Registration number: 02184794

Harrington Generators International Limited

Annual Report and Financial Statements

for the Period Ended 31 March 2021

Harrington Generators International Limited

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Harrington Generators International Limited

Company Information

Directors

G E Barnes
M J Richards
G D Morgan
J C F Crawford
C D Abbott
B P T Hewitson
C B Lordereau
N R L Pitrat

Company secretary

B P T Hewitson

Registered office

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

Auditor

Deloitte LLP
1 New Street Square
London
United Kingdom
EC4A 3HQ

Harrington Generators International Limited

Strategic Report for the Period Ended 31 March 2021

The Directors present their Strategic Report for the 15 month period ended 31 March 2021. This was extended from 12 months in 2019 to coincide with the closure of the manufacturing site in March 2021 and so this period's results are not directly comparable to the year ending 31 December 2019.

Principal activity
The Company's principal activity in the period was the design, manufacture, installation, resale and service and maintenance of power generators. Due to the decision made within the period to re-structure the business, the principal activity in future periods will only be the service and maintenance of power generators.

Fair review of the business
The Company considers its key performance indicators to be Revenue and Operating Profit. Revenue for the period ended 31 March 2021 was £6,598,000 (year ended 31 December 2019: £8,608,000). The drop in revenue was due to the impact of the Coronavirus (COVID-19) pandemic which had a significant impact on the order book and sales. Due to the challenging trading conditions encountered and future forecasts prepared by the Company, the Directors took the difficult decision to restructure the business in the period. This resulted in the closure of the manufacturing and resale business and the Company's main trading site was relocated. The costs associated with the closure, £1,028,000 (year ended 31 December 2019 : £ NIL) significantly contributed to the operating loss for the period ended 31 March 2021 which totalled £2,085,000 (year ended 31 December 2019: loss of £377,000). Due to the site closure, all fixed assets and inventory were sold or disposed of by the Company. The retained loss for the period ended 31 March 2021 was £2,067,000 (year ended 31 December 2019: loss of £383,000).

As the service and maintenance business was deemed to be a continuing activity with all the other income streams deemed to be discontinued, this has formed the basis of the continuing and discontinued disclosure within the Income Statement.

The Company has not suffered any significant impact due to Brexit and has continued to operate throughout the COVID-19 pandemic. The Directors consider that any on-going Brexit impact will be minimal.

Post 31 March 2021, the Company focused on the profitable service and maintenance business, however by the start of September 2021, the contracts which form the basis of that business stream had both been novated up to the Company's parent Brush Electrical Machines Limited. The Company therefore is not expecting to undertake any significant future trading with a view to winding up any remaining activity.

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

Principal risks

Credit risk
The Company's principal financial assets are bank balances and trade receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company deals with large companies with strong credit ratings and so there is only limited concern in relation to credit risk.

Principal risks - continued

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

Liquidity risk
To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies.

Going concern
The Company was severely impacted by the COVID-19 pandemic during the period and due to thc challenging trading conditions, the Company made the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. The Company then focused on the profitable service and maintenance business, however by the start of September 2021, the contracts which form the basis of that business stream had both been novated up to the Company's parent Brush Electrical Machines Limited. The Company therefore is not expecting to undertake any significant future trading with a view to winding up any remaining activity.

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

Approved by the Board on 1 Dccember 2021 and signed on its behalf by:

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N R L Pitrat

Director

Harrington Generators International Limited

Directors' Report for the Period Ended 31 March 2021

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

Directors of the Company

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

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

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial period ended 31 March 2021 (year ended 31 December 2019: £nil).

The Directors did not pay an interim dividend in the period (year ended 31 December 2019: £1,300,000).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

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

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

Directors' liabilities

The ultimate parent undertaking has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the period and at the date of this report.

Harrington Generators International Limited

Directors' Report for the Period Ended 31 March 2021 (continued)

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 1 December 2021 and signed on its behalf by:

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N R L Pitrat

Director

Harrington Generators International Limited

Directors' Responsibilities Statement

Directors' Responsibilities Statement

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

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

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

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

Harrington Generators International Limited

Independent Auditor's Report to the members of Harrington Generators International Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Harrington Generators International Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

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

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

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

- Classification of adjusting items
  - obtained an understanding of the relevant controls over the classification of adjusting items in the financial statements;
  - evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted results; and
  - tested a sample of adjusting items by agreeing to source documentation and evaluating their nature in order to assess whether they are disclosed in accordance with the Company's accounting policy, and also to assess consistency of adjusting items between periods in the financial statements.

