

Registered number: 00416671

BRIDON INTERNATIONAL LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



BRIDON INTERNATIONAL LTD

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | K Demeuleneere (resigned 22 December 2017) B J M Humblet (resigned 29 March 2018) R Nalli (resigned 6 July 2018) C Griffin (appointed 23 February 2018) L Vankemmelbeke (appointed 6 July 2018) |
| Registered number | 00416671 |
| Registered office | Icon Building First Point Balby Carr Bank Doncaster South Yorkshire DN4 5JQ |
| Independent auditor | Deloitte LLP Statutory Auditor One Trinity Gardens Broad Chare Newcastle upon Tyne United Kingdom NE1 2HF |

BRIDON INTERNATIONAL LTD

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BRIDON INTERNATIONAL LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The Directors, in compliance with S414c of the companies Act 2006, present their Strategic Report for the year ended 31 December 2017.

Principal activity

The principal activity of Bridon International Limited ("the Company") is that of the manufacture and distribution of wire, wire rope, fibre rope and associated products and services. The Directors do not expect any change in this activity in the foreseeable future.

Business review

Turnover for the year ended 31 December 2017 was £88m (2016 - £86m). The operating loss for the period ended 31 December 2017 was £113.2m (2016 – loss £12.5m) and retained loss for the period was £115.1m (2016 – loss £15m).

Exceptional operating costs were £nil (2016 - £7.1m) and interest costs were £3.2m (2016 - £3.0m). Full details of the 2016 exceptional costs can be found in note 14. As a result of the annual impairment review the Company has recognised an impairment of Fixed Asset Investments of £58,254,000 and an impairment of intercompany receivables of £56,838,000

During 2017, the Company continued to be impacted by relatively low levels of global trade along with a fiercely competitive market. The impact of this has been mitigated partially by focusing on the provision of support services and continuous improvement in addition to the usual wire and rope offerings.

2018 has been a difficult year for the Company. Expected growth in the oil and gas sector has been slower than anticipated and the Company continues to have a high level of fixed overhead. The Directors have performed a comprehensive review of the Company's performance. With a focus on new emerging sectors (Cranes and Industrial), overhead reduction and efficiency improvements the Directors have developed a 3-year plan for 2019-2022 which shows gradual improvement in profit and cash generation. This 3 year plan will create the platform upon which the Company will be able to continue to grow in the future.

On 25 April 2018 Bekaert announced that an agreement in principle had been reached for the acquisition by Bekaert of Ontario Teachers' Pension Plan 33% equity share in Bridon-Bekaert Ropes Group. This was subsequently completed on 24 October 2018. Taking full ownership of Bridon-Bekaert Ropes Group fits within the ambitions and strategy of Bekaert to grow a global ropes and advanced cords business that will create significant value over time for customers worldwide and for the Bekaert Group.

Financial key performance indicators

The Company uses several Key Performance Indicators (KPIs) to monitor its performance and progress against previous years' trading and the business strategies adopted. The primary financial KPIs are Revenue Growth, EBITDA and Cash Position:

| | 2017 | 2016 |
|-----------------------|----------|---------|
| Revenue Growth (%) | 2% | (28%) |
| EBITDA (£'000) | (50,607) | (8,564) |
| Cash position (£'000) | 7,057 | 11,346 |

BRIDON INTERNATIONAL LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Principal risks and uncertainties

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

External market risk

On 23 June 2016, the UK voted in a referendum to leave the European Union (EU). On 29 March 2017, the UK Government triggered Article 50 and commenced negotiations, lasting no longer than two years, regarding the UK's exit from the EU. The implications of this remain unclear, however market volatility and uncertainty are expected in the short term.

As the Company's turnover is generated globally, the Directors believe that the impact will not be significant in the short term. The Directors will put in place plans to reduce or mitigate the risks once the results of the negotiation between the UK and the EU have become clear.

Credit risk

The Company's principal financial assets are trade and other receivables. For 3rd party trade receivables, the Company is part to a factoring arrangement which significantly mitigates the risk of default from customers.

Liquidity risk

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

This report was approved by the board on 29 November 2018 and signed on its behalf:



C Griffin
Director

BRIDON INTERNATIONAL LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Directors

The Directors who served during the year were:

K Demeuleneere (resigned 22 December 2017)

B J M Humblet (resigned 29 March 2018)

R Nalli (resigned 6 July 2018)

C Griffin (appointed 23 February 2018)

L Vankemmelbeke (appointed 6 July 2018)

Results and dividends

The loss for the year, after taxation, amounted to £115,134k (2016 - loss £14,992k).

The Directors do not recommend the payment of a dividend for the year (2016: £nil).

Research and development activities

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's continued product development investment has delivered several successful new product introductions. The company has received R&D tax credits from Her Majesty's Revenue and Customs on costs incurred in 2015 and 2016. An application for R&D credits relating to 2017 will be submitted to HMRC in the second half of 2018. The company incurred research and development expenditure of £2,259k that qualified for a Research and Development Expenditure Credit (2016: £3,347k).

Going concern

The Bridon-Bekaert ropes group (the group) has experienced difficult trading conditions during the 2018 year to date as explained in this report. As a consequence of this the external banking facilities have been repaid by, the parent company, Bekaert, and the group is now funded by debt provided by debt from the parent company. This funding comprises of loans of €288m and a credit facility of €21m. The latter has been fully drawn down. These facilities are in place until October of 2020. The Directors have implemented a strategy to improve the performance of the business and have prepared forecasts for the next 12 months based upon this. Taking into account the forecast trading, available facilities and relevant uncertainties in outturn the directors believe that the group's cash generating capacity is sufficient to service the debt and leave the group well placed to manage its business risks despite the current trading difficulties in certain markets. The Directors have considered the going concern assumption given the current uncertain economic climate and have reviewed the forecasts of the group for the foreseeable future. After making enquiries and considering the above facts and that the group seeks to ensure that all its individual component companies are adequately funded, the directors have a reasonable expectation that this company and the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

BRIDON INTERNATIONAL LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Employee involvement

The Company has developed a wide range of voluntary practices and procedures for employee involvement and regularly consults them, or their representatives, for views on matters affecting them. The Company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing and the economic factors affecting the performance of 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.

