Registration number: 00164945

FKI Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2014

FKI Limited
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FKI Limited
Company Information

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

FKI Limited
Strategic Report for the Year Ended 31 December 2014

The Directors present their strategic report for the year ended 31 December 2014.

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 2014 was £374,913,000 (year ended 31 December 2013: loss of £5,721,000). The retained profit for the year ended 31 December 2014 was £309,592,000 (year ended 31 December 2013: profit of £76,075,000).

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 2014 Annual Report.

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

During the year the Company received dividends from group undertakings of £471,730,000, the most significant being £429,007,000 from Black Heath Limited.

During the year an impairment review was carried out resulting in the impairment of the investments in Black Heath Limited and Danks Holdings Limited of £376,760,000 and £3,619,000 respectively. This resulted in an exceptional expense of £380,379,000.

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

Principal risks and uncertainties

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

Credit risk
The Company's principal financial assets are bank balances and other receivables.

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

Going concern

The Directors have considered the going concern assumption given the current uncertain economic climate and the net current liabilities of the Company, and have reviewed the Company forecast and considered the financial commitment from the ultimate parent company, which has been confirmed in writing, 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 29 June 2015 and signed on its behalf by:

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G E Barnes
Director

FKI Limited
Directors' Report for the Year Ended 31 December 2014

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Directors of the company

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

G P Martin

S A Peckham

G E Barnes

Dividends

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2013: £nil).

Directors' indemnities

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

Disclosure of information to the auditor

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

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

Approved by the Board on 29 June 2015 and signed on its behalf by:

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G E Barnes

Director

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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.

FKI Limited
Independent Auditor's Report to the members of FKI Limited

We have audited the financial statements of FKI Limited for the year ended 31 December 2014, set out on pages 8 to 27. 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).

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.

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 2014 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.

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.

FKI Limited
Independent Auditor's Report to the members of 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

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

London
United Kingdom

30 June 2015

FKI Limited
Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Administrative expenses		18	(5,859)
Exceptional operating items	2	(374,931)	138
Operating loss	2	(374,913)	(5,721)
Exceptional profit on sale or termination of operations	4	214,406	-
Exceptional items	4	-	36,800
Non-operating exceptional items	4	214,406	36,800
Income from shares in group undertakings	5	471,730	52,190
Interest receivable and similar income	6	13,716	17,654
Interest payable and similar charges	7	(12,447)	(22,100)
Profit on ordinary activities before taxation		312,492	78,823
Tax on profit on ordinary activities	10	(2,900)	(2,748)
Profit for the financial year	16	309,592	76,075

The above results derive from continuing operations.

FKI Limited
Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Profit for the financial year		309,592	76,075
Actuarial gain/(loss) on pension schemes	18	2,860	(21,910)
Deferred tax relating to actuarial gain/(loss) on pension schemes		(2,400)	4,900
Total recognised gains and losses relating to the year		310,052	59,065

FKI Limited
(Registration number: 00164945)
Balance Sheet as at 31 December 2014

	Note	2014 £ 000	2013 £ 000
Fixed assets			
Investments	11	1,495,833	2,014,628
Current assets			
Debtors	12	683,172	474,372
Cash at bank and in hand		13,687	1,942
		696,859	476,314
Creditors: Amounts falling due within one year	13	(1,173,385)	(1,762,927)
Net current liabilities		(476,526)	(1,286,613)
Total assets less current liabilities		1,019,307	728,015
Provisions for liabilities	14	(19,916)	(27,476)
Net assets excluding pension asset/(liability)		999,391	700,539
Net pension liability	18	(53,100)	(64,300)
Net assets		946,291	636,239
Capital and reserves			
Called up share capital	15	544,975	544,975
Capital redemption reserve	16	2,000	2,000
Profit and loss account	16	399,316	89,264
Shareholders' funds	17	946,291	636,239

Approved and authorised for issue by the Board on 29 June 2015 and signed on its behalf by:

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G E Barnes
Director

The notes on pages 11 to 27 form an integral part of these financial statements.

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently.

Basis of preparation
The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Strategic Report.

Exemption from preparing a cash flow statement
The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

Exemption from preparing group accounts
The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

Going concern
The Directors have considered the going concern assumption given the current uncertain economic climate and the net current liabilities of the Company, and have reviewed the Company forecast and considered the financial commitment from the ultimate parent company, which has been confirmed in writing, 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Impairment
Fixed assets (including investments) are reviewed for impairment when changes in circumstances or events indicate that the carrying value of the fixed assets may not be recoverable. An impairment loss is recognised where the recoverable amount is less than the carrying value.

Fixed asset investments
The Company's investments in shares in Group companies are stated at cost less provision for impairments in value. Income received from investments is credited to the Profit and Loss account on a receivables basis.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1 Accounting policies (continued)

Taxation

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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount on the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair values were determined.

1 Accounting policies (continued)

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Finance costs
Finance costs of financial liabilities are recognised in the Profit and Loss Account over the term of such instruments at a constant rate on the carrying amount.
Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Profit and Loss Account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pensions

The company operates a defined benefit pension scheme. Pension liabilities are measured at their present value in accordance with actuarial assumptions that are updated at each Balance Sheet date. Pension assets are measured at fair value. The pension liability or asset is recognised in the Balance Sheet.

Pension costs for the Company's defined benefit pension schemes and other post-retirement benefits are recognised as follows:
Within operating profit:
• the current service cost arising from employee service in the current period;
• the prior service cost related to employee service in prior periods arising in the current period as a result of improvements to benefits; and
• gains and losses arising on unanticipated settlements or curtailments where the item that gave rise to the settlement or curtailment is recognised within operating profit.
Within other finance cost or income:
• the interest cost on the liabilities, calculated by reference to the scheme liabilities and discount rate at the beginning of the period; and
• the expected return on assets, calculated by reference to the assets and their long-term expected rate of return at the beginning of the period.
Within the statement of recognised income and expense:
• on the scheme assets - the difference between the expected and actual return on assets; and
• on the scheme liabilities - (a) the differences between the actuarial assumptions and actual experience, and (b) the effect of changes in actuarial assumptions.

2 Operating loss

Operating loss is stated after charging/(crediting):

	2014 £ 000	2013 £ 000
Foreign currency (gains)/losses	(651)	679

Also included within operating loss were the following exceptional items:

	2014 £ 000	2013 £ 000
Impairment of investments	380,379	-
Release of surplus leasehold property cost provision	(5,448)	-
Intercompany loan waiver	-	(138)
	374,931	(138)

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

During the year, 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.

3 Auditor's remuneration

The fees payable to the Company's auditor for the audit of the financial statements of £10,000 (year ended 31 December 2013: £10,000) were borne by a fellow Group undertaking.

4 Exceptional items

	2014 £ 000	2013 £ 000
Exceptional profit on sale of operations	(214,406)	-
Transfer of pension liability to other Group Companies	-	(36,800)
	(214,406)	(36,800)

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 during the year 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.

5 Investment Income

	2014 £ 000	2013 £ 000
Dividends received from subsidiary undertakings	471,730	52,190
	471,730	52,190

6 Interest receivable and similar income

	2014 £ 000	2013 £ 000
Bank interest receivable	914	923
Interest on loans to group undertakings	12,802	16,731
	13,716	17,654

7 Interest payable and similar charges

	2014 £ 000	2013 £ 000
Interest on bank borrowings	121	161
Interest on loans from group undertakings	12,176	19,115
Unwind of discount on provisions	150	324
Pension scheme other finance costs	-	2,500
	12,447	22,100

8 Particulars of employees

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

9 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2013: £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.

10 Taxation

Tax on profit on ordinary activities

	2014 £ 000	2013 £ 000
Current tax		
Adjustments in respect of previous years	-	(552)
Total current tax	-	(552)
Deferred tax		
Origination and reversal of timing differences	2,900	3,300
Total tax on profit on ordinary activities	2,900	2,748

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2013: lower than the standard rate of corporation tax in the UK) of 21.5% (2013: 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Profit on ordinary activities before tax	312,492	78,823
Corporation tax at standard rate	67,186	18,326
Capital allowances in excess of depreciation	(3)	(3)
Other timing differences	(4,224)	(11,897)
Non-taxable income	(147,519)	(12,134)
Expenses not deductible for tax purposes	84,006	1,060
Adjustment for prior periods	-	(552)
Taxable income not in the profit and loss account	1,387	1,174
Creation/(utilisation) of tax losses	(833)	1,793
Group relief at nil consideration	-	1,681
Total current tax	-	(552)

10 Taxation (continued)

Due to the uncertainty of future profits, the company has not recognised a deferred tax asset of £13,777,000 (2013: £15,358,000) in respect of carried forward tax losses, £9,660,000 (2013: £7,660,000) in respect of pension liabilities and £1,048,000 (2013: £2,859,000) in respect of other timing differences. The amounts not recognised are based on a corporation tax rate of 20% (2013: 20%).

The Finance Act 2012 reduced the main corporation tax rate from 24% to 23% for financial year commencing 1 April 2013. The Finance Act 2013 further reduced this rate to 21% for financial year commencing 1 April 2014 and 20% for financial year commencing 1 April 2015.

11 Investments

	2014 £ 000	2013 £ 000
Shares in group undertakings and participating interests	1,495,833	2,014,628

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Total £ 000
Cost		
At 1 January 2014	3,687,852	3,687,852
Disposals	(138,416)	(138,416)
At 31 December 2014	3,549,436	3,549,436
Provision for impairment		
At 1 January 2014	1,673,224	1,673,224
Charge for year	380,379	380,379
At 31 December 2014	2,053,603	2,053,603
Net book value		
At 31 December 2014	1,495,833	1,495,833
At 31 December 2013	2,014,628	2,014,628

11 Investments (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion held	Principal activity
Subsidiary undertakings				
FKI Engineering Limited	Great Britain	Ordinary	100%	Engineering
Brush Electrical Machines Limited	Great Britain	Ordinary	100%	Engineering
Danks Holdings Limited	Great Britain	Ordinary	100%	Holding
FKI Astraeus Limited	Great Britain	Ordinary	100%	Holding
FKI Distribution Limited	Great Britain	Ordinary	100%	Financing
FKI Helios Limited	Great Britain	Ordinary	100%	Holding
FKI Nominees Limited	Great Britain	Ordinary	100%	Holding
Hamsard 2291 Limited	Great Britain	Ordinary	100%	Holding
Mintford Finance (Jersey) Limited	Jersey	Ordinary	100%	Financing
Black Heath Limited	Guernsey	Ordinary	100%	Holding
Brush Trains Oldco *	Great Britain	Ordinary	20%	Financing

* The remaining 80% of the holdings in these companies are held by other Group companies.

On 24 October 2014 the investment in Danks Holdings Limited was further impaired by £3,618,900 to relect the value of the investment which was £100.

During the year the investment in Black Heath Limited was impaired by £376,760,129 to reflect the value of the investment which is £nil.

On 12 November 2014 the investment in Bridon Limited was sold for £374,784,314.

On 31 December 2014 the Subsidiary FKI Mondiale Holding B.V. was liquidated.

12 Debtors

	2014 £ 000	2013 £ 000
Amounts owed by group undertakings	682,446	472,879
Other debtors	658	1,446
Prepayments and accrued income	68	47
	683,172	474,372

13 Creditors: Amounts falling due within one year

	2014 £ 000	2013 £ 000
Bank loans and overdrafts	2,291	7,819
Trade creditors	439	882
Amounts owed to group undertakings	1,169,238	1,752,270
Other creditors	1,137	1,527
Accruals and deferred income	280	429
	1,173,385	1,762,927

14 Provisions

	Environmental and legal costs £ 000	Surplus property £ 000	Total £ 000
At 1 January 2014	21,387	6,089	27,476
Utilised during the period	(1,601)	(559)	(2,160)
Unwind of discount	84	66	150
Amounts unused and reversed	(102)	(5,448)	(5,550)
At 31 December 2014	19,768	148	19,916

Environmental and legal costs provisions relate to the estimated future costs and settlements in relation to legal claims and any estimated remediation costs. Theses 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%.

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

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

15 Share capital

Allotted, called up and fully paid shares

	No.	2014 £ 000	No.	2013 £ 000
Ordinary shares of £0.10 each	5,449,745,014	544,975	5,449,745,014	544,975

16 Reserves

	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	2,000	89,264	91,264
Profit for the year	-	309,592	309,592
Actuarial gain on pension schemes	-	2,860	2,860
Deferred tax relating to actuarial gain/(loss) on pension schemes	-	(2,400)	(2,400)
At 31 December 2014	2,000	399,316	401,316

17 Reconciliation of movement in shareholders' funds

	2014 £ 000	2013 £ 000
Profit attributable to the members of the company	309,592	76,075
Actuarial movements on pension schemes, net of deferred tax	460	(17,010)
Net addition to shareholders funds	310,052	59,065
Shareholders' funds at 1 January	636,239	577,174
Shareholders' funds at 31 December	946,291	636,239

18 Pension schemes

Defined benefit pension schemes
FKI UK Pension Scheme

The Company is a participating employer in the FKI UK Pension Scheme.

The valuation of the Group scheme shows the following deficit: FKI UK Pension scheme £54,300,000 (year ended 31 December 2013: £70,800,000).

The date of the most recent full actuarial valuation was 31 December 2013.

During the year ended December 2013 the FKI UK Pension plan was demerged into three separate independent plans. Two new plans, namely the Bridon Group (2013) Pension Plan and the Brush Group (2013) Pension Plan, were established. From 10 July 2013, the assets and liabilities of the Brush Group (2013) Pension Plan and the Bridon Group (2013) Pension Plan were recognised by their respective holders. This resulted in an exceptional income of £36,800,000 as shown in Note 4. The remaining assets and liabilities of the FKI UK Plan continue to be accounted for as a defined benefit plan in accordance with FRS 17.

The Company closed the FKI UK Pension plan to future service accrual from 28 February 2011.

FKI Limited agreed a Schedule of Contributions and Recovery Plan with FKI Scheme Trustees Limited in relation to the FKI Group Pension Scheme on 22 January 2015.This requires FKI Limited to contribute £15m per annum to the FKI Group Pension Scheme from 1 January 2015 to 30 September 2017.

Contributions payable to the pension scheme at the end of the year are £Nil (2013: £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities

The assets and liabilities in the scheme are as follows:

	2014 £ 000	2013 £ 000
Fair value of scheme assets	498,200	452,500
Present value of scheme liabilities	(552,500)	(523,300)
Defined benefit pension scheme deficit	(54,300)	(70,800)
Related deferred tax asset	1,200	6,500
Net pension liability	(53,100)	(64,300)

18 Pension schemes (continued)

Scheme assets

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

	2014 £ 000	2013 £ 000
Fair value at start of year	452,500	630,150
Expected return on assets	22,300	25,000
Actuarial gains and losses	36,660	23,666
Employer contributions	13,640	16,834
Benefits paid	(26,900)	(28,450)
Assets disposed on transfer of plans	-	(214,700)
Fair value at end of year	498,200	452,500

Analysis of assets

The major categories of scheme assets are as follows:

	2014 £ 000	2013 £ 000
Equity instruments	171,300	161,000
Debt instruments	321,500	285,800
Other assets	5,400	5,700
	498,200	452,500

Actual return on scheme's assets

	2014 £ 000	2013 £ 000
Actual return on scheme assets	58,960	48,666

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.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

18 Pension schemes (continued)

Scheme liabilities

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

	2014 £ 000	2013 £ 000
Present value at start of year	523,300	730,174
Actuarial gains and losses	33,800	45,576
Interest cost	22,300	27,500
Benefits paid	(26,900)	(28,450)
Liabilities disposed on transfer of plans	-	(251,500)
Present value at end of year	552,500	523,300
Analysed as:		
Present value arising from wholly or partly funded schemes	552,500	523,300

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2014 %	2013 %
Discount rate	3.50	4.40
Inflation	2.10	3.40
Expected return on scheme assets - equity*	-	7.80
Expected return on scheme assets - debt instruments*	-	4.10
Expected return on scheme assets - other*	-	5.90

* In anticipation of the adoption of FRS 101, the expected return on Scheme assets is no longer relevant.

Post retirement mortality assumptions

	2014 Years	2013 Years
Current pensioners at retirement age - male	86.90	86.90
Current pensioners at retirement age - female	89.20	89.10
Future pensioners at retirement age - male	88.20	88.30
Future pensioners at retirement age - female	90.70	90.60

Mortality assumptions for the most significant plan in the Group, the FKI UK plan, as at 31 December 2014 are based on the Self Administered Pension Scheme ("SAPS") "S1" 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.

18 Pension schemes (continued)

Amounts recognised in the profit and loss account

	2014 £ 000	2013 £ 000
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance costs		
Interest cost	22,300	27,500
Expected return on scheme assets	(22,300)	(25,000)
Recognised in other finance cost	-	2,500
Total recognised in the profit and loss account	-	2,500

Amounts recognised in the statement of total recognised gains and losses

	2014 £ 000	2013 £ 000
Actuarial gains on scheme assets	36,660	23,666
Actuarial losses on scheme liabilities	(33,800)	(45,576)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	2,860	(21,910)

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Fair value of scheme assets	498,200	452,500	630,150	600,325	549,325
Present value of scheme liabilities	(552,500)	(523,300)	(730,174)	(679,674)	(627,874)
Deficit in scheme	(54,300)	(70,800)	(100,024)	(79,349)	(78,549)

Experience adjustments:

	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Experience adjustments arising on scheme assets	36,660	23,666	12,400	30,600	17,600
Experience adjustments arising on scheme liabilities	18,800	(33,100)	19,600	(2,200)	(8,600)

18 Pension schemes (continued)

Comparative figures have not been restated as permitted by FRS 17.

Figures in 2012, 2011 and 2010 are before the demerger of the Scheme.

19 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

20 Control

The immediate parent company is Melrose PLC, which is incorporated in England and Wales.

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

The smallest and largest group in which results of the Company are consolidated is that headed by Melrose Industries PLC. Consolidated financial statements are available from the 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.