
THE BRUSH GROUP (2013) PENSION SCHEME

REPORT AND ACCOUNTS
PERIOD ENDED 31 DECEMBER 2013



THE BRUSH GROUP (2013) PENSION SCHEME

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THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE AND ITS ADVISERS PERIOD ENDED 31 DECEMBER 2013

Trustee	Brush Scheme Trustees Limited
Directors of the Trustee Company	MC Duncombe, Independent Chairman G Barnes, Company nominated J Crawford, Company nominated G Dallard, Member nominated KJ Mallin, Member nominated G Peters, Member nominated EL Rutter, Independent
Secretary to the Trustee	SH Beech Aon Hewitt Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD
Sponsoring Employer	Brush Electrical Machines Limited 11th Floor Colmore Plaza 20 Colmore Circus Queensway Birmingham B4 6AT
Scheme Actuary	A Shah Aon Hewitt Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD
Scheme Administrator	Aon Hewitt Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD
Independent Auditor	Ernst & Young LLP Apex Plaza Reading RG1 1YE

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TRUSTEE AND ITS ADVISERS PERIOD ENDED 31 DECEMBER 2013

Trustee and its advisers (continued)

Investment Managers	Legal & General Assurance (Pensions Management) Limited One Coleman Street London EC2R 5AA
	Invesco Fund Management Limited 30 Finsbury Square London EC2A 1AG
	Majedie Asset Management Limited 5th Floor 10 Old Bailey London EC4M 7NG
	Morgan Stanley Investment Funds 68 Route de Treves Floor 5 L-2633 Senningerberg Luxembourg
AVC Providers	The Equitable Life Assurance Society PO Box 171 Walton Street Aylesbury Bucks HP21 7YU
	Friends Provident Life and Pensions Limited PO Box 1550 Milford Salisbury SP102 TW
Legal Adviser	Squire Sanders (UK) LLP Rutland House 148 Edmund Street Birmingham B3 2JR
Banker	Bank of Scotland 54-62 Sauchiehall Street Glasgow G2 3AH

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT PERIOD ENDED 31 DECEMBER 2013

Introduction

The Trustee of The Brush Group (2013) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited accounts for the period ended 31 December 2013. 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 2013. A Deed of Amendment was subsequently signed on 27 June 2013 following agreement to the demerger. Some members of the FKI Group Pension Scheme were transferred to the Brush Group (2013) Pension Scheme. Communications were issued to all members, explaining the changes.

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 three times during the period.

The Sponsoring Employer

The Sponsoring Employer of the Scheme is: Brush Electrical Machines Limited, 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, B4 6AT.

The Scheme is provided for all eligible employees of the Sponsoring Employer.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT PERIOD ENDED 31 DECEMBER 2013

Membership

Details of the membership of the Scheme as at 31 December 2013 are given below:-

	Active members 2013	Pensioners 2013	Members with deferred benefits 2013	Total 2013
Group Transfer in from FKI	1	1	1,623	1,625
Retirements	-	48	(48)	-
Deaths	-	-	(4)	(4)
Members leaving with preserved benefits	(1)	-	1	-
New spouses and dependants	-	2	-	2
Transfer out	-	-	(6)	(6)
Members leaving with no further liability	-	(1)	-	(1)
Total membership at the end of the period	<u>-</u>	<u>50</u>	<u>1,566</u>	<u>1,616</u>

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

One active member joined the Scheme to enable contracted out benefits to be transferred from the FKI Group Pension Scheme

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT PERIOD ENDED 31 DECEMBER 2013

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 he 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 3.2% was awarded in respect of categories (a) to (c) above. Pensions earned after 5 April 1997 were increased by between 2.5% and 5.0%. 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%, 5%, 6.25%, 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 employee 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 as 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 accounts

The accounts on pages 14 to 20 show that the value of the Scheme's assets was £168,396,299 as at 31 December 2013. As the Scheme was established on 4 April 2013, there are no comparative figures to be included in the accounts.