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

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

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

Harrington Generators International Limited

Independent Auditor's Report (continued) to the members of Harrington Generators International Limited

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Openshaw

Lucy Openshaw (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

1 December 2021

Harrington Generators International Limited

Income Statement for the Period Ended 31 March 2021

	Note	Continuing Operations 15 months ended 31 March 2021	Discontinued Operations 15 months ended 31 March 2021	Total 15 months ended 31 March 2021	Re-stated Continuing Operations Year ended 31 December 2019	Re-stated Discontinued Operations Year ended 31 December 2019	Total Year Ended 31 December 2019
		£ 000	£000	£000	£ 000	£000	£000
Revenue	4	2,124	4,474	6,598	1,683	6,925	8,608
Cost of sales		(1,488)	(4,605)	(6,093)	(1,070)	(5,842)	(6,912)
Gross profit/(loss)		**636**	**(131)**	**505**	**613**	**1,083**	**1,696**
Distribution costs		(142)	(300)	(442)	(114)	(470)	(584)
Administrative expenses		(360)	(760)	(1,120)	(222)	(916)	(1,138)
Adjusting items	5	-	(1,028)	(1,028)	-	(351)	(351)
Operating profit/(loss)	6	**134**	**(2,219)**	**(2,085)**	**277**	**(654)**	**(377)**
Finance income	8	-	1	1	-	1	1
Finance costs	9	(3)	(5)	(8)	(1)	(5)	(6)
Profit/(Loss) before tax		**131**	**(2,223)**	**(2,092)**	**276**	**(658)**	**(382)**
Tax credit/(charge) on loss	12	-	25	25	0	(1)	(1)
Profit/(Loss) for the period attributable to owners of the Company		**131**	**(2,198)**	**(2,067)**	**276**	**(659)**	**(383)**

Harrington Generators International Limited

Statement of Comprehensive Expenses for the Period Ended 31 March 2021

	15 months ended 31 March 2021 £ 000	Year Ended 31 December 2019 £ 000
Loss for the period	(2,067)	(383)
Items that may be reclassified subsequently to Income Statement		
Profit/(Loss) on cash flow hedges (net)	1	(6)
Income tax effect	-	1
	1	(5)
Total Comprehensive Expenses for the period attributable to the owners of the Company.	(2,066)	(388)

Harrington Generators International Limited

(Registration number: 02184794)
Balance Sheet as at 31 March 2021

	Note	31 March 2021 £ 000	31 December 2019 £ 000
Non-current assets			
Intangible assets	13	-	-
Property, plant and equipment	14	-	296
Deferred tax assets	20	42	17
		42	313
Current assets			
Inventories	15	15	1,826
Trade and other receivables	16	556	1,109
Cash at bank and in hand		630	258
		1,201	3,193
Current liabilities			
Trade and other payables	17	(629)	(1,138)
Loans and borrowings	18	-	(157)
Derivative financial instruments	27	-	(3)
Provisions	19	(404)	-
		(1,033)	(1,298)
Net current assets		168	1,895
Total assets less current liabilities		210	2,208
Non-current liabilities			
Loans and borrowings	18	-	(44)
Provisions	19	(112)	-
		(112)	(44)
Net assets		98	2,164
Equity			
Share capital	22	-	-
Cash flow hedge reserve		-	(1)
Retained earnings		98	2,165
Equity attributable to owners of the Company		98	2,164

Approved by the Board on 1 December 2021 and signed on its behalf by:

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N R L Pitrat

Harrington Generators International Limited

Statement of Changes in Equity for the Period Ended 31 March 2021

	Cash flow hedge reserve £ 000	Retained Earnings £ 000	Total £ 000
At 1 January 2019	4	3,848	3,852
Loss for the year	-	(383)	(383)
Other Comprehensive Expense	(5)	-	(5)
Total Comprehensive Expense	(5)	(383)	(388)
Dividends	-	(1,300)	(1,300)
At 31 December 2019	(1)	2,165	2,164

	Cash flow hedge reserve £ 000	Retained Earnings £ 000	Total £ 000
At 1 January 2020	(1)	2,165	2,164
Loss for the period	-	(2,067)	(2,067)
Other Comprehensive Income	1	-	1
Total Comprehensive Income/(Expense)	1	(2,067)	(2,066)
At 31 March 2021	-	98	98

1 General information

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

The address of its registered office is:
Power House
Excelsior Road
Ashby-de-la-Zouch
England
LE65 1BU
These financial statements were authorised for issue by the Board on 1 December 2021.

2 Accounting policies

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

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

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

The Company took the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. The Company then focused on the profitable service and maintenance business (deemed to be continuing business) with all other activities deemed to be dis-continuing. This has then has formed the basis of the continuing and discontinued operations disclosure within the Income Statement for both the periods ending 31 March 2021 and 31 December 2019.

Summary of disclosure exemptions
As permitted by FRS 101 and where relevant, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Melrose Industries PLC, which are available to the public and can be obtained from 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

Going concern
The Company was severely impacted by the COVID-19 pandemic during the period and due to the challenging trading conditions, the Company made the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. The Company then focused on the profitable service and maintenance business, however by the start of September 2021, the contracts which form the basis of that business stream had both been novated up to the Company's parent Brush Electrical Machines Limited. The Company therefore is not expecting to undertake any significant future trading with a view to winding up any remaining activity.

2 Accounting policies (continued)

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

Adjusting items
Adjusting items are those items of a significant size and 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 Company.

Revenue recognition
Due to the difficult trading conditions encountered and future forecasts prepared by the Company, the Directors took the difficult decision to restructure the business in the period. This resulted in the closure of the manufacturing and resale business and the Company's main trading site was relocated. The service and maintenance business was deemed to be the Company's continuing operations with all other revenue streams deemed to be discontinued.

Continuing operations
Provision of service and maintenance activity
Revenue from the rendering of services and goods is based on the contractual terms in place for specific customers and recognised when;
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the Company; and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Sale of goods
Revenue is recognised when all of the following conditions are satisfied:
• the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the Company retains neither continuing managerial involvement to the degree usually associated with ownership;
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the Company; and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transfers of risks and rewards vary depending on the nature of the products sold and the individual terms of the contract of sale. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs or the possible return of goods.

2 Accounting policies (continued)

Revenue recognition (continued)

The nature of agreements into which the Company enters means that: certain of the Company's arrangements with its customers are multiple element arrangements that can include any combination of products and services such as installation and start up testing as deliverables. Substantially all of the deliverables within the Company's multiple-element arrangements are delivered within a one year period. Revenue for any undelivered elements are deferred until delivery occurs. The Company allocates revenue to multiple-element arrangements based on the relative fair value of each element's estimated selling price. The service element of these contracts are usually insignificant in relation to the total contract value and are 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 customer support. Revenue on the provision of parts is recognised in accordance with the policy on the sale of goods and revenue for repairs is recognised upon completion of the activity. Revenue for customer support is recognised when the service is delivered.

Finance costs

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

Finance income

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

Foreign currency transactions and balances

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

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the Income Statement in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Tax

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

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

2 Accounting policies (continued)

Tax (continued)

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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

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

Property, plant and equipment

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

Depreciation

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

Asset class	Depreciation rate
Plant and equipment	5 to 10 years
Leasehold Building	Over the remaining life of the lease
Leasehold Plant and Equipment	Over the remaining life of the lease

Intangible assets

Computer Software

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised and categorised as intangible assets. Computer software is initially recorded at cost, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

2 Accounting policies (continued)

Intangible assets (continued)

Amortisation

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

Asset class	**Amortisation rate**
Computer software	5 years or less

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

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

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

2 Accounting policies (continued)

Trade receivables

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. For trade receivables, the carrying amount is reduced by the expected lifetime losses (ECL). Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement.

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

Trade payables

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

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

Leases

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

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

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2 Accounting policies (continued)

Provisions (continuing)

Restructuring

A restructuring provision is recognised when the Company 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 expenditure 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.

Warranty

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

Dividends

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

Retirement benefit costs

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

Financial instruments - assets

Classification

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

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through the Income Statement, this includes directly attributable transaction costs. Trade and other receivables, contract assets and amounts due from equity accounted investments are subsequently measured at amortised cost.

Financial assets recognition and measurement

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

Impairment of financial assets

For trade and other receivables, the simplified approach permitted under IFRS 9 is applied, as these balances do not contain a significant financing element. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As the Company's historical credit loss experience does not show significantly different loss patterns for distinct customer segments, the provision is based on the total receivables balance. Cash and cash equivalents are also subject to impairment requirements.

Financial instruments - liabilities

Classification

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

2 Accounting policies (continued)

Financial instruments – liabilities (continued)
Recognition and measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. 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 periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

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

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

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

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

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

2 Accounting policies (continued)

Derivatives and hedging (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the 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 line of the Income Statement relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to 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/Expenses. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, and is included in the 'other gains and losses' line item.

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

There are no critical judgements or estimation uncertainties to disclose within the scope of paragraph 122 of IAS 1: "Presentation of financial statements"

4 Revenue

The analysis of the Company's revenue for the period was as follows:

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Sale of goods	4,474	6,925
Rendering of services	2,124	1,683
	6,598	**8,608**

Revenue is derived from a single business segment, being the principal activity of the Company.

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

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
United Kingdom	6,473	8,497
Europe	94	111
Asia	31	-
	6,598	**8,608**

5 Adjusting items

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

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Restructuring / reorganisation costs	(1,028)	(211)
Stock provision	-	(140)
	(1,028)	**(351)**

The Company was severely impacted by the COVID-19 pandemic during the period and due to the challenging trading conditions, the Company made the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. This resulted in restructuring costs totalling £1,028,000. Furthermore during 2019, there was review by management of the operational structure of the Company which resulted in restructuring costs of £211,000.

In 2018, a revised stock provisioning policy was implemented. This resulted in a charge to the Income Statement of £140,000 in 2019 which was deemed material in 2019, but due to the decision made in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021, the charge in the period ending 31 March 2021 was not deemed to be 'adjusting'.

6 Operating loss

Arrived at after charging

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Depreciation expense	161	180
Fixed asset impairment charge	98	-
Loss on disposal of assets	16	-
Foreign exchange (gains)/losses	(5)	22
Staff costs	1,820	1,952
Cost of inventories recognised as expense	4,694	5,390
Write-downs of inventory	207	140
Exceptional impairment of inventory	421	-

7 Auditor's remuneration

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Audit of the financial statements	**20**	**25**

8 Finance income

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Interest income on bank deposits	**1**	**1**

9 Finance costs

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Interest on obligations under leases	3	6
Interest payable to other group companies	5	-
	8	**6**

10 Staff costs

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

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Wages and salaries	1,593	1,712
Social security costs	168	178
Pension costs, defined contribution scheme (see Note 21)	59	62
	1,820	**1,952**

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

	15 months ended 31 March 2021 No.	Year ended 31 December 2019 No.
Production	15	17
Sales, marketing and distribution	6	14
Administration and support	17	21
	38	**52**

11 Directors' remuneration

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

12 Income tax

Tax (credited)/charged in the Income Statement:

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Total current income tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(25)	1
Tax (credit)/charge in the Income Statement	**(25)**	**1**

12 Income tax (continued)

The deferred tax credit has been wholly attributed to discontinued operations.

The tax on loss before tax for the period is different to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Loss before tax	(2,092)	(382)
Corporation tax at standard rate	(397)	(73)
Adjustment for prior periods	(11)	-
Expenses not deductible in determining taxable profit	5	1
Group relief at nil consideration	380	73
Effect of rate difference on deferred tax recognition	(2)	-
Total tax (credit)/charge	(25)	1

The enacted rate of UK corporation tax for the period ended 31 March 2021 was 19% due to the reversal in the Finance Act 2020 of the previously enacted rate reduction to 17%. Therefore, a rate change effect arises in this period where deferred tax that was previously recognised at 17% is now recognised at 19%.

The Finance Act 2021, includes a further increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This further change had not been substantively enacted at the balance sheet date, so deferred tax balances as at 31 March 2021 have been recognised at the enacted rate of 19%. If the new rate of 25% had been applied to the closing balance sheet there would have been an increase in the deferred tax asset of £13,000.

Tax recognised in Other Comprehensive Expenses

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

Deferred tax	15 months ended 31 March 2021 £ 000	Year ended 31 December 2019 £ 000
Financial instruments treated as cash flow hedges	-	(1)

13 Intangible assets

	Computer software £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	124	124
Disposals	(124)	(124)
At 31 March 2021	-	-
Amortisation		
At 1 January 2020	124	124
Eliminated on disposal	(124)	(124)
At 31 March 2021	-	-
Carrying amount		
At 31 March 2021	-	-
At 31 December 2019	-	-

14 Property, plant and equipment

	Leasehold buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	263	619	882
Additions	-	11	11
Disposals	(263)	(630)	(893)
At 31 March 2021	-	-	-
Accumulated depreciation			
At 1 January 2020	117	469	586
Charge for the period	107	54	161
Impairment loss	39	59	98
Eliminated on disposal	(263)	(582)	(845)
At 31 March 2021	-	-	-
Carrying amount			
At 31 March 2021	-	-	-
At 31 December 2019	**146**	**150**	**296**

14 Property, plant and equipment (continued)

The Company was severely impacted by the COVID-19 pandemic during the period and due to the challenging trading conditions, the Company made the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. The decision led to the recognition of a fixed asset impairment charge in the Income Statement of £98,000 (2019 : £NIL).

The Company leased a number of assets including both buildings and plant and equipment in the period. There have been no additions in the period and £42,000 of expired leases in the period (2019: £nil). As noted above, all the assets in the business have been impaired to £nil in the last quarter of 2020 including all Right of use assets. The charges to the Income Statement within the period in relation to these assets are noted below:

Amounts charged to the Income Statement	**31 March 2021 £ 000**	**31 December 2019 £ 000**
Depreciation expense on Right of use assets	141	161
Impairment expense on Right of use assets	43	-
Interest expense on Lease liabilities	3	6
	187	**167**

At 31 March 2021, the Company is committed to lease payments of £nil with a present value of £nil (2019 : £205,000 and £201,000 respectively). Further information on Lease liabilities is included in Note 25.

15 Inventories

	31 March 2021 £ 000	**31 December 2019 £ 000**
Raw materials and consumables	-	1,173
Work in progress	15	213
Finished goods and goods for resale	-	440
	15	**1,826**

The Company was severely impacted by the COVID-19 pandemic during the period and due to the challenging trading conditions, the Company made the difficult decision in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021. The decision led to the recognition of an inventory impairment charge in the Income Statement of £421,000 (2019 : £nil).

16 Trade and other receivables

	31 March 2021 £ 000	31 December 2019 £ 000
Trade receivables	436	953
Provision for impairment of trade receivables	(12)	(20)
Net trade receivables	**424**	**933**
Amounts owed to Group Undertakings	77	-
Prepayments and accrued income	55	176
	556	**1,109**

Amounts owed by Group undertakings are receivable balances with fellow subsidiary undertakings of the Melrose group of companies, which are on standard terms: unsecured, interest bearing only where part of a credit facility and payable as per the terms of the agreements. These balances have been settled post 31 March 2021.

The Company applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. As the Company's historical credit loss experience does not show significantly different loss patterns for distinct customer segments, the provision is based on the total receivables balance. The provision as at 31 March 2021 and as at 31 December 2019 are as determined below:

As at 31 March 2021	**Not past due £000**	**<30 £000**	**31-60 £000**	**61-90 £000**	**91-120 £000**	**TOTAL**
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	1	9	-	-	2	12

As at 31 December 2019	**Not past due £000**	**<30 £000**	**31-60 £000**	**61-90 £000**	**91-120 £000**	**TOTAL**
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	2	8	3	1	6	20

17 Trade and other payables

	31 March 2021 £ 000	31 December 2019 £ 000
Trade payables	87	482
Accruals and deferred income	111	382
Amounts owed to Group undertakings	260	186
Social security and other taxes	171	88
	629	**1,138**

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

18 Loans and borrowings

	31 March 2021 £ 000	31 December 2019 £ 000
Lease liabilities	-	201

Analysis of Current and Non-current Loans and borrowings

Included within Lease liabilities above, are the following amounts due within and over one year:

	31 March 2021 £ 000	31 December 2019 £ 000
Current liabilities	-	157
Non-current liabilities	-	44
	-	**201**

19 Provisions

	Warranties £ 000	Restructuring £ 000	Total £ 000
At 1 January 2020	-	-	-
Provisions charged	169	581	750
Provisions utilised	-	(234)	(234)
At 31 March 2021	**169**	**347**	**516**

	Warranties £ 000	Restructuring £ 000	Total £ 000
Current liabilities	57	347	404
Non-current liabilities	112	-	112
	169	**347**	**516**

19 Provisions (continued)

The provision for product warranties relates to expected warranty claims on products sold and also contractual liabilities relating to the repair of machines under service contract. Warranty costs of goods are expected to be utilised within one year of the balance sheet date whilst an element of the repair of machines under service contracts is expected to be payable over one year.

