Registered number: 12007217

THE BRUSH GROUP (2013) PENSION SCHEME

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

CONTENTS

TRUSTEE AND ITS ADVISERS
YEAR ENDED 31 DECEMBER 2019

Trustee	Brush Scheme Trustees Limited
Company Appointed Directors	G Barnes B Hewitson G Morgan
Member-Nominated Directors	G Dallard G Peters A Pidgeon
Independent Directors	MC Duncombe, Independent Chairman – resigned 1 January 2019 A McKinnon, Independent Chairman – appointed 1 January 2019 EL Rutter – resigned 17 September 2019
Principal Employer	Brush Electrical Machines Limited
Secretary to the Trustee	I Emery Aon Hewitt Limited Colmore Gare 2 Colmore Row Birmingham B3 2QD
Actuary	A Shah, FIA Aon Hewitt Limited
Administrator	Aon Hewitt Limited
Independent Auditor	Ernst & Young LLP
Banker	Bank of Scotland plc
Investment Managers	Legal & General Assurance (Pensions Management) Limited (‘LGIM’) Majedie Asset Management Limited (‘Majedie’) Morgan Stanley Investments (‘Morgan Stanley’) Insight Investment (‘Insight’) Invesco Asset Management Limited (‘Invesco’)
AVC Providers	Utmost Life and Pensions Limited (formerly The Equitable Life Assurance Society) (‘Utmost’) Aviva plc (‘Aviva’) Royal London Group (‘Royal London’)
Legal Adviser	Squire Patton Boggs (UK) LLP
Contact details	The Brush Group (2013) Pension Scheme Aon Hewitt Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD brushpensions@aonhewitt.com 0345 268 8475

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

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 2019.

Constitution and management

The Scheme is a Defined Benefit (DB) scheme. The Scheme is governed by a Trust Deed as amended from time to time 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.

The Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Scheme, Trustee Directors are appointed and may be removed by the Principal Employer.

In accordance with the Pensions Act 2004 at least one third of the total number of Trustee Directors must be nominated by Scheme members. The Member-Nominated Directors (MNDs) are elected from the membership.

A Trustee Board is comprised of seven Directors, made up of one Independent Director, three Company Appointed Directors and three Member-Nominated Directors.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Director can only be removed with the agreement of all other Trustee Directors.

Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee Directors have written agreements in place with each of them.

Trustee meetings

The Trustee Board met formally twice during the year to consider the business of the Scheme.

Scheme changes

There were no changes to the Scheme in the year.

Financial statements

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

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Membership

Details of the membership changes of the Scheme in the year are as follows:

	Deferreds	Pensioners	Total
Members at the start of the year	1,042	439	1,481
Adjustments to members	(8)	10	2
New spouses	-	2	2
Retirements	(62)	62	-
Deaths	(3)	(4)	(7)
Transfers out	(16)	-	(16)
Members at the end of the year	953	509	1,462

Pensioners include 14 (2018: 10) individuals receiving a pension upon the death of their spouse who was a member of the Scheme. Pensioners also include 3 (2018: 2) child dependants in receipt of a pension.

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

The adjustments to members shown above are the result of retrospective updating of member records.

Pension increases

Pensions in payment in excess of the Guaranteed Minimum Pension (GMP) were increased on 1 May 2019 by 3.0% for both pensions earned prior to 6 April 1997 and for pension earned after 5 April 1997.

There were no discretionary pension increases in the year.

Deferred benefits are increased in line with legislation and the Scheme Rules.

Transfers

Members leaving service can normally transfer the value of their benefits under the Scheme to another scheme that they join or to an insurance contract or personal pension.

The transfer value of the Scheme members' benefits includes no allowance for any discretionary benefits which might be awarded in the future.

Transfers into the Scheme are not allowed.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Going concern and Covid-19

As referred to in note 22 in the financial statements, subsequent to the Scheme's year end, there has been significant volatility in markets as a result of the Coronavirus (COVID-19) pandemic. Despite this, the Scheme's investment strategy contains assets that move broadly in line with the liabilities and hence the Trustee would expect the funding position to be relatively stable despite fluctuating market conditions.

In addition, at the January 2020 meeting, the Trustee decided to de-risk the Scheme by fully disinvesting the equity allocation held with Majedie and moving the assets to LGIM. This was implemented in the same month. LGIM were also instructed to extend the hedge of the liability benchmark to 100% (of liabilities) to protect the funding position.

The recent events are clearly concerning at a macro level but it is not yet possible to precisely quantify their likely impact on the principal employer. The principal employer's production facilities are still operational and costs and cash levels are also being carefully monitored and managed to mitigate against the impact.

The funding level remains strong and Scheme's investment strategy is already significantly de-risked. Consequently, although the funding position will have deteriorated a little, the Trustee does not expect there to have been a material change to the Scheme's funding position as a result of Covid-19.

The Scheme's administrator, Aon Hewitt Limited, has a business continuity plan that is tested at regular intervals and updated periodically. It has developed a webpage devoted to the situation that the COVID-19 pandemic has created for UK pension schemes. Link below:

https://aon.com/unitedkingdom/retirement-investment/COVID-19.jsp.

The Trustee continues to monitor the operational impact of the developments and has no significant concerns regarding the Scheme's ongoing ability to fulfil its operational, cashflow or benefit payment requirements.

Having had due consideration of the above and having discussed with the principal employer, the Trustee considers that the Scheme remains a going concern for the foreseeable future.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

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 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 2016 and revealed:

The value of the technical provisions was:	£255.6 million
The value of the assets at that date was:	£253.4 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

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% p.a.

