


Registration number: 13413725

Brush HoldCo 1 Limited
Annual Report and Financial Statements
for the Period ended 31 December 2021

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Brush HoldCo 1 Limited

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Brush HoldCo 1 Limited

Company Information

Directors

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O J Birnboim

C D Abbott

N R L Pitrat

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Brush HoldCo 1 Limited

Strategic Report for the Period ended 31 December 2021

The Directors present the Annual Report and Financial Statements of Brush HoldCo 1 Limited ("the Company"), together with its subsidiaries ("the Group") for the Period since date of incorporation from 21st May 2021 to 31 December 2021.

Principal activity

The principal activity of the group is that of an engineering Group specifically specialising in the design, assembly, test and sale of power generation and power distribution equipment as well as associated services (including installation and commissioning, provision of spare parts, repairs and maintenance and provision of control equipment). The Group also offers a wide range of solutions to the UK power networks, including design of substations.

The principal activity of the Company is that of a holding Company.

Fair review of the business

On the 18th of June 2021, the Brush Group was acquired by One Equity Partners ("OEP") from previous owners Melrose Industries PLC and this was enacted through the purchase of Brush Electrical Machines Limited and Brush US Holdco Limited by Brush UK HoldCo Limited (a wholly owned subsidiary of Brush HoldCo 1 Limited).

Revenue for the period from the date of acquisition to 31 December 2021 was £101,267,000. The operating profit for the period ended 31 December 2021 was £6,099,000. The retained profit for the period ended 31 December 2021 was £1,488,000.

The Group and Company considers its key performance indicators to be Revenue, EBITDA and Operating Cash flow.

Key Performance Indicator	Period ended 31st December (£'000)
Revenue	£101,267
EBITDA (excluding non-recurring items)	£18,729
Cash generated from operating activities	£15,441

During the period post OEP acquisition, the Group continued to focus on its long-term strategy to offer "Innovative, integrated and sustainable engineered solutions that harness and safeguard the flow of electrical energy", making progress in a number of areas:

1. Product development, with the completion of a full containerised solution for EV charging ("Powersub") as well as the launch of Brush Power Generation's first Synchronous Condenser product
2. The creation of the Brush Power Networks division, following the acquisition of Aprenda in June 2021. Aprenda's service offerings cover a wide range:
 1. Specialist High Voltage design services: Aprenda's design team propose and develop power engineering solutions to meet any challenge.
 2. Substation construction and refurbishment: electrical substations are regularly installed and upgraded across all the voltage ranges from 415V to 132kV with each substation tailored to the requirements of the site with switchgear, transformers and protection schemes selected to provide the right engineering solution.
 3. Power transformer replacement: Aprenda have the capability to de-commission, install and interface new transformers with existing switchgear in either Primary, Grid or Generation voltage levels.
 4. Protection panel: Aprenda provide detailed general arrangement and wiring diagram drawings for protection panels, indoor/outdoor marshalling kiosks, wall boxes or relay front sheets.

Brush HoldCo 1 Limited

Strategic Report for the Period ended 31 December 2021

Fair review of the business (continued)

5. Switchgear / Plant installation & maintenance: Aprenda has the expertise to install switchgear from 415V to 132kV. Once installed each switchboard is tested and commissioned to exacting standards
6. Cable laying, jointing and terminations: Aprenda can offer a complete range of cabling solutions from control and auxiliary cables, low voltage power and high voltage power cabling.
7. Protection and Control systems maintenance: Aprenda engineers design the optimum system to interface between all the components of an individual site.
8. Testing & commissioning across all the voltage ranges from 415V to 132kV.

Section 172(1) statement

This statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which requires the Group to describe how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006 during the financial period under review.

In executing the Group's strategy, Directors must act in accordance with a set of general duties detailed in section 172 of the Companies Act 2006. These general duties include a duty to promote the success of the Group, and specifically to act in a way that the Directors consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholder and, in doing so, having regard (amongst other matters) to the duties detailed in the sub-headings below.

Having regard to the likely consequences of any decisions in the long-term

The Directors' approach to decision-making is to secure the financial stability of the business. Long-term framework agreements are entered into for the supply of new build units and for a small number of service contracts to significant customers in order to help achieve this goal, with scrutiny placed on the projected profitability of these contracts at the outset in order to ensure they are beneficial to the Group. Furthermore, the Directors have ensured that they are well placed to continue to service these customers through both sale of parts and maintenance and service of the units.

The Directors continue to promote a diverse customer portfolio within a number of sectors and locations to ensure that there is no excessive reliance on only a few key customers of specific industries.

Having regard to the interests of the Group's employees

As outlined in the Directors' Report, the Group pays particular attention to the fairness of its employment policies and the engagement of the workforce, through a number of interactions including regular union meetings. The Group is looking to continue to enhance the communication with the workforce in the coming year with plans to undertake employee satisfaction surveys.

Furthermore, the Group issued its Sustainability Policy Statement in which the Group commits to integrate environmentally sustainable, social responsibility, and effective corporate governance into all aspects of its business. A copy of this policy is available on the Group's website.

The Brush Group's businesses' are each certified to ISO9001 utilising the Plan Do Check Act approach to encourage continual improvement. All companies are certified to, or are working towards certification to ISO45001 and are successfully operating an Occupational Health and Safety Management System. The Group's manufacturing sites are certified to or are working towards certification to ISO14001 through successfully operating an Environmental Management System and the Group's Head Office is working towards ISO14001 certification. The Group is also working towards ensuring that all of its manufacturing sites become ISO50001 certified.

Brush HoldCo 1 Limited

Strategic Report for the Period ended 31 December 2021

Section 172(1) statement (continued)

Having regard to the need to foster the Group's business relationships with suppliers, customers and others

The fostering of successful business relationships is integral to the continued success of the business, and is achieved through regular meetings, which maintain an open line of communication between all parties. The Directors emphasise the need for professionalism and integrity to be demonstrated throughout all interactions with third parties as they recognise that engendering trust is vital to the value proposition being offered by the Group.

Having regard to the impact of the Group's operations on the community and environment

The Directors recognise that it is important for the long-term future of our businesses that the environment is protected and enhanced. As part of the Group's commitment to the long-term future of our environment, a Sustainability Policy Statement has been issued (available on the Group's website) in which there is a commitment to integrate environmentally sustainable, social responsibility, and effective corporate governance into all aspects of its business.

The Group is working on a number of projects designed to support its customers reaching Net Zero targets, as well as working with partners on initiatives to protect the environment.

The Group recognises the important role it plays within the Community and is looking to continue to build its relationships with local schools by running a number of Apprenticeship schemes at the different manufacturing sites which will look to support and develop local talent.

Having regard to the desirability of the Group maintaining a reputation for high standards of business conduct

The Directors recognise that culture, values and standards are key contributors to how a Group creates and sustains value over the longer terms, and will enable it to maintain a reputation for high standards of business conduct. High standards of business conduct guide and assist in the Directors' decision making, and in doing so, help promote the Group's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations.

The Group as part of the overall Brush Group have invested in on-line training for all employees to embed the desired business behaviours and outline the expected business conduct expected from all staff members and this is further measured via the annual performance development reviews.

Having regard to the need to act fairly as between shareholders of the Group

The Company has one class of ordinary shares. The ultimate, immediate and controlling parent company of Brush HoldCo 1 Limited as at 31 December 2021 was Brush Jersey HoldCo II Limited.

On the basis of the above, the Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the period ended 31 December 2021.

Principal risks and uncertainties

The Group and Company considers its principal risks and uncertainties to be:

- a) Economic and Political - the Group closely monitors any factors that impact the Group's performance and aims to manage accordingly;
- b) Loss of Key Management – the Group has personal development and succession planning for key employees and regularly reviews reward structure to ensure it retains key management;
- c) Legal, Regulatory and Environmental – the Group places considerable emphasis upon Legal, Regulatory and Environmental compliance;
- d) Information Security and Cyber Threat - the Group is continually investing in the area of information security and cyber threat to minimise risk.

