

Registration number: 00416671

# Bridon International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2013

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## **Bridon International Limited**

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**Bridon International Limited**  
**Company Information**

|                          |                             |
|--------------------------|-----------------------------|
| <b>Directors</b>         | GP Martin                   |
|                          | SA Peckham                  |
|                          | GE Barnes                   |
|                          | AG Peart                    |
|                          | MJ Richards                 |
|                          | J Templeman                 |
| <b>Company secretary</b> | ADC Westley                 |
| <b>Registered office</b> | 11th Floor                  |
|                          | Colmore Plaza               |
|                          | 20 Colmore Circus Queensway |
|                          | Birmingham                  |
|                          | West Midlands               |
| <b>Auditor</b>           | B4 6AT                      |
|                          | Deloitte LLP                |
|                          | Leeds                       |
|                          | United Kingdom              |

## **Bridon International Limited**

### **Strategic Report for the Year Ended 31 December 2013**

The Directors present their strategic report for the year ended 31 December 2013.

#### **Principal activity**

The Company's principal activity is that of the manufacture and distribution of wire, wire rope and associated products. The Directors do not expect any change in this activity in the foreseeable future.

#### **Fair review of the business**

Turnover for the year ended 31 December 2013 was £153,020,000 (year ended 31 December 2012: £147,527,000). The operating profit for the year ended 31 December 2013 was £11,579,000 (year ended 31 December 2012: profit of £13,014,000). The retained profit for the year ended 31 December 2013 was £12,601,000 (year ended 31 December 2012: profit of £12,078,000).

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 2013 Annual Report. The primary KPIs relate to revenue growth, operating profit margin growth and the conversion of operating profits into cash. Revenue has grown by 4% year on year (2012: 7%) and operating margin before operating exceptional items was 10.5% (2012: 11.2%).

Revenue has increased by 4% in 2013. Operating profit before exceptional operating items of £16,108,000 is marginally lower than 2012 (£16,496,000). Reductions in operating expenditure in the mining industry impacted demand for mining ropes and this has offset improved trading conditions in other core sectors such as the Oil & Gas, Commercial Construction and Industrial markets and as well as its continued focus on operational improvements. Bridon's new factory in Newcastle, UK, capable of producing the world's largest and most complex ropes and able to load them directly onto vessels at the deep water port is fully operational and the Bridon Technology Centre, providing state of the art product design, development and testing facilities, was opened in early 2013.

While the difficult trading circumstances in the Mining sector are expected to continue for at least the first half of 2014, demand from the Oil & Gas sector is expected to be solid in 2014. At the same time, commercial construction and industrial activity continues to grow in China, and signs of recovery are also visible in the US and Europe. To mitigate the effects of the downturn in the mining sector, Bridon has focused on implementing operational efficiency improvements and strong working capital control. Bridon has leading market positions in sectors with favourable prospects, such as Oil & Gas and Mining, so longer term prospects remain good.

The Company has net exceptional expenditure of £4,529,000 in 2013. This relates to £3,971,000 of exceptional income in relation to insurance income arising from the resolution and confidential settlement of a previous claim, along with £8,500,000 of exceptional expense in relation to the reorganisation of the pension plan.

On 10 July 2013, a reorganisation of the FKI UK Pension Plan took place which resulted in the separation of the FKI UK Pension Plan into three separate plans. One of these plans, the Bridon Group (2013) Pension Scheme, contains the assets and liabilities in respect of employees and former employees of the Bridon business. From 10 July 2013, the assets and liabilities of the Bridon Group (2013) Pension Scheme have therefore been recognised within the Company's balance sheet and this resulted in an exceptional expense during the year of £8,500,000. Prior to this reorganisation of the FKI UK Pension Plan it was not possible to identify the Company's share of assets and liabilities in the scheme and, in accordance with FRS 17 the scheme was accounted for as if it were a defined contribution scheme.

In line with the Company's policy of revaluation of land and buildings, a revaluation was performed as at 31 December 2013 by an external valuer, Charterfields Limited. This led to a surplus on revaluation of £1,279,000 which has been taken directly to the revaluation reserve.

**Bridon International Limited**  
**Strategic Report for the Year Ended 31 December 2013**

**Principal risks and uncertainties**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies and approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

***Credit risk***

The Company's principal financial assets are bank balances and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables and 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 cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

***Liquidity risk***

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

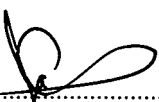
***Cash flow risk***

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

**Going concern**

The Directors have considered the going concern assumption given the current uncertain economic climate and have reviewed the Company forecast 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 20 June 2014 and signed on its behalf by:

  
.....  
GE Barnes  
Director

**Bridon International Limited**  
**Directors' Report for the Year Ended 31 December 2013**

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

**Directors of the company**

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

GP Martin

SA Peckham

GE Barnes

AG Peart

MJ Richards

J Templeman

**Dividends**

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2012: £nil).

**Employment of disabled persons**

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.