The accounts 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 accounts on pages 15 to 21.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT PERIOD ENDED 31 DECEMBER 2013

Contributions

The Schedule of Contributions was signed in August 2013. In respect of the accrual of future benefits, the participating employers will contribute to the Scheme at a rate of 11.4% per annum of basic salary for the period from 20 May 2013 to 19 August 2013 inclusive. Accrual of benefits ceased with effect from 20 August 2013.

In respect of the shortfall in funding, the participating employers will pay £4.85M per annum (payable monthly) with effect from 1 August 2013, except that the payment for August 2013 was £808,333.

Review of the Scheme's financial prospects having regard to the actuarial valuation and statement

As the Scheme was only recently formed, an actuarial valuation has yet to be carried out. The first actuarial valuation will have an effective date of 31 December 2013.

Investment Managers

The current investment managers are shown on page 2.

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

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 Expressions of Wish Form should their circumstances change.

Expression of Wish Forms are available on request from Aon Hewitt Limited at the address shown on page 7.

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 PERIOD ENDED 31 DECEMBER 2013

Further information

Further information about the Scheme is available, on request, to members and prospective 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 (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

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.

THE BRUSH GROUP (2013) PENSION SCHEME

INVESTMENT REPORT

Investment Policy and Objectives

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considers the lowest risk asset 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 whilst maintaining a prudent approach to meeting the Scheme's liabilities.

The current planned asset allocation strategy is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weight and the ranges set out in the table below on an ongoing basis.

Asset class	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
Bonds - L&G	66.0	
AAA-AA-A Corporate bonds	25.1	IBoxx Sterling Non_Gilts (ex-BBB) 15 years+
Over 5 year index-linked gilts	9.2	FTSE A Index-Linked (Over 5 Years)
Over 15 year index-linked gilt	31.7	FTSE A Index-Linked (Over 15 Years)
Total	100.0	

Investment managers

Shown below is the Scheme's asset allocation as at 31 December 2013, against the Scheme's current target allocation.

Bid values are given for funds that are not single priced.

Manager Allocations	Market Value (£)	Percentage (%)	Current Benchmark
Equities	58,552,960	35.3	34.0
Morgan Stanley	19,636,923	11.8	11.3
Invesco	19,073,299	11.5	11.4
Majedie	19,842,738	12.0	11.3
Bonds - Legal and General	107,197,834	64.7	66.0
AAA-AA-A Bonds - Over 15 year Index	40,776,510	24.6	25.1
Over 5 year index-linked gilts	15,008,901	9.1	9.2
Over 15 year index - linked gilts	51,412,423	31.0	31.7
Total Assets	165,750,794	100.0	100.0

THE BRUSH GROUP (2013) PENSION SCHEME

INVESTMENT REPORT

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.

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 7.

Custody of assets

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held. They review the custodian arrangements from time to time and the Scheme Auditors are authorised to make whatever investigations they deem are necessary as part of the annual audit procedure.

THE BRUSH GROUP (2013) PENSION SCHEME

INVESTMENT REPORT

Market Commentary

General Background

In the US, the fiscal cliff deadline was met at the start of 2013 in a last minute agreement. However, US budget negotiations failed to yield a solution before automatic spending cuts were triggered at the beginning of March. Further disagreements in Congress led to a 16-day Government shutdown in October, before a budget agreement was finally reached to fund the government for two years.

The Federal Reserve (Fed) continued its open-ended quantitative easing (QE) programme to support the US economy. However, investors became anxious in May as Fed Chairman Bernanke signaled a reduction in QE sooner than expected. After it was anticipated that tapering would begin in September, the Fed initiated its withdrawal of QE in December. However, this came with strengthened forward guidance on keeping interest rates low for longer.

The Eurozone crisis experienced various flare-ups at the beginning of 2013 with the bailouts of Greece and Cyprus, as well as political tensions in other peripheral countries. However, the region emerged from recession in Q2, led by stronger German growth, although many peripheral countries continued to struggle. Deflationary concerns caused the ECB to lower its policy rate to 0.25%.

For many developed economies, economic data picked up over the year, with a string of strong Purchasing Managers' Index (PMI) releases globally in the second half of the year. Growth in emerging economies slowed however, with the larger economies, such as China, particularly disappointing investors.

Markets brushed aside concerns over a reduction in QE, and despite various economic and political difficulties, global equity returns were strong over the 12 months to 31 December 2013.

UK fixed interest gilts provided negative return over the year as better economic data and speculation over an end to QE put upward pressure on UK bond yields.

UK corporate bonds returned 0.9% over the year as the narrowing of credit spreads offset the rise in gilt yields.

UK property returns were positive, with the IPD Monthly Index rising 10.9% over the period.

UK Equities

The UK equity market (FTSE All Share) moved up by 20.8% over the 12 month period, supported by an easy monetary policy stance, a more stable Eurozone situation and, in the latter half of the year, an improved economy. Equities were largely unaffected by Moody's downgrading of the UK government credit rating from AAA to AA1 in February on the back of the UK's poor growth outlook and high debt burden.

The UK avoided falling back into recession in Q1 2013 with 0.3% real growth and the economy slowly gained momentum in Q2. Economic data in the second half of 2013 was particularly encouraging.

Telecommunications (62.1%) produced the strongest returns, whilst Basic Materials (-10.5%) was the worst performing sector.

Small cap equities climbed 32.8% over the year, outperforming large (18.7%) and mid cap (32.3%) equities.

THE BRUSH GROUP (2013) PENSION SCHEME

INVESTMENT REPORT

Overseas Equities

Over the period, US equities returned 32.8% in local currency terms and 30.4% in sterling terms, which was the highest of all the equity regions. Returns were boosted by its QE programme and a stronger economic recovery than most other developed markets.

Continental European equities gained 23.4% in local currency terms but sterling weakness at the beginning of the year caused a gain of 25.2% in sterling terms. Economic data was initially weak as the region remained in recession whilst austerity measures hit consumer sentiment and business activity. However, positive GDP growth in Q2 ended the region's recession and economic data continued to improve in Q3.

Japan was the strongest performing region (54.8%) in local currency terms as new government and central bank leadership led to an aggressive stimulus package in an attempt to jumpstart growth and end years of deflation. However, consequent yen weakness led to a return of 25.0% in sterling terms.

Emerging Markets lagged and were the worst performers in both local currency (3.8%) and sterling (-4.1%) terms. This poor performance was due to a mix of weaker economies and commodity prices. Investors also grew concerned about the impact of Fed monetary policy on the region.

Health Care (33.2%) and Consumer Services (31.4%) were the best performing sectors in the FTSE All World ex UK index. Basic Materials (-1.0%) was the worst performing sector.

Currencies and Interest Rates

Bank of England (BoE) policy rates remained at 0.5%, unchanged since March 2009. New BoE Governor Mark Carney, who started on 1 July, issued forward guidance that interest rates would stay low until unemployment drops. Improving UK economic data caused sterling to appreciate against most major currencies in the second half of the year. Sterling ended the year up 1.6% on a trade-weighted basis.

The Federal Funds rate remained at 0-0.25%. QE3 continued throughout the year with \$85bn a month of asset purchases. In December it was announced that monthly purchases would be reduced by \$10bn. The US dollar appreciated against the pound during the first half of the year, but fell during the second half to end 1.9% lower.

The ECB cut rates by 25 basis points to 0.5% in May 2013, after which weak inflation data and a reduction in growth forecasts prompted the ECB to further cut their policy rate to 0.25% in November. The euro appreciated 2.6% over the year against sterling, driven by improving prospects over the summer.

The Bank of Japan (BoJ) left rates at 0-0.1% throughout the year. In April the new BoJ Governor announced a massive escalation in monetary easing to boost growth and end deflation. The yen depreciated by 19.3% against sterling over the year as a result.