Brush HoldCo 1 Limited

Strategic Report for the Period ended 31 December 2021

Financial risk management

The Group's and Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Principal risks

Credit risk

The Group's and Company's principal financial assets are bank balances and trade and other receivables.

The Group's and Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. The Group 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 Group'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 Group and 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 Group and Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Group's and Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group and Company uses foreign exchange forward contracts to hedge these exposures. The use of financial derivatives is governed by the Group's and 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 Group and Company does not use derivative financial instruments for speculative purposes.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Group monitors all the subsidiary companies' cash position centrally on a regular basis.

Brush HoldCo 1 Limited

Strategic Report for the Period ended 31 December 2021

Going concern

The Group and Company has been impacted in the period by the on-going global implications of the COVID-19 pandemic. However, although the Group's field service activities continued to be adversely affected in the period by the global uncertainties and restrictions arising from the pandemic, the Group has remained resilient and performed well. The on-going uncertainties on the Group's supply chain arising from both the implications of COVID-19 and the impact of the war in the Ukraine are being carefully monitored and managed by the Directors and key management team. The directors have prepared cash flow forecasts that cover the period to December 2023, taking into account these uncertainties. These demonstrate that the company anticipates continuing to be profitable and cash generative despite these challenges.

The company is funded through borrowings of £45m and €52.3m which supported the original purchase of the Brush Group entities during the period. This loan facility is repayable in June 2027 and requires compliance with one covenant which is expected to be met over the forecast period. Based on the forecasts prepared, the Group's and Company's Statement of Financial Position cash balance and the current order book, the Directors have reasonable expectation that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Approved by the Board on 30th May 2022 and signed on its behalf by:



30/5/2022

N R L Pitrat
Director

Brush HoldCo 1 Limited

Directors' Report for the Period ended 31 December 2021

The Directors present their audited annual report and financial statements for the period ending 31 December 2021 for the Company and the Group. An indication of likely future developments in the business of the Group and 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 period and up to the date of signing the financial statements were as follows:

S C Lunau Jr (Appointed 21 May 2021)

O J Birnboim (Appointed 18 June 2021)

C D Abbott (Appointed 18 June 2021)

N R L Pitrat (Appointed 18 June 2021)

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial period ending 31 December 2021. No dividends were paid in the period.

Stream-line Energy and Carbon Reporting

As required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 43 and the UK's Streamlined Energy and Carbon Reporting Requirements, the Group has prepared a Greenhouse Gas (GHG) report (presented on Page 9) for the reporting period to 31st December 2021.

Due to the acquisition of the Brush Group by One Equity Partners (OEP) in June 2021, this is the first time that the data for the Group had been individually reported, as previously the information was included within the previous parent's consolidated accounts: Melrose Industries Plc and hence there is no comparative data included.

The data has been prepared in accordance with the principles and requirements of the Greenhouse Gas Protocol, Revised Edition, ISO 14064 Part 1 and environmental reporting guidelines (including streamlined energy and carbon reporting guidance March 2021).

The Group has used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and data has been gathered in accordance with the Group's GHG reporting procedure. The emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021 (Defra factors) have been used to calculate the GHG emission figures together with country specific factors and the International Energy Agency (IEA) factors for the associated overseas' electricity usage.

The reported emissions only cover entities over which the Group had financial control for at least one year.

All material emissions from within the organisational and operational scope and boundaries of the Brush Group are reported. Whilst some data has been collected, it is acknowledged that the coverage of the emissions from the Group's owned vehicles is not complete, but it is unlikely that these will be material and this data will be included in the next report.

The sources reported fall within the Group's control and hence this report does not include any emission sources that are not controlled by the Group.

Brush HoldCo 1 Limited

Directors' Report for the Period ended 31 December 2021

Stream-line Energy and Carbon Reporting (continued)

Table 1: Total Brush Group GHG Emissions (Tonnes CO₂e1*):

Emissions Sources:	6 Months ending 31 December 2021
Total Combustion of fuel & operation of facilities (scope 1)	337
UK Combustion of fuel & operation of facilities (scope 1)	162
Total Purchased Electricity (scope 2)	1,466
UK purchased electricity (scope 2)	179
Other purchased energy (scope 2)	630
Total Scope 1 and Scope 2	2,433
Brush Group's chosen intensity measurement: Emissions reported above normalised to tonnes per £1000 turnover	0.024

KEY

*: CO₂e – carbon dioxide equivalent, this figure includes greenhouse gases in addition to carbon dioxide

Table 2 shows the energy consumption by type for the UK based and overseas business units in accordance with the requirements of the SECR. The intensity ratio is quoted in megawatts usage (MWh) per £1000 of turnover.

Table 2: Total Energy Usage for the Period to 31st December 2021:

Energy Type	2021 UK Consumption, MWh	2021 Overseas Consumption, MWh
Natural Gas	850	602
LPG	0	1
Diesel	26	28
Petrol (Gasoline)	0	1
Electricity	853	3,243
Steam	0	3,688
Total Energy	1,729	7,563
Intensity Ratio, MWh per £1,000 turnover	0.017	0.075

In 2021, there has been an increased focus on the reduction in losses of SF₆ gas used in the Switchgear assembly and implementation of a number of energy efficiency measures within the Group's subsidiary companies which will hopefully drive reductions in future years.

Brush HoldCo 1 Limited

Directors' Report for the Period ended 31 December 2021

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 Group and Company continues and that appropriate training is arranged. It is the policy of the Group and 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 Group and 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 Group and Company has developed a wide range of voluntary practices and procedures for employee involvement. The Group and 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 Group and 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 Group and Company has committed additional resources to the development of new products to enhance the organic growth of the business. The Group and Company incurred research and development costs of £1,219,000 during the period.

Directors' liabilities

The ultimate parent undertaking has indemnified one or more Directors of the Group and 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 period 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 Group's and 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.

Re-appointment of auditors

During the period, Grant Thornton UK LLP were appointed as first auditor of the company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be re-appointed and Grant Thornton UK LLP will therefore continue in office.

Approved by the Board on 30th May 2022 and signed on its behalf by:



30/5/2022

N R L Pitrat
Director

Brush HoldCo 1 Limited

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare Group and Company financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and the parent Company financial statements in accordance with United Kingdom adopted international accounting standards 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 Group and the parent Company and of the profit or loss of the Group for that period. In preparing the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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 Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent 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 Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brush HoldCo 1 Limited

Independent Auditor's Report to the members of Brush HoldCo 1 Limited

Opinion

We have audited the financial statements of Brush HoldCo 1 Limited (the 'parent company') and its subsidiaries (the 'group') for the period from 21 May 2021 to 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Company Statement of Changed in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and the parent 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 group's and the parent 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 group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent 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 group's and the parent 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 HoldCo 1 Limited

Independent Auditor's Report to the members of Brush HoldCo 1 Limited

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

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

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

Responsibilities of directors 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.

Brush HoldCo 1 Limited

Independent Auditor's Report to the members of Brush HoldCo 1 Limited

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company and determined that the most significant are firstly those that relate directly to the reporting frameworks (UK-adopted International Accounting Standards, Companies Act 2006 and FRS 101) and the relevant tax compliance regulations in the jurisdictions in which the Group and Company operates. Secondly, the Group and Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery legislation, health and safety and employment law, recognising the nature of the group's activities.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the Group and Company's policies and procedures relating to:
 - The identification, evaluation and compliance with laws and regulations; and
 - The detection and response to the risks of fraud.
 - We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they have any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation.

Brush HoldCo 1 Limited

Independent Auditor's Report to the members of Brush HoldCo 1 Limited

- We assessed the susceptibility of the Group and 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 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 Company and Group including:
 - The provisions of the applicable legislation;
 - The regulatory rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
 - The applicable statutory provisions.

We did not identify any matters relating to non-compliance with laws and regulations and fraud.

