


Registration number: 00111849

# Brush Electrical Machines Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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## **Brush Electrical Machines Limited**

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## **Brush Electrical Machines Limited**

### **Company Information**

#### **Directors**

C D Abbott

B P T Hewitson

C B Lordereau

K O A Olsson

N R L Pitrat

#### **Company secretary**

B P T Hewitson

#### **Registered office**

Power House

Excelsior Road

Ashby-de-la-Zouch

LE65 1BU

## Brush Electrical Machines Limited

### Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

#### Principal activity

The principal activity of Brush Electrical Machines Limited (hereafter referred to as "The Company") is that of an engineering company specialising in the manufacture and sale of electrical machines and the provision of after sales service.

#### Fair review of the business

Revenue for the year ended 31 December 2021 was £31,750,000 (year ended 31 December 2020: £29,925,000). The operating profit for the year ended 31 December 2021 was £2,469,000 (year ended 31 December 2020: operating loss of £2,819,000). The retained profit for the year ended 31 December 2021 was £23,164,000 (year ended 31 December 2020: £21,623,000).

The Company considers its key performance indicators to be Revenue and Operating Profit/(Loss).

<u>Key Performance Indicator</u>	2021 £000	2020 £000
Revenue	31,750	29,925
Operating Profit/(Loss)	2,469	(2,819)

Revenue increased during the year by 6% (year ended 31 December 2020: 18% increase). This is in line with expectations and demonstrates a continuous growth despite orders for generators that would previously have been placed with the Company now being placed directly with the 100% owned subsidiary Brush SEM s.r.o. in the Czech Republic.

Operating profit increased during the year by 188% (year ended 31 December 2020: 124% decrease). This increase in operating profit is mainly due to a gain on the sale of a subsidiary, partially offset by foreign currency gains and losses, changes in the revenue mix and the continued effect of the reduction in the Company's field service activities as a result of the Coronavirus (COVID-19) pandemic.

<b>Adjusted<sup>(1)</sup> results from continuing operations</b>	<b>Note</b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Adjusted operating profit/(loss)	6,7	(1,966)	1,338
Adjusted profit before tax		26,519	26,330
Adjusted profit for the year attributable to owners of the Company		18,729	25,780

<sup>(1)</sup> Defined in the summary of significant accounting policies (Note 2)

During the year the Company reported a gain on the sale of a subsidiary of £4,764,000 (year ended 31 December 2020: £nil) and received dividend income from subsidiaries of £27,587,000 (year ended 31 December 2020: £25,020,000). A review of the Company's loan receivables identified an impairment reversal of £99,000 due mainly to a loan repayment (year ended 31 December 2020: £4,547,000 impairment).

Despite the global implications of the COVID-19 pandemic, the nationwide lockdown and the adverse effect on Field Service activities, the Company has remained resilient: the Company continued to operate throughout the year; order intake has remained stable and revenue has grown.

## **Brush Electrical Machines Limited**

### **Strategic Report for the Year Ended 31 December 2021**

#### **Principal risks and uncertainties**

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

#### **Financial risk management**

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

##### **Credit risk**

The Company's principal financial assets are bank balances and trade and other receivables (including amounts due from other Group undertakings).

The Company's credit risk is primarily attributable to its trade receivables and receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company seeks advance payments where possible, performs credit checks and reviews previous history with customers to ensure credit risk is reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

##### **Cash flow risk**

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures. The use of financial derivatives is governed by the Company's policies and approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

##### **Liquidity risk**

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies occurs to ensure that intragroup funding is available, if required.

#### **Going concern**

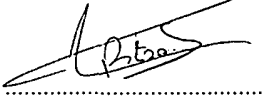
The Company has been impacted in the year by the on-going global implications of the COVID-19 pandemic. However, although the Company's field service activities continued to be adversely affected in the year by the global uncertainties and restrictions arising from the pandemic, the Company remained resilient. The on-going uncertainties on the Company's supply chain arising from both the implications of COVID-19 and the impact of the war in the Ukraine are being carefully monitored and managed by the Directors and key management team.

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

**Brush Electrical Machines Limited**

**Strategic Report for the Year Ended 31 December 2021**

Approved by the Board on 26th September 2022 and signed on its behalf by:

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

N R L Pitrat  
Director

## **Brush Electrical Machines Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their report and the financial statements for the year ended 31 December 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 year and up to the date of signing the financial statements were as follows:

G E Barnes (Resigned 18 June 2021)

C D Abbott

J C F Crawford (Resigned 18 June 2021)

G D Morgan (Resigned 18 June 2021)

M J Richards (Resigned 18 June 2021)

N R L Pitrat (Appointed 18 June 2021)

C B Lordereau (Appointed 18 June 2021)

B P T Hewitson (Appointed 18 June 2021)

K O A Olsson (Appointed 5 October 2021)

#### **Dividends**

The Directors do not recommend the payment of further dividends beyond the interim dividend of £38,500,000 paid in respect of the financial year ended 31 December 2021 (interim dividend year ended 31 December 2020: £32,500,000, final dividend year ended 31 December 2020: £nil).

