

Registration number: 00164945

Brush Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

FRIDAY



L69OWKV7

LD7

30/06/2017

#125

COMPANIES HOUSE

Brush Holdings Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 7
Profit and Loss Account	8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 31

Brush Holdings Limited

Company Information

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

Brush Holdings Limited

Strategic Report for the Year Ended 31 December 2016

The Directors present their Strategic Report for the year ended 31 December 2016.

Principal activity

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

Fair review of the business

The operating profit for the year ended 31 December 2016 was £2,002,000 (year ended 31 December 2015: loss of £427,921,000). The retained profit for the year ended 31 December 2016 was £6,704,000 (year ended 31 December 2015: loss of £174,137,000).

The Company considers its key performance indicators to be in line with those of Melrose Industries PLC as disclosed in the Strategic Report of the 2016 Annual Report.

Principal risks and uncertainties

The Company considers its principal risks and uncertainties to be in line with those of Melrose Industries PLC as disclosed in the Performance Review section of the 2016 Annual Report.

Financial risk management

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

Principal risks

Credit risk

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

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

Liquidity risk

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

Brush Holdings Limited

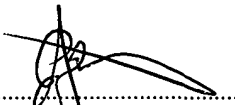
Strategic Report for the Year Ended 31 December 2016

Going concern

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

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

Approved by the Board on 29 June 2017 and signed on its behalf by:


.....
G E Barnes
Director

Brush Holdings Limited

Directors Report for the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016. An indication of likely future developments in the business of the Company is included in the Strategic Report. Information on financial risk management and going concern are also included in the Strategic Report.

Directors of the Company

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

G P Martin

S A Peckham

G E Barnes

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

Dividends

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016 (year ended 31 December 2015: £nil).

The Directors did not pay a dividend during the year (year ended 31 December 2015: paid a dividend of £65,848,000).

Directors liabilities

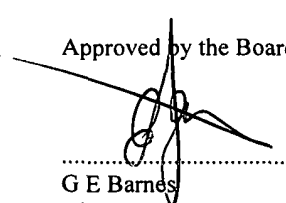
The ultimate parent undertaking has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and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

Disclosure of information to the auditors

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

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

Approved by the Board on 29 June 2017 and signed on its behalf by:



.....
G E Barnes
Director

Brush Holdings Limited

Statement of Directors' Responsibilities

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

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

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

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

Brush Holdings Limited

Independent Auditor's Report to the members of Brush Holdings Limited

We have audited the financial statements of Brush Holdings Limited for the year ended 31 December 2016, set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Brush Holdings Limited

Independent Auditor's Report to the members of Brush Holdings Limited

Matters on which we are required to report by exception

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

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

Helen Burridge

Helen Burridge (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

London
United Kingdom

29 June 2017

Brush Holdings Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Administrative expenses		2,002	14,627
Exceptional operating items	4	<u>-</u>	<u>(442,548)</u>
Operating profit/(loss)	5	2,002	(427,921)
Income from shares in group undertakings		1,210	237,538
Interest receivable and similar income	7	14,132	14,367
Interest payable and similar charges	8	<u>(8,696)</u>	<u>(10,155)</u>
Profit/(loss) before tax		8,648	(186,171)
Tax on profit/(loss) on ordinary activities	11	<u>(1,944)</u>	<u>12,034</u>
Profit/(loss) for the year		<u><u>6,704</u></u>	<u><u>(174,137)</u></u>

The above results were derived from continuing operations.

