

**Company Registration No. 03724689**

**Prelok Specialist Products Limited (formerly McKechnie Specialist  
Products Limited)**

**Annual Report and Financial Statements**

**31 December 2012**

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**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Report and Financial Statements  
Year ended 31 December 2012**

**Officers and professional advisors**

**Directors**

G P Martin

S A Peckham

G E Barnes

A G Peart

M J Richards

B V Mann (resigned 25 June 2012)

M Sturgess (resigned 25 June 2012)

**Secretary**

G E Barnes

**Registered Office**

Precision House

Arden Road

Alcester

Warwickshire

B49 6HN

**Chartered Accountants and Statutory Auditor**

Deloitte LLP

Chartered Accountants

London, United Kingdom

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

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

The Company's principal activity during the year was the manufacture of industrial components. The Directors do not expect any change in this activity in the foreseeable future.

Turnover for the year ended 31 December 2012 was £1,388,000 (year ended 31 December 2011: £4,927,000). The operating loss for the year ended 31 December 2012 was £450,000 (year ended 31 December 2011: loss of £345,000). The retained loss for the year ended 31 December 2012 was £423,000 (year ended 31 December 2011: profit of £1,343,000).

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2011: £nil).

The Company is a wholly-owned subsidiary of Melrose Industries PLC and operates as part of the Group's Other Industrial division.

The Key Performance Indicators (KPIs) for the Company are in line with the KPIs of the Melrose Group, of which the Company is a trading subsidiary. The primary KPIs relate to revenue growth, operating margin growth and the conversion of operating profits into cash.

On 30 December 2011 the Canning Brett division of McKechnie Specialist Products Limited was sold. In the year ended 31 December 2011, the Canning Brett division contributed (and thus amounts from discontinued operations were) turnover of £3,330,000 and operating profit of £780,000. All results in the year ended 31 December 2012 were derived from continuing operations.

Turnover from continuing operations declined from £1,597,000 in the year ended 31 December 2011 to £1,388,000 in the year ended 31 December 2012. The operating result, excluding pension contributions, from continuing operations fell from an operating profit of £20,000 in the year ended 31 December 2011 to an operating loss of £221,000 in the year ended 31 December 2012.

The Company experienced difficult trading conditions during the year. Customers within the market continue to be cautious on stock holdings and certain contracts ended during the year. Material costs also increased during the year which has impacted operating margins.

The Directors are confident that 2013 will be a year of improvement for the business. New products have been developed which will enter the market during 2013 and a cost reduction programme has been undertaken to remove surplus expenses from the business.

#### **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.

#### **Financial risk management and policies**

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

##### **Credit risk**

The Company's principal financial assets are bank balances and cash and trade and other receivables (including receivables from other Group undertakings).

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.

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Directors' report (continued)**

#### **Directors**

The Directors who served throughout the year ended 31 December 2012 and thereafter are listed under 'Officers and professional advisors'

#### **Directors' liabilities**

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

#### **Supplier payment policy**

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. Trade creditors of the Company at 31 December 2012 were equivalent to 31 days purchases (year ended 31 December 2011: 16 days), based on the average daily amount invoiced by suppliers during the year.

#### **Employment policies**

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.

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.

#### **Charitable and political donations**

There were no political or charitable donations during the year (year ended 31 December 2011: £nil).

#### **Auditor**

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

so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and

the Directors have taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have indicated their willingness to continue in office as auditor and will be deemed to be re-appointed after the end of the next "period for appointing auditors" as defined in s485(2) of the Companies Act 2006.

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



G E Barnes  
Director  
22 August 2013

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the 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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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.

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Independent auditor's report to the members of Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

We have audited the financial statements of Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited) for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. 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 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. 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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on 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 2012 and of its loss 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

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Independent auditor's report to the members of**

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited) (contin**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

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

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

*Helen Burridge*

**Helen Burridge (Senior Statutory Auditor)**

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

London, United Kingdom

22 August 2013

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Profit and Loss Account**  
**Year ended 31 December 2012**

		Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
	Note		
Turnover	2	1,388	4,927
Cost of sales		(1,219)	(3,469)
<b>Gross profit</b>		<b>169</b>	<b>1,458</b>
Distribution costs		(110)	(207)
Administrative expenses		(280)	(451)
Exceptional operating expense	5	(229)	(1,145)
<b>Operating loss</b>		<b>(450)</b>	<b>(345)</b>
Non-operating exceptional income	3	-	1,666
<b>(Loss)/profit on ordinary activities before finance charges</b>		<b>(450)</b>	<b>1,321</b>
Finance income	4	27	22
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(423)</b>	<b>1,343</b>
Tax charge on (loss)/profit on ordinary activities	8	-	-
<b>(Loss)/profit for the financial year</b>	15	<b>(423)</b>	<b>1,343</b>

Included in the results reported in the Profit and Loss Account in the year ended 31 December 2011 is turnover from discontinued operations of £3,330,000 and operating profit from discontinued operations of £780,000 relating to the Canning Brett division as discussed in the Directors' report. All results reported for the year ended 31 December 2012 relate to continuing operations.

