

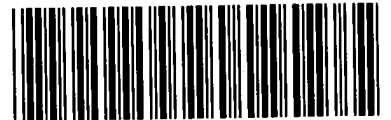
Registration number: 00164945

# Brush Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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## **Brush Holdings Limited**

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## **Brush Holdings Limited**

### **Company Information**

<b>Directors</b>	G E Barnes
	M J Richards
	G D Morgan
<b>Company secretary</b>	J C F Crawford
<b>Registered office</b>	11th Floor The Colmore Building 20 Colmore Circus Queensway Birmingham B4 6AT
<b>Auditor</b>	Deloitte LLP London United Kingdom

## **Brush Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their Strategic Report for the year ended 31 December 2019.

#### **Principal activity**

The Company's principal activity is to act as an intermediate holding company. The Directors do not expect any change in this activity in the foreseeable future.

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

The operating loss for the year ended 31 December 2019 was £675,088,000 (year ended 31 December 2018: loss of £196,964,000). The retained profit for the year ended 31 December 2019 was £92,263,000 (year ended 31 December 2018: loss of £189,964,000).

The Company received dividends of £703,274,000 and £57,150,000 from Brush Properties Limited and Brush Electrical Machines Limited respectively.

#### **Financial risk management**

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

##### ***Principal risks***

###### **Credit risk**

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

The Company's credit risk is primarily attributable to its 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 balance.

###### **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.

###### **Interest rate risk**

The Company's interest bearing assets and liabilities are based on LIBOR. This exposes the Company to interest rate risk of changes to LIBOR.

#### **Going concern**

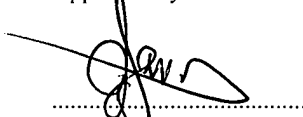
The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of approval of these financial statements. The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2020 Interim Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of over £1.1 billion, when applying the exchange rates at 30 June 2020. Headroom is largely unchanged through to the end of August 2020.

The Melrose Group has been impacted by events subsequent to the year end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Company, they are impacting fellow subsidiaries. The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

**Brush Holdings Limited**

**Strategic Report for the Year Ended 31 December 2019**

Approved by the Board on 15 September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G E Barnes', is written over a horizontal dotted line.

G E Barnes  
Director

## **Brush Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019. 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

M J Richards

G D Morgan

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

#### **Dividends**

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2019 (year ended 31 December 2018: £nil).

#### **Unclaimed Dividends**

As at 31 December 2019, the Company had unclaimed dividends payable of £6,727.33.

#### **Directors' liabilities**

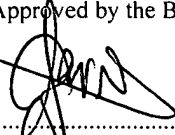
The ultimate parent undertaking has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and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

#### **Disclosure of information to the auditor**

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 15 September 2020 and signed on its behalf by:

  
.....  
G E Barnes  
Director

## **Brush Holdings Limited**

### **Directors' Responsibilities Statement**

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

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

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

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

#### **Opinion on the financial statements**

In our opinion the financial statements of Brush Holdings Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Brush Holdings Limited for the year ended 31 December 2019, set out on pages 9 to 29, which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

#### **Basis for opinion**

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

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

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



## **Brush Holdings Limited**

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

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of Directors**

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

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

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

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

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

## **Brush Holdings Limited**

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

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

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

##### **Use of our report**

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



.....  
Lucy Openshaw FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor

London  
United Kingdom

15 September 2020

## Brush Holdings Limited

### Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Administrative expenses		220	36
Adjusting items	4	<u>(675,308)</u>	<u>(197,000)</u>
Operating loss	5	(675,088)	(196,964)
Income from shares in group undertakings		762,638	1,717
Finance income	7	15,277	12,095
Finance costs	8	<u>(9,718)</u>	<u>(5,618)</u>
Profit/(loss) before tax		93,109	(188,770)
Tax on profit/(loss)	11	<u>(846)</u>	<u>(1,194)</u>
Profit/(loss) for the year attributable to owners of the Company		<u><u>92,263</u></u>	<u><u>(189,964)</u></u>

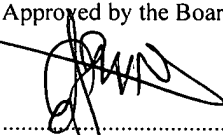
The above results were derived from continuing operations.

The Company has no gains and losses other than the results for the financial year shown above and therefore no separate statement of comprehensive income has been presented.