**Employee involvement**

The Company has developed a wide range of voluntary practices and procedures for employee involvement. 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.

**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. The Company incurred research and development costs of £138,000 during the year (year ended 31 December 2012: £198,000).

**Bridon International Limited**  
**Directors' Report for the Year Ended 31 December 2013**

**Directors' indemnities**

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 auditor**

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 20 June 2014 and signed on its behalf by:



.....  
GE Barnes  
Director

## **Bridon International 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). 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.



**Bridon International Limited**  
**Independent Auditor's Report to the members of Bridon International Limited**

We have audited the financial statements of Bridon International Limited for the year ended 31 December 2013, set out on pages 9 to 32. 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 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 6), 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.

**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 2013 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 matter prescribed by the Companies Act 2006**

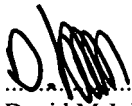
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Bridon International Limited**  
**Independent Auditor's Report to the members of Bridon International 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.



.....  
David M Johnson BA FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

Leeds  
United Kingdom

20 June 2014

**Bridon International Limited**  
**Profit and Loss Account for the Year Ended 31 December 2013**

|   | Note | 2013<br>£ 000    | 2012<br>£ 000    |
|---|------|------------------|------------------|
| Turnover                                      | 2    | 153,020          | 147,527          |
| Cost of sales                                 |      | <u>(109,539)</u> | <u>(102,978)</u> |
| Gross profit                                  |      | 43,481           | 44,549           |
| Distribution costs                            |      | (12,843)         | (14,462)         |
| Administrative expenses                       |      | (14,530)         | (13,591)         |
| Exceptional operating items                   | 3    | <u>(4,529)</u>   | <u>(3,482)</u>   |
| Total administrative expenses                 |      | <u>(19,059)</u>  | <u>(17,073)</u>  |
| Operating profit                              | 3    | 11,579           | 13,014           |
| Interest receivable and similar income        | 5    | 27               | 80               |
| Interest payable and similar charges          | 6    | <u>(218)</u>     | <u>(15)</u>      |
| Profit on ordinary activities before taxation |      | 11,388           | 13,079           |
| Tax on profit on ordinary activities          | 9    | <u>1,213</u>     | <u>(1,001)</u>   |
| Profit for the financial year                 | 18   | <u>12,601</u>    | <u>12,078</u>    |

The above results derive from continuing operations.

**Bridon International Limited**  
**Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2013**

|   | Note | 2013<br>£ 000 | 2012<br>£ 000 |
|---|------|---------------|---------------|
| Profit for the financial year                               |      | 12,601        | 12,078        |
| Exchange difference on re-translation of foreign enterprise |      | (60)          | (141)         |
| Surplus on property revaluation                             |      | 1,279         | -             |
| Actuarial loss on pension schemes                           | 20   | (1,107)       | -             |
| Deferred tax on actuarial loss on pension schemes           |      | 257           | -             |
| Total recognised gains and losses relating to the year      |      | <u>12,970</u> | <u>11,937</u> |

The notes on pages 13 to 32 form an integral part of these financial statements.

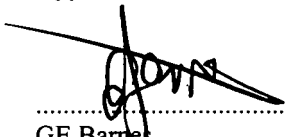
**Bridon International Limited**  
**Note of Historical Cost Profits and Losses**

|  | 2013<br>£ 000 | 2012<br>£ 000 |
|--|---------------|---------------|
| Reported profit on ordinary activities before taxation   | 11,388        | 13,079        |
| Historical cost depreciation charge less the actual depreciation charge<br>calculated on the revalued amount | <u>110</u>    | <u>110</u>    |
| Historical cost profit on ordinary activities before taxation  | <u>11,498</u> | <u>13,189</u> |
| Historical cost profit for the year retained after taxation  | <u>12,711</u> | <u>12,188</u> |

**Bridon International Limited**  
**(Registration number: 00416671)**  
**Balance Sheet as at 31 December 2013**

|   | Note | 2013<br>£ 000        | 2012<br>£ 000        |
|---|------|----------------------|----------------------|
| <b>Fixed assets</b>                                     |      |                      |                      |
| Tangible assets   | 10   | 40,190               | 36,434               |
| <b>Current assets</b>                                   |      |                      |                      |
| Stocks  | 12   | 19,671               | 19,123               |
| Debtors   | 13   | 49,028               | 48,832               |
| Cash at bank and in hand                                |      | 16,441               | 1,083                |
|   |      | <u>85,140</u>        | <u>69,038</u>        |
| Creditors: Amounts falling due within one year          | 14   | <u>(33,873)</u>      | <u>(33,731)</u>      |
| Net current assets                                      |      | <u>51,267</u>        | <u>35,307</u>        |
| Total assets less current liabilities                   |      | 91,457               | 71,741               |
| Creditors: Amounts falling due after more than one year | 15   | (1,948)              | (2,108)              |
| Provisions for liabilities                              | 16   | <u>(2,558)</u>       | <u>(2,852)</u>       |
| Net assets excluding pension asset/(liability)          |      | 86,951               | 66,781               |
| Net pension liability                                   | 20   | <u>(7,200)</u>       | <u>-</u>             |
| Net assets  |      | <u><u>79,751</u></u> | <u><u>66,781</u></u> |
| <b>Capital and reserves</b>                             |      |                      |                      |
| Called up share capital                                 | 17   | 26,000               | 26,000               |
| Revaluation reserve                                     | 18   | 6,251                | 5,082                |
| Profit and loss account                                 | 18   | <u>47,500</u>        | <u>35,699</u>        |
| Shareholders' funds                                     | 19   | <u><u>79,751</u></u> | <u><u>66,781</u></u> |

Approved and authorised for issue by the Board on 20 June 2014 and signed on its behalf by:

  
 GE Barnes  
 Director

The notes on pages 13 to 32 form an integral part of these financial statements.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention as amended for the revaluation of certain fixed assets, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Strategic Report.

**Exemption from preparing a cash flow statement**

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

**Exemption from preparing group accounts**

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared group accounts.

**Going concern**

The Directors have considered the going concern assumption given the current uncertain economic climate and have reviewed the Company forecast 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**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.

**Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty.

**Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**1 Accounting policies (continued)**

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, 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:

| <b>Asset class</b>       | <b>Depreciation rate</b> |
|--------------------------|--------------------------|
| Freehold buildings       | 50 years                 |
| Long leasehold property  | 10 to 95 years           |
| Short leasehold property | 1 to 5 years             |
| Plant and equipment      | 10 to 15 years           |
| Computer software        | 5 to 10 years            |

**Impairment**

Fixed assets are reviewed for impairment when changes in circumstances or events indicate that the carrying value of the fixed assets may not be recoverable. An impairment loss is recognised where the recoverable amount is less than the carrying value.

**Research and development**

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that is recognisable; and where it is the intention to produce, market or execute the project; and a correlation also exists between the costs incurred and future benefits and those costs can be measured reliably. Capitalised expenses are expensed on a straight-line basis over their useful lives. Costs not meeting such criteria are expensed as incurred.

**Revaluation of properties**

Land and buildings are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

**Fixed asset investments**

The Company's investments in shares in Group companies are stated at cost less provision for impairments in value. Income received from investments is credited to the Profit and Loss account on a receivables basis. Investments in associates are accounted for at costs, less provisions for any amounts written off.



**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**1 Accounting policies (continued)**

**Stock and work in progress**

Stocks are stated at the lower of cost or net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises the actual cost of raw materials and direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

**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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**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 than 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.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**1 Accounting policies (continued)**

**Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount on the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair values were determined.

**Hire purchase and leasing**

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

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.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

**Finance costs**

Finance costs of financial liabilities are recognised in the Profit and Loss Account over the term of such instruments at a constant rate on the carrying amount.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**1 Accounting policies (continued)**

**Pensions**

The Company operates a defined contribution pension scheme. Pension costs for the defined contribution pension scheme are recognised within operating profit or loss 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.

The company operates a defined benefit pension scheme. Pension liabilities are measured at their present value in accordance with actuarial assumptions that are updated at each Balance Sheet date. Pension assets are measured at fair value. The pension liability or asset is recognised in the Balance Sheet.

Pension costs for the Company's defined benefit pension schemes and other post-retirement benefits are recognised as follows:

Within operating profit:

- the current service cost arising from employee service in the current period;
- the prior service cost related to employee service in prior periods arising in the current period as a result of improvements to benefits; and
- gains and losses arising on unanticipated settlements or curtailments where the item that gave rise to the settlement or curtailment is recognised within operating profit.

Within other finance cost or income:

- the interest cost on the liabilities, calculated by reference to the scheme liabilities and discount rate at the beginning of the period; and
- the expected return on assets, calculated by reference to the assets and their long-term expected rate of return at the beginning of the period.

Within the statement of recognised income and expense:

- on the scheme assets - the difference between the expected and actual return on assets; and
- on the scheme liabilities - (a) the differences between the actuarial assumptions and actual experience, and (b) the effect of changes in actuarial assumptions.

On 10 July 2013, a reorganisation of the FKI UK Pension Plan took place which resulted in the separation of the FKI UK Pension Plan into three separate plans. One of these plans, the Bridon Group (2013) Pension Scheme, contains the assets and liabilities in respect of employees and former employees of the Bridon business. From 10 July 2013, the assets and liabilities of the Bridon Group (2013) Pension Scheme have therefore been recognised within the Company's balance sheet and this resulted in an exceptional expense during the year of £8,500,000. Prior to this reorganisation of the FKI UK Pension Plan it was not possible to identify the Company's share of assets and liabilities in the scheme and, in accordance with FRS 17 the scheme was accounted for as if it were a defined contribution scheme.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**2 Turnover**

An analysis of turnover by geographical location by destination is given below:

|                   | <b>UK</b>     | <b>Europe</b> | <b>North</b>   | <b>Rest of</b> | <b>Total</b>   |
|-------------------|---------------|---------------|----------------|----------------|----------------|
|                   | <b>£ 000</b>  | <b>£ 000</b>  | <b>America</b> | <b>World</b>   | <b>£ 000</b>   |
| <b>2013</b>       |               |               | <b>£ 000</b>   | <b>£ 000</b>   |                |
| External turnover | <u>36,166</u> | <u>51,271</u> | <u>13,768</u>  | <u>51,815</u>  | <u>153,020</u> |

|                   | <b>UK</b>     | <b>Europe</b> | <b>North</b>   | <b>Rest of</b> | <b>Total</b>   |
|-------------------|---------------|---------------|----------------|----------------|----------------|
|                   | <b>£ 000</b>  | <b>£ 000</b>  | <b>America</b> | <b>World</b>   | <b>£ 000</b>   |
| <b>2012</b>       |               |               | <b>£ 000</b>   | <b>£ 000</b>   |                |
| External turnover | <u>27,814</u> | <u>50,612</u> | <u>14,866</u>  | <u>54,235</u>  | <u>147,527</u> |

An analysis of turnover by class of business is given below:

|                | <b>2013</b>    | <b>2012</b>    |
|----------------|----------------|----------------|
|                | <b>£'000</b>   | <b>£'000</b>   |
| Oil & gas      | 76,376         | 69,417         |
| Industrials    | 6,485          | 6,558          |
| Aftermarket    | 1,137          | 645            |
| Marine         | 14,579         | 15,053         |
| Mining         | 21,077         | 25,917         |
| Infrastructure | 1,657          | 2,686          |
| Wire           | 31,709         | 27,251         |
|                | <u>153,020</u> | <u>147,527</u> |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**3 Operating profit**

Operating profit is stated after charging/(crediting):

|  | <b>2013</b>  | <b>2012</b>  |
|--|--------------|--------------|
|  | <b>£ 000</b> | <b>£ 000</b> |
| Operating leases - plant and machinery | 476          | 518          |
| Operating leases - other assets        | 1,582        | 1,136        |
| Foreign currency losses/(gains)        | 1,139        | (1,016)      |
| Depreciation of owned assets           | 3,930        | 2,315        |
| Government grants receivable           | (254)        | (71)         |
| Research and development spend         | <u>138</u>   | <u>198</u>   |

Also included within operating profit were the following exceptional items:

|  | <b>2013</b>  | <b>2012</b>  |
|--|--------------|--------------|
|  | <b>£ 000</b> | <b>£ 000</b> |
| Restructuring costs                          | -            | 549          |
| Increase in legal provision                  | -            | 511          |
| Start-up costs relating to Neptune facility  | -            | 2,422        |
| Insurance income in relation to legal claims | (3,971)      | -            |
| Assumption of pension liabilities            | <u>8,500</u> | <u>-</u>     |
|  | <u>4,529</u> | <u>3,482</u> |

In 2013 the Company received insurance income in relation to the resolution and confidential settlement of a previous claim.

On 10 July 2013, a reorganisation of the FKI UK Pension Plan took place which resulted in the separation of the FKI UK Pension Plan into three separate plans. One of these plans, the Bridon Group (2013) Pension Scheme, contains the assets and liabilities in respect of employees and former employees of the Bridon business. From 10 July 2013, the assets and liabilities of the Bridon Group (2013) Pension Scheme have therefore been recognised within the Company's balance sheet and this resulted in an exceptional expense during the year of £8,500,000 which is equivalent to the net liabilities assumed at 10 July 2013. Further details are provided in note 21.

In 2012 the Company incurred exceptional restructuring costs of £549,000, increased the legal provision by £511,000 in relation to a customer claim and also incurred exceptional start-up costs relating to the Neptune facility of £2,422,000.

**4 Auditor's remuneration**

|                                   | <b>2013</b>  | <b>2012</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£ 000</b> | <b>£ 000</b> |
| Audit of the financial statements | <u>67</u>    | <u>86</u>    |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**5 Interest receivable and similar income**

|   | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Interest on loans to group undertakings | 18           | 72           |
| Other interest receivable               | 9            | 8            |
|   | <u>27</u>    | <u>80</u>    |

**6 Interest payable and similar charges**

|                                    | <b>2013</b>  | <b>2012</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>£ 000</b> | <b>£ 000</b> |
| Interest on bank borrowings        | 67           | 15           |
| Pension scheme other finance costs | 151          | -            |
|                                    | <u>218</u>   | <u>15</u>    |

**7 Particulars of employees**

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

|                            | <b>2013</b> | <b>2012</b> |
|----------------------------|-------------|-------------|
|                            | <b>No.</b>  | <b>No.</b>  |
| Production                 | 542         | 560         |
| Administration and support | 111         | 93          |
| Distribution               | 59          | 68          |
|                            | <u>712</u>  | <u>721</u>  |

The aggregate payroll costs were as follows:

|                       | <b>2013</b>   | <b>2012</b>   |
|-----------------------|---------------|---------------|
|                       | <b>£ 000</b>  | <b>£ 000</b>  |
| Wages and salaries    | 24,572        | 25,649        |
| Social security costs | 2,607         | 2,710         |
| Pension costs         | 1,253         | 1,087         |
|                       | <u>28,432</u> | <u>29,446</u> |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**8 Directors' remuneration**

The directors' remuneration for the year related solely to one director and was as follows:

|  | <b>2013</b>  | <b>2012</b>  |
|--|--------------|--------------|
|  | <b>£ 000</b> | <b>£ 000</b> |
| Remuneration                                 | 407          | 400          |
| Contributions paid to money purchase schemes | 11           | 33           |
|  | <u>418</u>   | <u>433</u>   |

During the year the number of directors who were receiving benefits and share incentives was as follows:

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
|   | <b>No.</b>  | <b>No.</b>  |
| Accruing benefits under money purchase pension scheme | <u>1</u>    | <u>1</u>    |

Certain Directors of the Company are Directors of a number of other companies within the Melrose Group. The Directors' services to the Company do not occupy a significant amount of their time. As such, the Directors do not consider that they have received remuneration for their incidental services to the Company.

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**9 Taxation**

**Tax on profit on ordinary activities**

|  | 2013<br>£ 000 | 2012<br>£ 000 |
|--|---------------|---------------|
| <b>Current tax</b>                             |               |               |
| Adjustments in respect of previous years       | (18)          | -             |
| Withholding taxes                              | 196           | (21)          |
| Total current tax                              | 178           | (21)          |
| <b>Deferred tax</b>                            |               |               |
| Origination and reversal of timing differences | (1,391)       | 1,022         |
| Total tax on profit on ordinary activities     | (1,213)       | 1,001         |

**Factors affecting current tax charge for the year**

The tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2012: lower than the standard rate of corporation tax in the UK) of 23.25% (2012: 24.5%).

The differences are reconciled below:

|  | 2013<br>£ 000 | 2012<br>£ 000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax     | 11,388        | 13,079        |
| Corporation tax at standard rate             | 2,648         | 3,204         |
| Capital allowances in excess of depreciation | (283)         | (694)         |
| Other timing differences                     | 1,814         | (135)         |
| Expenses not deductible for tax purposes     | 9             | 12            |
| Adjustment for prior periods                 | (18)          | -             |
| Withholding taxes                            | 196           | (21)          |
| Group relief at nil consideration            | (4,188)       | (2,387)       |
| Total current tax                            | 178           | (21)          |

**Factors that may affect future tax charges**

The 2012 Budget (delivered on 21 March 2012) reduced the main rate of UK corporation tax from 26% to 24%, with effect from 1 April 2012. A further reduction in the corporation tax rate to 23%, effective from 1 April 2013, was substantively enacted on 3 July 2012. Further future reductions in the main tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 have also been substantively enacted at the balance sheet date.



**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**10 Tangible fixed assets**

|                          | Freehold<br>land and<br>buildings<br>£ 000 | Long<br>leasehold<br>land and<br>buildings<br>£ 000 | Short<br>leasehold<br>land and<br>buildings<br>£ 000 | Plant and<br>equipment<br>£ 000 | Total<br>£ 000 |
|--------------------------|--|---|--|---------------------------------|----------------|
| <b>Cost or valuation</b> |  |   |  |                                 |                |
| At 1 January 2013        | 8,018                                      | 1,739   | 13   | 81,915                          | 91,685         |
| Additions                | 182  | 81  | -  | 6,144                           | 6,407          |
| Disposals                | -  | -   | -  | (546)                           | (546)          |
| Exchange adjustments     | -  | -   | -  | (7)                             | (7)            |
| Revaluation              | 350  | (121)   | -  | -                               | 229            |
| At 31 December 2013      | <u>8,550</u>                               | <u>1,699</u>  | <u>13</u>  | <u>87,506</u>                   | <u>97,768</u>  |
| <b>Depreciation</b>      |  |   |  |                                 |                |
| At 1 January 2013        | 726  | 119   | 13   | 54,393                          | 55,251         |
| Charge for the year      | 179  | 57  | -  | 3,694                           | 3,930          |
| Eliminated on disposals  | -  | -   | -  | (546)                           | (546)          |
| Exchange adjustments     | -  | -   | -  | (7)                             | (7)            |
| Revaluation              | (905)                                      | (145)   | -  | -                               | (1,050)        |
| At 31 December 2013      | <u>-</u>                                   | <u>31</u>   | <u>13</u>  | <u>57,534</u>                   | <u>57,578</u>  |
| <b>Net book value</b>    |  |   |  |                                 |                |
| At 31 December 2013      | <u>8,550</u>                               | <u>1,668</u>  | <u>-</u>   | <u>29,972</u>                   | <u>40,190</u>  |
| At 31 December 2012      | <u>7,292</u>                               | <u>1,620</u>  | <u>-</u>   | <u>27,522</u>                   | <u>36,434</u>  |

**Revaluations**

The Freehold and Long leasehold land and buildings classes of fixed assets were revalued on 31 December 2013 by an external valuer, Charterfields Limited. This led to a surplus on revaluation of £1,279,000 which has been taken directly to the revaluation reserve. The net book value at 31 December 2013 of these assets is £10,218,000 (2012: £8,912,000). The net book value of these assets at 31 December 2013 on an historical cost basis would have been £3,967,000 (31 December 2012: £3,830,000).

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**11 Investments**

**Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| <b>Undertaking</b>             | <b>Country of<br/>incorporation</b> | <b>Holding</b> | <b>Proportion<br/>held</b> | <b>Principal activity</b> |
|--------------------------------|-------------------------------------|----------------|----------------------------|---------------------------|
| <b>Subsidiary undertakings</b> |                                     |                |                            |                           |
| Bridon Coatbridge Limited      | United Kingdom                      | Ordinary       | 100%                       | Dormant                   |
| Bridon Scheme Trustees Limited | United Kingdom                      | Ordinary       | 100%                       | Dormant                   |
| <b>Associates</b>              |                                     |                |                            |                           |
| Bridon Ropes N.V./S.A.         | Belgium                             | Ordinary       | 40.25%                     | Manufacturing             |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**12 Stocks**

|                  | <b>2013</b>   | <b>2012</b>   |
|------------------|---------------|---------------|
|                  | <b>£ 000</b>  | <b>£ 000</b>  |
| Raw materials    | 3,146         | 2,048         |
| Work in progress | 3,396         | 4,228         |
| Finished goods   | 13,129        | 12,847        |
|                  | <u>19,671</u> | <u>19,123</u> |

There is no material difference between the Balance Sheet value of stocks and their replacement cost.

**13 Debtors**

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
|  | <b>£ 000</b>  | <b>£ 000</b>  |
| Trade debtors                              | 23,218        | 19,287        |
| Amounts owed by group undertakings         | 16,377        | 21,686        |
| Amounts recoverable on long term contracts | 4,598         | 2,203         |
| Other debtors                              | 19            | 24            |
| Prepayments and accrued income             | 4,806         | 5,268         |
| Corporation tax                            | 10            | 364           |
|  | <u>49,028</u> | <u>48,832</u> |

**14 Creditors: Amounts falling due within one year**

|                                    | <b>2013</b>   | <b>2012</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£ 000</b>  | <b>£ 000</b>  |
| Trade creditors                    | 22,009        | 17,700        |
| Government grants                  | 263           | 263           |
| Amounts owed to group undertakings | 3,799         | 5,952         |
| Other taxes and social security    | 718           | 847           |
| Other creditors                    | 409           | 262           |
| Accruals and deferred income       | 6,675         | 8,707         |
|                                    | <u>33,873</u> | <u>33,731</u> |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**15 Creditors: Amounts falling due after more than one year**

|                   | <b>2013</b>  | <b>2012</b>  |
|-------------------|--------------|--------------|
|                   | <b>£ 000</b> | <b>£ 000</b> |
| Government grants | <u>1,948</u> | <u>2,108</u> |

£897,000 of the government grant balance will be utilised after more than five years (2012: £1,161,000).

**16 Provisions**

|  | <b>Deferred tax</b> | <b>Restructuring</b> | <b>Product claim</b> | <b>Total</b>   |
|--|---------------------|----------------------|----------------------|----------------|
|  | <b>£ 000</b>        | <b>provision</b>     | <b>liabilities</b>   | <b>£ 000</b>   |
| At 1 January 2013                      | 1,022               | 636                  | 1,194                | 2,852          |
| Utilised during the period             | -                   | (89)                 | (706)                | (795)          |
| Charged to the profit and loss account | 152                 | -                    | 1,368                | 1,520          |
| Amounts unused and reversed            | <u>-</u>            | <u>(131)</u>         | <u>(888)</u>         | <u>(1,019)</u> |
| At 31 December 2013                    | <u>1,174</u>        | <u>416</u>           | <u>968</u>           | <u>2,558</u>   |

The restructuring provision relates mainly to the closure of the company's Angola branch. This provision is expected to be utilised within the next 12 to 24 months.

The product claim liability provision relates to product risk assessments made by management. These provisions are expected to be utilised within the next 12 to 24 months.

**Analysis of deferred tax**

|   | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Difference between accumulated depreciation and amortisation and capital allowances | 1,287        | 1,168        |
| Other timing differences  | <u>(113)</u> | <u>(146)</u> |
|   | <u>1,174</u> | <u>1,022</u> |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**17 Share capital**

**Allotted, called up and fully paid shares**

|                            | No.        | 2013<br>£ 000 | No.        | 2012<br>£ 000 |
|----------------------------|------------|---------------|------------|---------------|
| Ordinary Shares of £1 each | 26,000,000 | 26,000        | 26,000,000 | 26,000        |

**18 Reserves**

|   | Revaluation<br>reserve<br>£ 000 | Profit and loss<br>account<br>£ 000 | Total<br>£ 000 |
|---|---------------------------------|-------------------------------------|----------------|
| At 1 January 2013   | 5,082                           | 35,699                              | 40,781         |
| Profit for the year   | -                               | 12,601                              | 12,601         |
| Transfer in respect of depreciation on revalued buildings   | (110)                           | 110                                 | -              |
| Other recognised gains and losses                           | -                               | 257                                 | 257            |
| Exchange difference on re-translation of foreign enterprise | -                               | (60)                                | (60)           |
| Actuarial loss on pension schemes                           | -                               | (1,107)                             | (1,107)        |
| Revaluation during the period (note 10)                     | 1,279                           | -                                   | 1,279          |
| At 31 December 2013   | 6,251                           | 47,500                              | 53,751         |

**19 Reconciliation of movement in shareholders' funds**

|  | 2013<br>£ 000 | 2012<br>£ 000 |
|--|---------------|---------------|
| Profit attributable to the members of the company      | 12,601        | 12,078        |
| Other recognised gains and losses relating to the year | 369           | (67)          |
| Net addition to shareholders funds                     | 12,970        | 12,011        |
| Shareholders' funds at 1 January                       | 66,781        | 54,770        |
| Shareholders' funds at 31 December                     | 79,751        | 66,781        |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**20 Pension schemes**

**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,102,000 (2012: £1,087,000).

There were no amounts prepaid or payable to the scheme at the end of the current year or the prior year.

**Defined benefit pension schemes**

**Bridon Group (2013) Pension Scheme**

At 1 January 2013, the Company participated in the FKI UK Pension Plan which was a multi-employer pension plan. It was not possible to identify the Company's share of assets and liabilities in the scheme and, in accordance with FRS 17 paragraph 9 (b) (multi-employer exemption), the scheme was accounted for as if it were a defined contribution plan.

On 10 July 2013, a reorganisation of the FKI UK Pension Plan took place which resulted in the separation of the FKI UK Pension Plan into three separate plans. One of these plans, the Bridon Group (2013) Pension Scheme, contains the assets and liabilities in respect of employees and former employees of the Bridon business. From 10 July 2013, the assets and liabilities of the Bridon Group (2013) Pension Scheme have therefore been recognised within the Company's balance sheet and this resulted in an exceptional expense during the year of £8,500,000. From 10 July 2013, the pension plan has been accounted for as a defined benefit plan in accordance with FRS 17.

The Bridon Group (2013) Pension Scheme is closed to future service accrual. Annual contributions have been agreed amounting to £1,510,000 per year up until 1 October 2017.

The next funding valuation is due to be carried out based on 31 December 2013 from which progress towards full-funding will be reviewed.

Contributions payable to the pension scheme at the end of the year are £Nil (2012: £Nil).

***Reconciliation of scheme assets and liabilities to assets and liabilities***

The assets and liabilities in the scheme are as follows:

|  | 2013     | 2012  |
|--|----------|-------|
|  | £ 000    | £ 000 |
| Fair value of scheme assets            | 51,900   | -     |
| Present value of scheme liabilities    | (60,900) | -     |
| Defined benefit pension scheme deficit | (9,000)  | -     |
| Related deferred tax asset             | 1,800    | -     |
| Net pension liability                  | (7,200)  | -     |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**20 Pension schemes (continued)**

***Scheme assets***

Changes in the fair value of scheme assets are as follows:

|                                    | 2013<br>£ 000 | 2012<br>£ 000 |
|------------------------------------|---------------|---------------|
| Assets assumed on transfer of Plan | 50,900        | -             |
| Expected return on assets          | 949           | -             |
| Actuarial gains and losses         | (107)         | -             |
| Employer contributions             | 758           | -             |
| Benefits paid                      | (600)         | -             |
| Fair value at end of year          | <u>51,900</u> | <u>-</u>      |

***Analysis of assets***

The major categories of scheme assets are as follows:

|                    | 2013<br>£ 000 | 2012<br>£ 000 |
|--------------------|---------------|---------------|
| Equity instruments | 18,200        | -             |
| Debt instruments   | 32,900        | -             |
| Cash               | 800           | -             |
|                    | <u>51,900</u> | <u>-</u>      |

***Actual return on scheme's assets***

|                                | 2013<br>£ 000 | 2012<br>£ 000 |
|--------------------------------|---------------|---------------|
| Actual return on scheme assets | <u>800</u>    | <u>-</u>      |

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

***Scheme liabilities***

Changes in the present value of scheme liabilities are as follows:

|   | 2013<br>£ 000 | 2012<br>£ 000 |
|---|---------------|---------------|
| Liabilities assumed on transfer of Plan | 59,400        | -             |
| Actuarial gains and losses              | 1,000         | -             |
| Interest cost                           | 1,100         | -             |
| Benefits paid                           | (600)         | -             |
| Present value at end of year            | <u>60,900</u> | <u>-</u>      |