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
Leicester

30 May 2022

Brush HoldCo 1 Limited
Consolidated Income Statement for the Period ended 31 December 2021

		Period ending 31 December 2021 £ 000
Continuing Operations	Note	
Revenue	4	101,267
Cost of sales		(71,448)
Gross profit		29,819
Distribution costs		(5,437)
Administrative expenses		(14,068)
Other operating income	5	476
Non-underlying items	6	(4,691)
Operating profit	7	6,099
Finance income	9	1,391
Finance costs	10	(4,129)
Profit before tax		3,361
Tax on profit	13	(1,873)
Profit for the period		1,488

All amounts relate to the continuing operations acquired on the 18th June 2021. The notes on pages 24-65 form part of these financial statements.

Brush HoldCo 1 Limited

**Consolidated Statement of Comprehensive Income for the Period ended 31 December
2021**

	Period ending 31 December 2021 £ 000
Profit for the period	1,488
Items that will not be reclassified subsequently to Consolidated Income Statement	
Remeasurements of post-employment benefit obligations	2,721
Income tax relating to items that will not be reclassified subsequently to the Consolidated Income Statement	(654)
	<u>3,555</u>
Items that may be reclassified subsequently to Consolidated Income Statement	
Foreign exchange arising on consolidation	(180)
Gain on cash flow hedges (net)	145
Income tax relating to items that may be reclassified subsequently to the Consolidated Income Statement	(25)
	<u>(60)</u>
Total Consolidated Comprehensive Income for the Period	<u>3,495</u>

The notes on pages 24-65 form part of these financial statements.

Brush HoldCo 1 Limited**Consolidated Statement of Financial Position as at 31 December 2021**

	Note	31 December 2021 £ 000
Non-current assets		
Intangible assets	14	42,786
Property, plant and equipment	15	55,917
Deferred tax assets	22	5,079
Retirement benefit assets	23	59,822
Trade and other receivables	18	140
		<u>163,744</u>
Current assets		
Inventories	17	30,782
Trade and other receivables	18	31,979
Income tax asset		120
Derivative financial instruments	32	383
Cash at bank and in hand		19,367
		<u>82,631</u>
Current liabilities		
Trade and other payables	19	(45,702)
Loans and borrowings	20	(792)
Derivative financial instruments	32	(103)
Provisions	21	(6,018)
		<u>(52,615)</u>
Net current assets		<u>30,016</u>
Non-current liabilities		
Trade and other payables	19	(888)
Loans and borrowings	20	(98,389)
Deferred tax liabilities	22	(25,686)
Provisions	21	(4,502)
		<u>(129,465)</u>
Net assets		<u>64,295</u>

Brush HoldCo 1 Limited

Consolidated Statement of Financial Position as at 31 December 2021 - Continued

	Note	31 December 2021 £ 000
Equity		
Share capital	24	-
Share Premium	24	60,800
Cash Flow Hedge Reserve	25	120
Other reserves	25	(180)
Retained earnings	25	3,555
		<u>64,295</u>

The notes on pages 24-65 form part of these financial statements.

Approved by the Board on 30th May 2022 and signed on its behalf by:



30/5/2022

N R L Pitrat
Director

Brush HoldCo 1 Limited

Company Statement of Financial Position as at 31 December 2021

Registered Number : 13413725

		31 December 2021 £ 000
	Note	
Non-current assets		
Investments	16	60,800
		<u>60,800</u>
Current liabilities		
Trade and other payables	19	(47)
		<u>(47)</u>
Net assets		<u>60,753</u>
Equity		
Share capital	24	-
Share premium	24	60,800
Retained earnings	25	(47)
		<u>60,753</u>

The notes on pages 24-65 form part of these financial statements.

Approved by the Board on 30th May 2022 and signed on its behalf by:



30/5/2022

N R L Pitrat
Director

Brush HoldCo 1 Limited
Consolidated Cash Flow Statement for the Period Ended 31 December 2021

	Note	Period ending 31 December 2021 £ 000
Net cash flow from operating activities		
Profit before tax		3,361
<i>Adjustments for:</i>		
Depreciation and amortisation	14,15	7,939
Foreign exchange (gain)		(1,406)
Finance income / expense	9,10	3,763
Fees on acquisition		4,705
Decrease in trade or other receivables		8,471
Decrease in inventories		5,374
Decrease in trade and other payables		(15,141)
Utilisation of provisions		(1,625)
Cash generated from operating activities		<u>15,441</u>
Tax paid		(3,434)
Net cash from operating activities		<u>12,007</u>
 Capital expenditure	14,15	(3,060)
Acquisition of subsidiaries (net of cash)	27	(127,876)
Deal fees on acquisitions		(4,705)
Net cash from investing activities		<u>(135,641)</u>
 Issue of share capital	24	60,800
Proceeds from loans		90,000
Loan arrangement fees paid		(3,450)
Interest paid		(3,489)
Payments of lease liabilities		(860)
Cash outflow from financing activities		<u>143,001</u>
 Increase in cash in the period		<u><u>19,367</u></u>

The notes on pages 24-65 form part of these financial statements.

Brush HoldCo 1 Limited**Consolidated Statement of Changes in Equity for the Period 31 December 2021**

	Share capital £ 000	Share premium £ 000	Hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 21 May 2021	-	-	-	-	-	-
Profit for the period	-	-	-	-	(2,197)	(2,197)
Other comprehensive income	-	-	(120)	180	(1,358)	(1,298)
Total comprehensive income	-	-	(120)	180	(1,358)	(1,298)
Shares issued within the period	-	(60,800)	-	-	-	(60,800)
Transactions with owners	-	(60,800)	-	-	-	(60,800)
At 31 December 2021	-	(60,800)	(120)	180	(3,555)	(64,295)

Company Statement of Changes in Equity for the Period 31 December 2021

	Share capital £ 000	Share premium £ 000	Hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 21 May 2021	-	-	-	-	-	-
Loss for the period	-	-	-	-	47	47
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Shares issued within the period	-	(60,800)	-	-	-	(60,800)
Transactions with owners	-	(60,800)	-	-	-	(60,800)
At 31 December 2021	-	(60,800)	-	-	47	(60,753)

The notes on pages 24-65 form part of these financial statements.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

1 General information

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

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on 30th May 2022.

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 the Companies Act 2006 that are applicable.

As a result of the UK leaving the EU, the *International Accounting Standards and European Public Limited-Liability Company (Amendment etc) (EU Exit) Regulations 2019* (SI 2019/685) require all companies with accounting periods beginning on or after 1 January 2021 to apply UK-adopted IAS.

On 1 January 2021 UK-adopted IAS and EU-adopted IFRS were identical. Since this date timing differences in endorsement have arisen, however no amendments would be required to these financial statements if they were to be prepared in accordance with EU-adopted IFRS as at 31 December 2021.

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 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.

Basis of consolidation

The financial statements incorporate the financial statements of Brush HoldCo 1 Limited and all of its subsidiary undertakings ('subsidiaries'). The consolidated financial statements are rounded to the nearest thousand (£'000). The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the Consolidated Income Statement from the date of acquisition or up to the date of disposal.

The accounting policies set out below have, otherwise stated, been applied consistently to all periods presented in these group financial statements. All intra-Group transactions, balances, income and expenses have been eliminated on consolidation for all the subsidiaries held by Brush HoldCo 1 Limited.

Brush HoldCo 1 Limited has provided a guarantee for the purposes of exemption from audit of individual company accounts under section 479A (2) (a) of the Companies Act 2006 for the following companies; Brush Electrical Machines Limited, Brush Transformers Limited, Hawker Siddeley Switchgear Limited, Harrington Generators International Limited, Brush Properties Limited and Whipp & Bourne Limited.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Business Combinations

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Adjustments to fair values include those made to bring accounting policies into line with those of the Group. Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include transaction costs, which are expensed as incurred.

Contingent consideration is measured at fair value at the date of the business combination, classified as a liability and subsequently accounted for in line with that classification.

Changes in contingent consideration classified as a liability resulting other than from the finalisation of provisional fair values are accounted for in the Consolidated Income Statement.

