

**Company Registration No. 589650**

**Brush Transformers Limited**

**Report and Financial Statements**

**Nine month period ended 31 December 2008**



# **Brush Transformers Limited**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

N Bamford	(Resigned 1 July 2008)
S A Peckham	(Appointed 1 July 2008)
G P Martin	(Appointed 1 July 2008)
G E Barnes	(Appointed 1 July 2008)
R P Graham-Adriani	(Appointed 27 March 2009)
G D Morgan	(Appointed 27 March 2009)
A G Peart	(Appointed 27 March 2009)
M J Richards	(Appointed 27 March 2009)

#### **Secretary**

G E Barnes

#### **Registered Office**

Precision House  
Arden Road  
Alcester  
Warwickshire  
B49 6HN

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# **Brush Transformers Limited**

## **Directors' report**

The directors present their report and the audited financial statements for the nine month period ended 31 December 2008.

### **Principal activity and review of the business**

The company's principal activity remained that of the manufacture and sale of transformers.

On 1 July 2008, the company's ultimate parent, FKI plc, was purchased by Melrose PLC, a company incorporated in Great Britain and registered in England and Wales. The directors now regard Melrose PLC as the company's ultimate parent undertaking and controlling party from that date.

The company has changed its year end from 31 March to 31 December, hence these statutory accounts present the results of Brush Transformers Limited for the nine months to 31 December 2008.

Total turnover during the nine month period ended 31 December 2008 was £29.4 million (year ended 31 March 2008: £34.3 million). The operating loss for the nine month period was £3.6 million compared to a profit of £0.3 million in the year ended 31 March 2008. The main contributory factor to the decreased operating profit was the impact of additional liabilities recognised during the period for future contract losses, warranty and installation costs, anticipated property related expenses and other items.

Finance costs for the nine month period were £0.5 million (year ended 31 March 2008: £0.7 million) comprising £0.3 million (year ended 31 March 2008: £0.3 million) on group loans and £0.2 million (year ended 31 March 2008: £0.4 million) on bank loans and overdrafts.

The taxation charge for the year was £nil (31 March 2008: £0.1 million). A reconciliation of the actual tax charge to the standard rate of corporation tax is set out in note 9 to the financial statements.

The company has adopted a process for the identification, assessment, treatment, monitoring and reporting of risk. This process helps support business objectives by linking into business strategy, identifying and reacting to emerging risks and developing cost effective solutions to risk exposures.

The company's products and manufacturing processes require a variety of raw materials including steel and copper. Any increase or volatility in the price of these commodities and energy together with shortages in supply can affect the company's performance. Purchasing policies and practices take into account and seek to mitigate the dependence on any single item and supplier where practicable.

In addition to the above, the company's involvement in global markets creates exposure to other risk factors that are both external and internal to the company. These risks include but are not limited to failure to comply with legislative and regulatory requirements including environmental and litigation risk, equipment failures, business continuity and the actions of customers and competitors. The company has, as previously described, implemented risk controls and loss mitigation plans but cannot give absolute assurance that such procedures will be effective in identifying or controlling each of the operational risks faced by the company.

The directors do not propose the payment of a dividend this period (31 March 2008: £nil).

The directors are confident of continued progress in the development of the business in the coming year.

# **Brush Transformers Limited**

## **Directors' report**

### **Research and development**

Product development and innovation is a continuous process. The company has committed additional resources to the development of new products to enhance the organic growth of the business.

### **Directors**

The directors who served throughout the nine month period ended 31 December 2008, except as noted, are listed on page 1.

### **Political and charitable contributions**

There were no political or charitable donations during the nine month period (year ended 31 March 2008: £nil).

### **Employment policies**

The company has developed a wide range of voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing the individual business in which the employee works.

It is company policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged.

It is the policy of the company to give full and fair consideration to applications made by disabled persons for job vacancies, where particular job requirements are within their ability and, where possible, arrangements are made for the continuing employment of employees who have become disabled.