**Brush Holdings Limited**  
**(Registration number: 00164945)**  
**Balance Sheet as at 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Non-current assets</b>			
Investments	12	103,000	785,308
Deferred tax assets	17	8,307	9,153
Amounts owed by Group undertakings	13	455,749	417,449
		<u>567,056</u>	<u>1,211,910</u>
<b>Current assets</b>			
Trade and other receivables	13	14,686	352,074
Cash at bank and in hand		23,303	-
		<u>37,989</u>	<u>352,074</u>
<b>Current liabilities</b>			
Trade and other payables	14	(37)	(1,050,329)
Loans and borrowings	15	(5,364)	(3,604)
Provisions	16	(1,474)	(3,001)
Current liabilities		<u>(6,875)</u>	<u>(1,056,934)</u>
Net current assets/(liabilities)		<u>31,114</u>	<u>(704,860)</u>
Total assets less current liabilities		598,170	507,050
Provisions	16	(7,220)	(8,363)
Net assets		<u>590,950</u>	<u>498,687</u>
<b>Equity</b>			
Share capital	18	544,975	544,975
Capital redemption reserve		2,000	2,000
Retained earnings		43,975	(48,288)
Equity attributable to owners of the Company		<u>590,950</u>	<u>498,687</u>

Approved by the Board on 15 September 2020 and signed on its behalf by:

  
.....  
G E Barnes  
Director

## Brush Holdings Limited

### Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Capital redemption reserve £ 000	Retained Earnings £ 000	Total £ 000
At 1 January 2018	544,975	2,000	141,676	688,651
Loss for the year	-	-	(189,964)	(189,964)
Total comprehensive income	-	-	(189,964)	(189,964)
At 31 December 2018	544,975	2,000	(48,288)	498,687

	Share capital £ 000	Capital redemption reserve £ 000	Retained Earnings £ 000	Total £ 000
At 1 January 2019	544,975	2,000	(48,288)	498,687
Profit for the year	-	-	92,263	92,263
Total comprehensive income	-	-	92,263	92,263
At 31 December 2019	544,975	2,000	43,975	590,950

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

The address of its registered office is:

11th Floor  
The Colmore Building  
20 Colmore Circus Queensway  
Birmingham  
B4 6AT

These financial statements were authorised for issue by the Board on 15 September 2020.

#### **2 Accounting policies**

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

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

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

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

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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

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

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

##### **Going concern**

The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of approval of these financial statements. The Company is a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2020 Interim Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of over £1.1 billion, when applying the exchange rates at 30 June 2020. Headroom is largely unchanged through to the end of August 2020.

The Melrose Group has been impacted by events subsequent to the year end, specifically global implications from the COVID-19 pandemic and this is being managed. Whilst the implications do not directly affect the Company, they are impacting fellow subsidiaries. The Company does rely on continued support from fellow subsidiaries within the Melrose Group, in the context of recovery of intercompany receivables.

Analysis that supports the Company's going concern assessment over the next 12 months included consideration of the Group covenants associated with its banking facilities which have been formally renegotiated to take account of the implications from COVID-19 on trading conditions. The only applicable covenant test in the 12 month going concern period is interest cover at 31 December 2020 and 30 June 2021. The Group has modelled two scenarios in its assessment of going concern; a base case and a reasonably possible sensitised case and in both there is headroom above the interest cover covenant.

As the Group recovers from the global uncertainties of the COVID-19 pandemic, visibility over trading conditions remains difficult. Outside the 12 month going concern period the renegotiated leverage covenant is due to be tested again on 31 December 2021.

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

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Melrose Industries PLC.

##### **Adjusting items**

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

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

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

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

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

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

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

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

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

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in 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.



## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

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

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

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

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

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

#### **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).

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **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.

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

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

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

All financial assets are classified as either those which are measured at fair value, through profit or loss, 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 fair value through the income statement.

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

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

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

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

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

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. For trade and other receivables the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents are also subject to impairment requirements.

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

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

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

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

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

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

Financial liabilities are classified as either financial liabilities 'at fair value through the income statement' or 'other financial liabilities'.

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

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

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

## **Brush Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **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.

The following are the critical judgements, including those involving key sources of estimation uncertainty, that the Directors have made in the process of applying the Company's accounting policies. These have the most significant effect on the amounts recognised in the financial statements or have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **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. 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 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.