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 2016 this difference was 1.1% 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 S2PMA for male members and S2PFA for female members with a scaling factor of 110% for all members with an allowance for improvements in mortality in line with the CMI 2016 Proposed 2015 improvement factors, subject to a long term rate of improvement of 1.5% p.a.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Management and custody of investments

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

The Trustee has delegated management of investments to the investment managers shown on page 1. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments in line with the investment managers' agreements which are designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustee has considered environmental, social and governance factors for investments (including but not limited to climate change) and has delegated to the investment managers the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Scheme's investments.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Scheme that they manage.

The Trustee has not appointed a custodian to the Scheme as the investment managers appoint a custodian for the assets underlying the investments they manage for the Trustee. The Custodians appointed by the investment managers are shown below:

Managers	Custodians
Legal & General Assurance (Pensions Management) Limited	HSBC Bank Plc and Citibank
Majedie Asset Management Limited	The Bank of New York Mellon (International) Limited
Morgan Stanley Investments	J.P. Morgan Bank Luxembourg S.A.
Insight Investment	State Street Custodial Services (Ireland) Limited
Invesco Perpetual Life Limited	The Bank of New York Mellon (International) Limited

The Custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodians' nominee company, in line with common practice for pension scheme investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report

Performance

Total Scheme Performance to 31 December 2019 (p.a.)

1 Year	3 Years	5 Years
18.7%	6.8%	9.7%

Performance is gross of fees.

Investment policy and objectives

The Trustee aims to invest the assets of the Scheme to meet members' benefits as and when they fall due. The Trustee is responsible for determining the Scheme's investment strategy and has set the investment strategy after taking appropriate professional investment advice.

The current asset allocation strategy chosen is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weights in the table below on an ongoing basis.

Current planned asset allocation strategy

	Target weighting (%)	Actual allocation	Benchmark Index
Active Equity	***20.0***	***55,614***	
Majedie – UK Equity Fund - Unconstrained	8.0 – 12.0	26,707	FTSE All Share
Morgan Stanley – Global Brands Fund – Unconstrained	8.0 – 12.0	28,907	MSCI World NDR (USD)
Passive Equity	***11.0***	***28,912***	
LGIM – All World Equity Index (GBP Hedged)	9.0 – 13.0	28,912	FTSE All World Index – GBP Hedged
Diversified Growth Funds	***18.0***	***45,681***	
Insight – Broad Opportunities Fund	7.0 – 11.0	23,457	Sterling 3 Month LIBID
Invesco – Global Targeted Returns Pension Fund	7.0 – 11.0	22,224	Sterling 3 Month LIBOR
Liability Driven Investment (LDI) Funds	**51.0**	**146,691**	
LGIM – Matching Plus LDI Pooled Funds (including LGIM – Sterling Liquidity Fund)	46.0 – 56.0	146,691	Typical scheme liability profile benchmark
Total	**100.0**	**276,898**	

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

Investment principles

The Trustee has produced a Statement of Investment Principles 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.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These risks include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Market background: 12 Months to December 2019

General background

The MSCI AC World Index rose by 26.9% in local currency terms over 2019 after large Q4 2018 losses. Fears of a global economic slowdown and trade war dominated equity markets for much of 2019. However, increasingly accommodative central banks and progress in US-China trade negotiations bolstered risk appetite. Fading trade uncertainty and the eventual agreement of a "phase one" US-China trade deal sparked an equity market rally in Q4 2019, helping to achieve the best annual equity market gain in 10 years. Sterling appreciation reduced global equity returns for unhedged UK investors, bringing global equity returns in Sterling terms down to 22.4%.

On a sector level, Information Technology (47.5%) and Consumer Discretionary (28.2%) were the best performers. Technology stocks were supported by a lower threat from US-China tensions as well as expectations that interest rates would be lower for longer.

Sterling ended the twelve-month period 4.8% higher on a trade-weighted basis as a result of lower Brexit uncertainty. After the risk of a possible "No Deal" Brexit had cast a shadow over sterling for much of 2019, Prime Minister Boris Johnson's Conservative Party won a sizeable majority in the UK general election towards the end of the year, paving the way for the Brexit Withdrawal Agreement to be ratified. Sterling rebounded sharply in Q4 2019.

The US Federal Reserve (Fed) abruptly reversed course in January 2019 when they signalled an intention to pause further rate hikes, citing concerns over a stalling global economy and a lack of inflationary pressure. The Fed lowered their Federal Funds rate projection in the first half of 2019, before implementing three 25bps rate cuts in the second half of the year, bringing the Federal Funds Rate target down to 1.50%-1.75%. This change in policy calmed equity markets and, in order to arrest volatility in money markets, the Fed also resumed asset purchases, focusing on money-market securities.

Most other central banks also shifted to a more accommodative stance in 2019. The European Central Bank (ECB) ended their asset purchase program in December 2018 but announced in their September 2019 meeting a resumption of the program and a cut in the deposit rate by 10bps to -0.5%. Meanwhile, the Bank of England (BoE) maintained interest rates at 0.75% throughout 2019. Whilst the BoE retained its previous forward guidance that "limited rate hikes are likely to be required" until June 2019, it was conceded in September that interest rates could take a different path, depending on the outcome of Brexit.

Investment report (continued)

General background (continued)

Oil prices rose sharply in Q1 2019, boosted by a rebound in risk sentiment as well as OPEC's crude oil production cuts. However, it reversed some gains in Q2 and Q3 as weakening global economic growth and heightened trade tensions put pressure on oil prices. Rising tensions in the Middle East were also a key theme over 2019 as a breakdown in US-Iran relations and drone attacks on critical oil infrastructure in Saudi Arabia triggered spikes in oil prices. Q4 2019 witnessed additional supply cuts proposed by OPEC+, driving energy prices higher, helped by a less pessimistic economic outlook. Brent Crude oil prices rose by 22.7% overall in 2019 and ended the period at US$66/BBL. The S&P GSCI Commodity index rose by 17.6% over the year.