### **Suppliers payment policy**

The company agrees terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier.

### **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 1985. Such qualifying third party indemnity provision was in force during the period.

### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

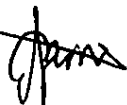
## **Brush Transformers Limited**

### **Directors' report**

#### **Auditors (continued)**

Deloitte LLP were appointed as auditors during the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



G E Barnes  
Director

16 October

2009

# **Brush Transformers Limited**

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 then apply them consistently;
- make judgments and 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 proper accounting records that 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 1985. 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.

## **Independent auditors' report to the members of Brush Transformers Limited**

We have audited the financial statements of Brush Transformers Limited for the nine month period ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Brush Transformers Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London  
15th October 2009

## Brush Transformers Limited

### Profit and loss account

#### Nine month period ended 31 December 2008

		<b>Nine month period ended 31 December 2008 £'000</b>	<b>Year ended 31 March 2008 £'000</b>
	<b>Note</b>		
<b>Turnover</b>			
Continuing activities	2	29,416	34,327
Cost of sales - other	4	(26,476)	(31,081)
Cost of sales - exceptional	4	(2,184)	-
		<hr/>	<hr/>
<b>Gross profit</b>		756	3,246
Distribution costs		(383)	(674)
Administrative expenses - other	4	(1,331)	(2,314)
Administrative expenses - exceptional	4	(2,609)	-
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	3	(3,567)	258
Non operating exceptional items	5	-	127
Finance costs	6	(467)	(734)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(4,034)	(349)
Tax on loss on ordinary activities	9	-	(69)
		<hr/>	<hr/>
<b>Loss for the financial period</b>	17	(4,034)	(418)
		<hr/>	<hr/>

All turnover is derived from continuing operations.

There are no recognised gains or losses other than the loss for the nine month period of £4,034,000 (year ended 31 March 2008: £418,000) and consequently no statement of total recognised gains and losses has been presented.

# Brush Transformers Limited

## Balance sheet 31 December 2008

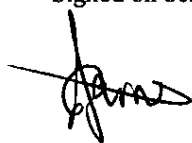
	Note	31 December 2008 £'000	31 March 2008 £'000
<b>Fixed assets</b>			
Tangible assets	10	1,888	1,529
Investments	11	359	359
		<u>2,247</u>	<u>1,888</u>
<b>Current assets</b>			
Stocks	12	4,957	5,824
Debtors	13	9,453	9,098
Cash at bank and in hand		28	10
		<u>14,438</u>	<u>14,932</u>
<b>Creditors: amounts falling due within one year</b>	14	(23,380)	(20,531)
<b>Net current liabilities</b>		<u>(8,942)</u>	<u>(5,599)</u>
<b>Total assets less current liabilities</b>		<u>(6,695)</u>	<u>(3,711)</u>
<b>Provisions for liabilities</b>	15	(1,233)	(183)
<b>Net liabilities</b>		<u>(7,928)</u>	<u>(3,894)</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Profit and loss account	17	(7,928)	(3,894)
<b>Shareholders' deficit</b>	17	<u>(7,928)</u>	<u>(3,894)</u>

These financial statements were approved by the Board of Directors on

16 October

2009.

Signed on behalf of the Board of Directors



GE Barnes

Director

# **Brush Transformers Limited**

## **Notes to the accounts**

### **Nine month period ended 31 December 2008**

#### **1. Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK law and accounting standards.

As permitted under Section 228 of the Companies Act 1985 no Group accounts have been prepared.

##### **Going concern**

The directors have considered the going concern assumption given the current economic climate. Accordingly, the directors have reviewed the company forecasts and considered the financial commitment from the ultimate parent company, which has been confirmed in writing.

After making enquiries and considering the above facts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **Cash flow statement**

Under the provisions of FRS 1 'Cash Flow Statements' (revised 1996), the company has not prepared a cash flow statement because its ultimate parent undertaking, Melrose PLC, has prepared consolidated financial statements that are publicly available which include the financial statements of the company and which contain a cash flow statement.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Plant and machinery - heavy production	15 years
Plant and machinery - other	10 years
Office equipment	5 to 10 years
Motor vehicles	3 to 5 years

##### **Investments**

Investments are recorded at cost less any provision for impairment or diminution in value.

##### **Stocks and works in progress**

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for	- purchase cost on a first-in, first-out basis resale
Work in progress and finished goods	- cost of direct materials and labour plus attributable manufacturing overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

##### **Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of value added taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods.

# **Brush Transformers Limited**

## **Notes to the accounts**

### **Nine month period ended 31 December 2008**

#### **1. Accounting policies (continued)**

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with in the determination of profit for the financial year.

##### **Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated over their expected useful lives or over the primary lease period, whichever is the shorter, in accordance with the above policy. The capital elements of future lease obligations are recorded as liabilities whilst the finance element of the rental payments are charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant rate of charge on the outstanding balance of the net obligation in each year.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

##### **Defined benefit pension scheme**

The company participated in a defined benefit pension scheme, which is funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. The company's contributions are affected by the surplus/deficit in the scheme. However, it is not possible to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with the FRS 17 multi-employer exemption, the scheme is accounted for as if it were a defined contribution scheme.

The latest available information relating to the scheme and the implications for the company are detailed in the notes to the financial statements.

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 1. Accounting policies (continued)

##### Defined contribution pension scheme

Pension costs for the company's defined contribution pension scheme are recognised within operating profit at an amount equal to the contributions payable to the scheme for the year. Any prepaid or outstanding contributions at the balance sheet date are recognised respectively as assets or liabilities within prepayments or accruals.

##### Research and development

Development expenditure on clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised and amortisation is commenced in the year the expenditure is incurred by reference to the lesser of the life of the project or three years. All other research and development expenditure is written off in the year in which it is incurred.

##### Share based payments

Incentives in the form of shares were provided to employees under share options and share award schemes that were established by the immediate parent undertaking, FKI plc, prior to its acquisition by Melrose PLC on 1 July 2008.

The fair value of these options and awards at their date of grant is determined by an external valuation and is charged to the profit and loss account over the relevant vesting periods. In valuing these transactions, no account is taken of any performance conditions other than conditions linked to the price of the shares of FKI plc. The value of the charge is adjusted to reflect expected and actual levels of options and awards vesting.

The costs of these share based payments are treated as a capital contribution from the parent company. Any payments made by the company to its parent company in respect of these arrangements are treated as a return of this capital contribution.

The company has taken advantage of the transitional provisions of FRS 20 and has applied FRS 20 only to equity settled awards granted after 7 November 2002 that had not vested on or before 1 April 2006.

#### 2. Turnover and segmental information

Turnover, which is stated net of value added tax, represents amounts invoiced to customers.

Turnover and profit before taxation are derived from a single business segment being the principal activity of the company. An analysis of turnover by geographical destination is as follows:

	<b>Nine month period ended 31 December 2008 £'000</b>	<b>Year ended 31 March 2008 £'000</b>
United Kingdom	21,540	23,841
Middle East	5,606	9,365
Asia	1,251	98
Africa	47	211
Rest of Europe	588	459
Rest of the World	384	353
	<b>29,416</b>	<b>34,327</b>

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Auditors' remuneration - audit of the Company annual financial statements	28	24
Depreciation	195	255
Operating lease rentals - plant and machinery	65	87
Research and development expenditure	49	-
	<u>28</u>	<u>24</u>

#### 4. Cost of sales and administrative expenses

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Cost of sales - other	26,476	31,081
Cost of sales – exceptional	2,184	-
Cost of sales	<u>28,660</u>	<u>31,081</u>
Cost of sales - exceptional		
Additional stock provisions	1,144	
Warranty and installation expenses	1,040	-
	<u>2,184</u>	<u>-</u>
Administrative expenses – other	1,331	
Administrative expenses – exceptional	2,609	
Administrative expenses	<u>3,649</u>	<u>-</u>
Administrative expenses – exceptional		
Contract losses	1,687	-
Other	922	-
	<u>2,609</u>	<u>-</u>

During the period additional liabilities have been recognised for warranty and installation expenses, future contract losses and other items.

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 5. Non-operating exceptional items

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Provision release	-	127

The release of provision in the prior year relates to the release of part of the provision made in respect of the closure of the South Wales Transformers division that was no longer required.

#### 6. Finance costs

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Interest on loans from fellow group undertaking	248	294
Interest on bank loans and overdrafts	219	440
	467	734

#### 7. Directors' remuneration

The directors received no remuneration for their services to the company during the nine month period (year ended 31 March 2008: £nil). The directors of the company are also directors of a number of the companies within the Melrose group. The directors do not consider that they have received any remuneration for their services to the company for the nine month period ended 31 December 2008 or year ended 31 March 2008.

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 8. Staff costs

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Wages and salaries	4,817	6,083
Social security costs	438	559
Other pension costs	554	1,909
	<u>5,809</u>	<u>8,551</u>

The average monthly number of persons (including directors) employed by the company during the nine month period was as follows:

	Nine month period ended 31 December 2008 No.	Year ended 31 March 2008 No.
Production	218	216
Administration and management	11	11
Sales and distribution	14	15
	<u>243</u>	<u>242</u>

#### 9. Tax on loss on ordinary activities

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
UK corporation tax current charge	-	-
Deferred tax charge	-	69
Total tax charge	<u>-</u>	<u>69</u>

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 9. Tax on loss on ordinary activities (continued)

The current tax assessed for the period is reconciled to the standard rate of corporation tax in the UK as explained below:

	Nine month period ended 31 December 2008 £'000	Year ended 31 March 2008 £'000
Loss on ordinary activities before taxation	(4,304)	(349)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (31 March 2008: 30%)	(1,205)	(105)
Effects of:		
Non-deductible expenses	3	12
Accelerated capital allowances	121	(69)
Other short term timing differences	336	-
Group relief surrendered for nil consideration	745	162
Current tax charge for the period	-	-

A deferred tax asset of £270,000 in respect of short term timing differences has not been recognised as the recoverability of the asset is uncertain.

#### 10. Tangible fixed assets

	Plant, equipment and vehicles £'000
<b>Cost</b>	
At 1 April 2008	7,360
Additions	650
Disposals	(135)
At 31 December 2008	7,875
<b>Depreciation</b>	
At 1 April 2008	5,831
Charge for the period	195
Disposals	(39)
At 31 December 2008	5,987
<b>Net book value</b>	
At 31 December 2008	1,888
At 31 March 2008	1,529

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 11. Investments

	Joint ventures £'000
<b>Cost and net book value</b>	
At 1 April 2008 and 31 December 2008	359

Name	Nature of business	Country of incorporation or registration
Brush Transformers Gulf LLC	Transformer manufacturer	United Arab Emirates
The company entered into a joint venture agreement in December 2005 to acquire a 49% interest in the ordinary share capital of a company based in Abu Dhabi. The joint venture commenced trading on 1 April 2007. As the company does not produce consolidated accounts, this entity is recorded as a fixed asset investment.		

#### 12. Stocks

	31 December 2008 £'000	31 March 2008 £'000
Raw materials and consumables	1,980	1,589
Work in progress	4,514	5,685
	6,494	7,274
Less: applicable payments on account	(1,537)	(1,450)
	4,957	5,824

There is no material difference between the balance sheet value of stocks and their replacement cost.

#### 13. Debtors

	31 December 2008 £'000	31 March 2008 £'000
Trade debtors	8,102	8,536
Amounts due from other group undertakings	1	3
Other debtors	1,104	271
Prepayments and accrued income	246	288
	9,453	9,098

All amounts fall due within one year.

