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**BRUSH ELECTRICAL MACHINES LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

TUESDAY



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**BRUSH ELECTRICAL MACHINES LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R Barbieri T P L Burgess R Lauria
<b>Company secretary</b>	L Dunlop
<b>Registered number</b>	00111849
<b>Registered office</b>	Power House Excelsior Road Ashby-De-La-Zouch England LE65 1BU
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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The directors present their Strategic Report for the year ended 31 December 2023.

**Business review**

During the year the company continued to be engaged in the design, assembly, test and sale of power generation equipment as well as associated services (including installation and commissioning, provision of spare parts, repairs and maintenance and provision of control equipment).

**Fair review of the business**

Revenue for the year ended 31 December 2023 was £31,452,000 (*year ended 31 December 2022 was £30,417,000*). The operating profit for the period ended 31 December 2023 was £6,211,000 (*year ended 31 December 2022: £135,138,000*). The retained profit for the year ended 31 December 2023 was £9,935,000 (*year ended 31 December 2022: £144,460,000*).

During the year the company changed ownership, the immediate parent is now Nuovo Pignone Holding S.p.a.

**Future Outlook**

For the period ended 31 December 2023 Brush Electrical Machines achieved Revenue of £31,452,000 and Operating Profit of £6,211,000.

For the period ended 31 December 2024 Brush Electrical Machines achieved Revenue of £38,218,000 and Operating Profit of £4,269,000. These results are unaudited.

For the period ending 31 December 2025, Revenue forecast is £40,000,000 and Operating Profit of £4,500,000. This is primarily driven by continued growth in our Aftermarket product lines.

During the period post Baker Hughes acquisition, the company continued to focus on its long-term strategy to provide power generation equipment and services, while also integrating into Baker Hughes.

**Risks and Responses**

**Competitive risk** - The company operates in a competitive market with many competitors. The continued investment in our operations, the diversity of our operations and customer base reduces the possible effect of action by any single competitor.

**Liquidity risk** - In order to maintain liquidity, and to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intra group funding arrangements.

**Strategic development and performance** - The company includes developing and maintaining existing customer relationships and monitoring, winning new and replacement contracts in line with the market and companies strategy for growth.

**Country risk** – The company operates in several countries worldwide, which can introduce additional risk relating to civil or political unrest including war or economic instability. Appropriate risk responses are developed and implemented to mitigate the probability and impact of identified risks.

Management continue to monitor the impact of global events and ensure that steps are taken timely to mitigate any disruption to our operations. We maintain close customer & supplier relationships to navigate any disruption, as well as benefiting from the continued integration with Baker Hughes.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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This report was approved by the board on 28/2/2025

and signed on its behalf.

*Thomas Burgess*

**T P L Burgess**  
Director

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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The directors present their report and the financial statements for the year ended 31 December 2023.

**Principal activity**

The company is principally engaged in the design, assembly, test and sale of power generation equipment as well as associated services (including installation and commissioning, provision of spare parts, repairs and maintenance and provision of control equipment).

**Directors of the company**

The directors who held office during the year and up to the Directors' Report were as follows:

R Barbieri  
T P L Burgess (appointed 1 October 2023)  
R Lauria (appointed 10 November 2023)  
K O A Olsson (resigned 30 September 2023)

**Dividends**

The directors do not recommend the payment of a dividend.

**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 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**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.

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

**Directors' liabilities**

One or more of the directors have benefited from qualifying third-party indemnity provisions in place during the financial year and subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provisions remain in force as at date of approving in the Directors' Report.

**Greenhouse gas emissions**

*Streamlined Energy and Carbon Reporting (SECR)*

As per sections 465 and 466 of the Companies Act 2006, the company is not defined as a large company and therefore does not report its energy and carbon information.

**Post balance sheet events**

Brush Electrical Machines Asia is in the process of being deregistered.

**Branches outside of the UK**

Branches registered outside of the United Kingdom are listed in note 16 of the financial statements and include 6 subsidiaries.

**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.

**Going concern**

The company's business activities, a summary of its financial position, together with the factors likely to affect its future development, performance and position are set out within this report.

The directors have prepared forecasts for a period up to the 31 March 2026 which indicate that, taking account of reasonably possible downsides, the company will be profitable.

The company is primarily funded through an intercompany cash pooling account which forms part of the intercompany liabilities of the entity. Based on the ongoing support through the provision of this facility together with the cash flow forecasts, the directors have reasonable expectation that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Re-appointment of auditors**

Pursuant to section 487 of the Companies Act 2006, the auditor will be re-appointed and Grant Thornton UK LLP will therefore continue in office.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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This report was approved by the board on 28/2/2025

and signed on its behalf.

*Thomas Burgess*

**T P L Burgess**  
Director



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUSH ELECTRICAL MACHINES LIMITED

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### Qualified opinion

We have audited the financial statements of Brush Electrical Machines Limited (the 'company') for the year ended 31 December 2023, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for qualified opinion

The company has not prepared group accounts, but it is not entitled to the exemptions available from the requirement to prepare group accounts. The company could be exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts for the year ended 31 December 2023. However, the company has not delivered to the registrar, within the time period allowed for filing its accounts, a copy of the ultimate parent undertaking's group financial statements which the company is included in, and which contains the consolidated annual report and financial statements and the auditor's report thereon. We note that the ultimate parent undertaking's group financial statements are available upon request as referred to in note 30 to the financial statements. Our audit opinion on the financial statements for the year ended 31 December 2022 was modified for the same reason.

In addition, were the company to have prepared group accounts, the Strategic Report would also need to be amended.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUSH ELECTRICAL MACHINES LIMITED  
(CONTINUED)**

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**Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as economic downturn, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

**Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified as the company is not entitled to the exemptions available from the requirement to prepare group accounts set out in the Companies Act 2006. As such, required group disclosures in both the Strategic and Directors' reports are omitted. Accordingly, we have concluded that the other information is materially misstated with respect to this matter.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUSH ELECTRICAL MACHINES LIMITED  
(CONTINUED)**

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

Except for the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

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

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

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

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUSH ELECTRICAL MACHINES LIMITED  
(CONTINUED)**

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**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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006).
- We made enquiries of management concerning the company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.
- Our audit procedures involved:
  - gaining an understanding of the company's operations, including its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - assessing the design effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
  - challenging assumptions and judgements made by management where significant accounting estimates arise; and
  - journal entry testing, with a focus on specific journals posing a heightened risk of material misstatement through fraud or error in and of themselves, based on risk factors identified.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUSH ELECTRICAL MACHINES LIMITED  
(CONTINUED)**

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- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - understanding the legal and regulatory requirements specific to the group.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

**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.

*C. Anderson*

Charlotte Anderson  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes

28/2/2025

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**


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	Note	2023 £000	2022 £000
Turnover	4	31,452	30,417
Cost of sales		(20,027)	(20,613)
<b>Gross profit</b>		<b>11,425</b>	<b>9,804</b>
Distribution costs		(3,741)	(3,645)
Administrative expenses		(2,789)	(3,232)
Other exceptional items	12	1,302	(8,237)
Other operating income	5	14	3
Reversal of impairment		-	140,445
<b>Operating profit</b>	<b>6</b>	<b>6,211</b>	<b>135,138</b>
Income from shares in group undertakings		-	9,255
Interest receivable and similar income	10	1,524	1,712
Interest payable and similar expenses	11	(1,689)	(1,506)
<b>Profit before tax</b>		<b>6,046</b>	<b>144,599</b>
Tax on profit	13	3,889	(139)
<b>Profit for the financial year</b>		<b>9,935</b>	<b>144,460</b>

The notes on pages 17 to 56 form part of these financial statements.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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	<b>2023</b>	<i>2022</i>
	<b>£000</b>	<i>£000</i>
Profit for the financial year	<b>9,935</b>	<i>144,460</i>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of post-employment benefit obligations	<b>(7,357)</b>	<i>(56,140)</i>
Income tax relating to items that will not be reclassified subsequently to the income statement	<b>2,394</b>	<i>13,294</i>
<b>Total comprehensive income for the year</b>	<b>4,972</b>	<i>101,614</i>

The notes on pages 17 to 56 form part of these financial statements.

**BRUSH ELECTRICAL MACHINES LIMITED**  
**REGISTERED NUMBER:00111849**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	Note	2023 £000	2022 £000
<b>Non-current assets</b>			
Intangible assets	14	41	57
Tangible fixed assets	15	4,167	2,877
Investments	16	191,846	191,846
Retirement benefit assets	28	-	4,267
Trade and other receivables	18	-	18,474
Deferred tax asset	23	6,886	-
		<u>202,940</u>	<u>217,521</u>
<b>Current assets</b>			
Inventories	17	2,893	2,467
Trade and other receivables	18	33,431	14,478
Cash at bank and in hand	19	1,727	3,224
		<u>38,051</u>	<u>20,169</u>
<b>Current liabilities</b>			
Trade and other payables	20	(33,906)	(27,259)
Loans and other borrowings	21	(307)	(210)
Provisions	24	(677)	(654)
		<u>3,161</u>	<u>(7,954)</u>
<b>Net current assets/(liabilities)</b>		<u>3,161</u>	<u>(7,954)</u>
<b>Total assets less current liabilities</b>		<u>206,101</u>	<u>209,567</u>
<b>Non-current liabilities</b>			
Retirement benefit liabilities	28	(3,254)	-
Trade and other payables	20	-	(12,860)
Loans and other borrowings	21	(2,466)	(1,485)
Provisions	24	(655)	(401)
		<u>(6,375)</u>	<u>(14,746)</u>
<b>Net assets</b>		<u><u>199,726</u></u>	<u><u>194,821</u></u>

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**BRUSH ELECTRICAL MACHINES LIMITED**  
**REGISTERED NUMBER:00111849**

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**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2023**

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	Note	2023 £000	2022 £000
<b>Capital and reserves</b>			
Called up share capital	25	1,000	1,000
Other reserves	26	493	560
Profit and loss account	26	198,233	193,261
		199,726	194,821
		199,726	194,821

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/2/2025

*Thomas Burgess*

**T P L Burgess**  
 Director

The notes on pages 17 to 56 form part of these financial statements.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**


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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2023	1,000	560	193,261	194,821
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	9,935	9,935
Remeasurements of post-employment benefit obligations	-	-	(7,357)	(7,357)
Income tax relating to items that will not be reclassified subsequently to the income statement	-	-	2,394	2,394
Forfeiture of incentive shares	-	(67)	-	(67)
<b>Other comprehensive income for the year</b>	-	(67)	(4,963)	(5,030)
<b>Total comprehensive income for the year</b>	-	(67)	4,972	4,905
<b>At 31 December 2023</b>	<b>1,000</b>	<b>493</b>	<b>198,233</b>	<b>199,726</b>

The notes on pages 17 to 56 form part of these financial statements.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022	1,000	560	91,647	93,207
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	144,460	144,460
Remeasurements of post-employment benefit obligations	-	-	(56,140)	(56,140)
Income tax relating to items that will not be reclassified subsequently to the income statement	-	-	13,294	13,294
<b>Other comprehensive income for the year</b>	-	-	(42,846)	(42,846)
<b>Total comprehensive income for the year</b>	-	-	101,614	101,614
<b>At 31 December 2022</b>	<b>1,000</b>	<b>560</b>	<b>193,261</b>	<b>194,821</b>

The notes on pages 17 to 56 form part of these financial statements.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**1. General information**

Brush Electrical Machines Limited is a private company limited by shares & incorporated in England and Wales. Registered number 00111849. Its registered head office is located at Power House, Excelsior Road, Ashby-De-La Zouch, England, LE65 1BU.

**2. Accounting policies**

**2.1 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.

**2.2 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.

The company's presentational and functional currency is Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.3 Financial Reporting Standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required, equivalent disclosures are given in the group accounts of Baker Hughes Limited, which are available to the public and can be obtained electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

**2.4 Business combinations**

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

Contingent consideration is measured at fair value at the date of the business combination, classified as a liability and subsequently accounted for in line with that classification. Changes in contingent consideration classified as a liability resulting other than from the finalisation of provisional fair values are accounted for in the Statement of Comprehensive Income.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.5 Going concern**

The company's business activities, a summary of its financial position, together with the factors likely to affect its future development, performance and position are set out within this report.

The directors have prepared forecasts for a period up to the 31 March 2026 which indicate that, taking account of reasonably possible downsides, the company will be profitable.

The company is primarily funded through an intercompany cash pooling account which forms part of the intercompany liabilities of the entity. Based on the ongoing support through the provision of this facility together with the cash flow forecasts, the directors have reasonable expectation that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**2.6 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 Baker Hughes Holdings LLC, which are available to the public and can be obtained electronically from Companies House, Crown Way, Cardiff CF14 3UZ.

**2.7 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.7 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.

**2.8 Government grants**

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

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.9 Financial 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.

**2.10 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.11 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 Statement of Financial Position 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 Statement of Financial Position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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.

**2.12 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.13 Property, plant and equipment**

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

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:

<b>Asset class</b>	<b>Depreciation rate</b>
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
- 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.14 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
- 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.

**2.15 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.

**2.16 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:

<b>Asset class</b>	<b>Amortisation rate</b>
Computer software	5 years or less

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.17 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).

**2.18 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

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.

**2.19 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.20 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 Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value to 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.

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.

*Other*

Other provisions that do not fall under the previous categories, but are probable and can be reasonably estimated.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.21 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:

- 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.

**2.22 Impairment of non-financial assets**

At each Statement of Financial Position 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.22 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.

**2.23 Retirement benefit costs**

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

**2.24 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.

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 Statement of Comprehensive Income.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.25 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)**

**2.25 Financial assets and liabilities (continued)**

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.

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 Statement of Comprehensive Income.

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.

**2.26 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. Accounting policies (continued)****2.26 Financial liabilities and equity (continued)****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).

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 Statement of Comprehensive Income.

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.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2. Accounting policies (continued)**

**2.26 Financial liabilities and equity (continued)**

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 Statement of Comprehensive Income.

**2.27 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2.28 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.29 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.30 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**3. Judgements in applying accounting policies 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".

**Impairment of non-current assets, including investments in subsidiaries (note 16)**

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 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 (note 28)**

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 2023, the company's retirement benefit obligation net liability was £3,254,000 (31 December 2022: net asset of £4,267,000). 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 28.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. Turnover**

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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Sale of goods	19,471	19,128
Rendering of services	11,981	11,289
	<u>31,452</u>	<u>30,417</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	5,954	6,526
Europe	11,083	9,772
North America	2,084	2,265
Asia	6,420	4,273
Rest of the world	5,911	7,581
	<u>31,452</u>	<u>30,417</u>

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Energy	1,829	686
Oil & gas	10,119	9,195
Industrials	1,714	2,356
Aftermarket	17,788	17,956
Mining	2	224
	<u>31,452</u>	<u>30,417</u>

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**


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**5. Other operating income**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Other operating income	<b>14</b>	<b>3</b>

Other operating income in 2023 relates to sales of scrap (2022: sales of scrap).

**6. Operating profit**

The operating profit is stated after charging:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Depreciation expense: Owned	<b>260</b>	<b>324</b>
Depreciation expense: Leased	<b>244</b>	<b>83</b>
Amortisation expense	<b>15</b>	<b>16</b>
Research and development spend	<b>74</b>	<b>162</b>
Foreign exchange losses	<b>477</b>	<b>381</b>
Lease rentals	<b>-</b>	<b>2</b>
Cost of inventories recognised as an expense	<b>-</b>	<b>(16)</b>

**7. Auditor's remuneration**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditor for the audit of the company's financial statements	<b>83</b>	<b>75</b>
<b>Fees payable to the company's auditor in respect of:</b>		
Non audit fees	<b>3</b>	<b>3</b>

**BRUSH ELECTRICAL MACHINES LIMITED**

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**8. Staff costs**

Staff costs, including directors' remuneration, were as follows:

	<b>2023</b>	<i>2022</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	<b>9,617</b>	<i>11,658</i>
Social security costs	<b>927</b>	<i>1,452</i>
Cost of defined contribution scheme	<b>534</b>	<i>644</i>
	<b>11,078</b>	<i>13,754</i>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2023</b>	<i>2022</i>
	<b>No.</b>	<i>No.</i>
Production	<b>125</b>	<i>139</i>
Sales, marketing and distribution	<b>15</b>	<i>14</i>
Administration and support	<b>27</b>	<i>39</i>
	<b>167</b>	<i>192</i>

**9. Directors' remuneration**

	<b>2023</b>	<i>2022</i>
	<b>£000</b>	<i>£000</i>
Directors' emoluments	<b>296</b>	<i>2,094</i>
Company contributions to defined contribution pension schemes	<b>47</b>	<i>37</i>
	<b>343</b>	<i>2,131</i>

The company considers the directors to be the Key Management Personnel. During the current year, only one director was paid by this company with other director's remuneration being born by other group entities.

During the year, retirement benefits were accruing to 3 directors in respect of defined contribution pension schemes (2022: 4) and Nil directors in respect of defined benefit pension schemes (2022: 4).

The highest paid director received remuneration of £296,356 in the year (2022: £831,486). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,202 (2022: £15,987).

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**


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**10. Finance income**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Interest income on retirement benefit obligations	193	1,376
Interest on loans to group undertakings	1,303	336
Bank interest receivable	28	-
	<u>1,524</u>	<u>1,712</u>

**11. Finance costs**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	2	-
Loans from group undertakings	1,622	856
Finance leases and hire purchase contracts	65	235
Other interest payable	-	415
	<u>1,689</u>	<u>1,506</u>

**12. Exceptional items**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Loss on sale of subsidiary	-	(6,475)
Impairment of loan receivables	1,271	(1,693)
Forfeiture of incentive shares	67	-
Profit on sale of fixed assets	-	70
Other	(36)	(139)
	<u>1,302</u>	<u>(8,237)</u>

During the year, the company recognised a loss on disposal of a subsidiary investment of £Nil (2022: gain £6,475,000). (Note 16)

During the year, a review of the carrying value of the company's loan receivable balances identified impairments with a total value of £1,624,000, due to a mixture of repayments and foreign currency movements. A similar review in 2022 identified impairment reversals of £1,693,000.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**13. Income tax**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>605</b>	-
<b>Total current tax</b>	<b>605</b>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	72
Adjustment for prior periods	<b>208</b>	228
Effect of changes in tax rates	<b>255</b>	(161)
Deferred tax - current year	<b>(4,957)</b>	-
<b>Total deferred tax</b>	<b>(4,494)</b>	139
<b>Tax on profit</b>	<b>(3,889)</b>	139
<b>Factors affecting tax charge for the year</b>		

The tax assessed for the year is lower than (2022: *lower than*) the standard rate of corporation tax in the UK of 23.52% (2022: 19%). The differences are explained below:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<b>6,046</b>	144,599
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022: 19%)	<b>1,422</b>	27,474
<b>Effects of:</b>		
Adjustments in respect of prior years	<b>208</b>	-
Non-taxable income	-	(28,214)
Expenses not deductible in determining taxable profit	<b>(152)</b>	1,802
Tax rate changes	<b>255</b>	-
Group relief at nil consideration	<b>(3)</b>	(535)
Effect of rate differences on deferred tax recognition	-	(161)
Transfer of assets	-	13
Recognition of previously unrecognised deferred tax asset in respect of losses	<b>(5,400)</b>	(240)
Non-qualifying asset	<b>(219)</b>	-
<b>Total tax charge for the year</b>	<b>(3,889)</b>	139

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**BRUSH ELECTRICAL MACHINES LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2023**

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**13. Income tax (continued)**

**Factors that may affect future tax charges**

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023 on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. When the company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse. Income taxes in the Income Statement are measured at 23.5% (blended average) and deferred taxes at the Statement of Financial Position date are measured at 25%.

**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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Retirement benefit obligations	<b>7,357</b>	<b>(13,294)</b>

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**BRUSH ELECTRICAL MACHINES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**14. Intangible assets**

	<b>Computer software £000</b>
<b>Cost</b>	
At 1 January 2023	1,046
At 31 December 2023	1,046
<b>Amortisation</b>	
At 1 January 2023	990
Charge for the year	15
At 31 December 2023	1,005
<b>Net book value</b>	
At 31 December 2023	41
<i>At 31 December 2022</i>	56

Amortisation on intangible assets is charged to administrative expenses.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Tangible fixed assets**

	Land and buildings (Right-of- use) £000	Plant and machinery (Including right-of-use) £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2023	1,980	3,611	5,591
Additions	1,297	484	1,781
At 31 December 2023	<u>3,277</u>	<u>4,095</u>	<u>7,372</u>
<b>Depreciation</b>			
At 1 January 2023	593	2,121	2,714
Charge for the year	231	260	491
At 31 December 2023	<u>824</u>	<u>2,381</u>	<u>3,205</u>
<b>Net book value</b>			
At 31 December 2023	<u>2,453</u>	<u>1,714</u>	<u>4,167</u>
At 31 December 2022	<u>1,387</u>	<u>1,490</u>	<u>2,877</u>

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Tangible fixed assets (continued)**

	Land and buildings £000	Plant and equipment £000	Total £000
<b>Right-of-use assets</b>			
At 1 January 2023	1,387	15	1,402
Additions	1,297	-	1,297
Disposals	-	-	-
Reclassification	-	-	-
Depreciation	(231)	(13)	(244)
<b>At 31 December 2023</b>	<u>2,453</u>	<u>2</u>	<u>2,455</u>
		<b>Land and buildings £000</b>	<b>Total £000</b>
<b>Total cash (in)/outflows from right-of-use assets</b>			
At 31 December 2023		350	350
At 31 December 2022		300	300

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**16. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2023	408,604
At 31 December 2023	<u>408,604</u>
<b>Impairment</b>	
At 1 January 2023	216,758
At 31 December 2023	<u>216,758</u>
<b>Net book value</b>	
At 31 December 2023	<u>191,846</u>
At 31 December 2022	<u>191,846</u>

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 (2022: £Nil).

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**16. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Brush Scheme Trustees Limited*	Power House, Excelsior Road, Ashby-de-la-Zouch, Leicestershire, England, LE65 1BU, United Kingdom	Dormant	Ordinary	100%
Brush SEM s.r.o.*	Edvarda Benese 564/39, Doudlevec, 301 00 Pizen, Czech Republic	Engineering company	Ordinary	100%
Brush HMA B.V.*	Schaardijk 372, 5th Floor, Building 2, 2909 La Capelle aan den IJssel, The Netherlands	Engineering company	Ordinary	100%
Harrington Generators International Limited*	Power House, Excelsior Road, Ashby-de-la-Zouch, Leicestershire, England, LE65 1BU, United Kingdom	Engineering company	Ordinary and Non-voting 'A' Ordinary	100%
Brush Canada Services Inc	1134 Grande Allee Ouest, Bureau 600, Quebec, G1S 1E5, Canada	Engineering company	Ordinary	100%
Brush Electrical Machines Asia Pte Ltd	111 North Bridge Road #06-20 Peninsula Plaza Singapore (179098)	Engineering company	Ordinary	100%

\* owned directly by the company.

**17. Inventories**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>985</b>	<b>438</b>
Work in progress	<b>1,231</b>	<b>1,721</b>
Finished goods and goods for resale	<b>677</b>	<b>308</b>
	<b>2,893</b>	<b>2,467</b>

Inventories are presented net of obsolescence provisions of £496,000 (2022: £430,000).

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**18. Trade and other receivables**

	2023 £000	2022 £000
<b>Trade and other receivables</b>		
Trade receivables	5,504	5,314
Amounts owed by group undertakings	25,570	26,349
Prepayments and other receivables	2,357	1,289
	<u>33,431</u>	<u>32,952</u>

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

	2023 £000	2022 £000
Current assets	33,431	14,478
Non-current assets	-	18,474
	<u>33,431</u>	<u>32,952</u>

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 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 2023 is determined below:

	Not past due £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	Lifetime ECL
<b>As at 31 December 2023</b>						
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	-
Expected total gross carrying amount at default	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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**18. Trade and other receivables (continued)**

	<i>Not past due</i> £000	<30 £000	31-60 £000	61-90 £000	91-120 £000	Lifetime ECL
<b>As at 31 December 2022</b>						
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	-
Expected total gross carrying amount at default	0	0	0	0	0	0

No ECL was recognised against trade receivables in the year (2022: £Nil).

**19. Cash and cash equivalents**

	<b>2023</b> £000	<b>2022</b> £000
Cash at bank and in hand	<b>1,727</b>	<b>3,224</b>

**20. Trade and other payables**

	<b>2023</b> £000	<b>2022</b> £000
<b>Trade and other payables</b>		
Trade payables	<b>1,908</b>	<b>2,187</b>
Accruals and deferred income	<b>2,373</b>	<b>1,951</b>
Amounts owed to group undertakings	<b>27,061</b>	<b>34,086</b>
Tax due to HMRC	<b>245</b>	<b>7</b>
Corporation tax payable	<b>858</b>	<b>255</b>
Payments received on account	<b>1,461</b>	<b>1,633</b>
	<b>33,906</b>	<b>40,119</b>

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**20. Trade and other payables (continued)**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of current and non-current payables</b>		
Current payables	<b>33,906</b>	27,259
Non-current payables	-	12,860
	<u><b>33,906</b></u>	<u>40,119</u>

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.

**21. Loans and borrowings**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Lease liabilities	<u><b>2,773</b></u>	<u>1,695</u>

Lease liabilities are analysed further in note 22.

**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;

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Current liabilities	<b>307</b>	210
Non-current liabilities	<b>2,466</b>	1,485
	<u><b>2,773</b></u>	<u>1,695</u>

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**22. Leasing arrangements**

	<b>Minimum lease payments £000</b>	<b>Interest £000</b>	<b>Present value £000</b>
<b>As at 31 December 2023</b>			
Within one year	442	(140)	302
One year to five years	1,760	(388)	1,372
Over five years	1,287	(184)	1,103
	<u>3,489</u>	<u>(712)</u>	<u>2,777</u>
	<i>Minimum lease payments £000</i>	<i>Interest £000</i>	<i>Present value £000</i>
<b>As at 31 December 2022</b>			
Within one year	314	(90)	224
One year to five years	1,204	(235)	969
Over five years	535	(33)	502
	<u>2,053</u>	<u>(358)</u>	<u>1,695</u>

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

	<b>2023 £000</b>	<b>2022 £000</b>
Current liabilities	302	210
Non-current liabilities	2,475	1,485
	<u>2,777</u>	<u>1,695</u>

Future finance charges are expected to be £712,000 (2022: £358,000).

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**23. 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:

	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>		
<b>2023</b>					
Accelerated tax depreciation	-	434	434		
Other temporary differences	-	225	225		
Losses	-	5,414	5,414		
Retirement benefit obligations	-	813	813		
	<u>-</u>	<u>6,886</u>	<u>6,886</u>		
	<u><u>-</u></u>	<u><u>6,886</u></u>	<u><u>6,886</u></u>		
	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>		
	<i>£000</i>	<i>£000</i>	<i>£000</i>		
<b>2022</b>					
Accelerated tax depreciation	-	471	471		
Other temporary differences	-	235	235		
Losses	-	298	298		
Retirement benefit obligations	(1,004)	-	(1,004)		
	<u>(1,004)</u>	<u>1,004</u>	<u>-</u>		
	<u><u>(1,004)</u></u>	<u><u>1,004</u></u>	<u><u>-</u></u>		
	<i>Tax losses</i>	<i>Accelerated</i>	<i>Other</i>	<i>Retirement</i>	<i>Totals</i>
	<i>£000</i>	<i>tax</i>	<i>temporary</i>	<i>benefit</i>	<i>£000</i>
		<i>depreciation</i>	<i>differences</i>	<i>obligations</i>	
		<i>£000</i>	<i>£000</i>	<i>£000</i>	
At 1 January 2022	-	815	387	(14,357)	(13,155)
Recognised in income	298	(344)	(152)	59	(139)
Recognised in equity	-	-	-	13,294	13,294
	<u>298</u>	<u>471</u>	<u>235</u>	<u>(1,004)</u>	<u>-</u>
<b>At 31 December 2022</b>	<u><u>298</u></u>	<u><u>471</u></u>	<u><u>235</u></u>	<u><u>(1,004)</u></u>	<u><u>-</u></u>

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**23. Deferred tax (continued)**

	Tax Losses £000	Accelerated tax depreciation £000	Other temporary differences £000	Retirement benefit obligations £000	Totals £000
At 1 January 2023	298	471	235	(1,004)	-
Recognised in income	5,115	(37)	(10)	(576)	4,492
Recognised in equity	-	-	-	2,394	2,394
<b>At 31 December 2023</b>	<b>5,413</b>	<b>434</b>	<b>225</b>	<b>814</b>	<b>6,886</b>

A potential deferred tax asset at 31 December 2023 of £Nil (2022: £5,400,000) in respect of tax losses has not been provided in the financial statements on the basis that it is not certain that there will be sufficient profits available in the foreseeable future against which it could be recovered.

**24. Provisions**

	Warranties £000	Environmental & Legal £000	Other provisions £000	Total £000
At 1 January 2023	154	401	500	1,055
Provisions additions	23	254	-	277
<b>At 31 December 2023</b>	<b>177</b>	<b>655</b>	<b>500</b>	<b>1,332</b>

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 a dilapidation provision for the building lease in Ashby-de-la-Zouch, which is not expected to be utilised until 2029 or beyond. The additional provisions for Environmental & Legal relate to a dilapidation provision for the new building lease in Leicester, which is not expected to be utilised until 2036 or beyond.

The opening other provision relates to other matters that are considered probable and can be reasonably estimated.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**24. Provisions (continued)**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Current liabilities	<b>677</b>	<b>654</b>
Non-current liabilities	<b>655</b>	<b>401</b>
	<b>1,332</b>	<b>1,055</b>

**25. Share capital**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
1,000,000 (2022: 1,000,000) Ordinary shares of £1.00 each	<b>1,000</b>	<b>1,000</b>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

**26. Reserves****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.

**Other reserves**

The other reserves represent incentive shares and other capital reserves.

**Retained earnings reserve**

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

**27. 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.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**28. 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 £534,000 (2022: £644,000).

Contributions totalling £Nil (2022: £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 2023 by independent actuaries.

Contributions payable to the pension scheme at the end of the year are £Nil (2022: £Nil). The expected contributions to the plan for the next reporting period are £Nil.

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

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fair value of scheme assets	<b>182,841</b>	<b>185,132</b>
Present value of scheme liabilities	<b>(186,095)</b>	<b>(180,865)</b>
<b>Defined benefit pension scheme (deficit)/surplus</b>	<b>(3,254)</b>	<b>4,267</b>

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**28. Pension schemes (continued)**

## Scheme assets

Changes in fair value of scheme assets are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fair value at start of year	<b>185,132</b>	325,003
Interest income	<b>8,662</b>	6,270
Return on plan assets, excluding amounts included in interest income	<b>(4,058)</b>	(137,838)
Contribution by the employer	-	-
Benefits paid	<b>(6,538)</b>	(7,834)
Administrative expenses paid	<b>(357)</b>	(469)
<b>Fair value at end of year</b>	<b>182,841</b>	<b>185,132</b>

## Analysis of assets

The major categories of scheme assets are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Equities	<b>14,277</b>	3,118
Credit	<b>94,604</b>	110,211
Government bonds	<b>63,884</b>	71,803
Other	<b>10,076</b>	-
	<b>182,841</b>	<b>185,132</b>

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.

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**BRUSH ELECTRICAL MACHINES LIMITED**


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**28. Pension schemes (continued)**

Actual return on scheme's assets

2023	2022
£000	£000

Actual return on scheme assets

-	-
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Scheme liabilities

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

2023	2022
£000	£000

Present value at start of year

180,865	265,181
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Past service cost

-	-
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Actuarial losses arising from changes in demographic assumptions

(4,153)	(2,582)
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Actuarial (gains) and losses arising from changes in financial assumptions

3,570	(96,413)
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Actuarial (gains) and losses arising from experience adjustments

3,882	17,297
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Interest cost

8,469	5,104
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Benefits paid

(6,538)	(7,722)
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**Present value at end of year**

<b>186,095</b>	<b>180,865</b>
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Present 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:

	2023	2022
	%	%

Discount rate

4.5	4.79
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RPI inflation

3.4	3.50
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CPI inflation

3	3.10
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Pension increases: RPI inflation up to 5% p.a.

2.9	3.80
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RPI inflation from 3% p.a. up to 5% p.a.

3.6	3.8
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RPI inflation up to 2.5% p.a.

2	2.2
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RPI inflation up to 3% p.a.

2.4	2.4
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**BRUSH ELECTRICAL MACHINES LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
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**28. Pension schemes (continued)**

Post retirement mortality assumptions

	2023 Years	2022 Years
Current UK pensioners at retirement age - male	20.7	21.2
Current UK pensioners at retirement age - female	22.8	23.2
Future UK pensioners at retirement age - male	21.5	22.0
Future UK pensioners at retirement age - female	<u>23.8</u>	<u>24.3</u>

The assumptions were that a member currently aged 65 will live on average for a further 20.7 years if they are male and for a further 22.8 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 21.5 years after retirement if they are male and for a further 23.8 years after retirement if they are female.

Amounts recognised in the income statement

	2023 £000	2022 £000
<b>Amounts recognised in operating profit</b>		
Past service cost	-	-
Administrative expenses paid	357	581
	<u>357</u>	<u>581</u>
<b>Recognised in arriving at operating profit</b>	<b>357</b>	<b>581</b>
<b>Amounts recognised in finance income or costs</b>		
Net interest	(193)	(1,166)
	<u>164</u>	<u>(585)</u>
<b>Total recognised in the income statement</b>	<b>164</b>	<b>(585)</b>

Amounts taken to the Statement of Comprehensive Income

	2023 £000	2022 £000
Actuarial (gains) and losses arising from changes in financial assumptions	3,570	(96,413)
Actuarial (gains) and losses arising from changes in demographic assumptions	(4,153)	(2,582)
Actuarial (gains) and losses due to liability experience	3,882	17,297
Return on plan assets, excluding amounts included in interest income	4,058	137,838
	<u>7,357</u>	<u>56,140</u>
<b>Amounts recognised in the Statement of Comprehensive Income</b>	<b>7,357</b>	<b>56,140</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**28. 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:

	2023 £000	2022 £000
Adjustment to discount rate	-0.1%	-0.1%
Present value of total obligation	2,419	2,713
Adjustment to rate of inflation	+0.1%	+0.1%
Present value of total obligation	1,117	1,628
Adjustment to mortality age rating assumption	+ 1 Year	+ 1 Year
Present value of total obligation	<u>6,513</u>	<u>6,330</u>

**29. Post balance sheet events**

Brush Electrical Machines Asia is in the process of being deregistered.

**30. Controlling party**

The immediate parent of Brush Electrical Machines Limited is Nuovo Pignone Holding S.p.a., a company incorporated in Italy and the ultimate parent and controlling party of Nuovo Pignone Holding S.p.a. is Baker Hughes Company, a company incorporated in United States of America.