Going concern

The financial statements are prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group and Company has been impacted in the period by the on-going global implications of the COVID-19 pandemic. However, although the Group's field service activities continued to be adversely affected in the period by the global uncertainties and restrictions arising from the pandemic, the Group has remained resilient and performed well. The on-going uncertainties on the Group's supply chain arising from both the implications of COVID-19 and the impact of the war in the Ukraine are being carefully monitored and managed by the Directors and key management team. The directors have prepared cash flow forecasts that cover the period to December 2023, taking into account these uncertainties. These demonstrate that the company anticipates continuing to be profitable and cash generative despite these challenges.

The company is funded through borrowings of £45m and €52.3m which supported the original purchase of the Brush Group entities during the period. This loan facility is repayable in June 2027 and requires compliance with one covenant which is expected to be met over the forecast period. Based on the forecasts prepared, the Group's and Company's Statement of Financial Position cash balance and the current order book, the Directors have reasonable expectation that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 Group's and the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts. The majority of the Group's revenue is earned from the sale of goods.

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

Certain of the Group'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 Group's multiple-element arrangements are delivered within a one-year period. Revenue for any undelivered elements is deferred until delivery occurs. The Group allocates revenue to multiple-element arrangements based on the relative fair value of each element's estimated selling price.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Revenue recognition (continued)

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 specific methods used to recognise revenue from sale of goods, is based on the fulfilment of the below criteria;

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group 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 Group; 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 Group 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 if there are significant uncertainties regarding associated costs or the possible return of goods.

Non-underlying items

Non-underlying items are those items of a significant and non-recurring nature or those associated with significant restructuring programmes, acquisitions or disposals, which warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Group.

Government Grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Consolidated Income Statement over the expected useful lives of the assets concerned. Other grants are recognised in the Consolidated 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 Group and 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 profit or loss within finance costs. Borrowing costs that are directly attributable to the establishment of the loan are capitalised and then amortised over the life of the facility.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Foreign currency transactions and balances

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated Income Statement and Statement of cashflows of foreign operations are translated at the average rate of the exchange during the period. The balance sheet is translated at the rate ruling at the reporting date. Exchange differences arising on opening net assets and arising on the translation of results at average rate compared to closing rate are recognised in the Consolidated Other Comprehensive Income.

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 Statement of Financial Position 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

Income Tax is comprised of the sum of current and deferred tax. Current and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in the Consolidated 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 Group's liability for current tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial position date.

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

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

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Property, plant and equipment

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

Depreciation

Depreciation is recognised on all tangible 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. Right-of-use assets are depreciated on a straight line basis from the commencement date of the lease over the shorter of the estimated useful life and the lease term. The estimated useful lives, residual values and depreciation method are reviewed on a regular basis. Depreciation is provided as follows:

Asset class	Depreciation rate
Freehold building	50 years
Owned plant and equipment	3 to 15 years
Leased building	Over life of the lease
Leased plant and machinery	Over life of the lease

Intangible assets

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

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.

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
Order backlog	Amortised over the profile of the orders
Customer relationships	10 years on straight line basis
Brand	30 years on straight line basis
Software	3-5 years on straight line basis

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to the cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a *pro-rata* basis based on the carrying amount of each asset in the unit. Any impairment loss is recognised as an expense in the Consolidated Income Statement. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 Consolidated Income Statement when the asset is derecognised.

Investments

Investments in subsidiaries are stated at cost less provision for impairment. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method or weighted average cost 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 Consolidated Income Statement. Provision is made for obsolete, slow-moving or defective items where appropriate.

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.

The Group 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 Group'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.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Impairment and write-offs

The Group and the Company always recognises lifetime ECL (expected credit losses) for trade receivables, which are estimated using a provision matrix which is based on the Directors' historical experience of debt collection.

The Group and the Company write off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is not realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off are still subject to enforcement activities.

Trade Payables

Trade and other payables are recognised at fair value less attributable transaction costs. They are subsequently measured at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle 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 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 Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring 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 expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not 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 Group's obligations.

Environmental and legal/Compliance

Liabilities for environmental and legal/compliance costs are recognised when environmental assessments or legal/compliance claims are probable, and the associated costs can be reasonably estimated. The amount recognised as a provision is the Directors and key management team's best estimate required for settlement.

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 HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. They are subsequently measured at amortised cost.

Leases

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the Statement of Financial Position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

If this rate cannot be readily determined, the Group uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs and any estimated costs for the dismantling and the re-storing of the leased asset to its current state.

Impairment of non-financial assets

At each Statement of Financial Position date, the Group and 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 Group and 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 Consolidated 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 Consolidated 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.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Retirement benefit costs

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

Defined benefit pension obligation

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the Statement of Financial Position in respect of defined benefit pension plans was the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation was measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to Other Comprehensive Income in the period in which they arise.

Past-service costs are recognised immediately in the Consolidated Income Statement.

Financial assets and liabilities

Classification

All financial assets are classified as either those which are measured at fair value, through the Consolidated Income Statement (FVTIS), 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 Consolidated 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.

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

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.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Derecognition of financial assets

The Group and 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 FVTIS, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and Company's past experience of collecting payments, an increase in the number of delayed payments 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.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Consolidated Income Statement.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Consolidated Income Statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Recognition and measurement

Financial liabilities are classified as either financial liabilities 'at FVTIS' 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 Group and Company derecognises financial liabilities when, and only when, the Group's and Company's obligations are discharged, cancelled or they expire.

Derivatives and hedging

Derivative financial instruments

The Group 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 Statement of Financial Position date. The resulting gain or loss is recognised in the Consolidated Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group 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 Group 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 Group 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 Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

2 Accounting policies (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Consolidated Income Statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the same line of the Consolidated Income Statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Consolidated Income Statement from that date.

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 Consolidated Income Statement.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement, in the same line of the Consolidated 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 Group 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 Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

3 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Retirement benefit obligations

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, judgement is made in determining mortality rate assumptions to be used when valuing the Group's defined benefit obligations.

At 31 December 2021, the Group's retirement benefit obligation net asset was £59,822,000. Further details of the assumptions applied and a sensitivity analysis on the principal assumptions used to determine the Group's defined benefit obligations is shown in note 23.

Cash Generating Units (CGU's)

The Group has identified multiple cash generating units (CGUs) which are based on the divisions which form the structure of the Group. Goodwill and intangible assets are allocated to each CGU's and an impairment review is undertaken by CGU. The level at which impairment is tested reflects the lowest level at which goodwill and intangible assets are monitored for internal reporting purposes. The Group's key management team reviews the performance of each CGU on a monthly basis. The different CGUs are outlined below;

	Key Markets
Power Generation	Provision of equipment and services to Power Generation customers
Power Distribution	Provision of equipment and services to Power Distribution customers
Power Networks	Provision of equipment and services to the Power Networks.

At 31 December 2021, the Group's intangibles including goodwill totalled £42,786,000. Further details of the impairment review undertaken including the assumptions applied and a sensitivity analysis is shown in note 14.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

4 Revenue

The analysis of the Group's revenue for the period from continuing operations is as follows:

	Period ending 31 December 2021 £ 000
Sale of goods	88,942
Rendering of services	12,325
	<u>101,267</u>

The analysis of the Group's revenue for the period by geographical market is as follows:

	Period ending 31 December 2021 £ 000
United Kingdom	35,081
Europe	7,121
North America	26,178
Asia	12,019
Rest of the world	20,868
	<u>101,267</u>

The analysis of the Group's revenue for the period by class of business is as follows:

	Period ending 31 December 2021 £ 000
Energy	27,300
Utilities	19,189
Oil & gas	25,057
Industrials	7,439
Infrastructure	1,277
Rail	5,333
Renewables	1,624
Other	14,048
	<u>101,267</u>

5 Other operating income

The analysis of the Group's other operating income for the period is as follows:

	Period ending 31 December 2021 £ 000
Storage Income	301
Scrap Sales	175
	<u>476</u>

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

6 Non-underlying items

Included within operating profit 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 Group.