Employment of disabled persons

Full and fair consideration to applications made by disabled persons for job vacancies, where particular job requirements are within their ability. Should an employee become disabled, the Company will endeavour to employ them provided there are duties they can perform, bearing in mind their handicap or disability. It is group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees.

Financial risk management objectives and policies

Financial risk management objectives and policies have been disclosed in the strategic report on page 2.

Post balance sheet events

On 25 April 2018 Bekaert announced that an agreement in principle had been reached for the acquisition by Bekaert of Ontario Teachers' 33% equity share in Bridon-Bekaert Ropes Group and the deal was subsequently completed on 24 October 2018. Taking full ownership of Bridon-Bekaert Ropes Group fits within the ambitions and strategy of Bekaert to grow a global ropes and advanced cords business that will create significant value over time for customers worldwide and for the Bekaert Group.

Future developments

2018 has been a challenging year for the Company with lower than expected growth in the Oil and Gas sector and continuing high levels of fixed overhead. The Directors have performed a comprehensive review of the Company's performance. With a focus on new emerging sectors (Cranes and Industrial), overhead reduction and efficiency improvements the Directors have developed a 3-year plan for 2019-2022 which shows gradual improvement in profit and cash generation. This 3 year plan will create the platform upon which the Company will be able to continue to grow in the future.

Prior to the acquisition Bekaert repaid the external debt of Bridon-Bekaert Ropes Group on 19 October 2018 which has reduced the financial expense burden of Bridon-Bekaert Ropes Group and will enable the group to improve cash generation in the coming years.

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 period and at the date of this report.

BRIDON INTERNATIONAL LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' responsibilities statement

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

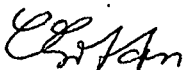
Company law requires the Directors to prepare the financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. 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 then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 "Reduced Disclosure Framework" 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 to enable them to ensure that the company 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.

This report was approved by the board on 29 November 2018 and signed on its behalf.



C Griffin
Director

BRIDON INTERNATIONAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDON INTERNATIONAL LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bridon International Ltd (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

BRIDON INTERNATIONAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDON INTERNATIONAL LTD (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

BRIDON INTERNATIONAL LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIDON INTERNATIONAL LTD
(CONTINUED)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Debitte up

David Johnson FCA (Senior statutory auditor)

for and on behalf of
Deloitte LLP

Statutory Auditor

One Trinity Gardens
Broad Chare
Newcastle upon Tyne
United Kingdom
NE1 2HF

Date: 30 November 2018

BRIDON INTERNATIONAL LTD

**Income statement
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 £000 | 2016 £000 |
|--|------|------------------|-----------------|
| Turnover | 4 | 87,783 | 86,014 |
| Cost of sales | | (69,547) | (68,968) |
| Gross profit | | 18,236 | 17,046 |
| Distribution costs | | (12,127) | (8,284) |
| Administrative expenses | | (11,749) | (14,132) |
| Exceptional administrative expenses | 14 | - | (7,139) |
| Other operating income | 5 | 7,505 | - |
| Impairment of investments | 16 | (58,254) | - |
| Impairment of intercompany receivables | | (56,838) | - |
| Operating loss | 6 | (113,227) | (12,509) |
| Interest receivable and similar income | 10 | 209 | 1,486 |
| Interest payable and similar expenses | 11 | (3,211) | (2,985) |
| Other finance costs | | (31) | (104) |
| Loss before tax | | (116,260) | (14,112) |
| Tax on loss | 13 | 1,126 | (880) |
| Loss for the financial year | | (115,134) | (14,992) |

The notes on pages 15 to 46 form part of these financial statements.

BRIDON INTERNATIONAL LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 £000 | 2016 £000 |
|--|------|------------------|-----------------|
| Loss for the financial year | | (115,134) | (14,992) |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Currency translation differences | | 361 | - |
| Actuarial gain/(loss) on pension scheme | | 11,950 | (8,515) |
| Change in irrecoverable pension surplus | | - | 9,030 |
| Deferred tax on actuarial loss on pension scheme | | (2,032) | (141) |
| | | <u>10,279</u> | <u>374</u> |
| Cash flow hedges: | | | |
| Reclassification adjustments for gain on available-for-sale financial assets | | - | 594 |
| (Loss)/gain on available-for-sale financial assets | | (216) | 138 |
| Deferred tax on cash flow hedges | | (37) | (26) |
| | | <u>(253)</u> | <u>706</u> |
| Other comprehensive income net of tax | | <u>10,026</u> | <u>1,080</u> |
| Total comprehensive loss for the year | | <u>(105,108)</u> | <u>(13,912)</u> |

The notes on pages 15 to 46 form part of these financial statements.

BRIDON INTERNATIONAL LTD
REGISTERED NUMBER: 00416671

BALANCE SHEET
AS AT 31 DECEMBER 2017

| | Note | 2017 £000 | 2016 £000 |
|---|------|------------------------|----------------------|
| Non-current assets | | | |
| Tangible assets | 15 | 28,870 | 30,098 |
| Investments | 16 | - | 48,839 |
| | | <u>28,870</u> | <u>78,937</u> |
| Current assets | | | |
| Stocks | 17 | 14,387 | 12,814 |
| Debtors: amounts falling due within one year | 18 | 14,862 | 69,414 |
| Cash at bank and in hand | | 7,057 | 11,346 |
| | | <u>36,306</u> | <u>93,574</u> |
| Creditors: amounts falling due within one year | 19 | (27,456) | (104,777) |
| Net current assets/(liabilities) | | <u>8,850</u> | <u>(11,203)</u> |
| Total assets less current liabilities | | <u>37,720</u> | <u>67,734</u> |
| Creditors: amounts falling due after more than one year | 20 | (82,714) | (1,194) |
| | | <u>(44,994)</u> | <u>66,540</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 21 | (850) | 84 |
| Other provisions | 22 | (1,701) | (5,105) |
| | | <u>(2,551)</u> | <u>(5,021)</u> |
| Net assets excluding pension asset/(liability) | | <u>(47,545)</u> | <u>61,519</u> |
| Pension asset/(liability) | | 11,447 | (1,925) |
| Net (liabilities)/assets | | <u><u>(36,098)</u></u> | <u><u>59,594</u></u> |

BRIDON INTERNATIONAL LTD
REGISTERED NUMBER: 00416671

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

| | Note | 2017 £000 | 2016 £000 |
|-----------------------------|------|-----------------|---------------|
| Capital and reserves | | | |
| Called up share capital | 23 | 35,416 | 26,000 |
| Share premium account | 24 | 48,839 | 48,839 |
| Revaluation reserve | 24 | 6,115 | 6,115 |
| Hedging reserves | 24 | (402) | (149) |
| Profit and loss account | 24 | (126,066) | (21,211) |
| | | <u>(36,098)</u> | <u>59,594</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 November 2018.



C Griffin
Director

The notes on pages 15 to 46 form part of these financial statements.

BRIDON INTERNATIONAL LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

| | Issued share capital £000 | Share premium account £000 | Revaluation reserve £000 | Hedging reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---------------------------------|-------------------------------------|--------------------------------|----------------------------|------------------------------------|----------------------|
| At 1 January 2017 | 26,000 | 48,839 | 6,115 | (149) | (21,211) | 59,594 |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (115,134) | (115,134) |
| Foreign exchange differences on translation of foreign enterprise | - | - | - | - | 361 | 361 |
| Actuarial gain on pension scheme | - | - | - | - | 11,950 | 11,950 |
| Taxation in respect of items of other comprehensive income | - | - | - | (37) | (2,032) | (2,069) |
| Loss on cashflow hedge | - | - | - | (216) | - | (216) |
| Other comprehensive income for the year | - | - | - | (253) | 10,279 | 10,026 |
| Total comprehensive loss for the year | - | - | - | (253) | (104,855) | (105,108) |
| Shares issued during the year | 9,416 | - | - | - | - | 9,416 |
| Total transactions with owners | 9,416 | - | - | - | - | 9,416 |
| At 31 December 2017 | 35,416 | 48,839 | 6,115 | (402) | (126,066) | (36,098) |

The notes on pages 15 to 46 form part of these financial statements.

BRIDON INTERNATIONAL LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Issued share capital £000 | Share premium account £000 | Revaluation reserve £000 | Hedging reserve £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------|-------------------------------------|--------------------------------|----------------------------|------------------------------------|----------------------|
| At 1 January 2016 | 26,000 | 48,839 | 6,115 | (261) | (7,187) | 73,506 |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (14,992) | (14,992) |
| Taxation in respect of items of other comprehensive income | - | - | - | (26) | (141) | (167) |
| Foreign exchange differences on re-translation of foreign enterprise | - | - | - | - | 594 | 594 |
| Actuarial loss on pension scheme | - | - | - | - | (8,515) | (8,515) |
| Change in irrecoverable pension surplus | - | - | - | - | 9,030 | 9,030 |
| Gain on cash flow hedge | - | - | - | 138 | - | 138 |
| Other comprehensive income for the year | - | - | - | 112 | 968 | 1,080 |
| Total comprehensive loss for the year | - | - | - | 112 | (14,024) | (13,912) |
| Total transactions with owners | - | - | - | - | - | - |
| At 31 December 2016 | 26,000 | 48,839 | 6,115 | (149) | (21,211) | 59,594 |

The notes on pages 15 to 46 form part of these financial statements.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Bridon International Ltd (the "Company") is a company incorporated and domiciled in the United Kingdom. The registered office of the Company is Icon Building First Point, Balby Carr Bank, Doncaster, South Yorkshire, DN4 5JQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The financial statements are presented in the Company's functional currency Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3). The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Group accounts

The Company has taken advantage of the exemption from preparing group accounts afforded by section 400 of the Companies Act 2006 because it is itself a subsidiary of another company established under the law of an EEA State which prepares group accounts. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Going concern

After making suitable enquiries, the directors have a reasonable expectation that the Company and the Bridon-Bekaert Ropes Group, of which the Company is a member, have adequate internal and external funding to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing these financial statements. Further details are given in the directors report.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised against the value of the individual asset and accumulated in reserves in shareholders' equity.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-------------------------------|------------------|
| Freehold property | - 50 years |
| Long term leasehold property | - 10 to 95 years |
| Short term leasehold property | - 1 to 5 years |
| Plant and machinery | - 10 to 15 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

2.7 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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Balance sheet at fair value with changes in fair value recognised in the Income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.13 Financial instruments (continued)**

provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

The Company comprises only out-of-the-money derivatives. They are carried in the Balance sheet at fair value with changes in fair value recognised in the Income statement.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

The results and financial position of the Middle East branch are translated into the presentational currency. Assets and liabilities are translated at the closing rate at the balance sheet date, income and expenses are translated at the average rate of exchange during the year and the resulting exchange difference is recognised in the Statement of comprehensive income.

2.15 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.16 Pensions (continued)

pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.17 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies as set out in note 2, management have made critical accounting judgements including the impairment of non-current assets. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes may differ from those assumptions and estimates. The following are the critical judgements and key sources of estimation uncertainty at the Balance sheet date:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Judgments in applying accounting policies (continued)

Impairment of investments and intercompany receivables

To determine whether investments and intercompany receivables, as disclosed in note 16 and 18 respectively are impaired requires an estimation of the value in use of the cash-generating units of the investment. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the net present value. Such calculations require judgement relating to the appropriate discount factors and long-term growth prevalent in a particular market as well as short and medium-term business plans. Management draw upon experience as well as external resources in making these judgements. In the current year impairments have been recorded and the key assumptions used in arriving at the values in use are set out in note 16 and note 18. The value of the impairment required is sensitive to these assumptions, especially discount rate and growth rate over the turnaround period and beyond and management exercises their best judgment in establishing these assumptions.

Retirement benefit obligations

Retirement benefits are accounted for under IAS 19 (revised): "Employee benefits". For defined benefit plans, obligations are measured at the discounted present value whilst plan assets are recorded at fair value. Due to changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life of participants may have an impact on the amount of pension income or expense recorded in the future.

The discount rate used to discount retirement benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the Balance sheet date. These generally include AA-rated securities. The discount rate is based on the market yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for retirement benefit obligations. Note 27 to these consolidated financial statements describes the principal discount rate, earnings increase and pension retirement benefit obligation assumptions that have been used to determine the net charge for retirement benefit obligations in accordance with IAS 19 (revised): "Employee benefits". The calculation of any charge relating to retirement benefit obligations is clearly dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 31 December 2017, the Group's retirement benefit obligation surplus recognised in the Balance sheet was £11,447,000 (2016 deficit - £1,925,000).

Pension surplus

In accordance with IAS19, the measurement of a defined benefit pension surplus can be restricted to the present value of economic benefits available in the form of refunds or reductions in future contributions. In assessing whether a surplus can be recognised management obtain pension valuations which are performed by using independent specialist advice from qualified actuaries.

Turnover recognition

Turnover on long term contracts can be spread over a number of financial periods and is recognised based on the stage of completion. Management exercise judgement in assessing the expected ultimate profitability of those contracts. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Judgments in applying accounting policies (continued)

Stock provision

Management are required to make judgement on the value of stock to ensure it is stated at the lower of cost and net realisable value. Stock is reviewed regularly and provisions are recognised in respect of slow moving and obsolete stock which is assessed based upon historical information and market conditions.

Customer claims

The directors exercise significant judgement in the recognition of provisions for customer claims. A provision is only recognised when future economic outflow is probable and a reliable estimate can be made of the amount of the obligation. At the 31 December 2017, the directors considered that these conditions hadn't been met for any additional customer claims and accordingly an exceptional charge of £nil was charged to the profit and loss (2016: £3,083,000).

4. Turnover

An analysis of turnover by class of business is as follows:

| | 2017 £000 | 2016 £000 |
|--|---------------|---------------|
| Turnover from the sale of goods | 82,883 | 80,439 |
| Turnover recognised on long-term contracts | 2,596 | 3,939 |
| Turnover from the provision of services | 2,304 | 1,636 |
| | <u>87,783</u> | <u>86,014</u> |

Analysis of turnover by country of destination:

| | 2017 £000 | 2016 £000 |
|-------------------|---------------|---------------|
| United Kingdom | 18,361 | 18,658 |
| Rest of Europe | 30,514 | 28,241 |
| Rest of the world | 38,908 | 39,115 |
| | <u>87,783</u> | <u>86,014</u> |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Turnover (continued)

| | 2017 £000 | 2016 £000 |
|-------------|---------------|---------------|
| Oil and gas | 24,380 | 27,746 |
| Industrial | 4,816 | 4,161 |
| Services | 2,304 | 1,648 |
| Marine | 14,946 | 14,129 |
| Mining | 11,449 | 14,184 |
| Structures | 2,083 | 482 |
| Fibre | 6,309 | 6,534 |
| Wire | 18,883 | 17,130 |
| Projects | 2,613 | - |
| | <u>87,783</u> | <u>86,014</u> |

5. Other operating income

| | 2017 £000 | 2016 £000 |
|------------------------|--------------|--------------|
| Other operating income | 7,505 | - |
| | <u>7,505</u> | <u>-</u> |

6. Operating loss

The operating profit/(loss) is stated after charging/(crediting):

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Research & development charged as an expense | 604 | 173 |
| Operating leases - plant and machinery | 418 | 475 |
| Operating leases - other assets | 1,400 | 1,325 |
| Government grants receivable | 254 | (254) |
| Depreciation of tangible fixed assets | 3,754 | 3,945 |
| Loss on foreign currency translation | 942 | 2,176 |
| Defined contribution pension cost | 1,069 | 1,037 |
| Cost of stocks recognised as an expense | 34,801 | 35,224 |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

| | 2017 £000 | 2016 £000 |
|-------------------------------|--------------|--------------|
| Fees for audit of the Company | 95 | 92 |

Auditor's remuneration of £95,000 (2016: £92,000) represents costs allocated to the Company by fellow group undertakings that pay all auditor's remuneration on behalf of the Company.

8. Employees

Staff costs, including Directors' remuneration, were as follows:

| | 2017 £000 | 2016 £000 |
|-------------------------------------|---------------|---------------|
| Wages and salaries | 20,437 | 22,412 |
| Social security costs | 2,125 | 2,173 |
| Cost of defined contribution scheme | 1,069 | 1,037 |
| | <u>23,631</u> | <u>25,622</u> |

The average monthly number of employees, including the Directors, during the year was as follows:

| | 2017 No. | 2016 No. |
|----------------------------|-------------|-------------|
| Production | 454 | 460 |
| Administration and support | 92 | 99 |
| Distribution | 47 | 61 |
| | <u>593</u> | <u>620</u> |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Directors' remuneration

| | 2017 £000 | 2016 £000 |
|---------------------------------|--------------|--------------|
| Directors' emoluments | 326 | 1,258 |
| Compensation for loss of office | - | 568 |
| | <u>326</u> | <u>1,826</u> |

The highest paid Director received remuneration of £326,000 (2016 - £806,000).

10. Interest receivable and similar income

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 209 | 84 |
| Foreign exchange gain | - | 1,402 |
| | <u>209</u> | <u>1,486</u> |

11. Interest payable and similar charges

| | 2017 £000 | 2016 £000 |
|-------------------------------|--------------|--------------|
| Bank interest payable | - | 408 |
| Other interest payable | 32 | 38 |
| Loans from group undertakings | 3,179 | 2,539 |
| | <u>3,211</u> | <u>2,985</u> |

12. Other finance costs

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Net interest on net defined benefit liability | 31 | 104 |
| | <u>31</u> | <u>104</u> |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Taxation

| | 2017 £000 | 2016 £000 |
|---|----------------------|----------------------|
| Corporation tax | | |
| Current tax on loss for the year | (70) | (72) |
| Adjustments in respect of previous periods | 72 | (257) |
| Foreign tax | | |
| Foreign tax on income for the year | (10) | (6) |
| Total current tax | <u>(8)</u> | <u>(335)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 274 | (211) |
| Origination and reversal of timing differences relating to pensions | (242) | (206) |
| Adjustment in respect of prior years | 1,102 | (128) |
| Total deferred tax | <u>1,134</u> | <u>(545)</u> |
| Taxation on (loss)/profit on ordinary activities | <u>(1,126)</u> | <u>880</u> |

Total current and deferred tax relating to items of other comprehensive income for the year ended 31 December 2017 amounted to a debit of £2,068,000 (2016: £167,000).

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

| | 2017 £000 | 2016 £000 |
|---|----------------|--------------|
| Loss on ordinary activities before tax | (116,260) | (14,112) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%) | (22,380) | (2,822) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 22,424 | 640 |
| Adjustments for prior years | (1,174) | 385 |
| Utilisation of losses | (6) | - |
| Effect of changes in deferred tax rates | - | (77) |
| Losses not recognised | - | 2,900 |
| Overseas tax suffered | 10 | 6 |
| Non-taxable income | - | (224) |
| Adjustment in research and development tax credit leading to an increase in the tax charge | - | 72 |
| Total tax (credit)/charge for the year | (1,126) | 880 |

Factors that may affect future tax charges

The corporation tax rate from 1 April 2017 reduced to 19%. The 2016 Budget announced a further reduction in the tax rate down from 19% to 17% (previously 18%), from 1 April 2020. This rate reduction to 17% was included in the 2016 Finance Act, which was substantially enacted on 15 September 2016. As a result, deferred taxation, where applicable, has been provided at 17%.

The Company has tax losses arising in the UK of £12.5m (2016: £16.5m) that are available indefinitely for offset against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses due to uncertainty over the availability of future profits against which to offset the losses.

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Exceptional items

| | 2017 £000 | 2016 £000 |
|------------------------------------|--------------|--------------|
| Restructuring and redundancy costs | - | 3,688 |
| Special bonuses paid | - | 53 |
| Legal and consultancy | - | 254 |
| Customer claims | - | 3,083 |
| Onerous lease | - | 74 |
| Share transactions | - | (13) |
| | <hr/> | <hr/> |
| | - | 7,139 |

The company incurred £nil (2016: £3,688,000) of exceptional costs in relation to redundancy and restructuring activities.

An exceptional charge of £nil (2016: £3,083,000) was charged to profit and loss for the recognition of a provision for a certain customer claim. It is the opinion of the directors that the conditions for recognition have been met at 31 December 2016.

Exceptional legal and consultancy fees of £nil (2016: £254,000) were incurred as part of the merger between NV Bekaert SA and the Bridon Ropes Group which completed on 28 June 2016, and previously due to the purchase of the Bridon group by the Ontario Teachers Pension Plan.

The company has charged £nil (2016: £74,000) relating to the recognition of an onerous building lease.

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Tangible fixed assets

| | Freehold property £000 | Long-term leasehold property £000 | Short-term leasehold property £000 | Plant and machinery £000 | Total £000 |
|-------------------------------------|------------------------------|--|---|--------------------------------|---------------|
| Cost or valuation | | | | | |
| At 1 January 2017 | 8,924 | 1,699 | 36 | 81,482 | 92,141 |
| Additions | 331 | - | - | 2,254 | 2,585 |
| Transfers intra group | - | - | - | (4,976) | (4,976) |
| Disposals | - | - | - | (4) | (4) |
| Transfers between classes | - | - | 10 | (28) | (18) |
| Exchange adjustments | - | - | - | (2) | (2) |
| At 31 December 2017 | 9,255 | 1,699 | 46 | 78,726 | 89,726 |
| Dépreciation | | | | | |
| At 1 January 2017 | 581 | 206 | 19 | 61,237 | 62,043 |
| Charge for the year on owned assets | 186 | 54 | 2 | 3,512 | 3,754 |
| Transfers intra group | - | - | - | (4,883) | (4,883) |
| Disposals | - | - | - | (4) | (4) |
| Exchange adjustments | - | - | 12 | (66) | (54) |
| At 31 December 2017 | 767 | 260 | 33 | 59,796 | 60,856 |
| Net book value | | | | | |
| At 31 December 2017 | 8,488 | 1,439 | 13 | 18,930 | 28,870 |
| At 31 December 2016 | 8,343 | 1,493 | 17 | 20,245 | 30,098 |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Fixed asset investments

| | Investments in subsidiary companies £000 |
|-----------------------|--|
| Cost | |
| At 1 January 2017 | 48,839 |
| Additions | 9,415 |
| At 31 December 2017 | <u>58,254</u> |
| Impairment | |
| Charge for the period | 58,254 |
| At 31 December 2017 | <u>58,254</u> |
| At 31 December 2017 | <u>-</u> |
| At 31 December 2016 | <u>48,839</u> |

During the year, as the result of the unexpected down turn in trading performance described on earlier pages, the company carried out a review of the recoverable amount of investments. The review led to the recognition of an impairment loss of £58,254,000, which has been recognised in profit or loss. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and the impact of the restructuring plans referred to on earlier pages. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to investments. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years which show EBITDA growth of 65% over that period and extrapolates cash flows to perpetuity based on an estimated growth rate of 2 per cent. The pre-tax rate used to discount the forecast cash is 12.5%. The forecast cashflows were insufficient to support the carrying value of the investments at 31 December 2017 which resulted in a full impairment.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Fixed asset investments (continued)

The following are subsidiaries of the Company:

| Entity | Country of incorporation | Holding | Principal activity |
|--------------------------------|--------------------------|---------|---------------------|
| Bridon-American Corporation | United States of America | 100% | Engineering company |
| Bridon Coatbridge Limited | United Kingdom | 100% | Dormant company |
| Bridon Scheme Trustees Limited | United Kingdom | 100% | Dormant company |

The registered address of all UK subsidiaries is Ground Floor Icon Building, Balby Carr Bank, Doncaster, South Yorkshire, DN4 5JQ. The registered address of Bridon-American Corporation is C280 New Commerce Boulevard, Wilkes-Barre, PA 18706, United States.

The following is an associate of the Company:

| | | | |
|---------------------|---------|--------|---------------------|
| Bridon Ropes N.V/SA | Belgium | 40.25% | Engineering company |
|---------------------|---------|--------|---------------------|

17. Stocks

| | 2017 £000 | 2016 £000 |
|------------------|---------------|---------------|
| Raw materials | 2,649 | 2,119 |
| Work in progress | 2,948 | 2,492 |
| Finished goods | 8,790 | 8,203 |
| | <u>14,387</u> | <u>12,814</u> |

The Directors consider that there is no material difference between the Balance sheet value of inventories and their replacement cost.

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Debtors

| | 2017 £000 | 2016 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 6,973 | 14,274 |
| Amounts owed by group undertakings | 3,400 | 52,154 |
| Other debtors | 667 | 2 |
| Prepayments and accrued income | 3,094 | 2,408 |
| Tax recoverable | 728 | 576 |
| | <u>14,862</u> | <u>69,414</u> |

In 2017 £7,909k of trade debtors have been de-recognised as the result of being settled as part of a factoring agreement and related insurance policy held by the Company. The result of these agreements is that the Company continues to be responsible for collecting outstanding trade debtors and for 5% of any amounts not received. With regard to these assets since the risk and rewards have been substantially transferred this meets the requirements for de-recognition per IFRS 9 Financial Instruments.

19. Creditors: Amounts falling due within one year

| | 2017 £000 | 2016 £000 |
|------------------------------------|---------------|----------------|
| Trade creditors | 19,533 | 11,860 |
| Amounts owed to group undertakings | 3,804 | 83,624 |
| Corporation tax | 8 | - |
| Other taxation and social security | 615 | 609 |
| Government grants | 254 | 254 |
| Other creditors | 2,821 | 7,887 |
| Financial instruments | 421 | 543 |
| | <u>27,456</u> | <u>104,777</u> |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Creditors: Amounts falling due within one year (continued)

Bank loans and overdrafts comprises drawings on short-term revolving credit facilities repayable within three months.

Nature of financial instruments at fair value

The Company enters into forward foreign exchange contracts to manage the risk associated with specific foreign currency receipts. The terms of the forward currency contracts are matched to the terms of expected future receipts.

Valuation techniques and assumptions applied for financial instruments at fair value

The fair value of forward currency exchange contracts was determined using quoted forward exchange rates matching the maturities of the contracts.

Changes in value of financial instruments at fair value

Included within the profit and loss account is £30,000 and included within other comprehensive income is £216,000 relating to the change in value of forward foreign exchange contracts.

Financial instruments

The Royal Bank of Canada has a fixed and floating charge over the intellectual and material property of the Company to secure bank loans held by a fellow group company.

Security

During the prior year the Company entered into a debt factoring agreement with BNP Paribas. In 2016 the trade debtors that were factored out to BNP Paribas with recourse to the Company were not de-recognised as the risks and rewards of the debtors had not been transferred. Accordingly, the cash received from BNP Paribas was recorded within other creditors. In 2017 the trade debtors that have been factored have been de-recognised as changes to the factoring arrangement has meant that the Company continues to be responsible for collecting outstanding trade debtors and for 5% of any amounts not received. However, the risks and rewards have been substantially transferred and this meets the requirements for re-recognition per IFRS 9 Financial Instruments. At 31 December 2017 the amount included within other creditors is £nil (2016: £4,469,000)

20. Creditors: Amounts falling due after more than one year

| | 2017 £000 | 2016 £000 |
|------------------------------------|---------------|--------------|
| Amounts owed to group undertakings | 81,774 | - |
| Government grants received | 940 | 1,194 |
| | <u>82,714</u> | <u>1,194</u> |

The government grant balance that will be utilised after more than five years is £nil (2016 - £nil).

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. Deferred taxation

| | 2017 £000 | 2016 £000 |
|---------------------------------------|--------------|--------------|
| At beginning of year | 84 | 796 |
| Charged to Income Statement | 1,134 | (545) |
| Charged to other comprehensive income | (2,068) | (167) |
| At end of year | (850) | 84 |

The deferred taxation balance is made up as follows:

| | 2017 £000 | 2016 £000 |
|--------------------------------|--------------|--------------|
| Retirement benefit obligations | (1,945) | 328 |
| Accelerated tax depreciation | 483 | (782) |
| Other timing differences | 612 | 538 |
| | (850) | 84 |

Comprising:

| | | |
|-----------|--------------|-----------|
| Liability | (850) | 84 |
| | (850) | 84 |

Unrecognised tax losses

In addition, deferred tax assets of £2.2m (2016 - £2.7m) in respect of losses have not been provided due to the uncertainty of their recovery in the short term.

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Provisions

| | Product claim provision £000 | Other provisions £000 | Total £000 |
|----------------------------|---------------------------------------|-----------------------------|---------------|
| At 1 January 2017 | 3,944 | 1,161 | 5,105 |
| Credited to profit or loss | (2,461) | (10) | (2,471) |
| Utilised in year | (853) | (80) | (933) |
| At 31 December 2017 | 630 | 1,071 | 1,701 |

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.

Other provisions comprise claims for historic employee liability claims, lease dilapidations, environmental rectification and asbestos removal costs. The ultimate timing of utilisation of these provisions is uncertain.

23. Share capital

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 35,415,557 (2016 - 25,999,901) A Ordinary shares of £1 each | 35,416 | 26,000 |
| 100 B Ordinary shares of £1 each | - | - |
| | 35,416 | 26,000 |

Each A ordinary share entitles the holder to one vote on all matters to be voted on by the shareholders of the Company except with respect to the election, appointment or removal of directors, which are rights exclusively attached to the B ordinary shares. The holders of A ordinary shares are entitled to dividends or distributions as determined by the board of directors. In the event of a liquidation, dissolution or winding up of the Company the holders of the A ordinary shares are entitled to participate in any distributions, on a pro-rata basis, once the holders of the B ordinary shares have been repaid.

The B ordinary shares do not confer any voting rights on matters to be voted on by the shareholders of the Company except with respect to the election, appointment or removal of directors. The holders of B ordinary shares are entitled to such dividends or distributions as determined by the board of directors. In the event of liquidation, dissolution or winding up of the Company the amount received by B shareholders will be restricted to their nominal value.

On 15th May 2017, 9,415,656 A ordinary shares were issued with the nominal value of £1. Non-cash consideration of 3,778 common shares in the capital of Bridon-American Corporation was received.

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
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24. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

Includes any surplus arising on the revaluation of land and buildings.

Hedging reserve

Includes cumulative gains and losses on hedging instruments deemed effective in cash flow hedges.

Profit and loss account

Includes all current and prior years' retained profit and losses.

25. 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 guarantees at the year-end amounted to £1.7 million (2016 - £3.2 million).

26. Capital commitments

At 31 December 2017, the Company had entered contractual commitments for the acquisition of property, plant and equipment amounting to £10,000 (2016 - £296,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

27. Pension commitments

Defined contribution plans

The Group operates defined contribution plans for qualifying employees across several jurisdictions. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The total costs charged in relation to the continuing businesses during the period of £1,069,000 (2016: £1,037,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The group operates a Defined benefit pension scheme.

Defined benefit plans

The Company is the sponsoring employer of a final salary defined benefit pension scheme, The Bridon (2013) Pension Scheme. The Scheme is registered under UK legislation and is administered by a separate fund that is legally separate from the Company. The Trustees are responsible for the operation and governance of the Scheme and are required by law to act in the interest of the fund and of all relevant stakeholders in the plans.

The cost of the defined benefit plan is determined in accordance with 'IAS19 (revised): Employee Benefits' with the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. Valuations of the scheme are based on full actuarial valuations as of 31 March 2016 and updated at 31 December 2016 by independent actuaries.

The funding valuation of the Scheme carried out as at 31 December 2013 by a qualified actuary showed a deficit of £12.4m. The Company entered into a funding agreement in order to make good this shortfall. As part of the funding agreement the company contributed £1,453,000 (2016: £1,900,000) to the Plan in the period ended 31 December 2017. Agreement was reached with the Trustees that no contributions would be required during 2018. As at 31 December 2017 the Company has recognised a pension surplus of £11,447,000 (2016 deficit of £1,925,000) as the Company has determined that it has an unconditional right to a refund of the surplus and therefore any surplus is not restricted.

Contributions payable to the pension scheme at the end of the year are £156,247 (2016: £158,333).

The Scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

27. Pension commitments (continued)

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Maturity Profile of Defined Benefit Obligation

| | | |
|---|--|--------|
| 1 | Expected benefit payments during fiscal year ending 30 September 2017 | 2,681 |
| 2 | Expected benefit payments during fiscal year ending 30 September 2018 | 2,771 |
| 3 | Expected benefit payments during fiscal year ending 30 September 2019 | 2,864 |
| 4 | Expected benefit payments during fiscal year ending 30 September 2020 | 2,959 |
| 5 | Expected benefit payments during fiscal year ending 30 September 2021 | 3,059 |
| 6 | Expected benefit payments during fiscal years ending 30 September 2022 through 30 September 2026 | 16,900 |

Reconciliation of present value of plan liabilities:

| | 2017 £000 | 2016 £000 |
|--|---------------|---------------|
| Reconciliation of present value of plan liabilities | | |
| At the beginning of the year | 84,193 | 62,340 |
| Interest cost | 2,113 | 2,354 |
| Actuarial (losses)/gains | (7,222) | 22,456 |
| Contributions | - | (560) |
| Benefits paid | (2,671) | (1,107) |
| Past service cost | - | (1,290) |
| At the end of the year | 76,413 | 84,193 |

Reconciliation of present value of plan assets:

| | 2017 £000 | 2016 £000 |
|-------------------------------|---------------|---------------|
| At the beginning of the year | 82,268 | 67,381 |
| Interest income | 2,082 | 2,585 |
| Actuarial gains/losses | 4,728 | 13,381 |
| Contributions | 1,453 | 1,900 |
| Benefits paid | (2,671) | (1,107) |
| Past service cost | - | (1,290) |
| Derecognition of surplus | - | (582) |
| At the end of the year | 87,860 | 82,268 |

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. Pension commitments (continued)

Composition of plan assets:

| | 2017 £000 | 2016 £000 |
|--------------------------|---------------|---------------|
| Equities | 38,441 | 33,977 |
| Index linked bonds | 39,859 | 39,159 |
| Corporate bonds | 9,033 | 8,474 |
| Cash and net assets | 527 | 658 |
| Total plan assets | 87,860 | 82,268 |

As at 31 December 2017 the Company has recognised a pension surplus of £11,447,000 (2016 deficit of £1,925,000). In 2016 the Company was deemed to not have any right to the pension scheme surplus and therefore any asset was restricted. In 2017 the Company has reached and amended agreement with the trustees and hence now has an unconditional right to a refund of any pension scheme surplus and therefore the asset restriction is no longer not applied.

| | 2017 £000 | 2016 £000 |
|---|---------------|----------------|
| Fair value of plan assets | 87,860 | 82,268 |
| Present value of plan liabilities | (76,413) | (84,193) |
| Net pension scheme asset/(liability) | 11,447 | (1,925) |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

27. Pension commitments (continued)

Significant assumptions

| | 2017 | 2016 |
|--------------------------------------|--------|--------|
| Rate of increase in pension payments | | |
| RPI max 5% | 2.95% | 3.05% |
| RPI min 3%, max 5% | 3.75% | 3.80% |
| RPI max 2.5% | 1.9% | 2.00% |
| Discount rate | 2.65% | 2.65% |
| Inflation assumption (RPI) | 3.15% | 3.35% |
| Inflation assumption (CPI) | 2.05 % | 2.25 % |

Post mortality

| | | |
|-----------------------------------|------|------|
| Current pensioners at 65 - male | 20.2 | 20.8 |
| Current pensioners at 65 - female | 23.4 | 24.3 |
| Future pensioners at 65 - male | 21.0 | 22.2 |
| Future pensioners at 65 - female | 24.5 | 25.8 |

Sensitivity analysis

| Assumption | Change in assumption | Impact on scheme liabilities |
|---------------------------|---------------------------|------------------------------|
| Discount rate | Increase/decrease by 1.0% | Decrease/increase by 9.5% |
| Inflation assumption | Increase/decrease by 1.0% | Decrease/increase by 5.5% |
| Rate of salary increases | Increase/decrease by 0.5% | Decrease/increase by 3.0% |
| Post retirement mortality | Increase by 1 year | Increase by 4.5% |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
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27. Pension commitments (continued)

Amounts recognised in the Profit and loss and Statement and Statement of other comprehensive Income in respect of these defined benefit plans are as follows:

| | 2017 £000 | 2016 £000 | 2016 £000 | 2016 £000 |
|--|---------------|--------------|--------------|----------------|
| Profit and loss | | | | |
| Administrative expenses | 447 | 582 | 582 | 338 |
| Net interest income/(expense) | 31 | 104 | (231) | (109) |
| | <u>478</u> | <u>686</u> | <u>351</u> | <u>229</u> |
| Other comprehensive income | | | | |
| Return on plan assets in excess of that recognised in net interest | 4,728 | (13,381) | (13,381) | 1,953 |
| Actuarial losses due to changes in financial assumptions | 2,103 | 22,456 | 22,456 | (2,097) |
| Actuarial gain/(loss) on scheme liabilities arising from experience | 2,763 | (560) | (560) | (1,217) |
| Actuarial loss due to Demographic Assumption Changes in DBO | 2,356 | - | - | (2,009) |
| | <u>11,950</u> | <u>8,515</u> | <u>8,515</u> | <u>(3,370)</u> |
| Total amount recognised in profit and loss and other comprehensive income | <u>12,428</u> | <u>9,201</u> | <u>8,866</u> | <u>(3,141)</u> |

BRIDON INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. Commitments under operating leases

The Company has entered into commercial leases on certain land and buildings, vehicles and equipment. There are no material renewal options, escalation clauses or purchase options included in the lease contracts. There are no contingent rentals or operating leases or material sub-leases. There are no significant restrictions placed upon the lessee by entering into these leases. Excluding land and buildings, these leases have an average life of between three and five years.

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2017 £000 | 2016 £000 |
|--|---------------|---------------|
| Not later than 1 year | 1,166 | 1,350 |
| Later than 1 year and not later than 5 years | 4,455 | 4,666 |
| Later than 5 years | 25,069 | 26,194 |
| | <u>30,690</u> | <u>32,210</u> |
| | 2017 £000 | 2016 £000 |
| Not later than 1 year | 323 | 46 |
| Later than 1 year and not later than 5 years | 899 | 656 |
| | <u>1,222</u> | <u>702</u> |

29. Subsequent events

On 19 October 2018 NV Bekaert repaid the external debt of the Bridon-Bekaert Ropes Group. This was replaced with a loan between Bridon-Bekaert Ropes Group and NV Bekaert.

On 24 October 2018 NV Bekaert completed the acquisition of Ontario Teachers' Pension Plan 33% equity share in Bridon-Bekaert Ropes Group. As a result NV Bekaert now owns 100% of the Bridon-Bekaert Ropes Group.

On 23 February 2018 C M Griffin was appointed as a Director. On 29 March 2018 B J M Humblet resigned as a Director. On 6 July 2018 R Nalli resigned as a Director and L Vankemmelbeke was appointed as a Director.

30. Related party transactions

During the year the company undertook the following transactions and had the following balances outstanding at 31 December 2017 with related parties:

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Debtor £000 | Creditor £000 | Sales £000 | Purchases £000 | Interest receivable £000 | Interest payable £000 |
|---|----------------|------------------|---------------|-------------------|--------------------------------|-----------------------------|
| Bridon International GMBH | - | 119 | 12,264 | 1,996 | 23 | - |
| Bekaert Wire Ropes Pty Ltd | 232 | - | 1,226 | - | - | - |
| Bridon American Corporation | - | 11 | 4,103 | 225 | - | 101 |
| Productos de Acero S.A. Prodinsa | - | 143 | 621 | 203 | - | - |
| PT Bridon | 9 | 239 | 362 | 2,426 | - | - |
| Bridon-Bekaert ScanRope AS | - | - | - | - | 180 | - |
| Bekaert Wire Rope Industry NV | - | 7 | - | 78 | - | - |
| Bridon Singapore (Pte) Ltd | 285 | 7 | 1,101 | 158 | - | - |
| Bridon New Zealand Ltd | 654 | - | 760 | - | - | - |
| Bridon Hong Kong Ltd | 285 | - | 2,039 | - | - | - |
| Prodinsa SA (Chile) | - | - | 122 | - | - | - |
| Wire Rope Industries | 482 | - | 5,367 | - | - | - |
| Bridon Coatbridge Limited | - | 155 | - | - | - | - |
| BBRG Finance (UK) Limited | 254 | 38,201 | - | 1,363 | 6 | 1,031 |
| Bridon Limited | 17 | - | - | - | - | 44 |
| BBRG-Macae Cabos Ltda | 387 | 22 | 578 | - | - | - |
| Bridon-Bekaert Ropes Group Ltd | - | - | - | - | - | - |
| Bridon-Bekaert Ropes Group (UK) Ltd | 564 | - | - | - | - | - |
| Bekaert Hlohevec, a.s. | - | 35 | - | 360 | - | - |
| Bridon Holdings Limited | - | 46,321 | - | - | - | 2,003 |
| Bridon (Hangzhou) Ropes Co Ltd | 220 | - | 525 | - | - | - |
| BMB-Belgo Mineria Bekeart Artefatos De Arame Ltda | 11 | - | - | - | - | - |
| BBRG-Osasco Cabos Ltda | - | - | 290 | - | - | - |
| NV Bekaert SA | - | 318 | - | 737 | - | - |
| Total | 3,400 | 85,578 | 29,358 | 7,546 | 209 | 3,179 |

BRIDON INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

31. Controlling party

The immediate parent undertaking of the Company is Bridon Limited, a company incorporated in the United Kingdom. The ultimate controlling party of the Company is NV Bekaert SA, a company incorporated in Belgium, whose registered office is Bekaertstraat 2, 8550 Zwevegem, Belgium.

The smallest and largest group of which the Company is a member and in to which the Company's accounts were consolidated at 31 December 2017 is NV Bekaert SA.

Copies of the consolidated financial statements referred to above which include the results of the Company are available from NV Bekaert SA, President Kennedypark 18, BE-8500 Kortrijk, Belgium.