The provision for restructuring relates to the costs incurred due to the decision made in the last quarter of 2020 to cease the manufacture of generators and the associated aftersales business and close down the Wirksworth site on 31 March 2021.

20 Deferred tax

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

	Assets	Liabilities	Net
31 March 2021	**£ 000**	**£ 000**	**£ 000**
Accelerated tax depreciation	-	-	-
Other temporary differences	42	-	42
	42	-	**42**

	Assets	Liabilities	Net
31 December 2019	**£ 000**	**£ 000**	**£ 000**
Accelerated tax depreciation	5	-	5
Other temporary differences	12	-	12
	17	-	**17**

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
At 1 January 2020	**5**	**12**	**17**
Recognised in Income	(5)	30	25
At 31 March 2021	-	**42**	**42**

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Total £ 000
At 1 January 2019	**8**	**9**	**17**
Recognised in Income	(3)	2	(1)
Recognised in equity	-	1	1
At 31 December 2019	5	**12**	17

21 Pension schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £59,000 (2019: £62,000).

Contributions totalling £5,000 (2019: £10,000) were payable to the scheme at the end of the period and are included in creditors.

22 Share capital

Allotted, issued and fully paid shares

	31 March 2021		31 December 2019	
	Number	**£ 000**	**Number**	**£ 000**
Ordinary shares of £1 each	100	-	100	-
Non-voting 'A' Ordinary shares of £1 each	100	-	100	-
	200	-	**200**	-

Other than voting rights, there is no difference in the class of shares.

23 Reserves

The changes to each component of equity resulting from items of Other Comprehensive Income/(Expense) for the period ended 31 March 2021 and year ended 31 December 2019 were as follows:

31 March 2021	**Cash flow hedge reserve £ 000**	**Total £ 000**
Gain on cash flow hedges	1	1

31 December 2019	**Cash flow hedge reserve £ 000**	**Total £ 000**
Loss on cash flow hedges	(5)	(5)

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

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

24 Dividends

Dividends paid
Amounts recognised as distributions to equity holders:

	15 months ended 31 March 2021 £ 000	31 December 2019 £ 000
Dividends paid	-	1,300

Dividend per share totalled £nil (2019 : £6,500).

25 Lease arrangements

15 months ended 31 March 2021	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	-	-	-

2019	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	160	(3)	157
One to five years	45	(1)	44
	205	(4)	201

The present values of future finance lease payments are analysed as follows:

	15 months ended 31 March 2021 £ 000	31 December 2019 £ 000
Current liabilities	-	157
Non-current liabilities	-	44
	-	201

Future finance charges are expected to be £nil (2019 : £4,000).

26 Contingent liabilities

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

27 Financial instruments

Financial instruments recognised at fair value in the Balance Sheet

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

15 months ended 31 March 2021 **Derivative financial instruments**	**Assets** **£ 000**	**Liabilities** **£ 000**	**Net** **£ 000**
Foreign currency forward contracts	-	-	-

The maturity of derivative financial instruments is as follows:

15 months ended 31 March 2021 **Derivative financial instruments**	**Assets** **£ 000**	**Liabilities** **£ 000**	**Net** **£ 000**
Within one year	-	-	-

2019 **Derivative financial instruments**	**Assets** **£ 000**	**Liabilities** **£ 000**	**Net** **£ 000**
Foreign currency forward contracts	-	(3)	(3)

The maturity of derivative financial instruments is as follows:

2019 **Derivative financial instruments**	**Assets** **£ 000**	**Liabilities** **£ 000**	**Net** **£ 000**
Within one year	-	(3)	(3)

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

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

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

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

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

27 Financial instruments (continued)

Derivatives

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

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

28 Controlling party

The Company's immediate parent Company is Brush Electrical Machines Limited, a Company incorporated in England & Wales. The ultimate parent Company and controlling party is Melrose Industries PLC, a Company incorporated in England & Wales.

The parent of the smallest and largest group in which these financial statements are consolidated is Melrose Industries PLC, incorporated in England & Wales. Copies of the Group financial statements of Melrose Industries PLC are available from its registered address: 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

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