UK gilt yields fell in tandem with global government bond yields on the back of looser monetary policy by major central banks, alongside downgraded growth and inflation outlooks. Gilt yields hit record lows in Q3 2019 amidst an escalation of the US-China trade war and increasing fears of a global slowdown. Yields rebounded a little in Q4 2019, supported by easing global trade tensions and clarity over Brexit. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 6.9% whilst index-linked gilts returned 6.4%.

The credit spread (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 37bps lower at 122bps. Similar to other risky assets, credit markets performed well with spreads narrowing on the back of improved investor risk appetite.

UK commercial property returned 2.1%, supported by a steady income return, even though capital values fell by 3.1% over the year. Continued British high street struggles were reflected in the retail sector's total return of -6.4% over the period.

UK equities

UK equities posted a solid return of 19.2% over the year, benefiting from broad global equity strength and reduced uncertainties around Brexit. The market underperformed global equities, however, amidst lacklustre UK economic data releases. Whilst the UK avoided a recession by recording a positive GDP growth in Q3 2019, a number of forward-looking indicators pointed towards further deterioration in domestic economic conditions. The UK's manufacturing sector ended the year with eight consecutive months of contraction, as indicated by the Purchasing Managers' Index (PMI).

The UK's Technology sector (33.7%) generated the highest return over the year, but its small size relative to other sectors limited its influence. The heavily-weighted Financials sector (19.4%) rallied as the prospects of a "No Deal" Brexit faded from view. Meanwhile, Telecommunication (-0.8%) and Oil & Gas (1.0%) were the worst-performing sectors.

Mid-Cap equities (28.9%) significantly outperformed both Large-Cap (17.3%) and Small-Cap equities (18.8%) over the 12-month period. Mid-Cap equities benefitted from a large exposure to the outperforming Industrials and Financials sector. Large-Cap equity returns were also strong, but Sterling appreciation over the period detracted from the performance of multinationals with significant overseas revenue. Meanwhile, Small-Cap equities benefited from a reduction in Brexit uncertainty which had been a drag on smaller domestically-focused companies.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

Overseas equities

US equities were the best-performing market over the last twelve months. Slowing economic releases at the start of the year were offset by the shift towards looser monetary policy from the Fed in boosting investor sentiment. The three major US equity indices (S&P 500, Nasdaq Composite, Dow Jones Industrial Average) all reached record highs in the second half of the year, boosted by three rate cuts by the Fed and a breakthrough in US-China trade talks. Valuation multiple expansion drove strong equity performance, whilst underlying earnings growth estimates were revised lower. US equities returned 31.6% in local currency terms with Technology (47.9%) and Industrials (33.7%) the best performing sectors and Oil & Gas (11.4%) the worst.

Europe ex-UK equities returned 27.0% over the period. European equities were buoyed by improving investor risk appetite despite a weaker economic backdrop in Europe. ECB measures to limit the impact of negative interest rates on banks also supported returns, with Financials up 22.5% over the year. Economic data remained lacklustre as Germany narrowly avoided a recession in Q3 2019. Industrials (36.6%) and Technology (36.1%) were the best performing sectors whilst Telecommunication (6.3%) and Oil & Gas (12.8%) were the worst.

Headwinds in the guise of the US-China trade war and yen appreciation put pressure on Japanese equities in the first half of the year. However, Japanese equities rebounded in Q3 and Q4 2019, supported by more conciliatory US-China talks and a weaker Yen. The Japanese economy was affected by the fiscal drag of a consumption tax hike and the damage caused by a severe typhoon season. However, the government introduced a fiscal stimulus program in a bid to prop up the economy. Technology (43.7%) and Health care (30.1%) were the best performing sectors whilst Utilities (-11.0%) and Oil and Gas (-1.2%) were the worst.

Emerging Market equities returned 18.5% in local currency terms over the year. EM equities were embattled by trade war concerns and signs of a global economic slowdown for much of the year. However, the market rallied in Q4 2019, benefiting from a breakthrough in US-China trade negotiations and an improving global outlook. All major EM countries recorded double-digit returns over the past twelve months. Taiwanese equities (34.3%) were the best performing emerging market whilst Chinese equities (23.3%) also performed well on the back of thawing trade tensions and reflationary policies in China which included the lowering of reserve requirement ratios and greater fiscal expansion.

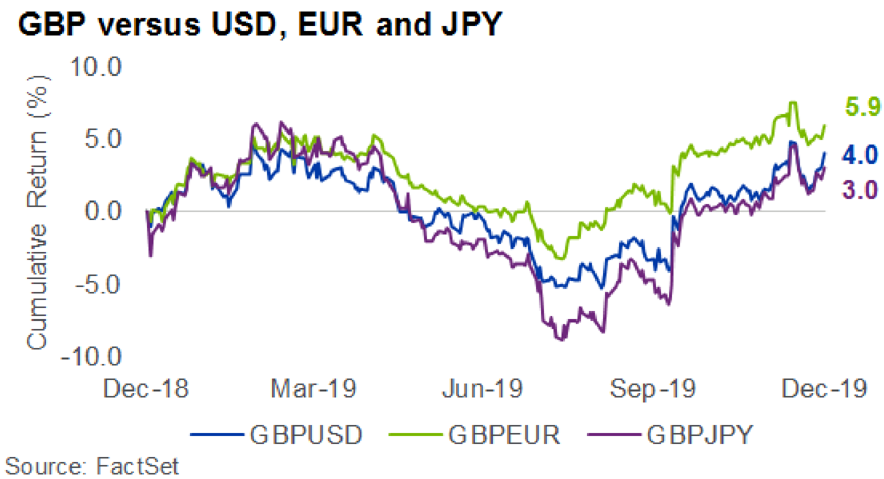
In the FTSE World ex UK Index, the best performing sectors (in sterling terms) were Technology (40.9%) and Industrials (26.3%), whilst Oil & Gas (9.8%) and Basic Materials (15.0%) underperformed.

Note: FTSE returns were used for UK, US, Europe ex-UK and Japanese equities, whilst MSCI returns were used for Emerging Market equities. Local currency returns used unless otherwise specified.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

Currencies and interest rates



Brexit continued to be the dominant factor in the movement of Sterling. Increasing expectations of a "No Deal" Brexit put downward pressure on Sterling in the first half of the year. Boris Johnson, who vowed to leave the EU with or without a deal, replaced Theresa May as Prime Minister after her government repeatedly lost parliamentary votes on the Brexit Withdrawal Agreement. However, Sterling bounced back in September 2019 after parliament passed measures to curtail the government's ability to force through a No-Deal Brexit. Sterling rallied sharply in Q4 2019 after a revised Withdrawal Agreement was agreed with the EU and the incumbent Conservative Party subsequently won a significant majority in the General Election. Reduced Brexit uncertainty and reduced risks of a capital unfriendly Corbyn premiership drove Sterling higher towards the end of the year. Sterling ended the 12-month period up 4.8% on a trade-weighted basis.

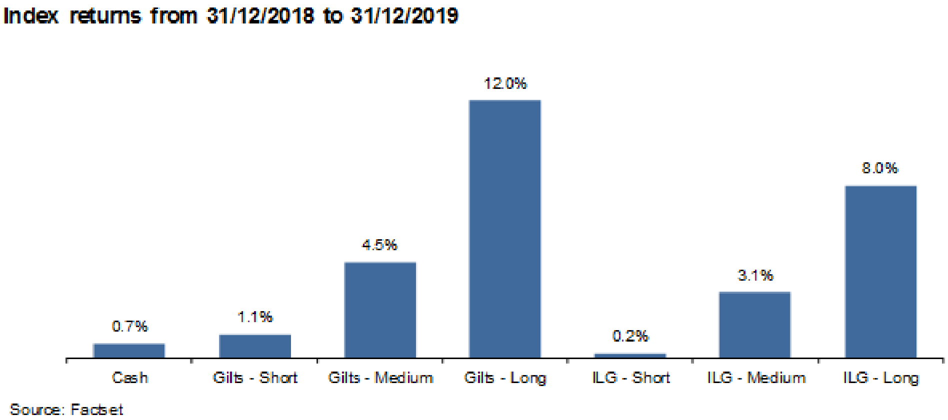
Despite the Fed's pivot to an easier monetary stance, the US Dollar kept a firm tone over the course of the year although the return of risk appetite reduced 'safe-haven' demand for the 'greenback' in Q4. The US Dollar index (DXY) rose marginally by 0.2% over the last twelve months. However, it depreciated by 4.0% against the Sterling.

Poor economic data in the Euro Area and the ECB's easy monetary stance kept the Euro weak on a trade-weighted basis (-1.6%). The Euro depreciated by 5.9% against Sterling. The Japanese Yen rose by 4.7% on a trade-weighted basis. The Yen appreciated against the Euro and the Dollar but depreciated by 3.0% against the Sterling.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

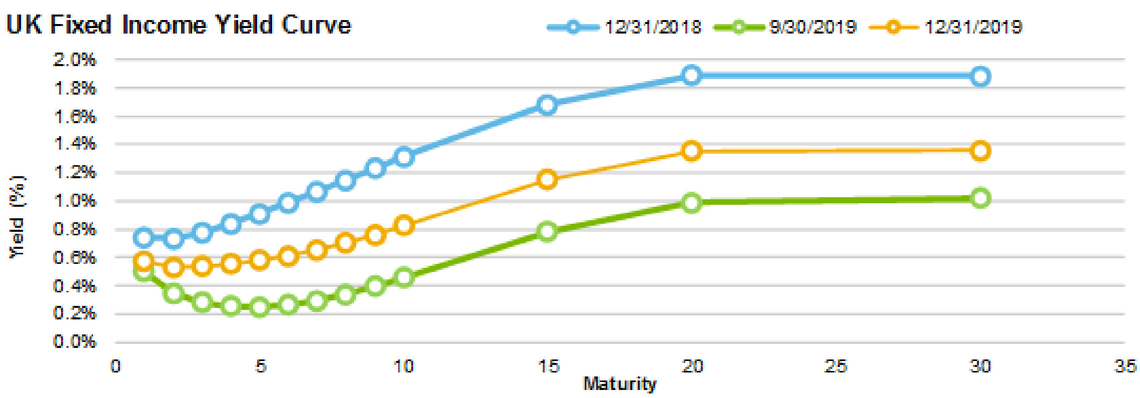
Gilt returns



UK gilt yields fell in tandem with global government bond yields on the back of looser monetary policy intentions by major central banks, alongside downgraded growth and inflation outlooks. Gilt yields hit record lows in Q3 2019 amidst an escalation of the US-China trade war and increasing fears of a global economic slowdown. Yields rebounded a little in Q4 2019, supported by easing global trade tensions and clarity over Brexit. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 6.9% whilst index-linked gilts returned 6.4%.

Long-dated gilts outperformed, benefiting from their higher sensitivity to interest rate changes and the flattening of the UK yield curve (as longer-dated yields falling by more than shorter-dated yields). Long-dated fixed-interest gilts posted a 12.0% return, above the 1.1% and 4.5% returns of short and medium-dated maturity gilts respectively. Mirroring their fixed interest counterparts, long-dated index-linked gilts outperformed short and medium-dated index-linked gilts.

