
THE BRUSH GROUP (2013) PENSION SCHEME

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

THE BRUSH GROUP (2013) PENSION SCHEME

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THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2016

Trustee	Brush Scheme Trustees Limited
Directors of the Trustee Company	MC Duncombe, Independent Chairman G Barnes, Company Nominated G Dallard, Member Nominated B Hewitson, Company Nominated G Peters, Member Nominated A Pidgeon, Member Nominated EL Rutter, Independent
Secretary to the Trustee	I Emery Aon Hewitt Limited Colmore Gare 2 Colmore Row Birmingham B3 2QD
Sponsoring Employer	Brush Electrical Machines Limited
Scheme Actuary	A Shah Aon Hewitt Limited
Scheme Administrator	Aon Hewitt Limited
Independent Auditor	Ernst & Young LLP
Investment Managers	Legal & General Assurance (Pensions Management) Limited Invesco Fund Management Limited Majedie Asset Management Limited Morgan Stanley Investments
AVC Providers	The Equitable Life Assurance Society Friends Provident Life and Pensions Limited Royal London Group
Legal Adviser	Squire Patton Boggs (UK) LLP
Banker	Bank of Scotland

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Introduction

The Trustee of The Brush Group (2013) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 December 2016. The Scheme is a defined benefit scheme and is administered by Aon Hewitt Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The Scheme came into existence during 2013 following the demerger of the FKI Group Pension Scheme. The Definitive Deed was signed on 4 April 2014. A Deed of Amendment was subsequently signed on 27 June 2014 following agreement to the demerger. Some deferred members of the FKI Group Pension Scheme were transferred to the Brush Group (2013) Pension Scheme. The Scheme is closed to new entrants.

Management of the Scheme

The Trustee is Brush Scheme Trustees Limited.

In accordance with the Trust Deed and Rules, the power of appointment or removal of the Trustee and Directors of the present Trustee rests with the Sponsoring Employer, Brush Electrical Machines Limited, subject to the regulations governing member nominated Directors.

The Trustee Board is comprised of seven Directors, made up of two independent Directors, two Company Nominated Directors and three Member Nominated Directors.

Trustee Meetings

The Trustee met formally four times during the year. Attendance by the Trustee Directors at those meetings is shown below:

	17 March	30 June	22 September	14 December
M Duncombe	Y	Y	Y	Y
G Barnes	Y	N	Y	Y
G Dallard	N	Y	Y	Y
B Hewitson	Y	Y	Y	Y
G Peters	Y	Y	Y	Y
A Pidgeon	Y	Y	Y	Y
E Rutter	Y	Y	Y	Y

The Sponsoring Employer

The Sponsoring Employer of the Scheme is: Brush Electrical Machines Limited.

Scheme Changes

There were no changes to the Scheme during the year.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Membership

Details of the membership of the Scheme as at 31 December 2016 are given below:

	Pensioners 2016	Members with deferred benefits 2016	Total 2016
Membership at the start of the year	236	1,342	1,578
Adjustments to members	11	(14)	(3)
New spouses and dependants in the year	2	-	2
Retirements	62	(62)	-
Trivial Commutations	(8)	(1)	(9)
Transfers out	-	(22)	(22)
Deaths	-	(3)	(3)
Membership at the end of the year	<u>303</u>	<u>1,240</u>	<u>1,543</u>

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

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Pension Increases

There are three categories of pensions in payment in respect of contractual increases to pensions earned prior to 6 April 1997:

(a) No increases.

(b) 3% increases.

(c) Increases according to the rate of inflation but not less than 3% and not more than 5%.

The above increases are on that part of the pension in excess of the Guaranteed Minimum Pension ("GMP"). The GMP is broadly equal to the pension a member would have earned in the state pension scheme had they not been contracted out of that scheme. The pre-1988 GMP is inflation proofed by the state pension scheme.

All pensions in payment were reviewed during the period and an increase of between 0% and 3% were awarded in respect of categories (a) to (c) above. Pensions earned after 5 April 1997 were increased by between 1.2% and 3.0%. No discretionary increases were awarded to current pensioners.

A deferred pension consists of three parts:

(a) the GMP; this part increases between the date of leaving and state pension age at 4% for each complete tax year (for leavers prior to 6 April 2007 different rates of increase apply, 4.5%, 6.25%, 7%, 7.5% or 8.5%);

(b) that part of the pension in excess of GMP which arose from pensionable service prior to 1 January 1985; this part does not increase;

(c) that part of the pension in excess of GMP which arose from pensionable service on or after 1 January 1985; this part increases between the date of leaving and normal retirement date at the lesser of 5% per annum and the change in the retail prices index.

Because of changes in legislation, all leavers after 31 December 1990 have that part of the deferred pension earned prior to 1 January 1985 (see (b) above) increased in the same way that part of the pension earned on or after 1 January 1985 (see (c) above).

No discretionary increases were provided to deferred pensions.

Review of the financial developments during the period as shown by the audited financial statements

The financial statements on pages 15 to 29 show that the value of the Scheme's assets increased by £55,819,394 to £255,174,453 as at 31 December 2016. The increase was comprised of net withdrawals from dealings with members of £1,732,646, offset by a net increase in returns on investments of £57,552,040.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 15 to 29.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Contributions

In respect of the shortfall in funding, £5.0M was due in 2016. These contributions were paid accordingly by the Participating Employer.

Following negotiations between the Employer and Trustees, a further £3.3M was paid in respect of the 2017 recovery plan contributions.

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and is set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2013. This showed that on that date:

The value of the Technical Provisions was:	£ 190 million
The value of the assets at that date was:	£ 167 million

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions

Discount interest rate: term dependent rates set by reference to the UK government fixed interest gilt curve at the valuation date plus an addition of 1% per annum.

Future Retail Price inflation (RPI): term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date.

Future Consumer Price inflation (CPI): term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date with a deduction equal to Aon Hewitt's prevailing best estimate of the difference between RPI and CPI inflation. As at 31 December 2013 this difference was 1.0% p.a.

Pension increases: derived from the RPI or CPI price inflation as appropriate, allowing for the maximum and minimum annual increases, and for inflation to vary from year to year.

Mortality: for the period in retirement standard tables S1PMA for male members and S1PFA for female members with a scaling factor of 110% for all members with an allowance for improvements in mortality in line with the CMI 2013 improvement factors, subject to a long term rate of improvement of 1.5% p.a.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Investment Managers

The current Investment Managers are shown on page 1.

Under the terms of the agreements with the Investment Managers, Legal & General Assurance (Pensions Management) Limited ("Legal & General"), Invesco Fund Management Limited ("Invesco"), Majedie Asset Management Limited ("Majedie") and Morgan Stanley Investment Funds ("Morgan Stanley") are responsible for the management of the Scheme's investments. Responsibility for investments and their performance lies with the Trustee of the Scheme.

The Trustee Directors review the performance of the Investment Managers on a regular basis as well as monitoring their corporate governance voting experience and dealing costs.

As required by the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles setting out their policy on investment, which includes the Trustee's policy on Socially Responsible Investment. A copy of the Statement is available on request.

Expression of Wish Forms

The Trustee wishes to remind members that they can indicate to the Trustee the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustee will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Forms should their circumstances change.

Expression of Wish Forms are available on request from Aon Hewitt Limited at the address shown on page 10.

Transfer Values

The Trustee is responsible for setting the economic, financial and demographic assumptions to be used in calculating transfer values, having taken the advice of the Actuary.

No discretionary benefits are included in the calculation of transfer values.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Investment Report

Investment Policy and Objectives

The Trustee aims to invest the assets of the Scheme prudently with the aim of ensuring that the benefits promised to members are provided. In setting investment strategy, the Trustee first considers the lowest risk allocation that it can adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The current planned asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weight in the table below on an ongoing basis.

Current planned asset allocation strategy

Growth assets	Target weighting %	Benchmark Index
Equities	34.0	
Invesco – UK	11.4	FTSE All Share
Majedie – UK	11.3	FTSE All Share
Morgan Stanley - Global	11.3	MSCI World NDR
Matching assets	Target weighting %	Benchmark Index
Liability Driven Investment (LDI) Funds	66.0	
Legal & General Investment Management ("LGIM")	66.0	See below
Total	100.0	

The Scheme implemented the LDI strategy in 2015 and this includes corporate bond funds, gilt funds and pooled LDI funds designed and managed by LGIM.

Custody of assets

During the year Legal & General Investment Management Limited, Invesco Fund Management, Majedie Asset Management Limited and Morgan Stanley Investment Funds were the Investment Managers on record to the Scheme. There were no custodians directly engaged by the Trustee during the year.

Performance

The table below shows the overall Scheme performance figures.

1 year	3 year	5 year
28.9%	15.4%	N/A

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Investment principles

The Trustee has produced a Statement of Investment Principles ("the Statement") in accordance with Section 35 of the Pensions Act 1995.

The Statement summarises how the Trustee:

- Sets the investment policy and chooses the most suitable types of investments for the Scheme;
- Delegates buying and selling investments to the Scheme's Investment Managers; and
- Monitors the performance of the Scheme's investments.

The Trustee has considered ethical and socially responsible investments and has delegated to the Investment Managers responsibility for taking social, environmental and ethical considerations into account when assessing the financial potential and suitability of investment and for exercising the rights attaching to the Scheme's investments.

Copies of this Statement are available on request from the Administrator at the address shown on page 10.

Market Background 12 Months to December 2016

UK Equities

UK equities rose by 16.8% over the year despite the volatility caused by the Brexit vote and the uncertainty of its future impact on the UK economy. However, many companies listed on the UK stock exchange earn overseas revenues and the outperformance of these stocks provided a major lift to large cap stocks.

Overseas Equities

US equities outperformed other regions in sterling terms, returning 33.4% over the year to 31 December 2016. Macroeconomic data was positive especially in the second half of the year, whilst prospects of fiscal spending under the Trump administration bolstered the equity market. Unhedged returns were boosted by US dollar strength as US monetary policy tightened.

Continental European equities returned 3.4% in local currency terms whilst sterling weakness in 2016 brought the sterling return up to 19.7%. Accommodative monetary policy from the ECB was offset by banking sector concern and the Brexit vote which curbed investor enthusiasm for the region.

Japan was the only region to post negative equity returns (-0.3%) in local currency terms. Concern over the effectiveness of Abenomics and anaemic economic data weighed on investor sentiment and yen strength hurt exporter profit. The yen strengthened substantially versus sterling over the year which boosted equity returns in sterling terms (22.7%).

Emerging market performance was strong in local currency terms as the Chinese government stimulus supported Chinese growth and commodities rallied. Concerns over protectionist policies under a Trump presidency and higher US rate expectations weighed on the region towards the latter stages of the year. Despite an uncertain outlook, emerging market equities performed well, returning 10.1% in local currency terms and 33.1% in sterling terms.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Currencies and Interest Rates

The UK bank rate was lowered to 0.25% by the BoE, the first change since March 2009. This, alongside the UK public's decision to leave the EU proved a catalyst for major sterling weakness over the year. Sterling ended the year down 14.9% on a trade-weighted basis.

The federal funds rate target was raised from 0.50% to 0.75% in December 2016. The dollar strengthened on a trade-weighted basis on the back of a stronger economic outlook and rising interest rate expectations. The US dollar appreciated by 19.3% against sterling over the year.

The ECB, in response to the lack of inflationary pressures in the economy, kept its policy of easier monetary policy and lowered the main interest rate from 0.05% to 0%. Moreover, the ECB increased the level of asset purchases as part of its quantitative easing programme in March 2016, which was extended to a later deadline in Q4 albeit at a slower rate of €60 billion per month. However, the euro appreciated by 3.1% on a trade-weighted basis and by 15.8% against sterling over the year as Brexit exerted downwards pressure on sterling.

The BoJ adopted negative policy interest rates at the start of 2016 and continued with its aggressive quantitative easing programme. Yield curve controls were implemented in a bid to support longer bond yields relative to shorter interest rates. However, the currency strongly appreciated as investors grew sceptical of the impact of QE on the yen before correcting a little in Q4. The yen appreciated by 5.3% over the year on a trade-weighted basis and by 23.0% against sterling.

Gilt Returns

UK fixed gilts returned 10.1% and index-linked gilts returned 24.3% over the period.

Long dated fixed interest gilt returns were the highest, outperforming short and medium term maturities as the yield curve flattened over the year. The same return profile applied to index-linked gilts.

Index-linked gilts outperformed fixed gilts at all maturities as index-linked yields fell more at all maturities, due to a sharp rise in breakeven inflation as sterling weakness, UK economic resilience and commodity strength boosted inflation expectations. The index-linked gilt index also outperformed due to its higher sensitivity to interest rates.

Fixed Interest and Index-Linked Yield Curves

Both fixed and index-linked gilt yields moved down sharply in the first half of the year. The rally gathered momentum following the Brexit decision and the BoE announcement of easier monetary policy. However, higher anticipated inflation later in the year caused nominal yields to recover whilst the real yield curve was pushed further down in the second half of 2016.

UK Investment Grade Credit

UK iBoxx non-gilt credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) narrowed by 18bps to 130bps over the year. Spreads rose as high as 191 bps in Q1 of 2016 on the back of growing concerns over the Chinese economy and subdued global growth. UK non-gilts returned 10.6%, marginally outperforming fixed interest gilts.

Spreads narrowed the most in the third quarter of 2016 due to improving investor sentiment following better than expected economic data and the BoE's pledge to buy up to £10bn of corporate debt as part of its asset purchasing programme.

Credit spreads narrowed the most for BBB-rated issues whilst AAA-rated spreads narrowed the least.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Further Information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

Members can request details of the amount of their current transfer value. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact Aon Hewitt Limited (address below) who will also be able to provide them with a further copy of the Scheme booklet should they require one and answer any queries that they may have about entitlement to benefits.

Any enquiries or complaints about the Scheme, including requests from individuals for information about their benefits or Scheme documentation, should be sent to the following address.

Brush Group (2013) Pension Scheme
Aon Hewitt Limited
Colmore Gate
2 Colmore Row
Birmingham
B3 2QD
brushpensions@aonhewitt.com

The Data Protection Act seeks to protect and respect the individual's rights to privacy. The Data Protection Act 1998 came into force on 1 March 2000 and regulates the use of personal data relating to living individuals that are processed automatically or manually and held in a relevant filing system. Explicit consent of the member is required where personal sensitive data is held or processed. Sensitive information can include information relating to, for example, the health of a member.

The Trustee, in its capacity as 'Data Controllers' and the Scheme's advisers in their capacity as 'Data Processors' under the Act each have legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating the Scheme, which includes passing on data to third parties. For example, the provision of Death in Service benefits requires information to be passed to other professional providers and Life office advisers who underwrite such benefits.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

Compliance Statement

HM Revenue & Customs Registration

The Scheme is a registered pension Scheme in accordance with The Finance Act 2004. This means that the contributions paid by both the Company and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

Other Information

(i) Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members trace their rights if they have lost contact with the previous employers' Scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

0345 600 2537
<https://www.gov.uk/find-lost-pension>

(ii) Resolving Difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's administration office. In the event that a complaint cannot be resolved members can make a formal complaint using the Scheme's Internal Dispute Resolution (IDR) procedure details of which can be obtained from the Trustee office.

The Pensions Advisory Service (TPAS) can assist members in taking their complaint through the IDR procedure. TPAS is an independent organisation which can help members of the public deal with pension problems. The name and address of the local TPAS adviser can be obtained from any local Citizens Advice Bureau or from:

The Pensions Advisory Service Limited
11 Belgrave Road
London
SW1V 1RB

If the complaint is not resolved satisfactorily, the Government-appointed Pensions Ombudsman can investigate complaints of injustice by bad administration either by the Trustee or the Scheme Administrators, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

0207 630 2200
enquiries@pension-ombudsman.org.uk

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2016

(iii) The Pensions Regulator

The Pensions Regulator (TPR) is the UK regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applied to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrongdoers.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

TPR's website can be visited at www.thepensionsregulator.gov.uk or by telephone on 0345 600 0707.

(iv) The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the Employer and where there are insufficient assets in the pension Scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

(v) Scheme Information

The Trust Deed and Rules, the Scheme details and a copy of the schedule of contributions and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to the member's own pension position, including estimates of transfer values, should also be requested from the administrators of the Scheme, Aon Hewitt Limited, at the address detailed below:

Aon Hewitt Limited
Colmore Gate
2 Colmore Row
Birmingham
B3 2QD

THE BRUSH GROUP (2013) PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Scheme's Trustee is responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of normal contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed for and on behalf of the Trustee:

Trustee Director : 

Trustee Director: 

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRUSH GROUP (2013) PENSION SCHEME

We have audited the financial statements of The Brush Group (2013) Pension Scheme for the year ended 31 December 2016 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 25. 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 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee 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 Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Respective Responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 13, the Scheme's Trustee is responsible for the preparation of financial statements which show 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 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 Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: 31.3.17

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FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Contributions and Benefits			
Member's Contributions	4	-	814
Employer's Contributions	5	8,333,340	5,000,004
Contributions		<u>8,333,340</u>	<u>5,000,818</u>
Transfers in	6	-	7,855
Other income	7	1,050	540
		<u>8,334,390</u>	<u>5,009,213</u>
Benefits	8	(3,841,399)	(3,653,198)
Payments to and on account of leavers	9	(5,605,675)	(2,749,552)
Administrative expenses	10	(619,962)	(456,676)
		<u>(10,067,036)</u>	<u>(6,859,426)</u>
Net withdrawals from dealings with members		<u>(1,732,646)</u>	<u>(1,850,213)</u>
Returns on investments			
Investment income	11	1,552	1,103
Change in market value of investments	12	57,780,944	1,575,043
Investment management expenses	19	(230,456)	(125,035)
Net returns on investments		<u>57,552,040</u>	<u>1,451,111</u>
Net increase/(decrease) in the Scheme		55,819,394	(399,102)
Net assets of the Scheme			
At 1 January		<u>199,355,059</u>	<u>199,754,161</u>
Net assets of the Scheme			
At 31 December		<u>255,174,453</u>	<u>199,355,059</u>

The notes on pages 17 to 29 form an integral part of these financial statements.

THE BRUSH GROUP (2013) PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2016

		31 December 2016 £	31 December 2015 £
Investment assets			
Pooled investment vehicles	14	251,999,825	196,448,249
AVC investments	16	1,747,751	2,174,262
		<hr/>	<hr/>
Total investments		253,747,576	198,622,511
		<hr/>	<hr/>
Current assets	20	1,879,369	1,228,714
Current liabilities	21	(452,492)	(496,166)
		<hr/>	<hr/>
Net Assets (available for benefits) at 31 December		255,174,453	199,355,059
		<hr/> <hr/>	<hr/> <hr/>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme period. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 5 and these financial statements should be read in conjunction with it.

The notes on pages 17 to 29 form an integral part of these financial statements.

These financial statements were approved by the Trustee and were signed on their behalf by:

Trustee Director: 

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (SORP) (Revised November 2014).

The financial statements summarise the transactions of the Scheme and deal with the statement of net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

2. ACCOUNTING POLICIES

The following principle accounting policies have been adopted in the preparation of the financial statements.

2.1 Accruals Concept

The financial statements have been prepared on an accruals basis. The Principal accounting policies, all of which were adopted last year, unless otherwise indicated, are as follows:

2.2 Contributions and Benefits

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or, in the absence of such an agreement, when received.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from the payroll.

Benefits to members, including pensions, commutations and lump sum retirement benefits and lump sum death benefits, are accounted for in the period in which they fall due, whenever the members' wishes are known.

AVCs are accounted for on a cash basis, as the year end values were not provided by the AVC investment managers, and the resulting investments are included within the net assets statement.

2.3 Transfers to and from Other Schemes

Individual transfers to and from other schemes are accounted for when funds are received or paid, or where the Trustee has agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement.

Group transfer transactions are accounted for in line with the relevant transfer agreements provided aggregate values can be determined with reasonable certainty.

2.4 Administrative and Investment Manager Expenses

Administration and Investment Manager expenses are accounted for on an accruals basis.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (continued)

2.5 Investments

Pooled investment vehicles are valued at the closing bid price or, if single prices, the closing single price provided by the Investment Manager.

2.6 Investment Income

Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.

Income arising from the underlying investments of the pooled investment vehicles, that is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

3. TAXATION

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

4. MEMBER'S CONTRIBUTIONS

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Additional voluntary contributions	-	814

The Additional Voluntary Contributions represents a payment made to a member's AVC fund by Aon Hewitt to put the member in the rightful position as a result of their AVCs not being invested correctly.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. EMPLOYER'S CONTRIBUTIONS

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Deficit funding - due	5,000,004	5,000,004
Deficit funding - advance payment	3,333,336	-
	8,333,340	<i>5,000,004</i>
	8,333,340	<i>5,000,004</i>

In respect of the shortfall in funding, £5.0M was due in 2016. These contributions were paid accordingly by the Participating Employer.

Following negotiations between the Employer and Trustees, a further £3.3M was paid in respect of the 2017 recovery plan contributions.

6. TRANSFERS IN

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Transfers in - Individual	-	7,855
	-	7,855
	-	7,855

7. OTHER INCOME

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Other income	1,050	540
	1,050	540
	1,050	540

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. BENEFITS

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Commutations and lump sum retirement benefits	1,963,489	2,388,006
Pensions	1,841,012	1,122,934
Death benefits	36,898	142,258
	3,841,399	3,653,198
	3,841,399	3,653,198

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Transfers out - individual	5,605,675	2,749,552
	5,605,675	2,749,552
	5,605,675	2,749,552

10. ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
TPR levy	203,846	98,646
Actuarial fees	138,195	134,995
Administration fees	121,437	97,759
Other professional fees	91,267	67,118
Trustee fees and expenses	31,105	17,919
Legal fees	24,551	31,030
Audit fee	8,250	7,600
Bank charges	1,276	780
Sundry expenses	35	829
	619,962	456,676
	619,962	456,676

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. INVESTMENT INCOME

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Bank Interest	1,552	1,103
	1,552	1,103

12. INVESTMENTS

MOVEMENTS IN INVESTMENTS

	Value at 01/01/2016 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31/12/2016 £
Pooled investment vehicles	196,448,249	52,172,344	(54,401,479)	57,780,711	251,999,825
AVC investments	2,174,262	-	(426,744)	233	1,747,751
	198,622,511	52,172,344	(54,828,223)	57,780,944	253,747,576

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

The companies managing the pooled fund investments are registered in the United Kingdom except for Morgan Stanley which is registered in Luxembourg.

13. TRANSACTION COSTS

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as commissions and stamp duty. Indirect costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme. During the period, there were no other direct transaction costs.

14. POOLED INVESTMENT VEHICLES

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Managed funds - other	251,999,825	196,448,249
	251,999,825	196,448,249

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. POOLED INVESTMENT VEHICLES

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Bonds	174,608,730	131,626,668
Equities	77,391,095	64,824,581
	251,999,825	196,451,249

16. AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund, in the form of individual accounts. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 December each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown below.

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Friends Provident Life	1,616,928	1,982,229
Royal London	103,819	165,262
Equitable Life	27,004	26,771
	1,747,751	2,174,262

17. CONCENTRATION OF INVESTMENTS

The following investments, excluding UK Government securities, account for more than 5% of the Scheme's net assets as at 31 December 2016.

	31 December 2016 Market value £	%	31 December 2015 Market value £	%
Legal and General Over 15 yr Index-Linked Gilts	65,396,744	26	50,479,617	25
Majedie UK Equity Fund	28,418,810	11	20,513,090	10
Invesco Perpetual Income Fund	24,969,311	10	22,330,887	11
Morgan Stanley Global Brands Fund	24,002,973	10	21,980,605	11
Legal and General VJ-2032 Index-Linked Gilt	14,384,805	6	12,052,084	6

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. FAIR VALUE

The fair value of finance instruments has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date. It relates to the Scheme's equities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly. It relates to the Scheme's bonds;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

At 31 December 2016

	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	77,391,095	174,608,730	-	251,999,825
AVC investments	-	-	1,747,751	1,747,751
	<u>77,391,095</u>	<u>174,608,730</u>	<u>1,747,751</u>	<u>253,747,576</u>

At 31 December 2015

	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	64,824,582	131,623,667	-	196,448,249
AVC investments	-	-	2,174,262	2,174,262
	<u>64,824,582</u>	<u>131,623,667</u>	<u>2,174,262</u>	<u>198,622,511</u>

19. INVESTMENT MANAGEMENT EXPENSES

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Administration, management & custody	328,825	272,970
Investment consultancy fees	138,187	82,215
Investment fee rebate	(236,556)	(230,150)
	<u>230,456</u>	<u>125,035</u>

Investment consultancy fees are disclosed within investment expenses.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. CURRENT ASSETS

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Cash balances	1,552,745	663,712
Prepayments	202,321	144,310
Due from Employer	105,270	-
Inland Revenue	15,008	-
Sundry debtors	4,025	4,025
Employer contributions due	-	416,667
	1,879,369	<i>1,228,714</i>
	1,879,369	<i>1,228,714</i>

21. CURRENT LIABILITIES

	For the year ended 31 December 2016 £	<i>For the year ended 31 December 2015 £</i>
Accrued expenses	379,026	369,154
Unpaid benefits	73,439	127,012
Due to Employer	27	-
	452,492	<i>496,166</i>
	452,492	<i>496,166</i>

22. RELATED PARTY TRANSACTIONS

Two of the Trustee Directors on page 1 are members of the Scheme and like any other member they are thus eligible for benefits in accordance with the Scheme Rules.

The Employer is reimbursed by the Scheme for expenses incurred in the maintaining of the Scheme during the year. The amount of reimbursement of expenses was £964,956.

At 31 December 2016 the Scheme was due £105,270 from the Employer.

In respect of the shortfall in funding, £5.0M was due in 2016. These contributions were paid accordingly by the Participating Employer.

Following negotiations between the Employer and Trustees, a further £3.3M was paid in respect of the 2017 recovery plan contributions.

Trustee Director fees payable are disclosed in the administrative expenses note.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INVESTMENT RISK

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- **Credit risk:** This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk:** This is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk comprises currency risk, interest rate risk and other price risk:

- **Currency risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** This is the risk that the fair value or future cash flows of a financial asset – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk – primarily equity prices), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy described in this Report.

Risk Management Structure

The Trustee is responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee has appointed Investment Managers to manage the investments of the Scheme under agreed mandates. These mandates set out target allocations, benchmarks and risk tolerance levels consistent with the Statement of Investment Principles.

The Trustee reviews the performance of each investment manager against the agreed performance objectives.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INVESTMENT RISK (continued)

Risk Measurement and Reporting

The Trustee monitors the Scheme's risks periodically with appropriate reference to:

- The expected loss likely to arise in normal circumstances; and
- Unexpected losses that are an estimate of the ultimate actual loss based on statistical models.

The Trustee measures risk both qualitatively and quantitatively.

The Trustee monitors and measures the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

Risk Mitigation

The Scheme has investment guidelines that set out its overall investment strategy and its general approach to risk management, as set out in the Statement of Investment Principles.

The Trustee has appointed an investment advisor to assist them in determining and implementing the investment strategy for the Scheme.

The Trustee acknowledges that the Investment Managers use derivatives and other instruments for trading purposes and in connection with its risk management activities. The Scheme has indirect exposure to derivatives through the pooled leveraged gilt and swap funds in its LDI portfolio.

Credit Risk

The Scheme's LDI portfolio includes pooled funds managed by LGIM. So the Scheme is therefore indirectly exposed to credit risk through the underlying derivative contracts held within the pooled investment vehicles.

There is no direct link between the Scheme and the counterparties LGIM trades with on behalf of the Scheme. So the Scheme is not exposed to direct counterparty risk through the LDI portfolio.

However the Scheme is exposed to indirect collateral risk. I.e. the risk that LGIM require the Scheme to post additional collateral to retain their invested units, if LGIM's collateral pool falls below a certain level.

The Trustee mitigates these risks as follows:

- Monitoring that LGIM invest only in regulated markets.
- Monitoring that LGIM only hold investment grade bonds or government securities.
- Regularly reviewing LGIM's investment management performance.
- Direct credit risk in the units held in the pooled LDI portfolio is mitigated by the underlying assets being held in trust and separate from the assets of LGIM.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INVESTMENT RISK (continued)

Credit Quality of Financial Assets

As at 31 December the Scheme's portfolio of financial assets subject to credit risk by credit quality was:

Financial Assets Subject to Credit Risk (including the Sterling Liquidity fund)

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
Unrated		
Pooled investment vehicles	174,608,730	131,623,667
Total	174,608,730	131,623,667

Currency Risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, via a pooled global equity fund managed by Morgan Stanley Investment Funds. The Morgan Stanley allocation is to a share class that is hedged against the US Dollar.

The Scheme also holds investments in two pooled UK equity funds, each managed by Invesco Fund Management and Majedie Asset Management Limited respectively. While the mandate for each of these funds is to invest in UK equities, both funds also have limited discretion to invest in overseas markets.

The Scheme's total investments in pooled equity funds as at 31 December was:

Total Investments in Pooled Equity Funds

	31 December 2016 (£)	31 December 2015 (£)
Invesco – UK equities	24,969,311	22,330,887
Majedie – UK equities	28,418,811	20,513,090
Morgan Stanley – Overseas equities	24,002,973	21,980,605
Total	77,391,095	64,824,582

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INVESTMENT RISK (continued)

Interest Rate Risk

The Scheme is subject to interest rate risk on the LDI portfolio, comprising bond and leveraged gilt and swap funds held through pooled investment vehicles.

The principal purpose of the LDI portfolio is to match movements in the actuarial liabilities due to changes in interest rates. Under this strategy, if interest rates fall, the value of these investments will rise in a similar manner to the increase in the pension liabilities.

The Scheme's exposure to interest rates as at 31 December was:

Exposure to Interest Rate Risk

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
Direct		
Corporate bonds and gilts	92,031,321	78,988,841
Indirect		
Pooled LDI funds	82,159,419	51,631,496
Total	174,190,740	130,620,337

LDI Collateral

The Scheme utilises pooled LDI funds managed by LGIM, who has entered into collateral arrangements in order to manage the risk of counterparty default. These arrangements require collateral in the form of cash or bonds to be pledged or deposited.

In order to rebalance the leverage within the funds, LGIM will potentially require collateral to be paid by the Scheme. The Trustee has agreed that LGIM can draw any collateral required from the Scheme's corporate bond and gilt holdings, which are also managed by LGIM.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INVESTMENT RISK (continued)

Other Price Risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio, comprising of equities held in pooled vehicles.

The Scheme manages this exposure by constructing a diverse portfolio of investments across various markets and managers.

The Scheme's exposure to other price risk as at 31 December was:

Exposure to Other Price Risk

	31 December 2016 Market value (£)	31 December 2015 Market value (£)
Indirect		
Equity pooled investment vehicles	77,391,095	64,824,852
Total	77,391,095	64,824,852

24. CONTINGENT LIABILITIES

In the opinion of the Trustee the Scheme had no contingent liabilities or contractual commitments as at 31 December 2016.

25. EMPLOYER RELATED INVESTMENTS

There were no employer related investment at any time during the year within the meaning of section 40(2) of the pensions act 1995.

THE BRUSH GROUP (2013) PENSION SCHEME

STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditor's Statement about Contributions to the Trustee of The Brush Group (2013) Pension Scheme

We have examined the Summary of Contributions to The Brush Group (2013) Pension Scheme for the Scheme year ended 31 December 2016 this statement is attached on page 31.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinion we have formed.

Respective Responsibilities of Trustee and Auditor

As described more fully in the Statement of Trustee's Responsibilities, set out on page 13, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of contributions payable towards the Scheme by or on behalf of the Employers and the active members of the Scheme. The Scheme's Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

Scope of Work on Statement About Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Statement About Contributions

In our opinion contributions for the Scheme year ended 31 December 2016, as reported in the attached Summary of Contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 22 January 2015.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: *31.3.17*

THE BRUSH GROUP (2013) PENSION SCHEME

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2016

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 December 2016

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee.

It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions in respect of the Scheme year ended 31 December 2016. The Scheme auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year

	£
Employer's Contributions - deficit funding	<u>5,000,004</u>
Contributions due under the Schedule	5,000,004
Employer's contributions - advance payment of deficit contributions	3,333,336
Total contributions reported in the financial statements	<u><u>8,333,340</u></u>

Signed on behalf of the Trustee:

Trustee Director:

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

ACTUARIAL STATEMENT

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Brush Group (2013) Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2013 to be met by the end of the period specified in the recovery plan dated 22 January 2015.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles effective from 22 January 2015.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Signature: ALKA SHAH

Date: 22 January 2015

Name: Alka Shah

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Colmore Gate
2 Colmore Row
Birmingham
B3 2QD

Name of employer: Aon Hewitt Limited