6,304,000 (2019 : £25,000). This is further analysed in Note 25.

#### 15 Inventories

	2020 £ 000	2019 £ 000
Raw materials and consumables	916	1,186
Work in progress	1,847	5,095
Finished goods and goods for resale	121	311
	<b>2,884</b>	<b>6,592</b>

#### 16 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	4,363	3,795
Provision for impairment	(38)	(69)
<b>Net trade receivables</b>	<b>4,325</b>	<b>3,726</b>
Amounts owed by Group undertakings	4,617	4,576
Prepayments and accrued income	667	390
Other receivables	28	5
	<b>9,637</b>	<b>8,697</b>

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



# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 16 Trade and other receivables - Continued

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 2020 and as at 31 December 2019 are as determined below;

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

As at 31 December 2019	Not past due £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	TOTAL (See below note)
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	16	10	19	19	5	69

The provision for impairment for 2020 also includes a specific debt provision totalling £12,000 (2019: £Nil).

### Analysis of Non-current Trade and other receivables

Included within the total Trade and other receivables above, are the following amounts due within and over one year:

	2020 £ 000	2019 £ 000
Non-current assets	4,609	4,575
Current assets	5,028	4,122
	<u>9,637</u>	<u>8,697</u>

## Brush Transformers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 17 Trade and other payables

	2020 £ 000	2019 £ 000
Trade payables	3,091	2,187
Accruals and deferred income	741	1,956
Amounts owed to Group undertakings	1,423	738
Social security and other taxes	2,060	439
Payments on account	1,990	3,457
Other payables	12	4
	<b>9,317</b>	<b>8,781</b>

Amounts owed to group undertakings are payable balances with fellow subsidiary undertakings of the Melrose group of companies, which are on standard terms: unsecured, interest bearing only where part of a credit facility and payable as per the terms of the agreements and so not on demand.

#### 18 Loans and borrowings

	2020 £ 000	2019 £ 000
<b>Loans and borrowings</b>		
Bank overdrafts	60	73
Leases liabilities	6,304	25
	<b>6,364</b>	<b>98</b>

The bank overdrafts are unsecured, interest bearing and payable on demand.

#### Analysis of Current and Non-current Loans and borrowings

Included within Loans and borrowings above, are the following amounts due within and over one year:

	2020 £ 000	2019 £ 000
Current liabilities	748	98
Non-current liabilities	5,616	-
	<b>6,364</b>	<b>98</b>

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 19 Provisions

	Warranty Provision £ 000	Onerous contracts £ 000	Total £ 000
At 1 January 2020	315	100	415
Additional provisions charged	310	95	405
Provisions utilised	(176)	(100)	(276)
At 31 December 2020	449	95	544

	2020 £ 000	2019 £ 000
Current liabilities	169	295
Non-current liabilities	375	120
	544	415

The Warranty provision relates to the expected costs of claims and has been split between current and non-current liabilities based on the historical average annual run-rate over the last four years.

The Onerous contract provision relates to one specific contract affected by the supply and production timing issues within the year and is expected to be utilised within one year of the balance sheet date.

### 20 Deferred tax

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

2020	Assets £ 000	Liabilities £ 000	Net £ 000
Accelerated tax depreciation	-	(135)	(135)
Other temporary differences	-	129	129
	-	(6)	(6)
2019	Assets £ 000	Liabilities £ 000	Net £ 000
Accelerated tax depreciation	-	(192)	(192)
Other temporary differences	-	78	78
	-	(114)	(114)

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 20 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 2019	(221)	35	(186)
Recognised in income	29	22	51
Recognised in equity	-	21	21
At 31 December 2019	(192)	78	(114)

### 21 Pension schemes

#### 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 £188,000 (2019: £161,000).

There were no amounts prepaid or payable to the scheme at the end of the current year or the prior year.

### 22 Share capital

#### Authorised, issued and fully paid shares

	2020		2019	
	Number	£ 000	Number	£ 000
Ordinary shares of £1 each	100	-	100	-

The Share capital of the Company is comprised of 100 £1 Ordinary shares which have been fully paid and all shares carry equal voting rights. There were no changes to Share capital during the year.

## Brush Transformers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 23 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	66	66

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
Loss on cash flow hedges	(103)	(103)

#### Cash flow hedge reserve

The cashflow 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.

#### 24 Dividends

##### Dividends paid

Amounts recognised as distributions to equity holders:

	2020 £ 000	2019 £ 000
Dividends paid	7,700	-

Dividend paid per share totalled in the year £77,000 (2019: £nil).

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 25 Lease arrangements

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>As at 31 December 2020</b>			
Within one year	744	(56)	688
One to five years	2,748	(158)	2,590
Over five years	3,093	(67)	3,026
	<b>6,585</b>	<b>(281)</b>	<b>6,304</b>
	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>Aa at 31 December 2019</b>			
Within one year	25	-	25

The present values of future finance lease payments (included in Loans and borrowings) due within and after more than one year are as follows;

	31 December 2020 £ 000	31 December 2019 £ 000
Current liabilities	688	25
Non-current liabilities	5,616	-
	<b>6,304</b>	<b>25</b>

Future finance charges are expected to be £281,000 (2019:£Nil).

### 26 Contingent liabilities

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

### 27 Financial instruments recognised at fair value in the Balance Sheet

The following table sets out the Company's derivative financial instruments that are measured at fair value:

2020	Assets £ 000	Liabilities £ 000	Net £ 000
<b>Derivative financial instruments</b>			
Foreign currency forward contracts	8	(18)	(10)

The maturity of derivative financial instruments is as follows:

2020	Assets £ 000	Liabilities £ 000	Net £ 000
<b>Derivative financial instruments</b>			
Within one year	8	(18)	(10)

# Brush Transformers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 27 Financial instruments recognised at fair value in the Balance Sheet - Continued

2019 Derivative financial instruments	Assets £ 000	Liabilities £ 000	Net £ 000
Foreign currency forward contracts	67	(139)	(72)

The maturity of derivative financial instruments is as follows:

2019 Derivative financial instruments	Assets £ 000	Liabilities £ 000	Net £ 000
Within one year	67	(139)	(72)

### Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

### Derivatives

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

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts for material contracts. The Company also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months within 60% to 80% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

### 28 Controlling party

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

The ultimate parent Company and controlling party as at 31 December 2020 was Melrose Industries PLC, a Company incorporated in England & Wales.

The parent of the smallest and largest group in which these financial statements are consolidated is Melrose Industries PLC, incorporated in England & Wales.

Copies of the Group financial statements of Melrose Industries PLC are available from its registered address: 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

## **Brush Transformers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **28 Controlling party - Continued**

On the 18th of June 2021, Brush Electrical Machines Limited 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.