Gilt Markets

UK fixed interest gilts provided a negative return over the year as better economic data and rising US yields put upward pressure on UK bond yields.

Long dated fixed interest gilts fell the most (-5.9%), underperforming short (-0.6%) and medium (-5.0%) term maturities. However, in index-linked gilts, long maturities (2.2%) outperformed short and medium maturities by 1.7% and 5.1% respectively.

Fixed interest gilt returns were weaker than their index-linked gilt counterparts across all maturities as breakeven inflation levels increased. This was particularly as a result of the announcement that there would be no change to the RPI formula in January, after markets had priced in a change.

THE BRUSH GROUP (2013) PENSION SCHEME

INVESTMENT REPORT

Fixed Interest and Index-Linked Markets

Fixed interest gilt yields increased across all maturities over the year.

Index-linked gilt yields rose generally over the year, particularly at medium maturities. At the 30-year point, yields were broadly unchanged.

UK Investment Grade Credit

UK iBoxx non-gilts credit spreads (the difference between the yields on non-government bonds and equivalent maturity government bonds) narrowed 49 bps to 121 bps over the year, which led to outperformance against government bonds.

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

The combination of income return and narrowing credit spreads more than offset the increase in gilt yields over the year and non-gilts returned 0.9%.

UK Property

The IPD Monthly Index moved up by 10.9% over the year, giving the highest 12-month return since 2011.

The income return was 6.8%. Capital growth was 3.8%, while rental value growth was 0.6%.

Provided by Aon Hewitt Limited

THE BRUSH GROUP (2013) PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The accounts are the responsibility of the Trustee and are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited accounts for each Scheme period which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme period and of the amount and disposition at the end of the Scheme period of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme period, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007).

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

The Trustee is also responsible for making available each year, commonly in the form of a Trustee's Annual Report, information about the Scheme prescribed by legislation which it should ensure is consistent with the audited accounts it accompanies.

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 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 Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

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 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

We have audited the accounts of The Brush Group (2013) Pension Scheme for the period ended 31 December 2013 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Scheme's 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 accounts which show a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 Trustee; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts 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 accounts

In our opinion, the accounts:

- Show a true and fair view of the financial transactions of the Scheme during the period ended 31 December 2013, 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 period;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Contain the information specified in Regulation 3 of, and the Schedule to, 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
Statutory Auditor
Reading

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

FUND ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	2013 £
Contributions and Benefits		
Contributions	3	2,426,046
Transfers in	4	164,958,269
		<hr/>
		167,384,315
		<hr/>
Benefits	5	(1,035,267)
Leavers	6	(488,942)
Administrative expenses	7	(161,622)
		<hr/>
		(1,685,831)
		<hr/>
Net additions from dealings with members		165,698,484
		<hr/>
Returns on investments		
Investment income	8	1,419
Change in market value of investments	9	2,892,419
Investment management expenses	10	(196,023)
		<hr/>
Net returns on investments		2,697,815
		<hr/>
Net increase in the fund during the period		168,396,299
		<hr/>
Net assets of the Scheme At 31 December		168,396,299
		<hr/> <hr/>

The notes on pages 17 to 21 form an integral part of these accounts.

THE BRUSH GROUP (2013) PENSION SCHEME

NET ASSETS STATEMENT AS AT 31 DECEMBER 2013

	Note	2013 £
Investment assets	9	167,140,574
Current assets	11	1,624,264
Current liabilities	11	(368,539)
Net Assets at 31 December		<u>168,396,299</u>

The accounts 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 notes on pages 17 to 21 form an integral part of these accounts.

These accounts 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 ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (SORP) (revised May 2007).

2. ACCOUNTING POLICIES

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

2.1 Contributions and benefits

Normal contributions from members and from the Employer are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

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 are accounted for on an accruals basis.

2.2 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.

2.3 Administrative and Investment manager expenses

Administration and investment manager expenses are accounted for on an accruals basis.

2.4 Investments

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

2.5 Investment Income

Income from cash and short term deposits is dealt with in these accounts 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.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2013

3. CONTRIBUTIONS

	2013 £
Employer's Contributions	
normal	1,045
deficit funding	2,425,001
	<hr/>
	2,426,046
	<hr/> <hr/>

The amount of deficit funding contributions due in accordance with the Schedule of Contributions is £808,333 payable for August 2013 and £4.85M per annum, payable monthly from 1 September 2013.

4. TRANSFERS IN

	2013 £
Group transfer in from other schemes	164,958,269
	<hr/> <hr/>

The group transfer is in respect of transfer of net assets transferred into the Scheme from FKI Group Pension Scheme. The transfer value was made up of invested assets totalling £162,736,344, cash of £835,171 and AVCs of £1,386,754.

5. BENEFITS

	2013 £
Pensions	97,871
Commutations and lump sum retirement benefits	866,169
Lump sum death benefits	71,227
	<hr/>
	1,035,267
	<hr/> <hr/>

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2013 £
Transfers out - individual	488,942
	<hr/> <hr/>

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2013

7. ADMINISTRATIVE EXPENSES

	2013 £
Consultancy fees	77,820
Actuarial fees	34,497
Legal and other professional fees	21,120
External providers and professional fees	20,630
Trustee fees and expenses	7,555
	161,622
	161,622

8. INVESTMENT INCOME

	2013 £
Interest on cash deposits	1,419
	1,419

9. INVESTMENTS

MOVEMENTS IN INVESTMENTS

Defined benefits section

	Value at 01/01/2013	Purchases at cost	Sales proceeds	Change in market value	Value at 31/12/2013
	£	£	£	£	£
Pooled investment vehicles	-	216,202,143	(53,273,186)	2,821,837	165,750,794
AVC investments	-	1,386,755	(67,557)	70,582	1,389,780
	-	217,588,898	(53,340,743)	2,892,419	167,140,574
	-	217,588,898	(53,340,743)	2,892,419	167,140,574

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.

POOLED INVESTMENT VEHICLES

	2013 £
Managed funds - other	165,750,794
	165,750,794

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2013

9. INVESTMENTS (continued)

AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund, in the form of individual bank 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 period end is shown below.

	2013 £
Equitable Life	34,734
Friends Provident Life	1,355,046
	<hr/>
	1,389,780
	<hr/> <hr/>

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 2013.

	2013 Market value	
	£	%
Legal and General Over 15 yr Index-Linked Gilts	51,412,423	30.53 %
Legal and General Corporate Bonds Over 15 yr Index	40,776,510	24.21 %
Majedie UK Equity Fund	19,842,738	11.78 %
Morgan Stanley Global Brands Fund	19,636,923	11.66 %
Invesco Perpetual Income Fund	19,073,299	11.33 %
Legal and General Over 5 y Index-Linked Gilts	15,008,901	8.91 %
	<hr/>	<hr/>

10. INVESTMENT MANAGEMENT EXPENSES

	2013 £
Administration, management & custody	260,967
Investment fee rebate	(64,944)
	<hr/>
	196,023
	<hr/> <hr/>

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2013

11. CURRENT ASSETS AND LIABILITIES

	2013 £
Current assets	
Employer contributions due	404,167
Prepayments	20,675
Cash balances	1,199,422
	<hr/> 1,624,264 <hr/>
Current liabilities	
Accrued expenses	365,404
Due to Employer	3,135
	<hr/> 368,539 <hr/>
Current assets and liabilities	<hr/> <hr/> 1,255,725 <hr/> <hr/>

12. RELATED PARTY TRANSACTIONS

One of the Trustee Directors is member of the Scheme and like any other member he is thus eligible for benefits in accordance with the Scheme Rules.