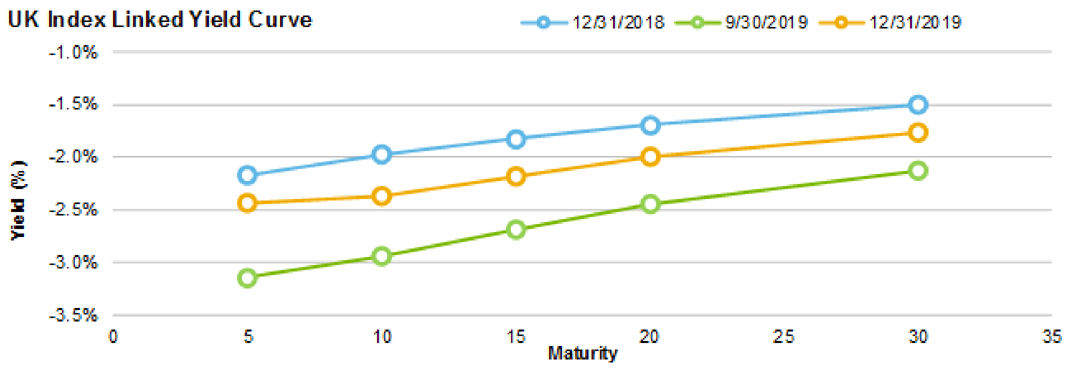
Fixed interest and index-linked yield curves



TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

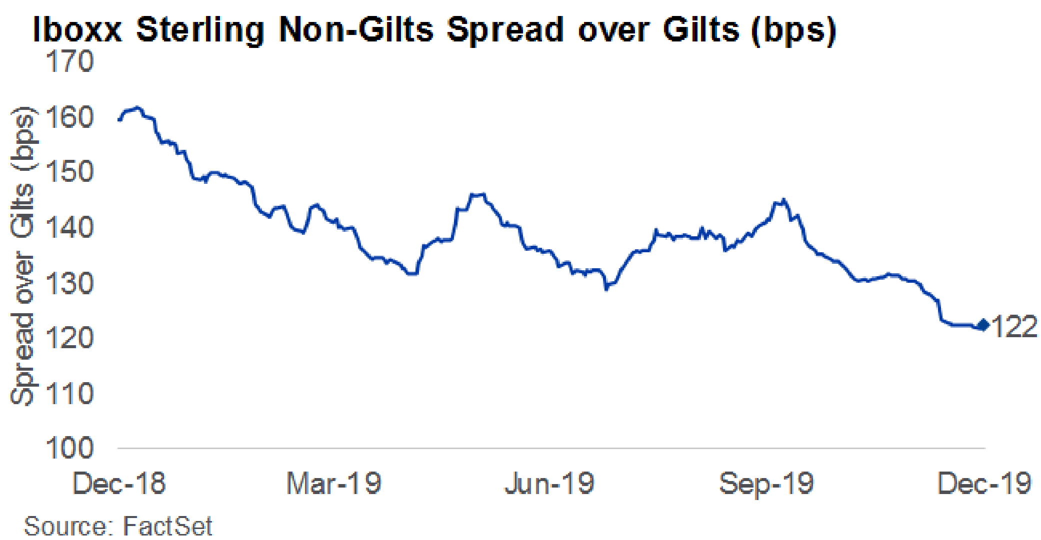
Fixed interest and index-linked yield curves (continued)



UK yields fell across maturities over the past 12 months. The fixed interest yield curve flattened over the twelve-month period with longer maturity yields falling by a greater extent than shorter maturities. The policy-sensitive 2-year yield dipped below the Bank of England's base rate of 0.75% at the beginning of the year as UK economic data pointed to signs of weakness amidst Brexit uncertainties. The 2-year gilt yield ended the 12-month period at 0.53%, whilst the 10-year gilt yield fell by 49bps to 0.82%.

The index-linked gilt yield curve also flattened. 20-year breakeven inflation ended the year 23bps lower at 3.41%.

UK investment grade credit



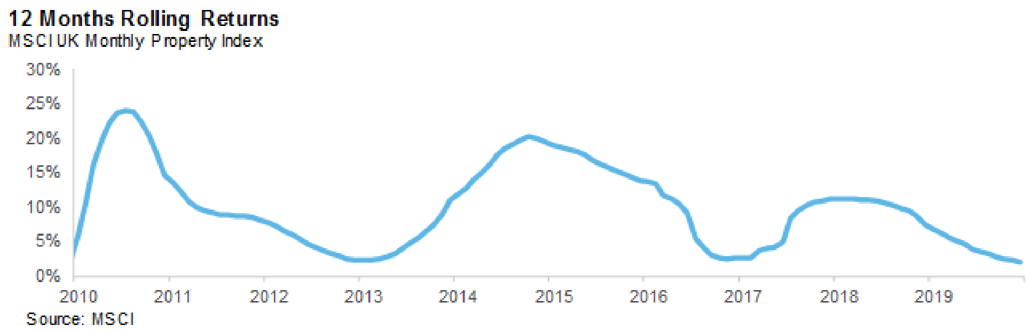
The credit spread (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 37bps lower at 122bps. Similar to other risky assets, credit markets performed well with spreads narrowing on the back of improved investor risk appetite.

Credit spreads narrowed the most for BBB-rated bonds which decreased by 60bps to 176bps. AAA-rated spreads narrowed the least and ended the twelve-month period 10bps lower at 45bps.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Investment report (continued)

UK property



UK commercial property returned 2.1%, supported by a steady income return, even though capital values fell by 3.1% over the year.

Continued British high street struggles were reflected in the retail sector's return of -6.4% over the period. Meanwhile, the Industrials and Office sectors performed well, posting returns of 7.2% and 5.0% respectively.

Vacancy rates finished the year broadly unchanged at 7.6%. Rental growth slowed to a standstill with no discernible increase in rents over the twelve-month period.

Accounting deficit (FTSE 350)

The aggregate accounting surplus of final salary schemes sponsored by FTSE 350 companies increased over the twelve months to December 2019. At the beginning of the period, the surplus stood at £2.5 billion and reached a minimum of -£35.4 billion before rising to £21.8 billion.

Liabilities ended the period higher as long-maturity gilt yields fell. This led to an overall decrease in accounting basis discount rates (which are typically based on estimates of longer terms corporate yields).

Asset returns outperformed liabilities as the impact of the collapse in yields was offset by strong returns of risky assets. Global equities performed well over the year. However, Sterling appreciation lowered the returns for unhedged UK investors.

Funding levels (gilts basis)

Overall, funding levels worsened over the year on a gilts basis, as falling nominal and real yields caused gilts basis liability growth to outpace asset performance. 20-year duration index-linked gilt yields fell by 30bps to -2.00%. 20-year duration fixed interest gilt yields fell by 53bps to 1.36%.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 18 to the financial statements.

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.

If members have any queries concerning the Scheme's or their own pension position, or wish to obtain further information, they should contact Aon Hewitt Limited at the contact details on page 1 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Hewitt Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statements on the operation of the Scheme. Aon Hewitt Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustee, the data controller. Aon Hewitt Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

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 Principal Employer and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

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

0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('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 applies 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 wrong doers.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

0345 600 1011
customersupport@tpr.gov.uk
www.thepensionsregulator.gov.uk

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Compliance Statement (continued)

The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible 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 can be contacted at:

PPF Member Services
Pension Protection Fund
PO Box 254
Wymondham
NR18 8DN

0330 123 2222
ppfmembers@ppf.co.uk
www.ppf.co.uk

Questions about pensions

If you have any questions about your pension, The Pensions Advisory Service ('TPAS') provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

TPAS can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

0800 011 3797
www.pensionsadvisoryservice.org.uk

Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. 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 Administrator.

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

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

0800 917 4487
enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2019

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulations 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it 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.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of 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 adopting risk-based processes to monitor 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 Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approval

Signed for and on behalf of the Trustee:

Trustee Director:

Date:

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of The Brush Group (2013) Pension Scheme for the year ended 31 December 2019 which comprise the fund account, the statement of net assets and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 2019, and of the amount and disposition at that date of its assets and liabilities, other than 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 22 of the financial statements, which discloses the economic consequences the Scheme is facing as a result of COVID-19 which is impacting the financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Other information

The other information comprises the information included in the report and financial statements other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 18, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: 31/3/20

FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Benefits paid or payable	4	(5,156)	(5,540)
Payments to and on account of leavers	5	(4,294)	(5,498)
Administrative expenses	6	(503)	(605)
		(9,953)	(11,643)
Net withdrawals from dealing with members		(9,953)	(11,643)
Returns on investments			
Investment income	7	4	7
Change in market value of investments	8	44,424	(8,337)
Investment management expenses	9	(559)	(589)
Net return on investments		43,869	(8,919)
Net increase / (decrease) in the fund during the year		33,916	(20,562)
Opening net assets		244,991	265,553
Closing net assets		278,907	244,991

The notes on pages 24 to 36 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Investment assets			
Pooled investment vehicles	11	276,898	242,131
AVC investments	12	1,208	1,685
		278,106	243,816
Total net investments		278,106	243,816
Current assets	16	1,193	1,820
Current liabilities	17	(392)	(645)
Net assets available for benefits at 31 December		278,907	244,991

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 year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustee's Report and these financial statements and Actuarial Certificate should be read in conjunction with them.

The notes on pages 24 to 36 form part of these financial statements.

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

Trustee Director:

Date:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 ('FRS 102') – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice ('SORP') (2018) - Financial Reports of Pension Schemes.

2. General information

The Brush Group (2013) Pension Scheme is a DB occupational pension scheme established under trust under English Law.

The address of the Scheme's principal office is Brush Electrical Machines Limited, PO Box 18, Falcon Works, Nottingham Road, Loughborough, Leicestershire LE11 1ZF.

3. Accounting policies

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

Functional and presentational currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

Benefits paid or payable

Pensions in payment, are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of the benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Administrative expenses

Administrative expenses are accounted for on an accruals basis.

Investment income

Income from cash and short-term deposits is accounted for in these financial statements on an accruals basis.

Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Accounting policies (continued)

Investment management expenses

Investment management fees and rebates are accounted for on an accruals basis.

Management fees for pooled investment vehicles are incorporated in the unit price and reflected in change in the market value of investments in the Fund Account.

Valuation of investment assets

Investments

Investment assets are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are:

Pooled investment vehicles which are traded on an active market are included at quoted price, which is usually bid price.

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

With profits insurance policies held as AVC investments are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

AVC funds are included within the Statement of Net Assets on the basis of fair values provided by the AVC provider at the year end.

4. Benefits paid or payable

	2019 £000	2018 £000
Pensions	3,269	2,715
Commutations of pensions and lump sum retirement benefits	1,709	2,662
Lump sum death benefits	178	163
	5,156	5,540

5. Payments to and on account of leavers

	2019 £000	2018 £000
Individual transfers to other schemes	4,294	5,498

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Administrative expenses

	2019 £000	2018 £000
Administration and processing	93	143
Actuarial fees	85	170
Audit fees	9	9
Legal fees	22	53
Other professional fees	114	98
Scheme levies	162	95
Trustee fees and expenses	17	36
Bank charges	1	1
	503	605

Included within 2018 administration and processing and actuarial fees were one off projects.

7. Investment income

	2019 £000	2018 £000
Interest on cash deposits	4	7

8. Investments

	Opening value at 1 Jan 2019 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 Dec 2019 £000
Pooled investment vehicles	242,131	168,155	(177,812)	44,424	276,898
AVCs	1,685	-	(477)	-	1,208
	243,816	168,155	(178,289)	44,424	278,106
Total net investments	243,816				278,106

Included in the purchases and sales figures above are £168,134k in relation to switches between L&G funds.

Transaction costs

There are no direct transaction costs in the year nor in the previous year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Investment management expenses

	2019 £000	2018 £000
Administration and management fees	486	502
Management fee rebates	(21)	(33)
Consultancy fees	94	120
	559	589

10. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

11. Pooled investment vehicles

	2019 £000	2018 £000
Bond funds	146,691	130,642
Equity funds	130,207	111,489
	276,898	242,131

The legal nature of the Scheme's pooled arrangements is:

	2019 £000	2018 £000
Open ended investment company	50,164	44,075
Unitised insurance policies	175,603	153,791
Unit linked insurance policies	22,224	21,475
Undertakings for collective investment	28,907	22,790
	276,898	242,131

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. AVC investments

	2019 £000	2018 £000
Aviva	1,161	1,634
Utmost	14	14
Royal London	33	37
	1,208	1,685

The Trustee holds assets which are separately invested from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each 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 above.

Valuations at the year end for Aviva, Utmost and Royal London have not been received, as a result the valuation shown above is on a cash basis.

AVC providers can be further analysed as:

	2019 £000	2018 £000
With profits	1,175	1,648
Crest Secure Fund	33	37
	1,208	1,685

Following High Court approval with effect from 1 January 2020, Equitable Life with-profit policies were uplifted, their investment guarantees and switching rights removed and the policies converted to unit linked policies. Subsequently to this all policies were transferred to Utmost Life and Pensions Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Fair value of investments

FRS102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the assessment dates;

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;

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

The Scheme's investment asset and liabilities fall within the above hierarchy as follows:

Investment assets	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**2019 Total £000**
Pooled investment vehicles	55,614	221,284	-	276,898
AVC investments	-	-	1,208	1,208
	55,614	221,284	1,208	278,106

Investment assets	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**2018 Total £000**
Pooled investment vehicles	46,028	196,103	-	242,131
AVC investments	-	-	1,685	1,685
	46,028	196,103	1,685	243,816

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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 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 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), 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 Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme’s strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme’s investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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. The Trustee requires the investment managers to operate within agreed constraints, parameters, benchmarks and risk tolerance levels (as set out within the pooled fund governing documentation or in an Investment Management Agreement where applicable).

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

Risk measurement and reporting

The Trustee monitors the Scheme's risks periodically with appropriate reference to potential losses.

The Trustee measures risks 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Investment risks (continued)

Risk mitigation

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

The Trustee acknowledges that the investment managers may use derivatives and other instruments for trading purposes in connection with its risk management activities. The Scheme has indirect exposure to derivatives through the pooled funds in its LDI portfolio, through the Diversified Growth Funds managed by Insight and Invesco and through the currency hedging carried out by LGIM and Morgan Stanley within their global equity funds.

Credit risk

Direct credit risk

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of the investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled managers.

Indirect credit risk

The Scheme's assets include pooled diversified growth funds managed by Insight and Invesco. These investments include exposure to credit risk in an effort to generate returns.

The Scheme also has an allocation to LGIM's pooled Matching Plus LDI funds and Sterling Liquidity Fund. The Scheme is therefore indirectly exposed to credit risk through the underlying derivative contracts held within the pooled LDI investment vehicles. This risk is mitigated by the fund manager through the collateralisation process operated within the pooled LDI funds. There is no direct link between the Scheme and the counterparties the investment managers trade with on behalf of the Scheme. Exposure to credit risk within the liquidity fund is mitigated by the fund investing in a diverse range of high quality investment-grade money market instruments.

The Trustee mitigates indirect credit risks as follows:

- By investing in pooled funds containing an appropriate degree of diversification
- By investing in pooled funds that have appropriate benchmarks and investment restrictions
- By regularly reviewing the investment managers’ performance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Investment risks (continued)

Credit quality of financial assets

As at 31 December 2018 and 31 December 2019, the Scheme's assets subject indirectly to credit risk were primarily:

	2019 £000	2018 £000
Insight – Broad Opportunities Fund	23,457	20,837
Invesco – Global Targeted Returns Pension Fund	22,224	21,475
LGIM – Matching Plus LDI	146,506	123,961
Total	**192,187**	**166,273**

Indirect currency risk

The Scheme is subject to currency risk to the extent that the pooled funds in which it invests purchase assets denominated in currencies other than Sterling without hedging the currency risk. All of the Scheme's pooled investments in equities and diversified growth funds are likely to be subject to currency risk.

The Scheme is invested in the LGIM All World Equity Index Fund. To mitigate currency risk the Trustee invested in a currency hedged share class. The Morgan Stanley share class is also hedged from US Dollars to Sterling.

While the mandate for Majedie is to invest in UK equities, the fund also has limited discretion to invest in overseas markets. The multi-asset managers (Insight and Invesco) can also invest in non-Sterling denominated stocks at their discretion.

The fund managers will decide whether or not to hedge the currency risks associated with any non-Sterling denominated investments and may take currency positions as part of their strategy to generate investment returns.

The Scheme's investments in pooled equity funds and diversified growth funds as at 31 December 2018 and 31 December 2019 were:

Exposure to currency risk

	2019 £000	2018 £000
Majedie – UK Equities	26,707	23,238
Morgan Stanley Global Brands Fund	28,907	22,790
LGIM – All World Equity Index (GBP Hedged)	28,912	23,150
Insight – Broad Opportunities Fund	23,457	20,837
Invesco – Global Targeted Returns Pension Fund	22,224	21,475
Total	**130,207**	**111,490**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Investment risks (continued)

Indirect interest rate risk

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

The principal purpose of the LDI portfolio is to match movements in the value of the 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 assets exposed to interest rate risk as at 31 December 2018 and 31 December 2019 were:

Exposure to interest rate risk

	2019 £000	2018 £000
LGIM – Matching Plus LDI	146,506	123,961
Total	**146,506**	**123,961**

Other price risk

Other price risk arises in relation to all of the Scheme's invested assets. The Scheme manages this exposure by constructing a diverse portfolio of investments across various asset classes and markets.

The Scheme's exposure to other price risk as at 31 December 2018 and 31 December 2019 was:

Exposure to other price risk

	2019 £000	2018 £000
Indirect		
Majedie – UK Equities	26,707	23,238
Morgan Stanley – Global Brands Fund	28,907	22,790
LGIM – All World Equity Index (GBP Hedged)	28,912	23,150
Insight – Broad Opportunities Fund	23,457	20,837
Invesco – Global Targeted Returns Pension Fund	22,224	21,475
LGIM – Matching Plus LDI	146,506	123,961
LGIM – Sterling Liquidity Fund	185	6,680
Total	**276,898**	**242,131**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the net assets of the Scheme.

	2019 Value £000	%	2018 Value £000	%
LGIM HB - 2055 Gilt	38,744	14	-	-
LGIM – All World Equity Index (GBP Hedged)	28,912	10	23,150	9
Morgan Stanley Global Brands Fund	28,907	10	22,790	9
Majedie UK Equities	26,707	10	23,238	9
Insight Broad Opportunities Fund	23,457	8	20,837	9
Invesco Perpetual Global Targeted Returns Pension Fund	22,224	8	21,475	9
LGIM NF – 2042 Gilt	-	-	13,909	6
LGIM VH - 2049 Gilt	-	-	12,972	5

LGIM NF – 2042 Gilt and LGIM VH – 2049 Gilt investments were disinvested during a year. The LGIM HB – 2055 Gilt investment was a new fund in the year.

16. Current assets

	2019 £000	2018 £000
Prepayments	302	234
Cash balances	887	1,582
Sundry debtors	4	4
	1,193	1,820

17. Current liabilities

	2019 £000	2018 £000
Accrued expenses	340	509
Accrued benefits	52	136
	392	645

18. Employer related investments

There were no direct Employer related investments during the year or at the year end (2018: nil). The Trustee recognises that indirect investment in the Employer's parent company, is possible through holdings in pooled investment vehicles. Based on information provided by the investment managers the Trustee believes that any indirect exposure to shares in the Employer has not exceeded 0.1% of the Scheme assets at any time during the year or at the year end. This is the maximum holding in the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. Related party transactions

Any benefits paid in respect of the Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

The Principal Employer is considered a related party. The Principal Employer recharges the Scheme for costs.

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 £887k (2018: £690k).

The Principal Employer meets all administrative expenses of the Scheme except for those in note 6.

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.

Fees and expenses were paid to the Trustee Directors in the amount of £17k (2018: £36k) by the Employer. The Employer is reimbursed by the Scheme for these expenses.

20. Contingent assets and liabilities

In the opinion of the Trustee, the Scheme had no contingent assets and liabilities as at 31 December 2019 (2018: £nil).

21. GMP Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

In line with many pension schemes, the Brush Trustees have decided to adopt a ‘wait and see’ approach to GMP equalisation until further guidance is issued. GMP equalisation is a standing item on the agenda for Trustee meeting and is discussed at each meeting.

22. Subsequent events

At the January 2020 meeting, the Trustee decided to de-risk the Scheme by fully disinvesting the Majedie equity fund (£27m) and moving the assets to LGIM to extend the hedge of the liability benchmark to 100%. This was implemented on the same month.

Subsequent to the Scheme's year end, there has been significant volatility in markets as a result of the Coronavirus (COVID-19) pandemic. The Trustee considers the outbreak to be a non-adjusting post net asset statement event and as the situation is fluid and unpredictable, an estimate of the precise financial effect is not possible at the date of issue of the financial statements.

The Trustee believes the Scheme's investment strategy is already significantly de-risked and does not expect there to have been a material change to the Scheme's funding position as a result of Covid-19. The funding level of the Scheme is regularly kept under review by the Scheme Actuary, using a funding tool that approximately monitors the Scheme's assets and liabilities. The funding level of the Scheme is regularly kept under review by the Scheme Actuary, using a funding tool that approximately monitors the Scheme's assets and liabilities.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 December 2019 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 9 January 2018.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions on page 38 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an 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 Schedule of Contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Scheme's 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 audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
Reading

Date: 31/3/20

SUMMARY OF CONTRIBUTIONS
FOR THE YEAR ENDED 31 DECEMBER 2019

During the year ended 31 December 2019 the contributions payable to the Scheme were as follows:

Contributions payable under the Schedule of Contributions and as reported by the Scheme auditor

	£000
Employer's Contributions – deficit funding	nil

Approved by the Trustee and signed on its behalf:

Trustee Director:

Date:

ACTUARIAL CERTIFICATE

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 2016 to be met by the end of the period specified in the recovery plan dated 18 December 2017.

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 18 December 2017.

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: 9 January 2018

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