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 4 Adjusting items

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

	2019 £ 000	2018 £ 000
Impairment of investments	<u>(675,308)</u>	<u>(197,000)</u>

During the year, the Company sold its investment in Brush Properties Limited to Brush Electrical Machines Limited and as a result the investment was fully impaired.

#### 5 Operating loss

Arrived at after charging

	2019 £ 000	2018 £ 000
Foreign exchange losses	<u>232</u>	<u>43</u>

#### 6 Auditor's remuneration

The fees payable to the Company's auditor for the audit of the financial statements of £1,000 (year ended 31 December 2018: £1,000) were borne by a fellow Group undertaking.

#### 7 Finance income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	802	476
Interest on loans to Group undertakings	<u>14,475</u>	<u>11,619</u>
	<u>15,277</u>	<u>12,095</u>

#### 8 Finance costs

	2019 £ 000	2018 £ 000
Interest on bank overdrafts and borrowings	378	152
Interest on loans from Group undertakings	9,283	5,409
Unwind of discount on provisions	<u>57</u>	<u>57</u>
	<u>9,718</u>	<u>5,618</u>

#### 9 Particulars of employees

The Company did not have any employees in the current year or the prior year.

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 10 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2018: £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group and as such remuneration of Directors is borne by a fellow company.

#### 11 Income tax

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Total current income tax	-	-
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	846	1,194
Tax charge in the income statement	846	1,194

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	93,109	(188,770)
Corporation tax at standard rate	17,691	(35,866)
Adjustment for prior periods	-	72
Non-taxable income	(144,901)	(325)
Expenses not deductible in determining taxable profit	128,308	37,430
Group relief at nil consideration	(152)	(267)
Effect of rate differences on deferred tax recognition	(100)	150
Total tax charge	846	1,194

The enacted rates of UK corporation tax at 31 December 2019 were 19% for the year ended 31 December 2019, reducing to 17% with effect from 1 April 2020. At the balance sheet date deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

The Finance Bill 2020, published on 19 March 2020, has reversed the reduction to 17%, meaning that the UK rate will be maintained at 19%. The effect of this change in rate on the closing balance sheet would increase the deferred tax asset by £977,000.

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 12 Investments

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 January 2019	1,255,917
Disposals	<u>(913,043)</u>
At 31 December 2019	<u>342,874</u>
<b>Provision for impairment</b>	
At 1 January 2019	470,609
Eliminated on disposals	<u>(230,735)</u>
At 31 December 2019	<u>239,874</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>103,000</u>
At 31 December 2018	<u>785,308</u>

During the year, the Company sold its investment in Brush Properties Limited to Brush Electrical Machines Limited.

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Danks Holdings Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Properties Limited	Holding company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Electro Dynamic Limited (In liquidation)	Non-trading company	79 Caroline Street, Birmingham, United Kingdom	100%	100%
FKI Engineering Shanghai Limited	Non-trading company	Waigaoqi Bonded Zone, Shanghai, 200131, China	100%	100%
Whipp & Bourne Limited	Non-trading company	The Colmore Building, Birmingham, United Kingdom	100%	100%
FKI Plan Trustees Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%



## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 12 Investments (continued)

Colmore Overseas Holdings Limited	Non-trading company	The Colmore Building, Birmingham, United Kingdom	0%	100%
Brush Electrical Machines Limited*	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Scheme Trustees Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush SEM s.r.o.	Engineering company	Doudlevce, 301 00 Plzen, Czech Republic	100%	100%
Brush Electrical Machines (Changshu) Co Limited	Engineering company	Jiangsu Province, 215500, China	100%	100%
Brush Electrical Engineering Company Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush HMA B.V.	Engineering company	2909 La Capelle aan den IJssel, The Netherlands	100%	100%
Harrington Generators International Limited	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Transformers Limited	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Aftermarket North America Inc.(1)	Holding company	Pittsburgh, Pennsylvania, 15415, USA	100%	100%
Generator and Motor Services of Pennsylvania LLC(2)	Engineering company	Pittsburgh, Pennsylvania, 15145, USA	100%	100%
Brush Canada Services Inc./Services Brush Canada Inc.(1)	Engineering company	Quebec, G1S 1E5, Canada	100%	100%
Hawker Siddeley Switchgear Limited(3)	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Mediterranean Power Electric Company Limited	Engineering company	Marsa, MRS 3000, Malta	26%	26%
Brush Switchgear Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	99.5%	99.5%
Bristol Meci Australasia Pty Limited	Holding company	Brendale, Queensland, 4500, Australia	100%	100%