#### **Employment of disabled persons**

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

#### **Employee involvement**

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

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

#### **Research and development**

Product development and innovation is a continuous process. The Company has committed additional resources to the development of new products to enhance the organic growth of the business. The Company incurred research and development costs of £946,000 during the year (year ended 31 December 2020: £455,000).

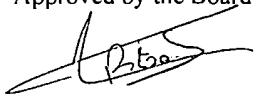
## **Brush Electrical Machines Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **Directors' liabilities**

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

Approved by the Board on 26th September 2022 and signed on its behalf by:



.....  
N R L Pitrat  
Director

## **Brush Electrical Machines Limited**

### **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## Brush Electrical Machines Limited

### Income Statement for the Year Ended 31 December 2021

Continuing Operations	Note	2021 £ 000	2020 £ 000
Revenue	4	31,750	29,925
Cost of sales		<u>(26,261)</u>	<u>(23,057)</u>
Gross profit		5,489	6,868
Distribution costs		(3,406)	(3,559)
Administrative expenses		(4,094)	(2,283)
Gain on sale of subsidiary	6	4,764	-
(Impairment)/reversal of impairment of loan receivables	6	99	(4,547)
Other exceptional items	6	(428)	390
Other operating income	5	<u>45</u>	<u>312</u>
Operating profit/(loss)	7	2,469	(2,819)
Income from shares in group undertakings		27,587	25,020
Finance income	9	987	712
Finance costs	10	<u>(89)</u>	<u>(740)</u>
Profit before tax		30,954	22,173
Tax on profit	13	<u>(7,790)</u>	<u>(550)</u>
Profit for the year attributable to owners of the Company		<u>23,164</u>	<u>21,623</u>

## Brush Electrical Machines Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
Profit for the year	23,164	21,623
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of post-employment benefit obligations	4,518	14,172
Income tax relating to items that will not be reclassified subsequently to the income statement	(1,794)	(2,695)
	<u>2,724</u>	<u>11,477</u>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Gain on cash flow hedges (net)	-	99
Income tax relating to items that may be reclassified subsequently to the income statement	-	(17)
	<u>-</u>	<u>82</u>
Total comprehensive income for the year	<u>25,888</u>	<u>33,182</u>

## Brush Electrical Machines Limited

Registration number: 00111849

### Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
<b>Non-current assets</b>			
Intangible assets	14	72	15
Property, plant and equipment	15	3,773	4,184
Investments	16	90,860	107,874
Retirement benefit assets	23	59,822	30,272
Trade and other receivables	18	2,978	673
		157,505	143,018
<b>Current assets</b>			
Inventories	17	1,946	2,312
Trade and other receivables	18	14,577	23,784
Derivative financial instruments	31	29	326
Cash at bank and in hand		2,266	381
		18,818	26,803
Total assets		176,323	169,821
<b>Current liabilities</b>			
Trade and other payables	19	(7,288)	(12,831)
Loans and borrowings	20	(276)	(4,863)
Derivative financial instruments		(90)	(6)
Provisions	21	(1,184)	(935)
Current liabilities		(8,838)	(18,635)
Net current assets		9,980	8,168
Total assets less current liabilities		167,485	151,186
<b>Non-current liabilities</b>			
Trade and other payables	19	(58,651)	(37,660)
Loans and borrowings	20	(2,071)	(2,317)
Deferred tax liabilities	22	(13,155)	(4,976)
Provisions	21	(401)	(401)
Non-current liabilities		(74,278)	(45,354)
Net assets		93,207	105,832
<b>Equity</b>			
Share capital	24	1,000	1,000
Hedging reserve	25	-	80
Other reserves	25	560	493
Retained earnings	25	91,647	104,259
Equity attributable to owners of the Company		93,207	105,832

**Brush Electrical Machines Limited**

**Registration number: 00111849**

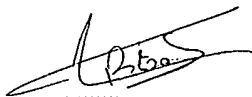
**Statement of Financial Position as at 31 December 2021**

For the year ended 31/12/2021, the Company was entitled to exemption under section 479a of the Companies Act 2006.

No members have required the Company to obtain an audit of its accounts in in question in accordance with section 476 of the Companies Act 2016.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

Approved by the Board on 26th September 2022 and signed on its behalf by:



.....

N R L Pitrat

Director

**Brush Electrical Machines Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £ 000	Hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	1,000	(2)	493	103,659	105,150
Profit for the year	-	-	-	21,623	21,623
Other comprehensive income	-	82	-	11,477	11,559
Total comprehensive income	-	82	-	33,100	33,182
Dividends	-	-	-	(32,500)	(32,500)
At 31 December 2020	1,000	80	493	104,259	105,832
<hr/>					
At 1 January 2021	1,000	80	493	104,259	105,832
Profit for the year	-	(80)	67	23,177	23,164
Other comprehensive income	-	-	-	2,724	2,724
Total comprehensive income	-	(80)	67	25,901	25,888
Dividends	-	-	-	(38,500)	(38,500)
At 31 December 2021	1,000	-	560	91,647	93,207

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

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

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on \_\_\_\_\_.

#### **2 Accounting policies**

##### **Summary of significant accounting policies**

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

##### **Basis of preparation**

These financial statements are prepared in accordance with International Accounting Standards as adopted by the UK and in accordance with the Companies Act 2006.

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

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

##### **Summary of disclosure exemptions**

As permitted by FRS 101 and where relevant, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Brush HoldCo 1 Limited (Brush Group), which are available to the public and can be obtained electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

##### **Business Combinations**

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

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### **Business Combinations (continued)**

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

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

##### **Going concern**

The Company has been impacted in the year by the on-going global implications of the COVID-19 pandemic. However, although the Company's field service activities continued to be adversely affected in the year by the global uncertainties and restrictions arising from the pandemic, the Company remained resilient. The on-going uncertainties on the Company's supply chain arising from both the implications of COVID-19 and the impact of the war in the Ukraine are being carefully monitored and managed by the Directors and key management team.

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

##### **Exemption from preparing group accounts**

The Company was exempt from the preparation of consolidated financial statements as its results were included in the group accounts of Brush Holdco 1 Limited, which are available to the public and can be obtained electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

##### **Revenue recognition**

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

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

Certain of the Company's arrangements with its customers are multiple element arrangements (containing several performance obligations) that can include any combination of products and services such as extended warranties, installation and start up testing as deliverables. With the exception of certain extended warranty arrangements, substantially all of the deliverables within the Company's multiple-element arrangements are delivered within a one-year period. Revenue for any undelivered elements is deferred until delivery occurs. The Company allocates revenue to multiple-element arrangements based on the relative fair value of each element's estimated selling price. The service element of the contract is often provided on a short-term or one-off basis. Where this is the case, revenue is recognised when the service is complete.

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

The majority of the Company's revenue is earned from the provision of aftermarket activities.

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### **Revenue recognition (continued)**

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

##### **Sale of goods**

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

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

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

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

##### **Provision of services**

Revenue from the rendering of services is generally provided on a short-term or one-off basis and therefore revenue is usually recognised when the service is complete.

##### **Exceptional items**

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

##### **Government Grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the Income Statement over the expected useful lives of the assets concerned. Other grants are recognised in the Income Statement as the related expenditure is incurred.

##### **Finance income and costs policy**

###### ***Finance income***

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

###### ***Finance costs***

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

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the 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 profit or loss 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 profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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

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

##### **Property, plant and equipment**

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### Depreciation

Depreciation is recognised on all tangible property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Right-of-use assets are depreciated on a straight line basis from the commencement date of the lease over the shorter of the estimated useful life and the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of every reporting period. Depreciation is provided as follows:

Asset class	Depreciation rate
Plant and equipment	3 to 15 years
Leased building	Over life of the lease (see below)
Leased plant and equipment	Over life of the lease (see below)

##### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable:

- any lease payments made at or before the commencement date net of any lease incentives received;
- any initial direct costs incurred; and
- except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset as required by the terms and conditions of the lease

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

##### Intangible assets

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

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

##### Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from the development is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### Intangible assets (continued)

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### Derecognition of intangible assets

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

##### Amortisation

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

Asset class	Amortisation rate
Computer software	5 years or less

##### Investments

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

##### Trade receivables

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. If impaired, the carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by the expected credit lifetime losses under the simplified approach permitted under IFRS9. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting receipts, an increase in the number of delayed receipts in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

##### Inventories

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

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### **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.

##### **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 expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

##### **Warranties**

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

##### **Environmental and legal**

Liabilities for environmental and legal costs are recognised when environmental assessments or legal claims are probable, and the associated costs can be reasonably estimated. The amount recognised is the best estimate of the expenditure required.

##### **Other**

Liabilities associated with the dilapidation of the leased building are recognised when the expenditure is probable due to contractual terms, and the costs can be reasonably estimated. The amount recognised as a provision is the Directors and key management team's best estimate based upon the value recovered from the previous tenant.

##### **Leases**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the Group's incremental borrowing rate. Lease payments comprise of:

- fixed payments less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and
- any anticipated termination penalties if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### Leases (continued)

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease term; or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

##### Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

##### Impairment of non-financial assets (continued)

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 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

##### Retirement benefit costs

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

##### Defined benefit pension obligation

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

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### **Defined benefit pension obligation (continued)**

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

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

##### **Financial assets and liabilities**

###### ***Classification***

All financial assets Comprising of trade and other receivables, derivative financial instruments and cash at bank and in hand are classified as either those which are measured at fair value, through the Income Statement (FVTIS), or Other Comprehensive Income, and those measured at amortised cost.

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

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

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

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

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

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

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

###### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### ***Impairment of financial assets (continued)***

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

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

##### **Financial liabilities and equity**

###### ***Classification***

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

###### ***Recognition and measurement***

Financial liabilities comprising of trade and other payables, loans and borrowings, provisions and derivative financial instruments are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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

##### **Derivatives and hedging**

###### ***Derivative financial instruments***

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

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### *Derivative financial instruments (continued)*

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

##### *Hedge accounting*

The Company designates certain hedging instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

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

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

#### 3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Impairment of non-current assets, including investments in subsidiaries**

Non-current assets are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Such events and circumstances would include the effects of restructuring initiated by management.

Where such events and circumstances are identified, to determine whether non-current assets are impaired requires an estimation of the asset's recoverable amount. COVID-19 is such an event and has been a focus in the year. Management use their judgement in estimating the recoverable amount of each asset, which may be based upon the asset's value in use or its fair value less costs to sell. Where applicable, the value in use calculation requires management to estimate the future cash flows expected to arise from the asset and a suitable pre-tax discount rate in order to calculate the net present value. Such calculations require judgement relating to the appropriate discount factors and long-term growth prevalent in a particular market as well as short- and medium-term business plans. Management draw upon experience as well as external resources in making these judgements. For further details, see Note 16.

##### **Retirement benefit obligations**

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

At 31 December 2021, the Company's retirement benefit obligation net asset was £59,822,000 (31 December 2020: £30,272,000). Further details of the assumptions applied and a sensitivity analysis on the principal assumptions used to determine the Company's defined benefit obligations is shown in note 23

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 4 Revenue

All of the Company's revenue for the year from continuing operations was recognised at a point in time.

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

	2021 £ 000	2020 £ 000
Sale of goods	21,467	22,679
Rendering of services	10,283	7,246
Revenue	<u>31,750</u>	<u>29,925</u>

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

	2021 £ 000	2020 £ 000
United Kingdom	5,194	3,813
Europe	15,576	11,284
North America	3,722	3,008
Asia	4,005	8,697
Rest of the world	3,253	3,123
	<u>31,750</u>	<u>29,925</u>

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

	2021 £ 000	2020 £ 000
Energy	1,164	2,459
Oil & gas	10,924	10,909
Industrials	1,319	344
Aftermarket	18,343	16,213
Mining	-	-
Other	-	-
	<u>31,750</u>	<u>29,925</u>

#### 5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £ 000	2020 £ 000
Other operating income	45	312
Government Grant Income	-	410
Repayment of Government Grant Income	-	(410)
	<u>45</u>	<u>312</u>

Other operating income in 2021 relates to sales of scrap (2020: sales of scrap and receipts in lieu of previous tenant refurbishment for the new building lease agreement).

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 5 Other operating income (continued)

The Government Grant Income refers to income the Company received from the UK Government furlough scheme for a small proportion of its employees. The Repayment of Government Grant Income refers to the Company's decision to repay all income received from the UK Government furlough scheme which occurred in the same year.

#### 6 Exceptional items

Included within operating profit/(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.

	2021 £ 000	2020 £ 000
Gain on sale of subsidiary	4,764	-
(Impairment)/reversal of impairment of loan receivables	99	(4,547)
Restructuring items	(333)	470
Share based payment	(67)	-
Stamp duty on subsidiary acquisition	(28)	-
Impact of GMP equalisation on UK pension scheme	-	(80)
	<u>4,435</u>	<u>(4,157)</u>

During the year, the Company recognised a gain on disposal of a subsidiary investment of £4,764,000 (in 2020: £nil). (Note 16)

A restructuring cost of £333,000 was recognised during the year, relating primarily to the new senior management structure created as a result of the acquisition of the Company by Brush Jersey HoldCo II Limited. (31 December 2020: net release of restructuring provisions of £470,000 due to a final contract settlement and the expiry of warranties on contracts performed by the Generator manufacturing business that ceased activity in 2018).

During the year the Company incurred £nil further costs in respect of gender equalisation of guaranteed minimum pensions (GMP) for occupational pension schemes in the UK. (2020: £80,000)

During the year, a review of the carrying value of the Company's loan receivable balances identified impairment reversals with a total value of £99,000, due to a mixture of repayments and foreign currency movements. A similar review in 2020 identified impairments of £4,547,000.

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 7 Operating (profit)/loss

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense: Owned	310	169
Depreciation expense: Leased	285	254
Amortisation expense	20	21
Research and development spend	946	455
Foreign exchange (gains)/ losses	932	(717)
Staff costs	14,174	13,547
Lease rentals	5	13
Cost of inventories recognised as expense	15,778	14,632
Write-downs of inventory	129	137
Reversals of write-downs of inventory	-	(1,299)
	-	(1,299)

#### 8 Auditor's remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	-	70
	-	70

For the financial year ending 31 December 2021, the Company was entitled to the exemption from audit under section 479C of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts in accordance with section 476.

#### 9 Finance income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	-	5
Interest income on retirement benefit obligations	613	330
Interest on loans to Group undertakings	374	377
	987	712

#### 10 Finance costs

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	21	-
Interest paid to group undertakings	24	693
Interest on leases liabilities	44	47
	89	740

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 11 Staff costs

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

	2021 £ 000	2020 £ 000
Wages and salaries	12,126	11,793
Social security costs	1,378	1,126
Pension costs, defined contribution scheme	670	628
	<u>14,174</u>	<u>13,547</u>

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

	2021 No.	2020 No.
Production	140	144
Sales, marketing and distribution	20	16
Administration and support	44	33
	<u>204</u>	<u>193</u>

#### 12 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Directors' and key management emoluments including benefits in kind	3,230	611
Pension contributions to defined contribution schemes	42	-
	<u>3,272</u>	<u>611</u>

The Company considers the Directors to be the Key Management Personnel.

During the year, retirement benefits were accruing to four Directors in respect of defined contribution pension schemes and one Director in respect of defined benefit pension schemes.

The highest paid Director received remuneration of £1,342,000 in the period (2020: £611,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil.

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 13 Income tax

Tax charged/(credited) in the income statement

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Withholding taxes	1,405	68
Total current income tax	1,405	68
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	6,404	395
Adjustment for prior periods	(19)	87
Tax charge in the income statement	<u>7,790</u>	<u>550</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2020: lower than the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit before tax	<u>30,954</u>	<u>22,173</u>
Corporation tax at standard rate	5,881	4,213
Adjustment for prior periods	(19)	87
Non-taxable income	(6,147)	(4,754)
Non-qualifying depreciation	36	-
Expenses not deductible in determining taxable profit	16	928
Group relief at nil consideration	4,813	(202)
Withholding taxes	1,405	68
Effect of rate differences on deferred tax recognition	<u>1,805</u>	<u>210</u>
Total tax charge	<u>7,790</u>	<u>550</u>

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 13 Income tax (continued)

##### Tax recognised in other comprehensive income

In addition to the amounts recognised in the income statement, the following amounts relating to tax have been recognised in other comprehensive income and equity:

	2021 £ 000	2020 £ 000
<b>Deferred tax</b>		
Financial instruments treated as cash flow hedges	-	17
Retirement benefit obligations	1,794	2,695
	1,794	2,712

#### 14 Intangible assets

	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 January 2021	976	976
Additions	77	77
Disposals	(7)	(7)
At 31 December 2021	1,046	1,046
<b>Amortisation</b>		
At 1 January 2021	961	961
Charge for the year	20	20
Eliminated on disposal	(7)	(7)
At 31 December 2021	974	974
<b>Carrying amount</b>		
At 31 December 2021	72	72
At 31 December 2020	15	15

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 15 Property, plant and equipment

	Land and Buildings (Right-of-Use) £ 000	Plant and equipment (Including Right- of-Use) £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2021	2,553	6,336	8,889
Additions	-	184	184
Disposals	-	(1,968)	(1,968)
At 31 December 2021	2,553	4,552	7,105
<b>Accumulated depreciation</b>			
At 1 January 2021	254	4,451	4,705
Charge for the year	256	339	595
Eliminated on disposal	-	(1,968)	(1,968)
At 31 December 2021	510	2,822	3,332
<b>Carrying amount</b>			
At 31 December 2021	2,043	1,730	3,773
At 31 December 2020	2,299	1,885	4,184

	Land and Buildings £ 000	Plant and equipment £ 000	Total £ 000
<b><u>Right-of-use assets</u></b>			
At 1 January 2021	2,299	-	2,299
Additions	-	57	57
Depreciation	(256)	(29)	(285)
At 31 December 2021	2,043	28	2,071

	Land and Buildings £ 000	Plant and equipment £ 000	Total £ 000
<b><u>Total cash (in)/outflows from right-of-use assets</u></b>			
At 31 December 2021	300	15	315
At 31 December 2020	(17)	-	(17)

Net cash inflow in prior year due to landlord contribution at start of lease.

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16 Investments

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 January 2021	470,638
Additions	5,722
Disposals	(22,736)
<b>At 31 December 2021</b>	<b>453,624</b>
<b>Provision for impairment</b>	
At 1 January 2021	362,764
Additions	-
Disposals	-
<b>At 31 December 2021</b>	<b>362,764</b>
<b>Carrying amount</b>	
<b>At 31 December 2021</b>	<b>90,860</b>
At 31 December 2020	107,874

A detailed impairment review was performed by management to assess the recoverability of the Company's investments at the year end, with no impairments recognised in 2021 (2020: £nil).

This review involved management estimating future cash flows expected to arise from the investment and also to estimate a suitable discount rate in order to calculate present value. The pre-tax discount rate used was 10.70% (2020: 10.75%). Management are able to draw on their experience as well as external sources in order to make their estimates.

As a result of the work performed, management considered the carrying value of the Company's investments to be recoverable.

#### Sensitivity Analysis

A 1% increase in the cost of capital used to value future cash flows from investments would not lead to an impairment. Similarly, a 5% reduction in revenues from investments would not lead to an impairment.

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16 Investments (continued)

Details of the subsidiaries and associates as at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2021	2020
Brush Scheme Trustees Limited*	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Brush SEM s.r.o.*	Engineering company	Edvarda Benese 564/39, Doudlevce, 301 00 Plzen, Czech Republic	100%	100%
Brush HMA B.V.*	Engineering company	Schaardijk 372, 5th Floor, Building 2, 2909 La Capelle aan den IJssel, The Netherlands	100%	100%
Harrington Generators International Limited*	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Brush Transformers Limited*	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Brush Aftermarket North America Inc*	Holding company	601 Braddock Avenue, Turtle Creek, Pittsburgh, Pennsylvania, 15145, USA	0%	100%
Brush Canada Services Inc/Services Brush Canada Inc*	Engineering company	1134 Grande Allée Ouest, Bureau 600, Quebec, G1S 1E5, Canada	100%	100%
Hawker Siddeley Switchgear Limited*	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Brush Electrical Engineering Company Limited*	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Aprenda Limited*	Engineering company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	0%

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16 Investments (continued)

Brush Properties Limited*	Holding Company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Danks Holdings Ltd*	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Brush Middle East LLC* (dissolved)	Dormant	As Sinaiyah, Nizwa, Ad Dakhliyah Region, Oman	0%	70%
Generator and Motor Services of Pennsylvania LLC	Engineering company	601 Braddock Avenue, Turtle Creek, Pittsburgh, Pennsylvania, 15145, USA	0%	100%
Brush Switchgear Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
Bristol Meci Australasia Pty Limited	Holding company	Unit 6, 256-258 Leitchs Road, Brendale, QLD 4500, Australia	100%	100%
Hawker Siddeley Switchgear Pty Limited	Engineering company	Unit 6, 256-258 Leitchs Road, Brendale, QLD 4500, Australia	100%	100%
Mediterranean Power Electric Company Limited	Engineering company	Marsa Industrial Estate, Marsa, MRS 3000, Malta	26%	26%
Whipp & Bourne Limited	Non-trading Company	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
FKI Plan Trustees Limited	Dormant	Power House, Excelsior Road Ashby-de-la-Zouch, England LE65 1BU, United Kingdom	100%	100%
FKI Engineering Shanghai Limited	Non-trading Company	Unit 2025, 2031, 1st Floor, Building C, No.155 Fute, West One Road, Shanghai Waigaoqiao Bonded Area, China (Shanghai) Pilot Free Trade Zone, China	100%	100%

\* owned directly by the Company.

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 16 Investments (continued)

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

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

On 19 January 2021, Brush Middle East LLC was dissolved.

On 18 June 2021, Brush Electrical Machines Limited was acquired by Brush UK HoldCo Limited (a wholly-owned subsidiary of Brush HoldCo 1 Limited). The details of this acquisition are outlined in the Brush HoldCo 1 Limited Consolidated Accounts.

On 18 June 2021, as part of the above mentioned acquisition, Brush Electrical Machines Limited sold Brush Aftermarket North America Inc (and subsidiaries) to Brush US HoldCo Inc., (a wholly owned subsidiary of Brush HoldCo 1 Limited). The Company recognised a gain on the sale of £4,764,000 (note 6).

On 22 June 2021, Brush Electrical Machines Limited acquired Aprenda Limited for a consideration of £5,722,000, of which £926,000 is contingent.

Post 31 December 2021, the Company incorporated a 100% owned company: BRUSH Electrical Machines Asia PTE. Ltd incorporated in Singapore on the 25 February 2022.

#### 17 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	195	172
Work in progress	1,455	1,768
Finished goods and goods for resale	296	372
	1,946	2,312

Inventories are presented net of obsolescence provisions of £354,000 (2020: £225,000).

#### 18 Trade and other receivables

##### Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	4,274	7,534
Provision for impairment of trade receivables	(87)	(160)
<b>Net trade receivables</b>	4,187	7,374
Amounts owed by Group undertakings	12,489	14,152
Accrued income	19	263
Prepayments and Other receivables	860	2,668
<b>Total trade and other receivables</b>	<b>17,555</b>	<b>24,457</b>

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 18 Trade and other receivables (continued)

##### Analysis of current and non-current trade and other receivables

	2021 £ 000	2020 £ 000
Current assets	14,577	23,784
Non-current assets	2,978	673
	17,180	24,457

Amounts owed by Group undertakings are receivable balances with fellow subsidiary undertakings of the Brush 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, not on demand.

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

As at 31 December 2021	Not past due £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	Lifetime ECL
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	17	29	6	4	31	87

Year ended 31 December 2020:

As at 31 December 2020	Not past due £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	Lifetime ECL
Expected credit loss rate	0.5%	5%	5%	20%	100%	
Estimated total gross carrying amount at default	32	37	9	19	63	160

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 19 Trade and other payables

	2021 £ 000	2020 £ 000
<b>Trade and other payables</b>		
Trade payables	1,322	1,589
Accruals and deferred income	3,469	4,226
Amounts owed to Group undertakings	60,311	43,430
Social security and other taxes	28	12
Payments on account	809	1,212
Other payables	-	22
	65,939	50,491
	2021 £ 000	2020 £ 000
<b>Analysis of current and non-current payables</b>		
Current payables	7,288	12,831
Non-current payables	58,651	37,660
	65,939	50,491

Amounts owed to group undertakings are payable balances with fellow subsidiary undertakings of the Brush 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, not on demand.

#### 20 Loans and borrowings

	2021 £ 000	2020 £ 000
<b>Loans and borrowings - amounts falling due within one year</b>		
Bank overdrafts	-	4,606
Leases liabilities	2,347	2,574
	2,347	7,180

The bank overdrafts are unsecured, interest bearing and payable on demand. Lease liabilities are analysed further in Note 27.

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

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

	2021 £ 000	2020 £ 000
Current liabilities	276	4,863
Non-current liabilities	2,071	2,317
	2,347	7,180

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 21 Provisions

	Warranties £ 000	Environmental & Legal £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	191	744	401	1,336
Additional provisions charged	182	46	592	820
Provisions released	(18)	-	(342)	(360)
Provisions utilised	(186)	-	(25)	(211)
At 31 December 2021	169	790	626	1,585

The provision for product warranties relates to expected warranty claims on products sold and is expected to be utilised within one year of the balance sheet date.

The opening provisions for Environmental & Legal relate to unresolved litigation matters and the outstanding elements of one-off customer repair work that are legal in nature and are expected to be resolved within one year of the balance sheet date. The provision is expected to be utilised within one year of the balance sheet date.

The opening other provision is a dilapidation provision for the new building lease in Ashby-de-la-Zouch, which is not expected to be utilised until 2029 or beyond.

	2021	2020
Current liabilities	1,184	935
Non-current liabilities	401	401
	1,585	1,336

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 22 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 £ 000	Liabilities £ 000	Net £ 000
<b>2021</b>			
Accelerated tax depreciation	-	815	815
Other temporary differences	-	387	387
Retirement benefit obligations	-	(14,357)	(14,357)
		<u>(13,155)</u>	<u>(13,155)</u>
	Assets £ 000	Liabilities £ 000	Net £ 000
<b>2020</b>			
Accelerated tax depreciation	-	619	619
Other temporary differences	-	157	157
Retirement benefit obligations	-	(5,752)	(5,752)
		<u>(4,976)</u>	<u>(4,976)</u>

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Retirement benefit obligations £ 000	Total £ 000
At 1 January 2020	697	336	(2,815)	(1,782)
Recognised in income	(78)	(162)	(242)	(482)
Recognised in equity	-	(17)	(2,695)	(2,712)
At 31 December 2020	<u>619</u>	<u>157</u>	<u>(5,752)</u>	<u>(4,976)</u>

	Accelerated tax depreciation £ 000	Other temporary differences £ 000	Retirement benefit obligations £ 000	Total £ 000
At 1 January 2021	619	157	(5,752)	(4,976)
Recognised in income	196	230	(6,811)	(6,385)
Recognised in equity	-	-	(1,794)	(1,794)
At 31 December 2021	<u>815</u>	<u>387</u>	<u>(14,357)</u>	<u>(13,155)</u>

Deferred tax is not provided on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £1,809,000 would be payable (2020: £2,476,000). Following the UK's exit from the EU, this amount has been calculated on the basis that the Company will rely on withholding tax rates as set out in Double Taxation Conventions agreed between the UK and other countries, rather than the EU Parent-Subsidiary Directive.

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **23 Pension schemes**

##### **Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £670,000 (2020: £628,000).

Contributions totalling £Nil (2020 £Nil) were payable to the scheme at the end of the year and were included in creditors.

##### **Defined benefit pension schemes**

###### **Brush Group (2013) Pension Plan**

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

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

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

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

Contributions payable to the pension scheme at the end of the year are £Nil (2020: £Nil).

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

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 23 Pension schemes (continued)

The amounts recognised in the statement of financial position are as follows:

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Fair value of scheme assets	325,003	310,112
Present value of scheme liabilities	(265,181)	(279,840)
Defined benefit pension scheme surplus	59,822	30,272

#### Scheme assets

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

	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Fair value at start of year	310,112	277,845
Interest income	4,484	5,462
Return on plan assets, excluding amounts included in interest income	(7,358)	36,358
Contributions by the employer	25,000	-
Benefits paid	(6,654)	(8,844)
Administrative expenses paid	(581)	(709)
Fair value at end of year	325,003	310,112

#### Analysis of assets

The major categories of scheme assets are as follows:

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Equities	5,447	64,307
Credit	12,208	-
Government bonds	199,522	199,276
Other	107,826	46,529
	325,003	310,112

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

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

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

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 23 Pension schemes (continued)

Actual return on scheme's assets

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Actual return on scheme assets	(2,874)	41,820

Scheme liabilities

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

	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Present value at start of year	279,840	261,286
Past service cost	-	80
Actuarial losses arising from changes in demographic assumptions	2,650	3,612
Actuarial (gains) and losses arising from changes in financial assumptions	(17,260)	24,600
Actuarial (gains) and losses arising from experience adjustments	2,734	(6,026)
Interest cost	3,871	5,132
Benefits paid	(6,654)	(8,844)
Present value at end of year	265,181	279,840

Principal actuarial assumptions

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

	<b>31 December 2021 %</b>	<b>31 December 2020 %</b>
Discount rate	1.95	1.40
RPI Inflation	3.05	2.70
CPI Inflation	2.70	2.20
Pension increases:		
RPI inflation up to 5% p.a.	2.95	2.70
RPI inflation from 3% p.a. up to 5% p.a.	3.55	3.40
RPI inflation up to 2.5% p.a.	2.10	2.00
CPI inflation up to 3% p.a.	2.20	1.90

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 23 Pension schemes (continued)

##### *Post retirement mortality assumptions*

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	21.1	21.1
Current UK pensioners at retirement age - female	23.5	23.5
Future UK pensioners at retirement age - male	22.4	22.4
Future UK pensioners at retirement age - female	25.0	24.9

The assumptions were that a member currently aged 65 will live on average for a further 21.1 years if they are male and for a further 23.5 years if they are female. For a member who retires in 2041 at age 65, the assumptions were that they will live for a further 22.4 years after retirement if they are male and for a further 25.0 years after retirement if they are female.

##### Amounts recognised in the income statement

	31 December 2021 £ 000	31 December 2020 £ 000
<b>Amounts recognised in operating profit</b>		
Past service cost	-	80
Administrative expenses paid	581	709
Recognised in arriving at operating profit	581	789
<b>Amounts recognised in finance income or costs</b>		
Net interest	(613)	(330)
Total recognised in the income statement	(32)	459

##### Amounts taken to the Statement of Comprehensive Income

	2021 £ 000	2020 £ 000
Actuarial (gains) and losses arising from changes in financial assumptions	(17,260)	24,600
Actuarial (gains) and losses arising from changes in demographic assumptions	2,650	3,612
Actuarial (gains) and losses due to liability experience	2,734	(6,026)
Return on plan assets, excluding amounts included in interest income	7,358	(36,358)
Amounts recognised in the Statement of Comprehensive Income	(4,518)	(14,172)

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 23 Pension schemes (continued)

##### Sensitivity analysis

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

	31 December 2021 £ 000	31 December 2020 £ 000
<b>Adjustment to discount rate</b>	- 0.1%	- 0.1%
Present value of total obligation	4,945	5,600
<b>Adjustment to rate of inflation</b>	+ 0.1%	+ 0.1%
Present value of total obligation	2,777	2,100
<b>Adjustment to mortality age rating assumption</b>	+ 1 Year	+ 1 Year
Present value of total obligation	10,902	16,500

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 24 Share capital

##### Authorised, issued and fully paid shares

	2021		2020	
	Number	£ 000	Number	£ 000
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

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#### 25 Reserves

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Cash flow hedge reserve £ 000	Retained earnings £ 000	Total £ 000
Loan on cash flow hedges	-	-	-
Remeasurements of post-employment benefit obligations (net)	-	2,724	2,724
	-	2,724	2,724

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Gain on cash flow hedges	82	-	82
Remeasurements of post-employment benefit obligations (net)	-	11,477	11,477
	82	11,477	11,559

#### Hedging reserve

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

#### Retained Earnings Reserve

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

#### Other Reserves

The other reserves represent incentive shares and other capital reserves.

**Brush Electrical Machines Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**26 Dividends**

**Dividends paid**

Amounts recognised as distributions to equity holders:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Dividends paid	38,500	32,500

Dividends paid per share: £38.50 (2020: £32.50).

## Brush Electrical Machines Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 27 Lease arrangements

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>As at 31 December 2021</b>			
Within one year	315	(39)	276
One year to five years	1,274	(108)	1,166
Over five years	932	(27)	905
	2,521	(174)	2,347

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
<b>As at 31 December 2020</b>			
Within one year	300	(43)	257
One year to five years	1,249	(148)	1,101
Over five years	1,243	(27)	1,216
	2,792	(218)	2,574

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

	31 December 2021 £ 000	31 December 2020 £ 000
<b>Current liabilities</b>	276	257
<b>Non-current liabilities</b>	2,071	2,317
	2,347	2,574

Future finance charges are expected to be £174,000 (2020: £218,000).

## **Brush Electrical Machines Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **28 Contingent liabilities**

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

#### **29 Controlling party**

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