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 14. Creditors: amounts falling due within one year

	31 December 2008 £'000	31 March 2008 £'000
Bank overdraft	3,587	3,240
Trade creditors	8,599	6,751
Amounts due to parent and fellow subsidiary undertakings	6,405	6,100
Other taxes and social security costs	161	383
Other creditors	785	641
Accruals and deferred income	723	545
Payments on accounts	3,120	2,871
	<u>23,380</u>	<u>20,531</u>

#### 15. Provisions for liabilities

	Legal liabilities £'000	Other £'000	Total £'000
At 1 April 2008	-	183	183
Charge for the period	395	665	1,060
Utilised in the period	-	(10)	(10)
	<u>395</u>	<u>838</u>	<u>1,233</u>
At 31 December 2008	395	838	1,233

The other provision relates to anticipated property-related expenditure.

#### 16. Share capital

	31 December 2008 £	31 March 2008 £
<b>Authorised, allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 17. Reconciliation of movement in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	-	(3,420)	(3,420)
Loss for the year	-	(418)	(418)
Recharge from FKI plc for share based payments	-	(79)	(79)
Share based payment charge	-	23	23
	<hr/>	<hr/>	<hr/>
At 31 March 2008	-	(3,894)	(3,894)
Loss for the period	-	(4,034)	(4,034)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	(7,928)	(7,928)
	<hr/>	<hr/>	<hr/>

#### 18. Capital commitments

Amounts contracted but not provided in the financial statements amounted to £204,000 (31 March 2008: £328,000).

#### 19. Pension arrangements

The company participates in a funded group defined benefit scheme. It is not possible to identify the company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 17 paragraph 9 (b) (multi-employer exemption), the scheme is accounted for as if it were a defined contribution scheme.

The pension contribution for the period amounted to £554,000 (year ended 31 March 2008: £1,909,000).

In order to provide information about the existence of a surplus or deficit in the scheme, a separate valuation of the scheme as at 31 December 2008 using the projected unit credit method required by the Standard has been obtained.

The valuation of the group scheme shows the following deficit: UK group scheme £57,700,000 (year to 31 December 2008: £3,800,000).

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the surplus/deficit which relates solely to Brush Transformers Limited.

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by the independent actuaries based on the expected long term rate of return on the scheme assets.

Further details of the group pension scheme can be found in the financial statements of the ultimate parent undertaking, Melrose PLC.

# Brush Transformers Limited

## Notes to the accounts

### Nine month period ended 31 December 2008

#### 20. Financial commitments

##### Lease commitments

At 31 December 2008, the company had annual financial commitments under non-cancellable operating leases which expire as follows:

	Plant and equipment	
	31 December	31 March
	2008	2008
	£'000	£'000
Operating leases which expire:		
- within one year	18	16
- within two to five years	69	69
	<hr/>	<hr/>
	87	85
	<hr/>	<hr/>

#### 21. Contingent liabilities

As part of a group banking arrangement, the company has entered into a multilateral cross guarantee with certain group companies in respect of group overdraft borrowings.

Other outstanding bonds and guarantees at the period end amounted to £3,643,000 (31 March 2008: £5,198,000).

#### 22. Related party transactions

The company is an indirect wholly owned subsidiary of Melrose PLC, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with other members of the Melrose group.

#### 23. Ultimate parent undertaking

On the 1 July 2008 FK1 plc was purchased by Melrose PLC, a company incorporated in Great Britain and registered in England and Wales, which the directors regard as the company's ultimate parent undertaking and controlling party from that date.

The directors regard Melrose PLC as the company's ultimate parent undertaking and controlling party. The group into which the results of the company are consolidated is that headed by Melrose PLC. Copies of the financial statements are available from the Company Secretary, Melrose PLC, Precision House, Arden Road, Alcester, Warks, B49 6HN.