During early 2013, a proposal was received to split the FKI Group Pension Scheme into three separate pension arrangements. The FKI Group Pension Scheme demerged with effect from 27 June 2013. As a result 1,625 members of the FKI Group Pension Scheme were transferred to Brush Group (2013) Pension Scheme. The transfer of assets and liabilities from the FKI Group Pension Scheme to the Brush Scheme took place on the 10 July 2013. The total amount transferred included £162,736,344 of invested assets, £835,171 of cash and £1,386,754 of AVC investments.

Other than those items disclosed elsewhere in the accounts, there were no related party transactions. Trustee Director fees payable are disclosed in the administrative expenses note.

13. CONTINGENT LIABILITIES

In the opinion of the Trustee the Scheme had no contingent liabilities or contractual commitments as at 31 December 2013.

14. EMPLOYER RELATED INVESTMENTS

The Scheme has no employer related investments as at 31 December 2013.

THE BRUSH GROUP (2013) PENSION SCHEME

STATEMENT ABOUT CONTRIBUTIONS FOR THE PERIOD ENDED 31 DECEMBER 2013

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 period ended 31 December 2013 which is set out on page 23.

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 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.

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 Schedule 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 Schedule of Contributions.

Statement About Contributions

In our opinion contributions for the Scheme period ended 31 December 2013, as reported in the attached Summary of Contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions signed on 29 August 2013.

Ernst & Young LLP
Statutory Auditor
Reading

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

**SUMMARY OF CONTRIBUTIONS
FOR THE PERIOD ENDED 31 DECEMBER 2013**

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme period ended 31 December 2013

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 period ended 31 December 2013. 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 period

	£
Employers Contributions	
normal	1,045
deficit	2,425,001
Total contributions reported in the accounts	<u><u>2,426,046</u></u>

Signed on behalf of the Trustee:

Trustee Director:

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

ACTUARIAL STATEMENTS

The Brush Group (2013) Pension Scheme Schedule of Contributions

Introduction

This is an interim schedule of contributions. It comes into effect on 20 May 2013 and covers the period to 1 June 2021. The contribution rates will be reviewed at each actuarial valuation and the Trustee is responsible for preparing a revised schedule no later than 15 months after the effective date of the first such valuation.

This schedule covers contributions to the Scheme from all employers who participate in the Scheme from time to time.

Employer Contributions

In respect of the accrual of future benefits, the participating employers will contribute to the Scheme at a rate of 11.4% per annum of basic salary for the period from 20 May 2013 to 19 August 2013 inclusive. Accrual of benefits ceased with effect from 20 August 2013.

In respect of the shortfall in funding, the participating employers will pay £4.85M per annum (payable monthly) with effect from 1 August 2013, except that the payment for August 2013 will be £808,333.

The participating employers will ensure that the Trustee receives these contributions within 19 days of the end of the calendar month to which the contributions relate, although the contributions due in respect of the accrual of benefits will be a combined contribution covering all benefits earned and will be received by 19 September 2013.

Expenses

Contributions in respect of the expenses of administering the Scheme (including the Pension Protection Fund Levy) are met directly by the employers, with the Scheme reimbursing the employers.

Employee Contributions

Nil

These amounts do not include members' Additional Voluntary Contributions.

Signed on behalf of the Scheme's Trustee

Signature: MC DUNCOMBE

Name: MC Duncombe

Capacity: C'man of Trustees

Date: 29/8/13

Signed on behalf of the Employers

Signature: GEOFFREY P MARTIN

Name: Geoffrey P Martin

Capacity: Director

Date: 29/8/13

THE BRUSH GROUP (2013) PENSION SCHEME

COMPLIANCE STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

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
Tyneview Park
Whitley Road
Newcastle Upon Tyne
NE98 1BA

0845 600 2537

<https://www2.dwp.gov.uk/tps-directgov/en/contact-tps/pension-tracing-form.asp>

(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

THE BRUSH GROUP (2013) PENSION SCHEME

COMPLIANCE STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

(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
BN1 4DW

0870 600 0707
customersupport@tpr.gov.uk

(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 payment schedule 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 members' 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 in this report.

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