

Company Registration No. 04305426 (England and Wales)

BROOK CROMPTON UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



BROOK CROMPTON UK LIMITED

COMPANY INFORMATION

Directors	R M Eason I B Welsh
Company number	04305426
Registered office	St Thomas Road Huddersfield West Yorkshire HD1 3LJ
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

BROOK CROMPTON UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

Results for the year are shown in the Statement of Income and Retained Earnings on page 8.

Turnover for the year to 31 December was up by £1,758,810 (14.6%). The company has seen growth in sales across all geographical regions, in particular sales to the Middle East which increased by nearly 70% year on year.

Gross Profit has decreased by 2.8% year on year, due to a competitive market and adverse product mix.

Operating profit of £306,359 (2019 - £937,105) has declined year on year due to decreased gross margin, increased logistics costs and provisions made against trade receivables for doubtful debts.

The value of the company's stock at the year end has increased by £413,567 on 2019. This increase is to facilitate sales growth with a key customer.

The decrease in the company's creditors is largely due to the reduction in amounts due to group undertakings following repayments made in the year.

The directors have approved the payment of £nil dividend in 2020 (2019 - £1,200,000).

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that the business is most appropriately reviewed through analysis using the following financial KPIs:

	2020	2019	% Change
Turnover (£'000s)	13,803	12,044	14.6
Order intake (£'000s)	13,351	12,453	7.2
Operating profit (£'000s)	306	937	(67.3)
Average number of employees	37	33	12.1
Turnover per employee (£'000s)	373	365	2.2

In addition to the commentary added in the fair review of the business:

- the average number of employees increased in line with budget;
- turnover per employee slightly increased prior year; and
- order intake slightly increased due to key customers in both the UK and Ireland.

Development and performance

The current market for electric motors remains competitive, with a number of large competitors achieving significant market share and benefitting from reduced operating costs. However, despite this background the company has continued to grow trading levels and achieve an improved financial performance year on year.

BROOK CROMPTON UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The Company's risk management framework helps it to meet its objectives within acceptable parameters and is regularly reviewed so that new or emerging risks are identified early.

Key risks for the company are set out below:

Risk	Description	Mitigation
Credit	Risk of a counterparty defaulting on payment of a debt.	Credit Risks are assessed, monitored and managed on an ongoing basis and the company also holds an appropriate Insurance Policy as part of its Credit Risk Management Strategy. A lack of resource and the impact of Covid-19 reduced the effectiveness of these mitigations in 2020. In 2021 resource has been increased to include detailed credit controls and and increased scrutiny of customer orders to mitigate against this risk.
Liquidity	Risk that the company may be unable to meet its payment obligations when they fall due.	Liquidity is closely managed by the Company's Finance Function which ensures that the Company has sufficient cash and/or liquid assets to meet its liabilities. All commitments for the following 12 months are reviewed on a regular basis.
Technology / Legislation	Risk of technological changes and/or legislation driving changes in market product expectations.	The company adopts a strategy of constantly monitoring market expectations and legislative changes to enable it to work closely with key suppliers to develop new product opportunities.
Currency	Risk of currency fluctuation between GBP and other major international currencies affecting the value of both collections and payments denominated in currencies other than GBP.	The company regularly reviews its currency exposure and has a hedging policy in place.
Reputational	Risk that negative publicity regarding the company or the brand will lead to legislation or lack of customer confidence. This risk is more likely to result from one of the risks described above materialising rather than as a standalone risk.	The company believes that reputational risk is mitigated through the effective mitigation of the other key risks.
Brexit	Risk to the company's performance arising from the uncertainties caused by the United Kingdom leaving the European Union.	The company is still monitoring the situation whilst also following available advice issued by the relevant UK authorities.
Covid-19	Risk to the company caused by the Covid-19 pandemic	Whilst an element of uncertainty remains in respect of this risk, the company has taken all necessary actions, followed relevant advice where necessary and continues to monitor the situation to mitigate the risk on the company's operations.