Brush Holdings Limited

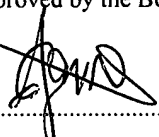
Statement of Comprehensive Income for the Year Ended 31 December 2016

	2016 £ 000	2015 £ 000
Profit/(loss) for the year	6,704	(174,137)
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	<u>-</u>	<u>12,771</u>
Total comprehensive income for the year	<u><u>6,704</u></u>	<u><u>(161,366)</u></u>

Brush Holdings Limited
(Registration number: 00164945)
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Investments	12	1,025,490	1,025,490
Deferred tax assets	17	11,291	13,234
		<u>1,036,781</u>	<u>1,038,724</u>
Current assets			
Trade and other receivables	13	735,219	730,742
Creditors: Amounts falling due within one year			
Trade and other payables	14	(1,030,906)	(1,023,017)
Loans and borrowings	15	(2,274)	(11,662)
Provisions	16	(4,980)	(3,679)
Creditors: Amounts falling due within one year		<u>(1,038,160)</u>	<u>(1,038,358)</u>
Net current liabilities		<u>(302,941)</u>	<u>(307,616)</u>
Total assets less current liabilities		733,840	731,108
Provisions	16	(8,059)	(12,031)
Net assets		<u>725,781</u>	<u>719,077</u>
Capital and reserves			
Called up share capital	19	544,975	544,975
Capital redemption reserve		2,000	2,000
Profit and loss account		<u>178,806</u>	<u>172,102</u>
Shareholders' funds		<u>725,781</u>	<u>719,077</u>

Approved by the Board on 29 June 2017 and signed on its behalf by:



 G E Barnes
 Director

Brush Holdings Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

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

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	544,975	2,000	172,102	719,077
Profit for the year	-	-	6,704	6,704
Total comprehensive income	-	-	6,704	6,704
At 31 December 2016	544,975	2,000	178,806	725,781

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

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

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on 29 June 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

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

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

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Summary of disclosure exemptions

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

Going concern

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

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

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

Exemption from preparing group accounts

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

Exceptional operating items

Exceptional operating items are those items of a significant and non-recurring nature or those associated with significant restructuring programmes, acquisitions or disposals, which warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company.

Adoption of new and revised Standards

The Company has adopted all mandatory standards, interpretations and amendments that have become effective with effect from 1 January 2016. None of the standards, interpretations and amendments that are effective for the first time have had a material effect on the financial statements.

Finance income and costs policy

Finance income

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

Finance costs

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Foreign currency transactions and balances

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

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

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

Tax

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

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

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

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

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

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

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Investments

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

Trade payables

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

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

Borrowings

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

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

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

Provisions

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

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

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

Share capital

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

Dividends

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

Financial assets and liabilities

Classification

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Recognition and measurement

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2 Accounting policies (continued)

Financial liabilities

Classification

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

Recognition and measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of non-current assets, including investments in subsidiaries

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

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

Provisions

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

Taxation

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

4 Exceptional operating items

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

	2016 £ 000	2015 £ 000
Profit on disposal	-	27,812
Impairment of investments	-	(470,360)
	<u>-</u>	<u>(442,548)</u>

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

During 2015, a review of the carrying value of investments identified an impairment of £225,756,000, £206,972,000 and £37,632,000 in relation to the Company's investments in Brush Properties Limited (formerly FKI Engineering Limited), Mintford Finance (Jersey) Limited and FKI Distribution Limited respectively.

5 Operating profit/(loss)

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
Foreign exchange gains	<u>(7)</u>	<u>(16,472)</u>

6 Auditors' remuneration

The fees payable to the Company's auditor for the audit of the financial statements of £1,000 (year ended 31 December 2015: £10,000) were borne by a fellow Group undertaking.

7 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on bank deposits	356	583
Interest on loans to Group undertakings	<u>13,776</u>	<u>13,784</u>
	<u>14,132</u>	<u>14,367</u>

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

8 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	204	299
Interest on loans from Group undertakings	8,408	8,072
Unwind of discount on provisions	84	84
Net interest cost on pensions	-	1,700
	<u>8,696</u>	<u>10,155</u>

9 Particulars of employees

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

10 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2015: £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group and as such remuneration of directors is borne by a fellow company.

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

11 Income tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	1	-
Total current income tax	1	-
Deferred taxation		
Arising from origination and reversal of temporary differences	1,943	(12,034)
Tax charge/(credit) in the income statement	1,944	(12,034)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015: higher than the standard rate of corporation tax in the UK) of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit/(loss) before tax	8,648	(186,171)
Corporation tax at standard rate	1,730	(37,700)
Adjustment for prior periods	593	-
Non-taxable income	(242)	(48,101)
Expenses not deductible in determining taxable profit	-	89,576
Utilisation of tax losses	-	(3,775)
Effect of rate differences on deferred tax recognition	(137)	-
Recognition of previously unrecognised deferred tax	-	(12,034)
Total tax charge/(credit)	1,944	(12,034)

A further change to the main rate of UK corporation tax was enacted in the Finance Act 2016. The UK corporation tax rate will reduce to 19% from 1 April 2017 with a further reduction to 17% from 1 April 2020. The impact of the future rate changes, which have been reflected in these financial statements, have reduced the deferred tax asset by £577,000.

Changes to the UK loss utilisation and interest deduction rules have been proposed and will take effect on 1 April 2017. These changes have not yet been substantively enacted, so the effect of these changes has not been recognised within these financial statements. The impact is likely to result in a decrease in the deferred tax asset of £117,000.

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2015	3,549,436
Additions	17
Disposals	<u>(1,887,344)</u>
At 31 December 2015	<u>1,662,109</u>
At 1 January 2016	1,662,109
Disposals	<u>(406,192)</u>
At 31 December 2016	<u>1,255,917</u>
Provision for impairment	
At 1 January 2015	2,053,603
Provision created	470,343
Eliminated on disposals	<u>(1,887,327)</u>
At 31 December 2015	<u>636,619</u>
At 1 January 2016	636,619
Eliminated on disposals	<u>(406,192)</u>
At 31 December 2016	<u>230,427</u>
Carrying amount	
At 31 December 2016	<u>1,025,490</u>
At 31 December 2015	<u>1,025,490</u>
At 1 January 2015	<u>1,495,833</u>

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Investments (continued)

During the year Hamsard 2246, FKI Distribution and FKI Nominees Limited were liquidated.

During 2015, the Company's investment in Mintford Finance (Jersey) Limited was increased by £17,000.

During 2015, the investments of Brush Trains Oldco, FKI Astraeus Limited, FKI Helios Limited, FKI Mondiale Holding BV, Black Heath Limited, Hamsard 2291 Limited and Mintford Finance (Jersey) Limited were placed into liquidation. The effect of these liquidations was to reduce the cost of investments by £1,887,344,000 and the accumulated impairment provision by £1,887,327,000.

During 2015, a review of the carry value of investments identified an impairment of £225,756,000, £206,972,000 and £37,632,000 in relation to the Company's investments in Brush Properties Limited (formerly FKI Engineering Limited), Mintford Finance (Jersey) Limited and FKI Distribution Limited respectively.

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Investments (continued)

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
Danks Holdings Limited*	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Properties Limited*	Holding company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Electro Dynamic Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
FKI Engineering Shanghai Limited	Non-trading company	Jiading District, Shanghai 201814, China	100%	100%
FKI Switchgear (Hong Kong) Limited	Non-trading company	15 Queen's Road, Central, Hong Kong	100%	100%
Whipp & Bourne Limited	Non-trading company	The Colmore Building, Birmingham, United Kingdom	100%	100%
FKI Plan Trustees Limited	Non-trading company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Colmore Overseas Holdings Limited	Non-trading company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Electrical Machines Limited*	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Scheme Trustees Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush SEM s.r.o.	Engineering company	Doudlevce, 301 00 Plzen, Czech Republic	100%	100%
Brush Electrical Machines (Changshu) Co Limited	Engineering company	Jiangsu Province, 215500, China	100%	100%
Brush Electrical Engineering Company Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush HMA B.V.	Engineering company	Ringdijk 390B, Postbus 3007, Ridderkerk, Netherlands	100%	100%

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

12 Investments (continued)

Harrington Generators International Limited	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Transformers Limited	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Brush Japan KK	Engineering company	Aomi, Kotu-Ku, Tokyo, 135-0064 Japan	100%	100%
Brush Aftermarket North America Inc.	Holding company	Pittsburgh, Pennsylvania, 15415, USA	100%	100%
Brush Turbogenerators Inc.	Engineering company	Houston, Texas, 77040, USA	100%	100%
Generator and Motor Services of Pennsylvania LLC	Engineering company	Pittsburgh, Pennsylvania, 15145, USA	100%	100%
Brush Canada Services Inc./Services Brush Canada Inc.	Engineering company	Edmonton, Alberta, T5J 3N6, Canada	100%	100%
Hawker Siddeley Switchgear Limited	Engineering company	The Colmore Building, Birmingham, United Kingdom	100%	100%
Mediterranean Power Electric Company Limited	Engineering company	Marsa, MRS 3000, Malta	26%	26%
Brush Switchgear Limited	Dormant	The Colmore Building, Birmingham, United Kingdom	100%	100%
Bristol Meci Australasia Pty Limited	Holding company	Narangba, Queensland, Australia, 4504	100%	100%
Hawker Siddeley Switchgear Pty Limited	Engineering company	Australia	100%	100%

* owned directly by the Company

All holdings relate to Ordinary Shares unless otherwise stated.

13 Trade and other receivables

	2016 £ 000	2015 £ 000
Receivables from Group undertakings	734,459	730,113
Prepayments and accrued income	-	44
Other receivables	760	585
	<u>735,219</u>	<u>730,742</u>

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

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

	2016 £ 000	2015 £ 000
Trade payables	56	32
Accruals and deferred income	6	275
Amounts due to Group undertakings	1,030,844	1,022,691
Other payables	-	19
	<u>1,030,906</u>	<u>1,023,017</u>

15 Loans and borrowings

	2016 £ 000	2015 £ 000
Loans and borrowings - amounts falling due within one year		
Bank overdrafts	<u>2,274</u>	<u>11,662</u>

16 Provisions

	Environmental & Legal £ 000	Surplus Property £ 000	Total £ 000
At 1 January 2016	15,562	148	15,710
Provisions utilised	(1,044)	-	(1,044)
Unused provision reversed	(1,711)	-	(1,711)
Increase due to unwind of discount	<u>84</u>	<u>-</u>	<u>84</u>
At 31 December 2016	<u>12,891</u>	<u>148</u>	<u>13,039</u>
Non-current liabilities	<u>7,911</u>	<u>148</u>	<u>8,059</u>
Current liabilities	<u>4,980</u>	<u>-</u>	<u>4,980</u>

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

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

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

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

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

17 Deferred tax

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

	Assets £ 000	Liabilities £ 000	Net £ 000
2016			
Other temporary differences	557	-	557
Tax losses	10,734	-	10,734
	<u>11,291</u>	<u>-</u>	<u>11,291</u>

	Assets £ 000	Liabilities £ 000	Net £ 000
2015			
Other temporary differences	909	-	909
Tax losses	12,325	-	12,325
	<u>13,234</u>	<u>-</u>	<u>13,234</u>

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

	Other temporary differences £ 000	Tax losses £ 000	Total £ 000
At 1 January 2016	909	12,325	13,234
Recognised in income	(352)	(1,591)	(1,943)
At 31 December 2016	<u>557</u>	<u>10,734</u>	<u>11,291</u>

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

18 Pension schemes

Defined benefit pension schemes

FKI UK Pension Plan

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

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	-	1,333
Amounts recognised in finance income or costs		
Net interest	-	1,700
Total recognised in the income statement	-	3,033

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	-	3,843
Actuarial gains and losses arising from changes in financial assumptions	-	18,322
Actuarial gains and losses arising from experience adjustments	-	3,303
Return on plan assets, excluding amounts included in interest income	-	(12,697)
Amounts recognised in the Statement of Comprehensive Income	-	12,771

Brush Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

19 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	Number	£ 000	Number	£ 000
Ordinary shares of £0.10 each	<u>5,449,745,014</u>	<u>544,975</u>	<u>5,449,745,014</u>	<u>544,975</u>

20 Dividends

Dividends paid

Amounts recognised as distributions to equity holders:

	2016 £ 000	2015 £ 000
Dividends paid	<u>-</u>	<u>65,848</u>

21 Controlling party

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

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

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

Consolidated financial statements are available from:

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