	Period ending 31 December 2021 £ 000
Professional fees incurred in the acquisition of the Group	4,691

7 Operating (profit)

Arrived at after charging/(crediting)

	Period ending 31 December 2021 £ 000
Depreciation expense : Owned	2,207
Depreciation expense : Leased	1,089
Amortisation expense	4,643
Research and development spend	1,219
Foreign exchange gains	(292)
Staff costs	31,452
Cost of inventories recognised as expense	53,690
Write-downs of inventory	(231)

8 Auditor's remuneration

	Period ending 31 December 2021 £ 000
Audit fees – Group	186
Audit fees - subsidiaries	21
	<u>207</u>

9 Finance income

	Period ending 31 December 2021 £ 000
Interest income on bank deposits	1
Revaluation on non-GBP denominated loans	1,025
Income on Retirement Benefit Obligations	365
	<u>1,391</u>

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

10 Finance costs

	Period ending 31 December 2021 £ 000
Interest on lease obligations	133
Interest on loans	3,695
Amortised cost on raising finance	301
	<u>4,129</u>

11 Staff costs

	Period ending 31 December 2021 £ 000
The aggregate payroll costs (including directors' remuneration) were as follows:	
Wages and salaries	26,745
Social security costs	3,421
Pension costs, defined contribution scheme	1,286
	<u>31,452</u>

The average number of persons employed by the Group (including directors) during the period, analysed by category was as follows:

	Period ending 31 December 2021 No.
Production	938
Sales, marketing and distribution	83
Administration and support	130
	<u>1,151</u>

12 Key management remuneration

The Directors' and key management's remuneration for the period was as follows:

	Period ending 31 December 2021 £ 000
Directors' and key management emoluments including benefits in kind	734
Pension contributions to defined contribution schemes	30
	<u>764</u>

During the period, retirement benefits were accruing to four key management team members in respect of defined contribution pension schemes.

The highest paid director received remuneration of £223,000 in the period. The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

	Period ending 31 December 2021 £ 000
13 Income Tax	
Tax charged/(credited) in the Consolidated Income Statement	
Current UK tax	3,220
Withholding taxes	140
Total current income tax	3,360
Deferred taxation	
Arising from origination and reversal of temporary differences	(1,487)
Tax charge in the Consolidated Income Statement	1,873

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	Period ending 31 December 2021 £ 000
Profit before tax	3,361
Corporation tax at standard rate of 19%	639
Tax rate changes	(223)
Non-taxable income	(153)
Expenses not deductible in determining taxable profit	574
Withholding taxes	140
Deferred tax movements	914
Effect of overseas tax rates	(18)
Total tax charge	1,873

The enacted rate of UK corporation tax for the period ended 31 December 2021 was 19%. Finance Act 2021, includes an increase in the UK corporation tax rate to 25%, with effect from 1 April 2023. This change had been substantively enacted at the Statement of Financial Position date. Deferred tax balances as at 31 December 2021 have been recognised at a blended rate of 24% reflecting when the deferred tax asset/liability is expected to be realised.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

13 Income tax (continued)

Tax recognised in other comprehensive income

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

	Period ending 31 December 2021 £ 000
Deferred tax	
Financial instruments treated as cash flow hedges	25
Retirement benefit obligations	654
	<u>679</u>

14 Intangible assets

Group	Goodwill £ 000	Order Backlog £ 000	Customer Relationships £ 000	Brand £ 000	Computer Software £ 000	Total £ 000
Cost or valuation						
At 21 May 2021	-	-	-	-	-	-
On acquisition of Brush Group and subsidiaries : Note 28	12,475	5,464	14,165	10,403	204	42,711
Additions	-	-	-	-	172	172
Disposals	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	4	4
On acquisition of Aprenda business : Note 29	3,621	-	775	151	-	4,547
At 31 December 2021	16,096	5,464	14,940	10,554	380	47,434
Amortisation						
At 21 May 2021	-	-	-	-	-	-
Charge for the period	-	3,667	747	181	48	4,643
Eliminated on disposal	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	5	5
At 31 December 2021	-	3,667	747	181	53	4,648
Carrying amount						
At 31 December 2021	16,096	1,797	14,193	10,373	327	42,786

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to the cash-generating units (CGU's) that are expected to benefit from the synergies of the combination. An analysis of the goodwill allocation by CGU is noted overleaf;

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

14 Intangible assets (continued)

Goodwill by CGU

	Period ending 31 December 2021 £ 000
Power Generation	12,354
Power Distribution	121
Power Networks	<u>3,621</u>
	<u>16,096</u>

A CGU to which goodwill has been allocated is tested for impairment by comparing the carrying value against the recoverable amount of the CGU. This analysis was performed using value in use calculations to calculate the recoverable value by undertaking discounted cashflow calculations to assess the net present value of each CGU.

This fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The significant assumptions and estimates within the forecast are outlined below;

1. Discount Rate: The discount rate used in the impairment reviews is based on the Group's Internal Rate of Return (IRR) which has been calculated by an external specialist as part of the valuation of the Intangible assets within the period.
2. Revenue Growth: The revenue growth estimates that have been included are based on financial budgets and medium-term forecasts by the key management team taking into account industry growth rates and the key management team's historic experience in the context of wider industry and economic conditions.

Based on the impairment review performed, no impairment was identified in any of the CGUs.

Sensitivity Analysis

There is no reasonable possible change in the key assumptions that could result in an impairment within the Power Generation or Power Distribution divisions. In relation to the Power Networks division, the assumptions surrounding Revenue Growth could have an effect on the carrying value, as a change by 10% on the 2023 revenue growth and then no increase in revenue over the next two years could lead to an impairment of £900,000 but the key management team do not believe that this is a realistic scenario and therefore are confident that no impairment should be recognised.

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****15 Property, plant and equipment**

Group	Land and Buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 21 May 2021	-	-	-
On acquisition of Brush Group and subsidiaries : Note 28	35,081	18,005	53,086
Additions	7,244	256	7,500
On acquisition of Aprenda business : Note 29	297	67	364
Disposals	(2,175)	(31)	(2,206)
Foreign exchange movements	87	541	628
At 31 December 2021	40,534	18,838	59,372
Accumulated depreciation			
At 21 May 2021	-	-	-
Charge for the period	1,213	2,083	3,296
Eliminated on disposal	(235)	(31)	(266)
Foreign exchange movements	(16)	441	425
At 31 December 2021	962	2,493	3,455
Carrying amount			
At 31 December 2021	39,572	16,345	55,917

The value of the freehold land included in land and buildings is £929,000.

Right-of-use assets	Leasehold Buildings £ 000	Leasehold Plant & Equipment £ 000	Total £ 000
At 21 May 2021	-	-	-
On acquisition of Brush Group and subsidiaries : Note 28	11,190	393	11,583
Additions	4,509	101	4,610
On acquisition of Aprenda business : Note 29	-	31	31
Disposals	(1,940)	-	(1,940)
Depreciation	(924)	(165)	(1,089)
Foreign exchange movement	96	163	259
At 31 December 2021	12,931	523	13,454

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

16 Investments

Company	£ 000
Cost or valuation	
At 21 May 2021	-
Additions	<u>60,800</u>
At 31 December 2021	<u>60,800</u>
Provision for impairment	
At 21 May 2021 and 31 December 2021	<u>-</u>
Carrying amount	
At 31 December 2021	<u>60,800</u>

Brush HoldCo I Limited

Notes to the Financial Statements for the Period 31 December 2021

16 Investments (continued)

Details of the subsidiaries and associates as at 31 December 2021 are as follows with * owned directly by the Company:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
Brush US HoldCo Limited*	Holding company	251 Little Falls Drive, Wilmington, Delaware 19808, New Castle County, USA.	100%
Brush Aftermarket North America Inc	Holding company	601 Braddock Avenue, Turtle Creek, Pittsburgh, Pennsylvania, 15145, USA.	100%
Generator and Motor Services of Pennsylvania LLC	Engineering company	601 Braddock Avenue, Turtle Creek, Pittsburgh, Pennsylvania, 15145, USA.	100%
Brush UK HoldCo Limited*	Holding company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Electrical Engineering Company Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Scheme Trustees Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush SEM s.r.o.	Engineering company	Edvarda Benese 564/39, Doudlevce, 301 00 Plzen, Czech Republic	100%
Brush HMA B.V.	Engineering company	Schaardijk 372, 5th Floor, Building 2, 2909 La Capelle aan den IJssel, The Netherlands	100%
Harrington Generators International Limited	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Transformers Limited	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Canada Services Inc/Services Brush Canada Inc	Engineering company	1134 Grande Allée Ouest, Bureau 600, Quebec, G1S 1E5, Canada	100%
Danks Holdings Ltd	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

16 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held
Aprenda Limited	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Properties Limited	Holding Company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Whipp & Bourne Limited	Non-trading Company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
FKI Plan Trustees Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
FKI Engineering Shanghai Limited	Non-trading Company	Unit 2025, 2031, 1st Floor, Building C, No.155 Fute, West One Road, Shanghai Waigaoqiao Bonded Area, China (Shanghai) Pilot Free Trade Zone, China	100%
Hawker Siddeley Switchgear Limited	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Brush Switchgear Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, Leicestershire, England LE65 1BU, United Kingdom	100%
Bristol Meci Australasia Pty Limited	Holding company	Unit 6, 256-258 Leitchs Road, Brendale, QLD 4500, Australia	100%
Hawker Siddeley Switchgear Pty Limited	Engineering company	Unit 6, 256-258 Leitchs Road, Brendale, QLD 4500, Australia	100%
Mediterranean Power Electric Company Limited	Engineering company	Marsa Industrial Estate, Marsa, MRS 3000, Malta	26%

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

16 Investments (continued)

All holdings relate to Ordinary Shares, except for the following:

- Harrington Generators International Limited - Ordinary Shares and Non-voting 'A' Ordinary Shares
- Mediterranean Power Electric Company Limited - 'A' Ordinary Shares

On 18 June 2021, Brush UK HoldCo Limited (a wholly-owned subsidiary of Brush HoldCo 1 Limited) acquired the Brush Group for £103,900,000. The details of this acquisition are outlined in Note 28.

On 22 June 2021, Brush Electrical Machines Limited (a wholly-owned subsidiary of Brush HoldCo 1 Limited) acquired Aprenda Limited. The details of this acquisition are outlined in Note 29.

Post 31 December 2021, the Group incorporated two 100% owned companies;

1. Brush Electrical Machines Asia PTE. Ltd incorporated in Singapore on the 25 February 2022.
2. Brush Power Networks Limited incorporated in the UK on the 21 April 2022.

17 Inventories

	Group 2021 £ 000
Raw materials and consumables	7,633
Work in progress	22,677
Finished goods and goods for resale	472
	<u>30,782</u>

18 Trade and other receivables

	Group 2021 £ 000
Trade receivables	28,926
Provision for impairment of trade receivables	(974)
Net trade receivables	<u>27,952</u>
Prepayments and accrued income	1,324
Other receivables	2,843
	<u>32,119</u>

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

18 Trade and other receivables – (continued)

Analysis of current and non-current trade and other receivables

	Group 2021 £ 000
Current assets	31,979
Non-current assets	140
	<u>32,119</u>

The Group 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 Group's historical credit loss experience does not show significantly different loss patterns for distinct customer segments, the provision is based on the total receivables balance.

The provision as at 31 December 2021 is determined as below:

As at 31 December 2021	Not past due £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	TOTAL
Expected credit loss rate	1%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	107	146	58	53	610	974

19 Trade and other payables

	Group 2021 £ 000	Company 2021 £ 000
Trade and other payables		
Trade payables	14,039	-
Amounts owed to Group undertakings	-	15
Accruals and deferred income	11,593	32
Social security and other taxes	3,509	-
Payments on account	15,586	-
Other payables	1,863	-
	<u>46,590</u>	<u>47</u>

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

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

19 Trade and other payables – (continued)

Analysis of Current and Non-current Trade and other payables

Included within Trade and other payables, were the following amounts due within and over one period:

	Group 2021 £ 000	Company 2021 £ 000
Current liabilities	45,702	47
Non-current liabilities	888	-
	<u>46,590</u>	<u>47</u>

20 Loans and borrowings

	Group 2021 £ 000
Loans and borrowings	
Loan	86,182
Leases liabilities	12,999
	<u>99,181</u>

The loan balance was comprised of a £45M term loan and a €52.3M term loan, both repayable in June 2027 with interest being charged at 7% above the SONIA rate on the GBP loan, and 7% above EURIBOR 1 on the EUR loan. The loan has a fixed and floating charge over all property of the Group.

The loan balance included capitalised bank loan arrangement fees of £2,999,000 which was offset against the loan as well as accrued interest payable of £205,796.

Lease liabilities are analysed further in Note 26.

Analysis of Current and Non-current Loans and borrowings

Included within Loans and borrowings above, were the following amounts due within and over one period:

	Group 2021 £ 000
Current liabilities	792
Non-current liabilities	98,389
	<u>99,181</u>

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****21 Provisions**

Group	Warranties £ 000	Environmental & Legal £ 000	Other provisions £ 000	Total £ 000
At 18 June 2021	-	-	-	-
On acquisition of Brush Group and subsidiaries : Note 28	8,317	1,588	1,824	11,729
Additional provisions charged	332	46	156	534
Provisions utilised	(155)	(6)	(270)	(431)
Provisions released	(711)	(457)	(8)	(1,176)
Foreign Exchange movement	(134)	-	(2)	(136)
At 31 December 2021	7,649	1,171	1,700	10,520

The provision for product warranties relates to expected warranty claims on products sold and was aged based on the expected date of settlement.

The provisions for Environmental & Legal relates to unresolved litigation matters and also an outstanding element of one-off customer repair work that was legal in nature and was expected to be utilised within one year of the Statement of Financial Position date. These provisions were aged based on the expected date of settlement.

The other provisions mainly relate to Dilapidation provisions included for the Right of Use building assets held within the Group. These dilapidation provisions are not expected to be utilised until the leases end and were aged on that basis.

	Group 2021 £ 000
Current liabilities	6,018
Non-current liabilities	4,502
	10,520

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****22 Deferred tax**

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

Group	Assets	Liabilities	Net
2021	£ 000	£ 000	£ 000
Accelerated tax depreciation	815	(3,391)	(2,576)
Other temporary differences	4,264	(7,938)	(3,674)
Retirement benefit obligations	-	(14,357)	(14,357)
	5,079	(25,686)	(20,607)

	Accelerated tax depreciation	Other temporary differences	Retirement benefit obligations	Total
	£ 000	£ 000	£ 000	£ 000
At 18 June 2021	-	-	-	-
On acquisition of Brush Group and subsidiaries : Note 28	3,079	4,678	13,355	21,112
On acquisition of Aprenda business : Note 29	30	226	-	256
Recognised in Consolidated Income Statement	(155)	(1,471)	348	(1,278)
Recognised in equity	-	-	654	654
Foreign Exchange movement	(378)	241	-	(137)
At 31 December 2021	2,576	3,674	14,357	20,607

No deferred tax asset has been recognised on the unremitted earnings of overseas subsidiaries and joint ventures due to the uncertainty of their recoverability. As the earnings are continually reinvested by the Group and there is no intention for these entities to pay dividends, no tax is expected to be payable on them in the foreseeable future. If the earnings were remitted, tax of £1,890,000 would be payable.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

23 Pension schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £1,286,000.

Contributions totalling £90,762 were payable to the scheme at the end of the period and were included in creditors.

Defined benefit pension schemes

Brush Group (2013) Pension Plan

The Group sponsors a defined benefit plan for qualifying employees. The plan is closed to new members and the accrual of future benefits for existing members.

The funded defined benefit plan is administered by a separate fund that is legally separated from the Group. The trustees of the fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The cost of the Group's defined benefit plans is determined in accordance with IAS 19 (revised): "Employee benefits" with the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method.

The most recent full actuarial valuation of the scheme was performed as of December 2019. The full actuarial valuation has been updated at 31 December 2021 by independent actuaries.

Contributions payable to the pension scheme at the end of the period are £Nil.

The expected contributions to the plan for the next reporting period are £Nil.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised is noted in the disclosures below;

The amounts recognised in the Consolidated Statement of Financial Position are as follows:

	31 December 2021 £ 000
Fair value of scheme assets	325,003
Present value of scheme liabilities	(265,181)
Defined benefit pension scheme surplus	59,822

Brush HoldCo 1 Limited
Notes to the Financial Statements for the Period 31 December 2021

23 Pension schemes (continued)**Scheme assets**

Changes in the fair value of scheme assets are as follows.

	31 December 2021 £ 000
Fair value at 18 June 2021	
On acquisition of Brush Group and subsidiaries : Note 28	315,169
Interest income	2,960
Return on plan assets, excluding amounts included in interest income	11,109
Benefits paid	(3,905)
Administrative expenses paid	(330)
Fair value at end of period	325,003

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2021 £ 000
Equities	5,447
Credit	12,208
Government bonds	199,522
Other	107,826
	325,003

The assets are well diversified, and the majority of plan assets have quoted prices in active markets. All government bonds are issued by reputable governments and are generally AA rated or higher. Interest rate and inflation rate swaps are also employed to complement the role of fixed and index-linked bond holdings for liability risk management.

The trustees continually review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and to ensure appropriate matching of risk and return profiles. The main strategic policies include maintaining an appropriate asset mix, managing interest rate sensitivity and maintaining an appropriate equity buffer. Investment results are regularly reviewed.

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

Actual return on scheme's assets

	31 December 2021 £ 000
Actual return on scheme assets	14,069

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****23 Pension schemes (continued)****Scheme liabilities**

Changes in the present value of scheme liabilities are as follows:

	31 December 2021 £ 000
Present value at 18 June 2021	
On acquisition of Brush Group and subsidiaries : Note 28	258,103
Actuarial (gains) and losses arising from changes in demographic assumptions	2,477
Actuarial (gains) and losses arising from changes in financial assumptions	3,177
Actuarial (gains) and losses arising from experience adjustments	2,734
Interest cost	2,595
Benefits paid	(3,905)
Present value at end of period	265,181

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2021 %
Discount rate	1.95
Future pension increases	3.05
Inflation	2.70
Pension increases:	
RPI inflation up to 5% p.a.	2.95
RPI inflation from 3% p.a. up to 5% p.a.	3.55
RPI inflation up to 2.5% p.a.	2.10
CPI inflation up to 3% p.a.	2.20

Post retirement mortality assumptions

	2021 Years
Current UK pensioners at retirement age – male	21.1
Current UK pensioners at retirement age – female	23.5
Future UK pensioners at retirement age – male	22.4
Future UK pensioners at retirement age – female	25.0

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****23 Pension schemes (continued)**

The assumptions were that a member currently aged 65 will live on average for a further 21.1 years if they are male and for a further 23.5 years if they are female. For a member who retires in 2041 at age 65, the assumptions were that they will live for a further 22.4 years after retirement if they are male and for a further 25 years after retirement if they are female.

Amounts recognised in the Consolidated Income Statement;

	31 December 2021 £ 000
Amounts recognised in operating profit	
Past service cost	-
Administrative expenses paid	330
Recognised in arriving at operating profit	<u>330</u>
Amounts recognised in finance income or costs	
Net interest	<u>(365)</u>
Total recognised in the Consolidated Income Statement	<u>(35)</u>

Amounts taken to the Statement of Comprehensive Income;

	31 December 2021 £ 000
Actuarial gains arising from changes in financial assumptions	2,477
Actuarial losses arising from changes in demographic assumptions	3,177
Actuarial losses due to liability experience	2,734
Return on plan assets, excluding amounts included in interest income	<u>(11,109)</u>
Amounts recognised in the Statement of Comprehensive Income	<u>2,721</u>

Sensitivity analysis

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. A sensitivity analysis for these assumptions used to measure scheme liabilities is set out below:

	31 December 2021 £'000
Adjustment to discount rate	- 0.1%
Present value of total obligation	4,945
Adjustment to rate of inflation	+ 0.1%
Present value of total obligation	2,777
Adjustment to mortality age rating assumption	+ 1 Year
Present value of total obligation	10,902

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

24 Share capital

Authorised, issued and fully paid shares

Group and Company	2021	
	Number	£
At 21 May 2021	1	1
Ordinary shares of £1 each issued	100	100
At 31 December 2021	101	101

On the 18 June 2021, 1 ordinary share was transferred at its nominal value of £1 and 100 shares of £1 nominal value were issued at a fair value of £607.999 per share and were paid for fully in cash, resulting in Share Premium of £60,800,000.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share of meetings of the Group and Company. All ordinary shares rank equally with regard to the Group and Company's residual assets.

25 Reserves

The changes to each component of equity resulting from items of Other Comprehensive Income for the period are as follows:

	Cash flow hedge reserve £ 000	Translation Reserve £ 000	Retained earnings £ 000	Total £ 000
Group				
Gain on cash flow hedges	120	-	-	120
Remeasurements of post-employment benefit obligations (net)	-	-	1,358	1,358
Foreign Exchange movement	-	(180)	-	(180)
	120	(180)	1,358	1,298

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

25 Reserves (continued)

Share Premium Account

The Share Premium reserve represents the excess paid for the shares above their par value.

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 Consolidated Income Statement only when the hedged transaction impacts the Consolidated Income Statement or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation Reserve

Exchange differences relating to the transaction of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentational currency (GBP) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Retained Earnings Reserve

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

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The loss for the period within the accounts of the Company was £47,000.

26

Lease arrangements

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Group			
As at 31 December 2021			
Within one year	1,479	(687)	792
One year to five years	7,193	(2,161)	5,032
Over five years	8,530	(1,355)	7,175
	17,202	(4,203)	12,999

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****26 Lease arrangements (continued)**

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

	Group 31 December 2021 £ 000
Current liabilities	792
Non-current liabilities	12,207
	12,999

Future finance charges are expected to be £4,203,000

27 Analysis of cash flows for headings netted in cash flow statement

	Period ended 31 December 2021 £ 000
Acquisitions and disposals	
Purchase of Brush Group (see Note 28)	(103,900)
Cash acquired on purchase of subsidiary	2,937
Sellers Bonus	1,989
Pension fund financing	(25,000)
Purchase of Aprenda Limited (See Note 29)	(4,796)
Cash acquired on purchase of subsidiary	894
Net cash outflow from acquisitions and disposals	(127,876)

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

28 Acquisitions and Disposals

On 18 June 2021 Brush UK Holdco Limited (a wholly-owned subsidiary of Brush HoldCo 1 Limited) acquired 100% of the share capital of the parent company of the Brush Group : Brush Electrical Machines Limited.

Acquisitions	Vendors' book value £ 000	Fair value adjustments £ 000	Fair value to the group £ 000
Assets and liabilities acquired			
Tangible fixed assets	40,171	12,915	53,086
Intangible fixed assets (including Intangible assets recognised on acquisition)	204	30,032	30,236
Pension assets	57,066	-	57,066
Assets (excluding cash)	75,201	-	75,201
Liabilities (excluding Deferred Tax)	(102,330)	(3,659)	(105,989)
Cash at bank	2,937	-	2,937
Deferred tax	(11,659)	(9,453)	(21,112)
Net assets acquired	61,590	29,835	91,425
Satisfied by			
Cash			103,900
Goodwill arising on consolidation (see Note 14)			12,475

The fair market value adjustment in relation to fixed assets was as a result of the revaluation of land and buildings and revision of the lease liability and Right of Use Asset values to recognise the fair value at the time of acquisition.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

29 Acquisitions and Disposals

On 22 June 2021, Brush Electrical Machines (a wholly-owned subsidiary of Brush Holdco 1 Limited) acquired 100% of the share capital of Aprenda Limited.

Acquisitions	Vendors' book value £ 000	Fair value adjustments £ 000	Fair value to the group £ 000
Assets and liabilities acquired			
Tangible fixed assets	333	-	333
Intangible fixed assets (including Intangible assets recognised on acquisition)	-	926	926
Assets (excluding cash)	713	-	713
Liabilities (excluding Deferred Tax)	(509)	-	(509)
Cash at bank	894	-	894
Deferred tax	(30)	(226)	(256)
Net assets acquired	1,401	700	2,101

Satisfied by

Cash

4,796

Contingent Consideration

926

5,722

**Goodwill arising on
consolidation (see Note 14)**

3,621

The contingent consideration is included in Other Creditors due within one year.

30 Commitments

Capital commitments

Capital commitments are as follows:

	2021 £ 000
Group	
Contracted for additions to property, plant & equipment	343

31 Contingent liabilities

As part of the Brush HoldCo 1 Limited's banking facilities, the Company entered into a multilateral cross-guarantee with certain Group undertakings in respect of the Group's borrowings.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

32 Financial instruments

Classes and categories of financial instruments and their fair values.

The Statement of Financial Position as at 31 December 2021 is analysed below;

Group 2021	Amortised Cost £ 000	Fair value through Consolidated Income Statement (held for trading)	Balance in the Statement of Financial Position £ 000
Trade and other receivables – excluding prepayments	31,050	-	31,050
Cash and bank balances	19,367	-	19,367
Loans – excluding capitalised arrangement fees	(89,181)	-	(89,181)
Trade and other payables	(46,590)	-	(46,590)
Derivatives : Asset	-	383	383
Derivatives : Liabilities	-	(103)	(103)

Company 2021	Amortised Cost £ 000	Fair value through Consolidated Income Statement (held for trading)	Balance £ 000
Trade and other payables	(47)	-	(47)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis
IFRS 13 requires the provision of information about how the Group and the Company establishes the fair values of financial instruments. Valuation techniques are divided into three levels based on the quality of inputs:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs other than quoted prices included in level 1 that are observable, directly or indirectly;
3. Level 3 inputs are unobservable.

The Group's only financial instrument that is measured at fair value is forward foreign exchange contracts, valued at £280,000 (net asset) in 2021. These are classified as level 2. They are valued based on discounted cash flows. Future cash flows are estimated based on quoted forward exchange rates (an observable input) and yield curves derived from quoted interest rates matching maturities of the contracts. There are no significant unobservable inputs.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

32 Financial instruments (continued)

Fair value of financial assets and financial liabilities that are NOT measured at fair value (but fair value disclosures are required)

There are no instruments classified as level 1. The fair value of the instruments classified as level 2 (see above) was calculated using the basis noted above. There were no financial instruments that are measured at amortised cost, but for which fair value was disclosed, classified as level 3 in the current period.

Risk management

The Group and the Company is exposed to market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk in the normal course of business. These risks are partially mitigated by the Group's and the Company's financial management policies and practices described below.

Market risk – foreign currency risk

The Group and the Company has moderate exposure to foreign currency risk through selling to certain customers and buying certain material denominated in a currency other than their functional currency. It enters into forward foreign exchange contracts to mitigate the exchange rate risk relating to these sales (and the corresponding foreign currency debtors) and purchases (and foreign currency creditors). Forward foreign exchange contracts may be out to 12 months, with reducing percentage of foreign exchange exposure hedged. The Group and Company does not enter into currency forward foreign exchange contracts for speculative purposes.

At the period end, the carrying amounts of the foreign currency denominated monetary net assets was £ 6,659,000, and there were net outstanding commitments to sell £31,615,000 (linked to awarded customer contracts and committed supplier agreements). The manner in which fair value is determined is explained above.

Sensitivity Analysis

It is estimated that a general increase/decrease of 10% in the value of Sterling against the Euro and USD, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately £2,800,000.

The sensitivity analysis has been determined assuming that the change in foreign currency rates had occurred at the end of the reporting period and has been applied to the exposure to foreign exchange risk for foreign currency balances and commitments outstanding at that date. The 10% increase or decrease represents management's assessment that the likely maximum change in foreign currency rates over the period until the next reporting date. The effect would be further reduced if the effect on the value of foreign currency contracts was also taken into account in this calculation.

Market risk – cash flow interest rate risk

The Group and the Company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The interest rates and terms of repayment are disclosed in Note 20 to the financial statements. The Group's and the Company's policy is to obtain the most favourable interest rates for all liabilities.

Except as outlined above, the Group and the Company has no significant interest-bearing assets and liabilities.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

32 Financial instruments (continued)

Market risk – cash flow interest rate risk (continued)

The Group and the Company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

Sensitivity analysis:

It is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group and Company's profit after tax and retained earnings by approximately £687,000. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of the likely maximum change in interest rates over the period until the next reporting date.

Credit risk

In order to minimise credit risk the Group and the Company have adopted a policy of only dealing with creditworthy counterparties (banks and debtors) and it obtains sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults. The most significant credit risk relates to customers that may default in making payments for goods they have purchased.

The majority of the Group's and the Company's customers are based within the Energy, Utilities and Oil and Gas sectors and therefore industry-related changes or economic hardships represent a risk to the Group. The Group's exposure and its customers' creditworthiness is continually monitored so that any potential problems are detected at an early stage.

At the end of the reporting date, the Group has a concentration of credit risk because £3,659,000 and £12,329,000 of the total trade and other receivables was due from the company's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. At the period end, there was no collateral held as security on outstanding balances.

Liquidity risk

Key management regularly monitor the forecasts and actual cash flows and match the maturity profiles of financial assets and liabilities to ensure proper liquidity risk management and to maintain adequate reserves, and borrowing facilities.

As described above, the Group's and Company's derivative instruments all mature within twelve months or origination and are classified as current liabilities.

The following table outlines remaining contractual maturity for its non-derivative financial liabilities. This is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. All interest cash flows are based on floating rates and the undiscounted amount is derived from interest rate curves at the reporting date.

In view of the key management, the key risk to liquidity is in meeting short term cash flow needs. All amounts repayable on demand or within three months are covered by the Group's cash and accounts receivable balances, which gives its key management confidence that funds will be available to settle liabilities as they fall due.

Brush HoldCo 1 Limited**Notes to the Financial Statements for the Period 31 December 2021****32 Financial instruments (continued)**

Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years
2021	£ 000	£ 000	£ 000	£ 000	£ 000
Borrowings	(89,181)	(89,181)	(206)	-	(88,975)
Lease liabilities	(12,999)	(17,202)	(1,479)	(7,193)	(8,530)
Trade and other payables	(46,590)	(46,590)	(45,702)	(888)	-
	(148,716)	(152,973)	(47,387)	(8,081)	(97,505)

Company	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years
2021	£ 000	£ 000	£ 000	£ 000	£ 000
Trade and other payables	(47)	(47)	(47)	-	-

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts for material contracts.

33 Related Party Transactions

Included within the Group's other debtors are the following balances that are due from key management personnel;

Group	At 18 June 2021	Amount advanced	Amount repaid	At 31 December 2021	Maximum outstanding during the period
2021	£ 000	£ 000	£ 000	£ 000	£ 000
Balances due from key management	-	832	817	15	832

These loans are unsecured and repayable on demand, an interest rate of 2% was applied on the outstanding balance and in the period, total interest of £857 was charged.

Brush HoldCo 1 Limited

Notes to the Financial Statements for the Period 31 December 2021

33 Related Party Transactions (continued)

Furthermore included within other debtors and other creditors are trading balances with related Companies which whilst being in the same Group are not consolidated within these Financial Statements;

	Group 2021 £ 000	Company 2021 £ 000
Other debtors		
Brush Jersey HoldCo I Limited	11	11
Brush Jersey HoldCo II Limited	868	868
	<u>879</u>	<u>879</u>
Other creditors		
Brush Jersey HoldCo II Limited	836	836
	<u>836</u>	<u>836</u>

In the period, the Group paid fees of £360,000 as part of the acquisition fees to a Company which holds shares in the Ultimate Controlling party and is controlled by one of the Directors in the Ultimate Parent Company of the Group.

34 Controlling party

On the 18th of June 2021, the Brush Group was acquired by Brush UK HoldCo Limited (a wholly owned subsidiary of Brush HoldCo 1 Limited) from Melrose Industries PLC. The immediate and ultimate parent and controlling party of Brush HoldCo 1 Limited is Brush Jersey Holdco II Limited, a company incorporated in Jersey.