BROOK CROMPTON UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

The market remains competitive but the company continues to build upon its reputation for quality products and has established many new opportunities. The company is driven by a clear vision of its target for building on its existing profitable base.

On behalf of the board



.....
R M Eason

Director

11th January 2022

Date:

BROOK CROMPTON UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be the sale and distribution of electric motors.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £nil (2019 - £1,200,000). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R M Eason

B M Scales

I B Welsh

(Resigned 20 April 2020)

(Appointed 21 April 2020)

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The company has chosen in accordance with the Companies Act 2006, s. 414C(11), to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments and financial risk management objectives.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
R M Eason

Director

11th January 2022

Date:

BROOK CROMPTON UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOK CROMPTON UK LIMITED

Opinion

We have audited the financial statements of Brook Crompton UK Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included review of income, balance sheet and cashflow forecasts provided by management.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOK CROMPTON UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOK CROMPTON UK LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

There are no significant laws and regulations that have an indirect impact on the financial statements. The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

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.

Edw UK Audit LLP

Alan Aitchison (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL
14 January 2022

BROOK CROMPTON UK LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	13,802,582	12,043,772
Cost of sales		(9,421,220)	(7,536,085)
Gross profit		4,381,362	4,507,687
Distribution costs		(1,657,268)	(1,554,183)
Administrative expenses		(2,897,757)	(2,553,291)
Other operating income		480,022	536,892
Operating profit	6	306,359	937,105
Interest receivable and similar income		14,719	22,891
Interest payable and similar expenses		(4,973)	(5,554)
Profit before taxation		316,105	954,442
Tax on profit	7	(138,047)	(279,953)
Profit for the financial year		178,058	674,489
Retained earnings brought forward		5,407,748	5,933,259
Dividends	8	-	(1,200,000)
Retained earnings carried forward		5,585,806	5,407,748

BROOK CROMPTON UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	9	-	-	357,422	
Other intangible assets	9	-	-	345,475	
Total intangible assets		-	-	702,897	
Tangible assets	10	69,613		55,185	
Investments	11	1		1	
		69,614		758,083	
Current assets					
Stocks	12	2,926,684		2,513,117	
Debtors	13	3,876,876		3,257,097	
Cash at bank and in hand		6,633,731		7,557,417	
		13,437,291		13,327,631	
Creditors: amounts falling due within one year	14	(3,121,099)		(3,824,812)	
Net current assets		10,316,192		9,502,819	
Total assets less current liabilities		10,385,806		10,260,902	
Provisions for liabilities	15	-		(53,154)	
Net assets		10,385,806		10,207,748	
Capital and reserves					
Called up share capital	18	4,800,000		4,800,000	
Profit and loss reserves	19	5,585,806		5,407,748	
Total equity		10,385,806		10,207,748	

11th January 2022

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:



.....
R M Eason
Director

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Brook Crompton UK Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office and principal place of business is St Thomas Road, Huddersfield, West Yorkshire, HD1 3LJ.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of Large and Medium-sized companies and groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Consolidated financial statements

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The financial statements of the company are consolidated in the financial statements of Brook Crompton Holdings Limited. See note 21 for further information on the parent undertakings.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Budgets and forecasts have been prepared based on the company's expected performance to December 2022 including its expectations for the ongoing effects of Covid-19 over this period. With all relevant information considered, and appropriate planning implemented in light of revised forecasting, the directors are satisfied that Covid-19 is unlikely to cast significant doubt over the company's ability to continue as a going concern.

Accordingly, the directors have concluded that the company will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and they have therefore adopted the going concern basis of preparation.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of 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 entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other income

Other income represents management fees charged to fellow group undertakings. Amounts are recorded in the statement of income and retained earnings over the period to which they relate. Any amounts which are due or received in advance are recorded as either accrued or deferred income accordingly in the statement of financial position.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years. This represents the period over which the goodwill is expected to give rise to economic benefits.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives, being the period over which the assets are expected to give rise to economic benefits, on the following bases:

Trademarks	10% straight line
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Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the term of the lease
Plant and equipment	7.5% - 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any).