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 12 Investments (continued)

Hawker Siddeley Switchgear Pty Limited	Engineering company	Brendale, Queensland, 4500, Australia	100%	100%
Brush Middle East LLC	Non-trading company	As Sinaiyah, Nizwa, Ad Dakhliyah Region Oman	70%	70%

\* owned directly by the Company

All holdings relate to Ordinary Shares unless otherwise stated.

(1) Common Stock, (2) Membership Interest, (3) A Ordinary

On 20 May 2020, the sale of Brush Electrical Machines (Changshu) Co Limited from Brush SEM s.r.o. to Eachairn Aerospace Holdings Limited completed following approval from the relevant authorities, such transfer having an effective date of 30 December 2019. Eachairn Aerospace Holdings Limited is a subsidiary in the wider Melrose Group.

#### 13 Trade and other receivables

	2019 £ 000	2018 £ 000
Amounts owed by Group undertakings	470,435	769,516
Other receivables	-	7
	<u>470,435</u>	<u>769,523</u>

Included within trade and other receivables are the following amounts receivable after more than one year:

	2019 £ 000	2018 £ 000
Amounts owed by Group undertakings	<u>455,749</u>	<u>417,449</u>

#### 14 Trade and other payables - amounts falling due within one year

	2019 £ 000	2018 £ 000
Amounts owed to Group undertakings	<u>37</u>	<u>1,050,329</u>

The payable was settled as part of the disposal of Brush Properties Limited to Brush Electrical Machines Limited.

#### 15 Loans and borrowings

	2019 £ 000	2018 £ 000
<b>Loans and borrowings - amounts falling due within one year</b>		
Bank overdrafts	<u>5,364</u>	<u>3,604</u>

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 16 Provisions

	Environmental & Legal £ 000	Total £ 000
At 1 January 2019	11,364	11,364
Provisions utilised	(2,727)	(2,727)
Increase due to unwind of discount	57	57
At 31 December 2019	<u>8,694</u>	<u>8,694</u>
Non-current liabilities	<u>7,220</u>	<u>7,220</u>
Current liabilities	<u>1,474</u>	<u>1,474</u>

Environmental and legal costs provisions relate to the estimated future costs and settlements in relation to legal claims and any estimated remediation costs. These claims are expected to be settled within 1-5 years.

The provision for surplus property has been fully released in the period.

Where appropriate, provisions have been discounted using a discount rate of 3%.

#### 17 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>2019</b>			
Other temporary differences	528	-	528
Tax losses	<u>7,779</u>	<u>-</u>	<u>7,779</u>
	<u>8,307</u>	<u>-</u>	<u>8,307</u>
 <b>2018</b>			
Other temporary differences	528	-	528
Tax losses	<u>8,625</u>	<u>-</u>	<u>8,625</u>
	<u>9,153</u>	<u>-</u>	<u>9,153</u>

## Brush Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 17 Deferred tax (continued)

	Other temporary differences £ 000	Tax losses £ 000	Total £ 000
At 1 January 2018	620	9,727	10,347
Recognised in income	(92)	(1,102)	(1,194)
At 31 December 2018	<u>528</u>	<u>8,625</u>	<u>9,153</u>
	Other temporary differences £ 000	Tax losses £ 000	Total £ 000
At 1 January 2019	620	9,727	10,347
Recognised in income	(92)	(1,948)	(2,040)
At 31 December 2019	<u>528</u>	<u>7,779</u>	<u>8,307</u>

#### 18 Share capital

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

	2019		2018	
	Number	£ 000	Number	£ 000
Ordinary shares of £0.10 each	5,449,745,014	544,975	5,449,745,014	544,975

#### 19 Controlling party

The Company's immediate parent company is Melrose PLC, a company incorporated in England & Wales.

The ultimate parent company and controlling party is Melrose Industries PLC, a company incorporated in England & Wales.

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

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