There are no recognised gains and losses in either year other than the profit and loss result for that year.



**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Balance Sheet**

**As at 31 December 2012**

	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Fixed assets</b>			
Tangible assets	9	269	236
		<u>269</u>	<u>236</u>
<b>Current assets</b>			
Stocks	10	96	88
Debtors	11	4,624	3,412
Cash at bank and in hand		-	1,653
		<u>4,720</u>	<u>5,153</u>
<b>Creditors</b> amounts falling due within one year	12	(768)	(677)
<b>Net current assets</b>		<u>3,952</u>	<u>4,476</u>
<b>Total assets less current liabilities</b>		<u>4,221</u>	<u>4,712</u>
<b>Creditors</b> amounts falling due after more than one year	13	-	(68)
<b>Net assets</b>		<u>4,221</u>	<u>4,644</u>
<b>Capital and reserves</b>			
Called-up share capital	14	45,000	45,000
Share premium account	15	4,950	4,950
Profit and loss account	15	(45,729)	(45,306)
<b>Shareholders' funds</b>	16	<u>4,221</u>	<u>4,644</u>

The financial statements of Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited) (registered number 03724689) were approved by the Board of Directors and authorised for issue on 22 August 2013  
Signed on Behalf of the Board of Directors



G E Barnes  
Director

# **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

## **Notes to the financial statements Year ended 31 December 2012**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Directors' report.

#### **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.

#### **Statement of Cash Flow**

Under the provisions of FRS 1 "Cash Flow Statements" (Revised 1996), the Company has not prepared a statement of cash flows because its ultimate parent undertaking, Melrose Industries PLC, has prepared consolidated financial statements which include the financial statements of the Company and which contain a Statement of Cash Flows.

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

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

Plant and equipment

Between 3 and 12 years

#### **Stocks and works 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.

#### **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.

# **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

## **Notes to the financial statements Year ended 31 December 2012**

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

#### **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 from servicing and repair of assets which remain the property of their owners during the work is recognised over the period in which the service is provided.

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

The Company participates in a defined benefit pension scheme, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. The Company's contributions are affected by the surplus/deficit in the scheme. However, it is not possible to identify the Company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

Therefore, in accordance with the FRS 17 multi-employer exemption, the scheme is accounted for as if it were a defined contribution scheme. For defined contribution schemes the amount charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

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

#### **Defined contribution pension scheme**

Pension costs for the Company's 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.

#### **Foreign currencies**

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.

# **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

## **Notes to the financial statements** **Year ended 31 December 2012**

### **2. Segment information**

An analysis of turnover by end market is given below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Automotive	902	3,696
Electronics	139	160
Hardware	139	160
Other	208	911
	<u>1,388</u>	<u>4,927</u>

An analysis of turnover by geographical market is given below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
United Kingdom	1,388	3,767
Rest of Europe	-	1,102
North America	-	50
Rest of world	-	8
	<u>1,388</u>	<u>4,927</u>

### **3 Exceptional items**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
<b>Exceptional income</b>		
Profit on disposal of Canning Brett business	-	1,666
	<u>-</u>	<u>1,666</u>

On 30 December 2011 the Canning Brett division of McKechnie Specialist Products Limited was sold to McKechnie Engineered Plastics Limited, a fellow Melrose Group company for consideration of £3,000,000. The profit on disposal arising from this disposal was £1,666,000.

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Notes to the financial statements  
Year ended 31 December 2012**

**4 Finance income**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
<b>Interest receivable and similar income</b>		
Loans to fellow Group undertakings	27	22
	<u>27</u>	<u>22</u>

**5 (Loss)/profit on ordinary activities before taxation**

This is stated after charging/(crediting)

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Depreciation of owned tangible fixed assets	41	103
Net foreign exchange gain	-	(7)
	<u>41</u>	<u>96</u>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	13
	<u>12</u>	<u>13</u>

Also included within the operating loss were the following exceptional items

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Pension Contributions	(229)	(1,145)
	<u>(229)</u>	<u>(1,145)</u>

The depreciation charge on owned assets in discontinued operations for the year ended 31 December 2011 was £51,000  
Audit fees paid for audit of discontinued operations for the year ended 31 December 2011 was £5,000

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Notes to the financial statements Year ended 31 December 2012**

#### **6 Staff costs**

The average monthly number of employees (including Directors) was

	<b>Year ended 31 December 2012 Number</b>	<b>Year ended 31 December 2011 Number</b>
Production	12	39
Distribution	7	9
Administration	5	9
	<hr/> 24	<hr/> 57

The aggregate remuneration comprised

	<b>Year ended 31 December 2012 £'000</b>	<b>Year ended 31 December 2011 £'000</b>
Wages and salaries	728	1,410
Social security costs	85	138
Defined contribution pension costs	9	28
Defined benefit pension costs	229	1,145
	<hr/> 1,051	<hr/> 2,721

The aggregate remuneration for the year ended 31 December 2011 for discontinued operations was £760,000 of which £686,000 related to wages and salaries, £56,000 related to social security costs and £18,000 related to defined contribution pension costs. The average number of employees within discontinued operations in the year ended 31 December 2011 was 32.

#### **7 Directors' remuneration**

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2011 £nil). The Directors of the Company who served during the year were also Directors of a number of the 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 any remuneration for their incidental services to the Company for the year ended 31 December 2012 or the year ended 31 December 2011.

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Notes to the financial statements  
Year ended 31 December 2012**

**8. Tax on ordinary activities**

The tax charge comprises

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
<b>Current tax</b>		
UK corporation tax	-	-
<b>Total current tax charge</b>	-	-
<b>Deferred tax</b>	-	-
<b>Total tax charge</b>	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit on ordinary activities before taxation is as follows

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
<b>(Loss)/profit on ordinary activities before taxation</b>	(423)	1,343
Tax on (loss)/profit on ordinary activities before taxation at standard UK corporation tax rate of 24.5% (31 December 2011: 26.5%)	(104)	356
Effects of		
Expenses not deductible for tax purposes	8	2
Non taxable income	-	(441)
Capital allowances in excess of depreciation	(52)	(65)
Other timing differences	-	(4)
Group relief surrendered at nil consideration	148	152
<b>Current tax charge</b>	-	-

Due to the uncertainty of future profits, the company has not recognised a deferred tax asset of £195,000 in respect of other timing differences. The amounts not recognised are based on a corporation tax rate of 23% (2011: 25%).

Further reductions have been proposed in the rate of corporation tax from the current rate of 23% to a proposed 20% for the financial year beginning 1 April 2015. At a rate of 20% the unprovided asset would reduce to £170,000.

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products I**

**Notes to the financial statements  
Year ended 31 December 2012**

**9 Tangible fixed assets**

	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
At 1 January 2012	1,604	1,604
Additions	74	74
At 31 December 2012	<u>1,678</u>	<u>1,678</u>
<b>Depreciation</b>		
At 1 January 2012	(1,368)	(1,368)
Charge for the year	(41)	(41)
At 31 December 2012	<u>(1,409)</u>	<u>(1,409)</u>
<b>Net book value</b>		
At 31 December 2012	<u>269</u>	<u>269</u>
At 31 December 2011	<u>236</u>	<u>236</u>



**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Notes to the financial statements  
Year ended 31 December 2012**

**10. Stocks**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	81	71
Work in progress	12	8
Finished goods and goods for resale	3	9
	<hr/>	<hr/>
	96	88
	<hr/>	<hr/>

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

**11 Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year.</b>		
Trade debtors	226	356
Amounts owed by fellow Group undertakings	4,368	3,017
Prepayments and accrued income	30	39
	<hr/>	<hr/>
	4,624	3,412
	<hr/>	<hr/>

**12. Creditors-amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	546	405
Trade creditors	104	151
Amounts owed to fellow Group undertakings	4	-
Accruals and deferred income	114	121
	<hr/>	<hr/>
	768	677
	<hr/>	<hr/>

**13. Creditors-amounts falling due after more than one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other creditors</b>		
Amounts owed to fellow Group undertakings	-	68
	<hr/>	<hr/>
	-	68
	<hr/>	<hr/>

**Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

**Notes to the financial statements  
Year ended 31 December 2012**

**14 Called-up share capital**

	2012 £'000	2011 £'000
Allotted, called-up and fully-paid 45,000,000 Ordinary Shares of £1 each	45,000	45,000

**15 Reserves**

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	4,950	(46,649)	(41,699)
Result for the year	-	1,343	1,343
At 1 January 2012	4,950	(45,306)	(40,356)
Result for the year	-	(423)	(423)
At 31 December 2012	4,950	(45,729)	(40,779)

**16 Reconciliation of movements in shareholders' funds**

	2012 £'000	2011 £'000
(Loss)/profit for the financial year	(423)	1,343
Net (reduction)/addition to shareholders' funds	(423)	1,343
Opening shareholders' funds	4,644	3,301
Closing shareholders' funds	4,221	4,644

# **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

## **Notes to the financial statements**

**Year ended 31 December 2012**

### **17 Retirement benefit schemes**

#### **Defined Contribution Scheme Member**

The Company participates in a defined contribution pension scheme. Contributions to this scheme in the year amounted to £9,000 (year ended 31 December 2011: £28,000).

There were no amounts prepaid or accrued in the Balance Sheet at the year end date.

The McKechnie 2005 Pension Scheme is a trust based defined contribution pension scheme established under the provisions of Chapter 1, Part XIV of the Income and Corporation Taxes Act 1988. The scheme is administered and managed by Scottish Life. The trustee of the scheme is McKechnie Pension Trust (Alcester) Limited.

#### **Defined Benefit Scheme Member and holder**

The Company is a participating employer in the McKechnie Pension Plan, which is now closed. Melrose PLC holds a deed of guarantee with McKechnie Pension Trust Limited, the trustee of the McKechnie Pension Plan, pursuant to which Melrose PLC guaranteed the obligations of the Participating Employers, to contribute £4.58 million to the McKechnie Pension Plan per annum from 1 July 2010 until 1 October 2017.

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

Contributions to this scheme in the year amounted to £229,000 (year ended 31 December 2011: £1,145,000).

The valuation of the Group scheme shows the following (deficit)/surplus: UK Group scheme (£8,153,000) (year ended 31 December 2011: £2,996,000).

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the Balance Sheet of the Company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other Group companies which also participate in the scheme. It has not been possible to identify the share of the deficit which relates solely to Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited).

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

The assets in the scheme and the expected rates of return at 31 December 2012 were:

	31 December 2012	2012	31 December 2011	2011
	Long term rate of return expected %	Value £'000	Long term rate of return expected %	Value £'000
Equities	7.00	77,262	6.20	69,760
Debt instruments	3.99	14,891	2.00	6,299
Other assets	4.30	78,673	3.97	81,413
Total fair value of scheme assets		170,826		157,472
Present value of scheme liabilities		(178,979)		(154,476)
(Deficit)/surplus in scheme		(8,153)		2,996

The figures above were calculated on the basis of the following assumptions:

	2012	2011
	%	%
Discount rate	4.50	4.90
Expected rate of salary increases	3.50	3.60
Future pension increases	3.00	3.10
Inflation	3.00	3.10

# **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

## **Notes to the financial statements** **Year ended 31 December 2012**

### **17 Retirement benefit schemes (continued)**

Movements in the present value of defined benefit obligations were as follows

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	(154,476)	(141,953)
Interest cost	(7,456)	(7,771)
Actuarial losses	(21,872)	(8,610)
Benefits paid	4,056	3,858
Settlements	769	-
At 31 December	(178,979)	(154,476)
Experience adjustments on scheme liabilities	12%	6%

Movements in the value of scheme assets were as follows

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	157,472	143,839
Expected return on plan assets	7,857	9,775
Actuarial (losses)/gains	(1,277)	2,911
Member company contributions	10,830	4,805
Benefits paid	(4,056)	(3,858)
At 31 December	170,826	157,472
Experience adjustments on scheme assets	1%	2%
Net (deficit)/surplus in scheme	(8,153)	2,996

### **Mortality assumptions**

The mortality assumptions for the plan at 31 December 2012 are the S1NA tables with a scaling factor of 100% and a -1 year age rating for females. Future improvements are in line with the Continuous Mortality Investigation ("CMI") improvement model with a long-term rate of improvement of 1.25% per annum.

The assumed life expectancy on retirement at age 65 are

	<b>2012</b>	<b>2011</b>
Retiring today		
Males	87.10	85.90
Females	89.20	89.10
Retiring in 20 years		
Males	88.50	87.70
Females	90.80	91.00

The remainder of the five year history of experience adjustments is as follows

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(141,953)	(140,180)	(124,855)
Fair value of scheme assets	143,839	128,081	116,205
Net surplus/(deficit)	1,886	(12,099)	(8,650)
Experience adjustments on scheme liabilities	2,064	(25,781)	24,600
Experience adjustments on scheme assets	5,299	520	(10,800)

## **Prelok Specialist Products Limited (formerly McKechnie Specialist Products Limited)**

### **Notes to the financial statements Year ended 31 December 2012**

#### **18 Related party transactions**

The Company is a wholly owned subsidiary of Melrose Industries PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Melrose Group for which 100% of the ownership rests within the Melrose Group.

#### **19 Ultimate parent company**

On 27 November 2012 a group restructure resulted in Melrose Industries Plc, a company incorporated in Great Britain and registered in England and Wales becoming the new top company for the Melrose Group of companies. Since this date the Directors regard Melrose Industries Plc as the ultimate parent undertaking and controlling party. Prior to 27 November 2012 Melrose Plc was the ultimate controlling party. The immediate parent company is Melrose UK Holdings Limited, which is registered in Great Britain.

The smallest and largest group into which the results of the company are consolidated is that headed by Melrose Industries PLC. Copies of the financial statements are available from the Company Secretary, Melrose Industries PLC, Precision House, Arden Road, Alcester, Warwickshire, B49 6HN.