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade creditors, amounts due to group undertakings and accruals, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Included within other operating income shown in the statement of income and retained earnings are amounts received from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS).

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 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 amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The directors believe that no critical judgements (apart from those involving estimates) have had a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provisions

The company has recognised provisions for the impairment of stock. The judgement, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors. In the case of the provision for the impairment of stock, this covers obsolescence through technological or customer specific reasons. This provision is based on the assessment of stock value and ageing, quantities on hand and usage. See note 12 for the carrying value of stock.

Bad debt provisions

The company has recognised provisions for bad debts. This is based on an assessment of ageing and due date of receivables and other risk indicators. The judgement of management is then applied to provide for debts which are no longer considered recoverable. At 31 December 2020, the directors identified six older debtor balances as potentially irrecoverable totalling £625,112 (2019 - £295,000), against which a provision of £262,709 (2019 - £66,954) has been recorded based on the directors' estimate of the likely shortfall from these customers. See note 13 for the carrying value of trade debtors.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	11,987,741	10,594,563
Rest of Europe	1,128,678	1,053,851
Rest of the world	686,163	395,358
	<u>13,802,582</u>	<u>12,043,772</u>
	2020 £	2019 £
Other revenue		
Interest income	14,719	22,891
Commissions received	4,586	23,683
Rental income	26,000	2,167
Recharges	6,000	6,000
Government grants	6,406	-
Other income	437,030	505,042
	<u>437,030</u>	<u>505,042</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Marketing and distribution	29	26
Technical	2	2
Finance and administration	6	5
	<u>37</u>	<u>33</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,716,469	1,508,197
Social security costs	161,013	155,088
Pension costs	141,341	124,007
	<u>2,018,823</u>	<u>1,787,292</u>

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	110,692	111,368
Company pension contributions to defined contribution schemes	12,764	9,928
	<u>123,456</u>	<u>121,296</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

6 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(11,360)	12,195
Government grants	(6,406)	-
Fees payable to the company's auditor for the audit of the company's financial statements	37,500	27,000
Depreciation of owned tangible fixed assets	20,296	15,426
Profit on disposal of tangible fixed assets	(300)	-
Amortisation of intangible assets	702,897	875,340
Impairment of stocks recognised or reversed	40,837	95,747
Operating lease charges	<u>261,727</u>	<u>251,725</u>

Included within operating profit is £6,406 (2019 - £nil) received from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS) which was utilised by the company during the year as a result of the Covid-19 pandemic.

7 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	188,451	337,721
Foreign current tax on profits for the current period	12,764	15,070
Total current tax	<u>201,215</u>	<u>352,791</u>
Deferred tax		
Origination and reversal of timing differences	(69,421)	(72,838)
Changes in tax rates	6,253	-
Total deferred tax	<u>(63,168)</u>	<u>(72,838)</u>
Total tax charge	<u>138,047</u>	<u>279,953</u>

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Taxation (Continued)

Reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2020 (on 17 March 2020) which maintained the main rate of corporation tax of 19% from 1 April 2020. Deferred taxes at the reporting date have been measured using the enacted rate of 19% (2019 - 17%).

In the March 2021 Budget it was announced that the standard rate of corporation tax would remain at 19%, increasing to 25% from 1 April 2023.

The total tax charge included in the statement of income and retained earnings can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	316,105	954,442
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	60,060	181,344
Tax effect of expenses that are not deductible in determining taxable profit	71,733	89,797
Effect of changes in tax rates	6,254	8,812
Taxation charge for the year	138,047	279,953

8 Dividends

	2020 £	2019 £
Final paid	-	1,200,000

Dividends paid during the year amounted to £nil (2019 - £0.25) per Ordinary share.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Intangible fixed assets

	Goodwill £	Trademarks £	Total £
Cost			
At 1 January 2020 and 31 December 2020	4,451,183	4,302,274	8,753,457
Amortisation and impairment			
At 1 January 2020	4,093,761	3,956,799	8,050,560
Amortisation charged for the year	357,422	345,475	702,897
At 31 December 2020	4,451,183	4,302,274	8,753,457
Carrying amount			
At 31 December 2020	-	-	-
At 31 December 2019	357,422	345,475	702,897

The goodwill and trademarks balances arose on the purchase of the trade and assets of a subsidiary, Brook Motors Limited on 31 August 2010.

The amortisation charge for the year is included within administrative expenses in the statement of income and retained earnings.

At 31 December 2020 the company had no contracted commitments to acquire intangible fixed assets (2019 - none).

10 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Total £
Cost			
At 1 January 2020	114,003	3,685,442	3,799,445
Additions	-	34,724	34,724
Disposals	-	(4,751)	(4,751)
At 31 December 2020	114,003	3,715,415	3,829,418
Depreciation and impairment			
At 1 January 2020	107,707	3,636,553	3,744,260
Depreciation charged in the year	1,260	19,036	20,296
Eliminated in respect of disposals	-	(4,751)	(4,751)
At 31 December 2020	108,967	3,650,838	3,759,805
Carrying amount			
At 31 December 2020	5,036	64,577	69,613
At 31 December 2019	6,296	48,889	55,185

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Fixed asset investments

	2020 £	2019 £
Investments in subsidiaries	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2020 & 31 December 2020	1
Carrying amount	
At 31 December 2020	1
At 31 December 2019	1

The shares in group undertaking balance above is comprised entirely of the company's wholly owned subsidiary, Brook Motors Limited. Brook Motors Limited is a dormant company and its accounts are available from its registered office at St Thomas Road, Huddersfield, West Yorkshire, HD1 3LJ.

12 Stocks

	2020 £	2019 £
Raw materials and consumables	234,240	222,882
Contract work in progress	9,000	10,873
Finished goods and goods for resale	2,308,652	2,219,800
Goods in transit	374,792	59,562
	<u>2,926,684</u>	<u>2,513,117</u>

Included within stocks is a provision for impairment losses of £176,850 (2019 - £136,013).

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	3,494,678	2,791,756
Amounts owed by group undertakings	124,881	69,901
Prepayments and accrued income	247,303	395,440
	<u>3,866,862</u>	<u>3,257,097</u>
Deferred tax asset (note 16)	10,014	-
	<u>3,876,876</u>	<u>3,257,097</u>

Amounts owed by group undertakings are unsecured, accrue no interest and are repayable on demand.

During the year, net impairment charges of £236,393 (2019 - £66,954) were recognised in respect of trade debtors due from customer known to be in financial difficulty and which the directors do not expect to be recoverable. At the year end a provision of £303,347 (2019 - £66,954) was held against trade debtors.

14 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	362,083	771,301
Amounts due to group undertakings	1,983,385	2,098,405
Corporation tax	188,450	337,721
Other taxation and social security	312,011	398,255
Accruals and deferred income	275,170	219,130
	<u>3,121,099</u>	<u>3,824,812</u>

Amounts due to group undertakings are unsecured, accrue no interest and are repayable on demand.

15 Provisions for liabilities

		2020	2019
	Notes	£	£
Deferred tax liabilities	16	-	53,154

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

16 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Balances:				
Fixed asset timing differences	-	(3,380)	5,847	-
Short term timing differences	-	(2,197)	4,167	-
Trademark assets	-	58,731	-	-
	<u>-</u>	<u>53,154</u>	<u>10,014</u>	<u>-</u>
Movements in the year:				2020 £
Liability at 1 January 2020				53,154
Credit to profit or loss				(69,421)
Effect of change in tax rate - profit or loss				6,253
Asset at 31 December 2020				<u>(10,014)</u>

The deferred tax asset at the year end is expected to reverse within 12 months.

17 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>141,341</u>	<u>124,007</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £21,932 (2019 - £12,923) were payable to the fund at the year end and are included in creditors.

18 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,800,000</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

19 Reserves

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

20 Operating lease commitments

Lessee

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	249,827	288,620
Between one and five years	860,493	1,004,803
In over five years	781,409	-
	<u>1,891,729</u>	<u>1,293,423</u>

21 Ultimate parent company and parent undertaking of larger group

The immediate parent company is Brook Crompton Holdings Limited, a company registered and listed in Singapore. The smallest group in which the company's results are consolidated during the year was that headed by Brook Crompton Holdings Limited. The consolidated accounts are available from its registered office Suite 07-01/02, 100 Cecil Street, The Globe, 069 532 Singapore.

The largest group in which the results of the company were consolidated during the year was that headed by Wolong Holding Group Co. Limited. The consolidated financial statements of this company are available from Wolong Holding Group Co. Limited, No.1801 West Remin Road, Shangyu, Zhejiang Province, Peoples Republic of China.

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Related party transactions

The company is a wholly owned subsidiary of Brook Crompton Holdings Limited and has taken advantage of the exemption conferred by section 33.1 A of FRS 102, not to disclose transactions with Brook Crompton Holdings Limited or wholly owned subsidiaries within the group.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

2020:

	Sales to related parties	Recharges to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	£	£	£	£	£
ATB Tamel S.A.	-	254,290	4,222,688	8,589	404,554
ATB Nordenham GmbH	-	-	267,422	-	26,588
ATB Spielberg GmbH	82	-	14,281	262	2,841
ATB Welzheim GmbH	-	-	708,853	-	103,818
ATB Motors B.V.	17,664	-	248,030	508	-
ATB Group UK Limited	3,856	-	107,503	1,604	-
ATB Server d.o.o.	-	-	357,392	-	14,990
ATB Schorch GmbH	-	-	422,404	36,411	-
Brook Crompton Asia Pacific	11,713	-	-	50	12,618
Brook Crompton Holdings Ltd	-	-	278,918	-	12,618
Wolong EMEA (Germany) GmbH	792	-	-	904	-
Wolong EMEA SRL	21,227	-	-	-	2,974
ATB Austria Antriebstechnik AG	-	-	12,111	-	1,830
Irons Brothers Limited	-	-	12,652	-	129
Wolong Electric Group Co. Ltd	-	-	2,054,716	-	582,856
Wolong Electric Nanyang Exp GR	-	-	7,857	-	96,757
Wolong International (Hong Kong) Co	-	-	1,087,553	-	282,199
Brook Crompton Limited (Canada)	163	-	3,595	13,188	3,386
Brook Crompton Inc (USA)	-	-	-	26,502	-

BROOK CROMPTON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22 Related party transactions (Continued)

The above companies are subsidiary undertakings of the Wolong Holding Group Co. Limited. This is with the exception of Irons Brothers Limited that has a common directorship and is not a subsidiary undertaking, with R M Eason being the shared director. At 31 December 2019 Brook Crompton Holdings Limited, the immediate parent company of Brook Crompton UK Limited, was not a wholly owned subsidiary of Wolong Holding Group Co. Ltd.

2019:

	Sales to related parties	Recharges to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	£	£	£	£	£
ATB Tamel S.A.	-	-	3,130,202	-	-
ATB Nordenham GmbH	-	-	243,855	-	-
ATB Spielberg GmbH	-	-	23,713	-	-
ATB Welzheim GmbH	-	-	172,293	-	-
ATB Motors B.V.	15,757	-	96,922	-	-
ATB Group UK Limited	3,768	-	127,007	-	-
ATB Server d.o.o.	-	-	119,184	-	-
ATB Schorch GmbH	-	-	278,042	-	-
Brook Crompton Asia Pacific	3,381	-	-	-	-
Brook Crompton Holdings Ltd	-	-	232,150	-	-
Wolong EMEA (Germany) GmbH	-	-	70	-	-
Wolong EMEA SRL	12,026	-	4,544	-	4,660
ATB Austria Antriebstechnik AG	-	-	3,500	-	-
Irons Brothers Limited	-	-	-	-	-
Wolong Electric Group Co. Ltd	-	-	1,079,624	10,754	-
Wolong Electric Nanyang Exp GR	-	-	87,677	-	84,106
Wolong International (Hong Kong) Co	-	-	1,234,079	-	40,643

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash.