

Registration number: 00164945

Brush Holdings Limited (formerly FKI Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2015



Brush Holdings Limited (formerly FKI Limited)

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Brush Holdings Limited (formerly FKI Limited)

Company Information

Directors	G P Martin S A Peckham G E Barnes
Company secretary	A D C Westley
Registered office	11th Floor The Colmore Building 20 Colmore Circus Queensway Birmingham West Midlands B4 6AT
Auditors	Deloitte LLP Chartered Accountants London United Kingdom

Brush Holdings Limited (formerly FKI Limited)

Strategic Report for the Year Ended 31 December 2015

The Directors present their Strategic Report for the year ended 31 December 2015.

Principal activity

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

Fair review of the business

The operating loss for the year ended 31 December 2015 was £427,921,000 (year ended 31 December 2014: loss of £162,018,000). The retained loss for the year ended 31 December 2015 was £174,137,000 (year ended 31 December 2014: profit of £305,281,000).

On 5 October 2015 the Company changed its name from FKI Limited to Brush Holdings Limited.

As part of the Melrose Group's disposal of Elster to Honeywell International Inc. ("Honeywell") on 29 December 2015, Honeywell assumed the Company's retirement benefit obligations and as a result the Company recognised a profit on disposal of the FKI UK Plan of £27,812,000.

A review of the carry value of investments identified an impairment of £225,756,000, £206,972,000 and £37,632,000 in relation to the Company's investments in Brush Properties Limited (formerly FKI Engineering Limited), Mintford Finance (Jersey) Limited and FKI Distribution Limited respectively.

The Company considers its key performance indicators to be in line with those of Melrose Industries PLC as disclosed in the Strategic Report of the 2015 Annual Report.

Principal risks and uncertainties

The Company considers its principal risks and uncertainties to be in line with those of Melrose Industries PLC as disclosed in the Performance Review section of the 2015 Annual Report.

Financial risk management

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

Principal risks

Credit risk

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

The Company's credit risk is primarily attributable to its receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

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

Brush Holdings Limited (formerly FKI Limited)

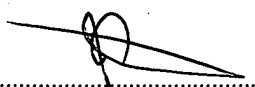
Strategic Report for the Year Ended 31 December 2015

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Approved by the Board on 8 July 2016 and signed on its behalf by:

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

G E Barnes
Director

Brush Holdings Limited (formerly FKI Limited)

Directors Report for the Year Ended 31 December 2015

The Directors present their report and the financial statements for the year ended 31 December 2015. An indication of likely future developments in the business of the Company is included in the Strategic Report. Information on financial risk management and going concern are also included in the Strategic Report.

Directors of the Company

The directors who held office during the year were as follows:

G P Martin

S A Peckham

G E Barnes

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

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2015 (year ended 31 December 2014: £nil).

The Directors paid a dividend in the year of £65,848,000 (year ended 31 December 2014: £nil).

Directors liabilities

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

Disclosure of information to the auditors

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

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

Approved by the Board on 8 July 2016 and signed on its behalf by:



G E Barnes
Director

Brush Holdings Limited (formerly FKI Limited)

Statement of Directors' Responsibilities

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

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

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

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

Brush Holdings Limited (formerly FKI Limited)

Independent Auditor's Report to the members of Brush Holdings Limited (formerly FKI Limited)

We have audited the financial statements of Brush Holdings Limited (formerly FKI Limited) for the year ended 31 December 2015, set out on pages 8 to 39. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

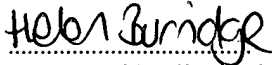
Brush Holdings Limited (formerly FKI Limited)

Independent Auditor's Report to the members of Brush Holdings Limited (formerly FKI Limited)

Matters on which we are required to report by exception

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

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



Helen Burridge (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London
United Kingdom

8 July 2016

Brush Holdings Limited (formerly FKI Limited)

Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £ 000	Restated 2014 £ 000
Administrative expenses		14,627	(1,493)
Exceptional operating items	4	<u>(442,548)</u>	<u>(160,525)</u>
Operating loss	5	(427,921)	(162,018)
Income from shares in group undertakings		237,538	471,730
Interest receivable and similar income	7	14,367	13,716
Interest payable and similar charges	8	<u>(10,155)</u>	<u>(15,247)</u>
(Loss)/profit before tax		(186,171)	308,181
Tax on (loss)/profit on ordinary activities	11	<u>12,034</u>	<u>(2,900)</u>
(Loss)/profit for the year		<u><u>(174,137)</u></u>	<u><u>305,281</u></u>

The above results were derived from continuing operations.

Brush Holdings Limited (formerly FKI Limited)

Statement of Comprehensive Income for the Year Ended 31 December 2015

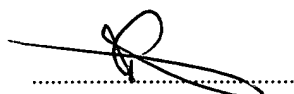
	2015 £ 000	Restated 2014 £ 000
(Loss)/profit for the year	<u>(174,137)</u>	<u>305,281</u>
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	12,771	7,171
Income tax effect	<u>-</u>	<u>(2,400)</u>
	<u>12,771</u>	<u>4,771</u>
Total comprehensive income for the year	<u><u>(161,366)</u></u>	<u><u>310,052</u></u>

Brush Holdings Limited (formerly FKI Limited)

**(Registration number: 00164945)
Balance Sheet as at 31 December 2015**

	Note	2015 £ 000	Restated 2014 £ 000
Fixed assets			
Investments	12	1,025,490	1,495,833
Deferred tax assets	17	13,234	1,200
		<u>1,038,724</u>	<u>1,497,033</u>
Current assets			
Trade and other receivables	13	730,742	683,172
Cash at bank and in hand		-	13,687
		<u>730,742</u>	<u>696,859</u>
Creditors: Amounts falling due within one year			
Trade and other payables	14	(1,023,017)	(1,171,094)
Loans and borrowings	15	(11,662)	(2,291)
Provisions	16	(3,679)	-
Creditors: Amounts falling due within one year		<u>(1,038,358)</u>	<u>(1,173,385)</u>
Net current liabilities		<u>(307,616)</u>	<u>(476,526)</u>
Total assets less current liabilities		731,108	1,020,507
Provisions	16	(12,031)	(19,916)
Net pension liability	18	-	(54,300)
Net assets		<u>719,077</u>	<u>946,291</u>
Capital and reserves			
Called up share capital	19	544,975	544,975
Capital redemption reserve		2,000	2,000
Profit and loss account		172,102	399,316
Shareholders' funds		<u>719,077</u>	<u>946,291</u>

Approved by the Board on 8 July 2016 and signed on its behalf by:



G E Barnes
Director

Brush Holdings Limited (formerly FKI Limited)

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	544,975	2,000	89,264	636,239
Profit for the year	-	-	305,281	305,281
Other comprehensive income	-	-	4,771	4,771
Total comprehensive income	-	-	310,052	310,052
At 31 December 2014	544,975	2,000	399,316	946,291

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	544,975	2,000	399,316	946,291
Loss for the year	-	-	(174,137)	(174,137)
Other comprehensive income	-	-	12,771	12,771
Total comprehensive income	-	-	(161,366)	(161,366)
Dividends	-	-	(65,848)	(65,848)
At 31 December 2015	544,975	2,000	172,102	719,077

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The Company is a private company limited by share capital incorporated in England & Wales under the Companies Act 1900. The nature of the Company's operations and its principal activity are set out in the Strategic Report.

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on 8 July 2016.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

Further information regarding the transition, including the impact on reserves is shown in note 23.

Summary of disclosure exemptions

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

Going concern

The financial statements have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report describes the Company's objectives, policies and processes for managing its principal risks, including liquidity risk. The Company's forecasts and projections, including consideration of the availability of finance, show that the Company should be able to continue to operate for the foreseeable future.

After making enquiries and considering the above facts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemption from preparing group accounts

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

Exceptional operating items

Exceptional operating 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.

Adoption of new and revised Standards

The Company has adopted all mandatory standards, interpretations and amendments that have become effective with effect from 1 January 2015. None of the standards, interpretations and amendments that are effective for the first time have had a material effect on the financial statements.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Finance income and costs policy

Finance income

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

Finance costs

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

Foreign currency transactions and balances

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Tax

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

Investments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

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

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

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

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

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

Impairment of non-financial assets

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

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

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

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

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

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 profit or loss.

Financial assets and liabilities

Classification

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

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 profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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.

Loans and receivables

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Impairment

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 re-organisation.

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 profit or loss.

With the exception of AFS equity instruments, 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 profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

2 Accounting policies (continued)

Financial liabilities

Classification

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

Recognition and measurement

Financial liabilities are classified as either financial liabilities 'at 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.

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of non-current assets, including investments in subsidiaries

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

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

Provisions

The quantification of certain liabilities within provisions have been estimated using the best information available. However, such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which is controlled by the Company. Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

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

Retirement benefit obligations

Retirement benefits are accounted for under IAS 19 (revised): "Employee benefits". For defined benefit plans, obligations are measured at the discounted present value whilst plan assets are recorded at fair value. Because of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

The discount rate used to discount retirement benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the Balance Sheet date. These generally include AA-rated securities. The discount rate is based on the market yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for retirement benefit obligations. Note 18 to these financial statements describes the principal discount rate, earnings increase and pension retirement benefit obligation assumptions that have been used to determine the net charge for retirement benefit obligations in accordance with IAS 19 (revised): "Employee benefits". The calculation of any charge relating to retirement benefit obligations is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of actuaries.

Taxation

The Company is subject to UK income tax. Management is required to exercise judgement in determining the Company's provision for income taxes. Management's judgement is required in estimating tax provisions where additional current tax may become payable in the future following the audit by the tax authorities of previously filed tax returns. Management's judgement may also be required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. While the Company aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

4 Exceptional operating items

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

	2015 £ 000	2014 £ 000
Profit on disposal	27,812	214,406
Impairment of investments	(470,360)	(380,379)
Release of surplus provision	-	5,448
	<u>(442,548)</u>	<u>(160,525)</u>

As part of the Melrose Group's disposal of Elster to Honeywell International Inc. ("Honeywell") on 29 December 2015, Honeywell assumed the Company's retirement benefit obligations and as a result the Company recognised a profit on disposal of the FKI UK Plan of £27,812,000.

A review of the carrying value of investments identified an impairment of £225,756,000, £206,972,000 and £37,632,000 in relation to the Company's investments in Brush Properties Limited (formerly FKI Engineering Limited), Mintford Finance (Jersey) Limited and FKI Distribution Limited respectively.

On 12 November 2014 the investment in Bridon Limited was sold for £374,785,000, which included an intercompany loan settlement of £15,691,000. The costs charged associated with the disposal were £6,272,000 and the original investment had a net book value of £138,416,000 leaving a profit on disposal of £214,406,000.

During 2014, following a review of the carrying value of investments, the Company's investments in Danks Holdings Limited and Black Heath Limited were impaired by £3,619,000 and £376,760,000 respectively.

During 2014, a historical onerous lease dispute was successfully resolved for less than expected resulting in the release of £5,448,000 from provisions.

5 Operating loss

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Foreign exchange gains	<u>(16,472)</u>	<u>(651)</u>

6 Auditors' remuneration

The fees payable to the Company's auditor for the audit of the financial statements of £10,000 (year ended 31 December 2014: £10,000) were borne by a fellow Group undertaking.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

7 Interest receivable and similar income

	2015 £ 000	2014 £ 000
Interest income on bank deposits	583	914
Interest on loans to Group undertakings	13,784	12,802
	<u>14,367</u>	<u>13,716</u>

8 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Interest on bank overdrafts and borrowings	299	121
Interest on loans from Group undertakings	8,072	12,176
Unwind of discount on provisions	84	150
Net interest cost on pensions	1,700	2,800
	<u>10,155</u>	<u>15,247</u>

9 Particulars of employees

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

10 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2014: £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group and as such remuneration of directors is borne by a fellow company.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

11 Income tax

Tax charged/(credited) in the income statement

	2015 £ 000	2014 £ 000
Total current income tax	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(12,034)	2,900
Tax (credit)/charge in the income statement	(12,034)	2,900

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2014: lower than the standard rate of corporation tax in the UK) of 20.25% (2014: 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
(Loss)/profit before tax	(186,171)	308,181
Corporation tax at standard rate	(37,700)	66,259
Different UK tax rates on some earnings	-	1,387
Non-taxable income	(48,101)	(147,519)
Expenses not deductible in determining taxable profit	89,576	84,006
Utilisation of tax losses	(3,775)	-
Change in unrecognised deferred tax assets	-	(1,233)
Recognition of previously unrecognised deferred tax	(12,034)	-
Total tax (credit)/charge	(12,034)	2,900

At 31 December 2015, all deferred tax attributes are recognised within the balance sheet. In 2014, due to the uncertainty of future profits, the company had not recognised a deferred tax asset of £13,777,000 in respect of carried forward tax losses, £9,660,000 in respect of pension liabilities and £1,048,000 in respect of other timing differences. The amounts not recognised are based on a corporation tax rate of 20%.

Changes to the main rate of UK corporation tax were announced in the Finance (No. 2) Act 2015 which was substantively enacted in 2015. The UK corporation tax is set to reduce to 19% from 1 April 2017 and reduce further to 18% from 1 April 2020. The future rate changes have reduced the closing deferred tax asset by £1,259,000.

In the March 2016 Budget, the Government announced a reduction in the main rate of corporation tax for the financial year beginning 1 April 2020 to 17%. This reduction was not substantively enacted at the balance sheet date and so is not reflected in these financial statements. However the expected impact on this would be a £577,000 reduction in the recognised deferred tax asset.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

11 Income tax (continued)

Tax recognised in other comprehensive income

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

	2015 £ 000	2014 £ 000
Deferred tax		
Retirement benefit obligations	-	2,400

12 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2014	3,687,852
Disposals	(138,416)
At 31 December 2014	3,549,436
At 1 January 2015	3,549,436
Additions	17
Disposals	(1,887,344)
At 31 December 2015	1,662,109
Provision for impairment	
At 1 January 2014	1,673,224
Provision created	380,379
At 31 December 2014	2,053,603
At 1 January 2015	2,053,603
Provision created	470,343
Eliminated on disposals	(1,887,327)
At 31 December 2015	636,619
Carrying amount	
At 31 December 2015	1,025,490
At 31 December 2014	1,495,833
At 1 January 2014	2,014,628

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

12 Investments (continued)

Details of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2015	2014
Danks Holdings Limited*	Dormant	United Kingdom	100%	100%
Brush Properties Limited*	Holding company	United Kingdom	100%	100%
Electro Dynamic Limited	Dormant	United Kingdom	100%	100%
FKI Engineering Shanghai Limited	Non-trading company	China	100%	100%
FKI Switchgear (Hong Kong) Limited	Non-trading company	Hong Kong	100%	100%
Whipp & Bourne Limited	Non-trading company	United Kingdom	100%	100%
FKI Plan Trustees Limited	Non-trading company	United Kingdom	100%	100%
Colmore Overseas Holdings Limited	Non-trading company	United Kingdom	100%	100%
Brush Electrical Machines Limited*	Engineering company	United Kingdom	100%	100%
Brush Scheme Trustees Limited	Dormant	United Kingdom	100%	100%
Brush SEM s.r.o.	Engineering company	Czech Republic	100%	100%
Brush Electrical Machines (Changshu) Co Limited	Engineering company	China	100%	100%
Brush Electrical Engineering Company Limited	Dormant	United Kingdom	100%	100%
Brush HMA B.V.	Engineering company	Netherlands	100%	100%
Harrington Generators International Limited	Engineering company	United Kingdom	100%	100%
Brush Transformers Limited	Engineering company	United Kingdom	100%	100%
Brush Japan KK	Engineering company	Japan	100%	100%

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

12 Investments (continued)

Brush Aftermarket North America Inc.	Holding company	USA	100%	100%
Brush Turbogenerators Inc.	Engineering company	USA	100%	100%
Generator and Motor Services of Pennsylvania LLC	Engineering company	USA	100%	100%
Brush Canada Services Inc./Services Brush Canada Inc.	Engineering company	Canada	100%	100%
Hawker Siddeley Switchgear Limited	Engineering company	United Kingdom	100%	100%
Mediterranean Power Electric Company Limited	Engineering company	Malta	26%	26%
Brush Switchgear Limited	Dormant	United Kingdom	100%	100%
Bristol Meci Australasia Pty Limited	Holding company	Australia	100%	100%
Hawker Siddeley Switchgear Pty Limited	Engineering company	Australia	100%	100%
FKI Astraesus Limited*	Holding company	United Kingdom	0%	100%
FKI Distribution Limited*	Dormant	United Kingdom	100%	100%
FKI Helios Limited*	Holding company	United Kingdom	0%	100%
FKI Nominees Limited	Holding company	United Kingdom	100%	100%
Hamsard 2291 Limited*	Holding company	United Kingdom	0%	100%
Mintford Finance (Jersey) Limited*	Financing	Jersey	0%	100%
Black Heath Limited*	Holding company	Guernsey	0%	100%
Brush Trains Oldco	Holding company	United Kingdom	0%	100%
Hamsard 2246*	Dormant	United Kingdom	100%	100%
FKI Mondiale Holding BV	Holding	Netherlands	0%	100%

* owned directly by the Company

All holdings relate to Ordinary Shares unless otherwise stated.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

12 Investments (continued)

During the year the Company's investment in Mintford Finance (Jersey) Limited was increased by £17,000.

During the year the investments of Brush Trains Oldco, FKI Astraeus Limited, FKI Helios Limited, FKI Mondiale Holding BV, Black Heath Limited, Hamsard 2291 Limited and Mintford Finance (Jersey) Limited were placed into liquidation. The effect of these liquidations was to reduce the cost of investments by £1,887,344,000 and the accumulated impairment provision by £1,887,327,000.

A review of the carry value of investments identified an impairment of £225,756,000, £206,972,000 and £37,632,000 in relation to the Company's investments in Brush Properties Limited (formerly FKI Engineering Limited), Mintford Finance (Jersey) Limited and FKI Distribution Limited respectively.

On 24 October 2014 the investment in Danks Holdings Limited was further impaired by £3,619,000 to reflect the revised recoverable amount.

During 2014 the investment in Black Heath Limited was impaired by £376,760,000 to reflect the revised recoverable amount.

On 12 November 2014 the investment in Bridon Limited was sold for £374,784,000.

13 Trade and other receivables

	2015 £ 000	2014 £ 000
Receivables from Group undertakings	730,113	682,446
Prepayments and accrued income	44	68
Other receivables	585	658
	<u>730,742</u>	<u>683,172</u>

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

	2015 £ 000	2014 £ 000
Trade payables	32	439
Accruals and deferred income	275	280
Amounts due to Group undertakings	1,022,691	1,169,238
Other payables	19	1,137
	<u>1,023,017</u>	<u>1,171,094</u>

15 Loans and borrowings

	2015 £ 000	2014 £ 000
Loans and borrowings - amounts falling due within one year		
Bank overdrafts	<u>11,662</u>	<u>2,291</u>

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

16 Provisions

	Environmental & Legal £ 000	Surplus Property £ 000	Total £ 000
At 1 January 2015	19,768	148	19,916
Provisions utilised	(4,250)	-	(4,250)
Unused provision reversed	(40)	-	(40)
Increase due to unwind of discount	84	-	84
At 31 December 2015	<u>15,562</u>	<u>148</u>	<u>15,710</u>
Non-current liabilities	<u>11,883</u>	<u>148</u>	<u>12,031</u>
Current liabilities	<u>3,679</u>	<u>-</u>	<u>3,679</u>

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

The provision for surplus property costs represents the estimated net payments over the terms of the leases together with any dilapidation costs. These are expected to be incurred within the next 1-5 years.

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

All provisions represent management's best estimate of the expected liabilities.

17 Deferred tax

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

	Assets £ 000	Liabilities £ 000	Net £ 000
2015			
Other temporary differences	909	-	909
Tax losses	<u>12,325</u>	<u>-</u>	<u>12,325</u>
	<u>13,234</u>	<u>-</u>	<u>13,234</u>
2014			
Retirement benefit obligations	<u>1,200</u>	<u>-</u>	<u>1,200</u>

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

17 Deferred tax (continued)

			Retirement benefit obligations £ 000	Total £ 000
At 1 January 2014			6,500	6,500
Recognised in income			(2,900)	(2,900)
Recognised in equity			(2,400)	(2,400)
At 31 December 2014			<u>1,200</u>	<u>1,200</u>
	Other temporary differences £ 000	Tax losses £ 000	Retirement benefit obligations £ 000	Total £ 000
At 1 January 2015	-	-	1,200	1,200
Recognised in income	<u>909</u>	<u>12,325</u>	<u>(1,200)</u>	<u>12,034</u>
At 31 December 2015	<u>909</u>	<u>12,325</u>	<u>-</u>	<u>13,234</u>

18 Pension schemes

Defined benefit pension schemes

FKI UK Pension Plan

As part of the Melrose Group's disposal of Elster to Honeywell International Inc. ("Honeywell") on 29 December 2015, Honeywell assumed the Company's retirement benefit obligations and as a result the Company recognised a profit on disposal of the FKI UK Plan of £27,812,000.

Prior to the disposal, the Company sponsored 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 are 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 at 31 December 2013. The full actuarial valuation has been updated at 29 December 2015 by independent actuaries.

The expected contributions to the plan for the next reporting period are £Nil due to the disposal of the FKI UK Pension Plan to Honeywell.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Pension schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2015 £ 000	2014 £ 000
Fair value of scheme assets	-	498,200
Present value of scheme liabilities	-	(552,500)
Defined benefit pension scheme deficit	-	(54,300)

Scheme assets

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

	2015 £ 000	2014 £ 000
Fair value at start of year	498,200	452,500
Interest income	17,200	19,500
Return on plan assets, excluding amounts included in interest income	(12,697)	40,971
Employer contributions	16,750	13,640
Benefits paid	(28,465)	(26,900)
Assets acquired in business combinations	(489,655)	-
Administrative expenses paid	(1,333)	(1,511)
Fair value at end of year	-	498,200

Analysis of assets

The major categories of scheme assets are as follows:

	2015 £ 000	2014 £ 000
Cash and other	-	5,400
Equity instruments	-	171,300
Debt instruments	-	321,500
	-	498,200

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

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

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Pension schemes (continued)

Actual return on scheme's assets

	2015 £ 000	2014 £ 000
Actual return on scheme assets	4,503	60,471

Scheme liabilities

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

	2015 £ 000	2014 £ 000
Present value at start of year	552,500	523,300
Actuarial gains and losses arising from changes in demographic assumptions	(3,843)	(1,200)
Actuarial gains and losses arising from changes in financial assumptions	(18,322)	53,800
Actuarial gains and losses arising from experience adjustments	(3,303)	(18,800)
Interest cost	18,900	22,300
Benefits paid	(28,465)	(26,900)
Liabilities assumed in business combinations	(517,467)	-
Present value at end of year	-	552,500

Principal actuarial assumptions

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

	2015 %	2014 %
Discount rate	-	3.50
Inflation	-	2.10

Post retirement mortality assumptions

	2015 Years	2014 Years
Current UK pensioners at retirement age - male	-	21.90
Current UK pensioners at retirement age - female	-	24.20
Future UK pensioners at retirement age - male	-	23.20
Future UK pensioners at retirement age - female	-	25.70

Mortality assumptions for the most significant plan in the Group, the FKI UK plan, as at 29 December 2015 are based on the Self Administered Pension Scheme ("SAPS") "SI" base tables with scaling factors of 110% and 105% for deferred members and pensioners respectively, which reflect the results of a mortality analysis carried out on the plan's membership. Future improvements are in line with the Continuous Mortality Investigation ("CMI") improvement model with a long-term rate of improvement of 1.25% p.a. for both males and females.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Pension schemes (continued)

Amounts recognised in the income statement

	2015 £ 000	2014 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	1,333	1,511
Amounts recognised in finance income or costs		
Net interest	1,700	2,800
Total recognised in the income statement	<u>3,033</u>	<u>4,311</u>

Amounts taken to the Statement of Comprehensive Income

	2015 £ 000	2014 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	3,843	1,200
Actuarial gains and losses arising from changes in financial assumptions	18,322	(53,800)
Actuarial gains and losses arising from experience adjustments	3,303	18,800
Return on plan assets, excluding amounts included in interest income	(12,697)	40,971
Amounts recognised in the Statement of Comprehensive Income	<u>12,771</u>	<u>7,171</u>

19 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	Number	£ 000	Number	£ 000
Ordinary shares of £0.10 each	<u>5,449,745,014</u>	<u>544,975</u>	<u>5,449,745,014</u>	<u>544,975</u>

20 Reserves

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

	Profit and loss account £ 000	Total £ 000
Remeasurements of post employment benefit obligations	<u>12,771</u>	<u>12,771</u>

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

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

20 Reserves (continued)

	Profit and loss account £ 000	Total £ 000
Remeasurements of post employment benefit obligations	<u>4,771</u>	<u>4,771</u>

21 Dividends

Dividends paid

Amounts recognised as distributions to equity holders:

	2015 £ 000	2014 £ 000
Dividends paid	<u>65,848</u>	<u>-</u>

22 Controlling party

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

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

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

Consolidated financial statements are available from:

11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.

23 Transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

23 Transition to FRS 101 (continued)

The transition from FRS 101 has resulted in changes to the method in which charges in relation to retirement benefit obligations are recognised in the Profit and Loss Account.

Pension plan administration expenses, previously treated as actuarial movements in the Statement of Total Recognised Gains and Losses are now treated as administration costs in the Profit and Loss Account, resulting in additional administrative expenses of £1,511,000.

In accordance with UK GAAP, the finance income in respect of retirement benefit plan assets was calculated by applying the expected rate of return to the plan assets, however, in accordance with FRS 101 the interest income on plan assets is calculated by using the same discount rate as applied to the plan liabilities. This has resulted in an additional finance cost of £2,800,000.

The total effect of these changes has been to reduce profit for the year ended 31 December 2014 by £4,311,000.

In accordance with UK GAAP, the profit on sale of operations of £214,406,000 was classified as a below operating exceptional item. As part of the transition to FRS 101, this has been reclassified as an exceptional operating item as the criteria of FRS 3 paragraph 20 are no longer relevant.

The transition to FRS 101 has also resulted in an amendment to the presentation of deferred tax in respect of retirement benefit obligations. Under UK GAAP the corresponding deferred tax asset was offset against the retirement benefit obligation, whereas under FRS 101 both amounts are shown gross. The amounts reclassified from pension obligations to deferred tax assets were £6,500,000 as at 1 January 2014 and £1,200,000 as at 31 December 2014.

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

23 Transition to FRS 101 (continued)

Balance sheet at 1 January 2014

	As originally reported £ 000	Reclassification £ 000	As restated £ 000
Fixed assets			
Investments	2,014,628	-	2,014,628
Deferred tax assets	-	6,500	6,500
	<u>2,014,628</u>	<u>6,500</u>	<u>2,021,128</u>
Current assets			
Debtors	474,372	-	474,372
Cash at bank and in hand	1,942	-	1,942
	<u>476,314</u>	<u>-</u>	<u>476,314</u>
Creditors: Amounts falling due within one year	<u>(1,762,927)</u>	<u>-</u>	<u>(1,762,927)</u>
Net current assets/(liabilities)	<u>(1,286,613)</u>	<u>-</u>	<u>(1,286,613)</u>
Total assets less current liabilities	728,015	6,500	734,515
Provisions for liabilities	<u>(27,476)</u>	<u>-</u>	<u>(27,476)</u>
Net assets/(liabilities) excluding pension asset/(liability)	700,539	6,500	707,039
Net pension asset/(liability)	<u>(64,300)</u>	<u>(6,500)</u>	<u>(70,800)</u>
Net assets/(liabilities)	<u>636,239</u>	<u>-</u>	<u>636,239</u>
Capital and reserves			
Share capital	544,975	-	544,975
Capital redemption reserve	2,000	-	2,000
Profit and loss account	<u>89,264</u>	<u>-</u>	<u>89,264</u>
Shareholders' funds/(deficit)	<u>636,239</u>	<u>-</u>	<u>636,239</u>

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

23 Transition to FRS 101 (continued)

Balance sheet at 31 December 2014

	As originally reported £ 000	Reclassification £ 000	As restated £ 000
Fixed assets			
Investments	1,495,833	-	1,495,833
Deferred tax asset	-	1,200	1,200
	<u>1,495,833</u>	<u>1,200</u>	<u>1,497,033</u>
Current assets			
Debtors	683,172	-	683,172
Cash at bank and in hand	13,687	-	13,687
	<u>696,859</u>	<u>-</u>	<u>696,859</u>
Creditors: Amounts falling due within one year	<u>(1,173,385)</u>	<u>-</u>	<u>(1,173,385)</u>
Net current assets/(liabilities)	<u>(476,526)</u>	<u>-</u>	<u>(476,526)</u>
Total assets less current liabilities	1,019,307	1,200	1,020,507
Provisions for liabilities	<u>(19,916)</u>	<u>-</u>	<u>(19,916)</u>
Net assets/(liabilities) excluding pension asset/(liability)	999,391	1,200	1,000,591
Net pension asset/(liability)	<u>(53,100)</u>	<u>(1,200)</u>	<u>(54,300)</u>
Net assets/(liabilities)	<u>946,291</u>	<u>-</u>	<u>946,291</u>
Capital and reserves			
Share capital	544,975	-	544,975
Capital redemption reserve	2,000	-	2,000
Profit and loss account	<u>399,316</u>	<u>-</u>	<u>399,316</u>
Shareholders' funds/(deficit)	<u>946,291</u>	<u>-</u>	<u>946,291</u>

Brush Holdings Limited (formerly FKI Limited)

Notes to the Financial Statements for the Year Ended 31 December 2015

23 Transition to FRS 101 (continued)

Profit and loss account for the year ended 31 December 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Exceptional operating items	(374,931)	214,406	-	(160,525)
Administrative expenses	18	-	(1,511)	(1,493)
Operating profit/(loss)	(374,913)	214,406	(1,511)	(162,018)
Exceptional items	214,406	(214,406)	-	-
Income from shares in group undertakings	471,730	-	-	471,730
Other interest receivable and similar income	13,716	-	-	13,716
Interest payable and similar charges	(12,447)	-	(2,800)	(15,247)
	687,405	(214,406)	(2,800)	470,199
Profit/(loss) before tax	312,492	-	(4,311)	308,181
Tax on profit on ordinary activities	(2,900)	-	-	(2,900)
Profit/(loss) for the financial year	309,592	-	(4,311)	305,281