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**20 Pension schemes (continued)**

***Principal actuarial assumptions***

The principal actuarial assumptions at the balance sheet date are as follows:

|   | 2013<br>%   | 2012<br>% |
|---|-------------|-----------|
| Discount rate                                       | 4.40        | -         |
| Future pension increases                            | 3.20        | -         |
| Inflation   | 3.40        | -         |
| Expected return on scheme assets - equity           | 7.80        | -         |
| Expected return on scheme assets - debt instruments | 4.10        | -         |
| Expected return on scheme assets - cash             | <u>3.60</u> | <u>-</u>  |

***Post retirement mortality assumptions***

|   | 2013<br>Years | 2012<br>Years |
|---|---------------|---------------|
| Current pensioners at retirement age - male   | 21.90         | -             |
| Current pensioners at retirement age - female | 24.10         | -             |
| Future pensioners at retirement age - male    | 23.30         | -             |
| Future pensioners at retirement age - female  | <u>25.60</u>  | <u>-</u>      |

Mortality assumptions for the Bridon Group (2013) Pension Scheme as at 31 December 2013 are based on the Self Administered Pension Scheme ("SAPS") "S1" base tables with scaling factors of 110% and 105% for deferred members and pensioners respectively, which reflect the results of a mortality analysis carried out on the plan's membership. Future improvements are in line with the Continuous Mortality Investigation ("CMI") improvement model with a long-term rate of improvement of 1.25% p.a. for both males and females.

***Amounts recognised in the profit and loss account***

|  | 2013<br>£ 000 | 2012<br>£ 000 |
|--|---------------|---------------|
| <b>Amounts recognised in operating profit</b>    |               |               |
| Recognised in arriving at operating profit       | <u>-</u>      | <u>-</u>      |
| <b>Amounts recognised in other finance costs</b> |               |               |
| Interest cost                                    | 1,100         | -             |
| Expected return on scheme assets                 | <u>(949)</u>  | <u>-</u>      |
| Recognised in other finance cost                 | <u>151</u>    | <u>-</u>      |
| Total recognised in the profit and loss account  | <u>151</u>    | <u>-</u>      |



**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**20 Pension schemes (continued)**

*Amounts recognised in the statement of total recognised gains and losses*

|  | 2013<br>£ 000  | 2012<br>£ 000 |
|--|----------------|---------------|
| Actuarial losses on scheme assets  | (107)          | -             |
| Actuarial losses on scheme liabilities   | <u>(1,000)</u> | <u>-</u>      |
| Actuarial gains and losses recognised in the Statement of Total<br>Recognised Gains and Losses | <u>(1,107)</u> | <u>-</u>      |

*History of experience adjustments on scheme assets and liabilities*

Amounts for the current period are as follows:

|  | 2013<br>£ 000  |
|--|----------------|
| Experience adjustments arising on scheme assets      | (107)          |
| Experience adjustments arising on scheme liabilities | <u>(1,000)</u> |

Comparative figures have not been restated as permitted by FRS 17, due to the change in the pension scheme occurring in the year.

**21 Derivative financial instruments**

**Not held at fair value**

|                                    | Notional<br>amount<br>2013<br>£ 000 | Notional<br>amount<br>2012<br>£ 000 | Fair value<br>2013<br>£ 000 | Fair value<br>2012<br>£ 000 |
|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| Forward foreign exchange contracts | <u>-</u>                            | <u>-</u>                            | <u>1,281</u>                | <u>69</u>                   |

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and is calculated by reference to market prices discounted to current value. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates translated at year end exchange rates.

**22 Contingent liabilities**

As part of a Group debt arrangement, the Company has entered into a multilateral cross guarantee with certain Group undertakings in respect of Group borrowings. The value of outstanding bonds and guarantees at Group at the year end amounted to £357.5 million (year ended 31 December 2012: £1,169.0 million).

**Bridon International Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2013**

**23 Commitments**

**Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £382,000 (2012: £2,213,000).

**24 Obligations under leases**

**Operating lease commitments**

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

**Operating leases which expire:**

|                           | <b>2013</b>  | <b>2012</b>  |
|---------------------------|--------------|--------------|
|                           | <b>£ 000</b> | <b>£ 000</b> |
| <b>Land and buildings</b> |              |              |
| Within one year           | 132          | 109          |
| Within two to five years  | 207          | 30           |
| Over five years           | 1,139        | 1,280        |
|                           | <u>1,478</u> | <u>1,419</u> |
| <b>Other</b>              |              |              |
| Within one year           | 2            | 43           |
| Within two to five years  | 176          | 188          |
|                           | <u>178</u>   | <u>231</u>   |

**25 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

**26 Control**

The immediate parent company is Bridon Holdings Limited, which is incorporated in England and Wales.

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

The smallest and largest group in which results of the Company are consolidated is that headed by Melrose Industries PLC. Consolidated financial statements are available from the 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT.