

Registered number: 00095908

**Bekaert Bradford UK Limited**

**Annual report and financial statements**

**for the year ended 31 December 2018**



# **Bekaert Bradford UK Limited**

## **Annual report and financial statements 2018**

<b>Contents</b>	<b>Page</b>
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

# **Bekaert Bradford UK Limited**

## **Annual report and financial statements 2018**

### **Officers and professional advisers**

#### **Directors**

J Boelens

B Simo

#### **Company Secretary**

C Cotton

#### **Registered office**

Bekaert Bradford UK Limited  
Park House Road  
Low Moor  
Bradford  
West Yorkshire  
BD12 0QB

#### **Bankers**

HSBC plc  
14 Bradford Road  
Cleckheaton  
West Yorkshire  
BD19 3JR

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
1 City Square  
Leeds  
United Kingdom  
LS1 2AL

## Bekaert Bradford

### Strategic Report

The directors present their Strategic Report on the affairs of the company for the year ended 31 December 2018. The directors in preparing this Strategic Report have complied with s414c of the Companies Act 2006.

#### Principal activities and review of the business

The principal activity of the company was the manufacture of profile wire. The business also incorporates the activities of the sales office for the resale of wire building products.

Weak market conditions caused a significant downturn in orders which along with a high fixed cost base resulted in a gross loss for the year £2,077,051 (2017: profit of £803,136). The loss for the year after taxation was £4,318,211 (2017: loss of £1,316,391). The continuing low price of oil during the year, caused by a combination of a slowdown in demand and a reluctance of oil producing nations to suppress supply, has limited demand for flexible oil pipes. This impacted directly on volumes and revenues of the Flexpipe business in the year, with a fall in revenue from £21.8m to £12.1m. This is coupled with pressure on margins due to a tougher competitive environment.

The company has taken action in the year to reduce ongoing costs in all areas of the business, including a significant reduction in headcount in the last quarter of the year. The full cost benefit will be seen in the 2019 results. The cost of redundancies appears as restructuring costs in the profit and loss account.

Following the acquisition in October 2017 of the trade and assets relating to the sales office for building products from Bekaert Ltd, the results of the year include the full impact of that business (see note 3) with the total revenue generated from these sales increasing from £0.7m to £3.0m.

During the year the business provided a non-profit service to its sister company, purchasing wire rod from British Steel and re-selling to Bekaert Bridon Ropes Group (BBRG) at cost. The effect on turnover of these large volumes has resulted in revenue of £11.8m (2017: nil). The cost of sales recognised in the year is equal to the revenue of £11.8m.

The company did not pay a dividend during the year (2017: £nil).

The bulk of the investment in Flexpipe manufacturing was made during 2018, with work ongoing in 2019 to bring an additional production line into use. The company expect to benefit from the additional capacity this will provide towards the end of 2019 and beyond.

Trading conditions are showing an improved level of orders and enquiries and longer visibility of forward demand. It is expected that this will continue throughout the following year and into 2020.

The balance sheet shows that the company's net assets have reduced to £4,492,367 (2017: £8,810,578), due to the loss for the year.

#### Key performance indicators

The company endeavours to minimise its process material scrap. The amount of scrap recorded in the year amounted to 13% of material put into production (2017: 12.5%). Scrap was adversely affected by smaller batch quantities, which have been more prevalent in the year. The product mix also affected the level of scrap produced.

The company targets to maximise its sales volume within the constraints of its manufacturing capacity. The replacement of one of the main production lines in the year limited this capacity in the year. Demand during the year was suppressed as mentioned above, with the result that flexpipe volume achieved sales of 6,142 tons (2017: 10,517 tons).

The company endeavours to minimise its working capital. At the end of the year, net working capital requirement was £1,601,574 (2017: £2,769,509). Working capital is defined as stock plus trade debtors less trade creditors including trade balances in group undertakings.

#### Principle risks and uncertainties

The company has reviewed the potential effect of Brexit, and in particular the consequences of a no-deal Brexit. It has taken steps to limit the delays that may take place to imports at the border in respect of Building Products material. The company considers that the nature of its business in other areas makes the effects of even a no-deal Brexit limited in nature.

## **Bekaert Bradford**

### **Strategic Report (continued)**

#### **Future prospects**

The long-term outlook for the business is positive. The recent restructuring of the labour base has produced a lean production process. Together with the new lean manufacturing to be introduced in 2019, this should enable the business to take advantage of the upturn in the oil and gas market. Whilst there is still uncertainty in the gas & oil markets our customers have won some significant projects which will carry through 2019 and into 2020. The expectation is that the company will return to profit in 2019.

#### **Risks management objectives**

##### **Cash flow risk**

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company has access to, and can utilise, foreign exchange forward contracts to hedge this exposure. As at 31 December 2018 the company did not have open foreign exchange forward contracts (2017: the same).

##### **Credit risk**

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company obtains credit insurance cover for all its customers.

##### **Liquidity risk**

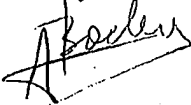
The company has recourse to the group treasury function in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments.

##### **Treasury**

The company's treasury function operates procedures designed to reduce or eliminate financial risk. The policies are approved by the Board and the use of financial instruments is strictly controlled.

The company's principal financial instruments comprise borrowings, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The company has access to forward foreign currency contracts to manage the currency rate risks arising from the company's operations. The company does not use interest rate swaps to manage the interest rate risks arising from the company's operations.

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



J Boelen  
Director

30 September 2019

## **Bekaert Bradford UK Limited**

### **Directors' report**

The directors present their Directors' Report on the affairs of the company together with the audited financial statements and Auditor's report for the year ended 31 December 2018.

The company's principal activities, results and dividends, key performance indicators, future prospects, principal risk and uncertainties and financial risk management objectives are presented in the Strategic Report on page 2 and 3.

#### **Employees**

##### **Disabled employees**

Applications for employment by disabled employees are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that the training career development and promotion of disabled persons should, as far as possible be identical to that of other employees.

##### **Employee consultation**

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees by holding regular briefing meetings on the various factors affecting the performance of the company.

##### **Going concern**

In forming their going concern judgement the directors have considered the trading uncertainties arising in the current economic environment, budgets and forecasts for the 12 month period from approval of these financial statements, as well as the adequacy of its resources to continue in operational existence for the foreseeable future. This is confirmed through the group support which has been formally documented in a letter of support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details are given in note 1 to the financial statements.

##### **Payment to suppliers**

It is company policy to agree terms and conditions for its business transaction with suppliers. Payment is made on these terms subject to the terms and conditions being met by the supplier.

##### **Directors and their interests**

The directors who served during the year and to date, except where stated otherwise were as follows:

P Van Riet (resigned 1 March 2019)

J Boelens

S Piceu (resigned 1 July 2019)

B Simo (appointed 1 July 2019)

## Bekaert Bradford UK Limited

### Directors' report (continued)

#### Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself 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 be reappointed for another term, and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditor in the absence of an Annual General Meeting.

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



J Boelens  
Director

30 September 2019

## **Bekaert Bradford UK Limited**

### **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 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**Independent auditor's report to the members of  
Bekaert Bradford UK Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Bekaert Bradford UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

**Independent auditor's report to the members of  
Bekaert Bradford UK Limited (continued)**

**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 directors' report have been prepared in accordance with applicable legal requirements.

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

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

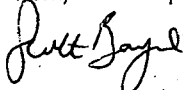
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Scott Bayne FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
30 September 2019

## Bekaert Bradford UK Limited

### Profit and loss account For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	27,093,753	22,488,786
Cost of sales	4	(29,170,804)	(21,685,650)
Gross (loss)/profit		(2,077,051)	803,136
Distribution costs		(300,655)	(410,201)
Administrative expenses		(1,362,007)	(1,559,801)
Restructuring costs	6	(454,738)	-
Operating loss	5	(4,194,451)	(1,166,866)
Interest receivable	7	97	656
Interest payable	8	(53,431)	(743)
Loss before taxation		(4,247,785)	(1,166,953)
Taxation on loss	9	(70,426)	(149,438)
Loss for the financial year, attributable to the owners of the company		(4,318,211)	(1,316,391)

The results above arise from continuing operations.

There were no items of income or expenditure for the current year or prior year other than those included in the profit and loss account. Therefore no statement of comprehensive income has been presented.

The accompanying notes form an integral part of this profit and loss account.

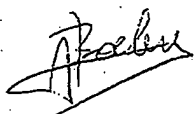
# Bekaert Bradford UK Limited

## Balance sheet As at 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	11	7,764,407	6,677,411
Investments	12	-	-
		<u>7,764,407</u>	<u>6,677,411</u>
<b>Current assets</b>			
Stocks	13	2,208,017	1,545,783
Debtors	14	10,812,546	5,672,341
Cash at bank and in hand		1,098,405	1,679,853
		<u>14,118,968</u>	<u>8,897,977</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(16,830,340)</u>	<u>(6,380,800)</u>
<b>Net current (liabilities)/assets</b>		<u>(2,711,372)</u>	<u>2,517,177</u>
<b>Total assets less current liabilities</b>		<u>5,053,035</u>	<u>9,194,588</u>
<b>Provision for liabilities</b>	16	<u>(560,668)</u>	<u>(384,010)</u>
<b>Net assets</b>		<u>4,492,367</u>	<u>8,810,578</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,095,271	2,095,271
Profit and loss account		2,397,096	6,715,307
<b>Total shareholder's funds</b>		<u>4,492,367</u>	<u>8,810,578</u>

The financial statements of Bekaert Bradford UK Limited, registered number 95908 were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> September 2019.

Signed on behalf of the Board of Directors



J Boelens  
Director

The accompanying notes are an integral part of this balance sheet.

## Bekaert Bradford UK Limited

### Statement of changes in equity As at 31 December 2018

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2017	2,095,271	8,031,698	10,126,969
Total comprehensive loss for the year	-	(1,316,391)	(1,316,391)
At 31 December 2017	2,095,271	6,715,307	8,810,578
Total comprehensive loss for the year	-	(4,318,211)	(4,318,211)
At 31 December 2018	2,095,271	2,397,096	4,492,367

## **Bekaert Bradford UK Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

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

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

##### **General Information and basis of accounting**

Bekaert Bradford UK Limited is a private company incorporated in the United Kingdom registered in England and Wales under the Companies Act 2006, and is limited by shares. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Bekaert Bradford UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Bekaert Bradford UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Bekaert Bradford UK Limited is consolidated in the financial statements of its parent, NV Bekaert SA, which may be obtained at NV Bekaert SA, Bekaertstraat 2, 8550 Zwevegem, Belgium, its registered office. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related parties transactions.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the financial position of the Company; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

After considering all relevant uncertainties, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months from the signing date, despite the net liabilities position at the balance sheet date. This assessment is made on the basis of continued support being received from the parent company which has been formally documented in a letter of support. Thus the company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Turnover**

Turnover represents amounts receivable for goods net of VAT and trade discounts as delivered to customers in the normal course of business. Revenue is recognised when the significant risks and rewards are considered to have been transferred to the buyer, either on delivery to customer site or FCA incoterms.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold land and buildings	Over the remaining period of the lease
Plant and machinery	8 – 25%

Assets under construction are not depreciated until they are in working condition for intended use.

## **Bekaert Bradford UK Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

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

##### **Investments**

Investments are stated at cost less provisions for any impairment.

##### **Operating leases**

Rental under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

##### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of first in, first out cost, including production overheads, and net realisable value. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Where necessary, provision is made for obsolete or slow moving stock.

##### **Taxation**

Current tax including UK corporation tax and foreign tax, is provided on 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 taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 measured at the average tax 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 not discounted.

Accordingly deferred tax balances have been revalued to the lower rate of 17% in these financial statements.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currency are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

##### **Intangible fixed assets**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life, initially estimated at twenty years. Provision is made for any impairment as necessary.

##### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## **Bekaert Bradford UK Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

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

##### **Pension costs**

For defined contribution scheme the amount charged to the profit and loss account in respect of pension costs 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.

##### **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.



## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 1. Accounting policies (continued)

##### Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

##### Capital Commitments

The company has no financial commitments (i.e. a contractual requirement to make a cash payment in the future) at the end of the year. See note 18.

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### Critical accounting judgement – stock valuation

The directors determine whether stock values are recoverable at the balance sheet date. This process requires an assessment of the expected future sales or consumption compared to the stock values at the balance sheet date. Stock provisions are made where deemed necessary, leaving a net value which is considered to be recoverable. As a result of this assessment the directors included a stock obsolescence provision of £106k.

##### Key source of estimation uncertainty – provision for fixed assets

The assessment of the impairment of fixed assets at each balance sheet date (see note 11). This process depends on the preparation of estimates of future cash flows which are expected to be generated in the company. The company has also conducted sensitivity analysis to the projections and whilst some uncertainty exists over the rate of recovery, the directors have concluded that the value in use of fixed assets is significantly in excess of the carrying value.

#### 3. Turnover

An analysis of the Company's turnover by class of business is set out below:

Notes	2018 £	2017 £
Turnover		
Flexpipe	12,082,539	21,810,435
Building Products	3,026,582	678,351
BBRG	11,839,952	-
Others	144,679	-
	<u>27,093,752</u>	<u>22,488,786</u>

During April 2018 the company started purchasing steel on behalf of its sister company Bekaert Bridon Ropes Group (BBRG), in order to benefit from group payment terms, and then resold the steel to BBRG at cost. This has significantly increased the turnover figure in the year.

The turnover for Building Products represents 12 months trading (2017: 3 months).

# Bekaert Bradford UK Limited

## Notes to the financial statements For the year ended 31 December 2018

### 3. Turnover (continued)

An analysis of the Company's turnover by geographical market is set out below:

	2018 £	2017 £
United Kingdom	21,344,238	4,072,662
Rest of Europe	566,605	1,774,842
Rest of world	5,182,909	16,641,282
	<u>27,093,752</u>	<u>22,488,786</u>

### 4. Cost of sales

Included in Cost of Sales is an amount of £nil (2017: £281,845), relating to the redundancy costs incurred or estimated to be incurred during the restructuring of the business. The amount is nil for 2018 as the redundancy costs are included separately on the face of the profit and loss account under the heading 'restructuring costs' given the size of the balance in order to provide clarity over the results for 2018.

The impact of the cost of wire rod purchased on behalf of BBRG is included in Cost of Sales and amounted to £11,839,952 in the year (2017: nil), with the corresponding revenue seen within note 3.

### 5. Loss before taxation

	2018 £	2017 £
Loss before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
Owned assets	802,439	828,435
Operating lease rentals	224,531	175,964
- plant and machinery	420,712	426,539
- land and buildings	32,515	797
Foreign exchange loss	-	760
Loss on disposal of fixed assets	-	-
	<u>                    </u>	<u>                    </u>

### Analysis of auditor's remuneration

Fees payable to the company's auditor for the audit of the company's annual financial statements	32,000	22,000
Total audit fees	<u>32,000</u>	<u>22,000</u>
Tax compliance services	2,667	725
Total non-audit fees	<u>2,667</u>	<u>725</u>

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 6. Information regarding directors and employees

It is not practical to allocate the remuneration of the directors between the group entities and therefore no emoluments were received by the directors (2017: £nil) in respect of their services as director of the company.

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	3,932,749	4,355,491
Redundancy costs	454,738	281,845
Social security costs	474,391	502,559
Other pension costs	189,837	174,865
	<u>5,051,715</u>	<u>5,314,760</u>

Redundancy costs appear on the face of the profit and loss account as 'Restructuring Costs' in 2018, but were presented as part of cost of sales in 2017. As explained in the Strategic Report these costs occurred as a result of the company taking action to reduce its ongoing cost base in order to remain competitive in response to the continued pressures in the economic environment. The size of the adjustment is viewed to have a more material impact on the financial performance of the business in 2018, hence the separate presentation.

The average monthly number of employees, including executive directors, during the year was:

	2018	2017
Production	89	100
Selling and distribution	9	1
Administration	7	9
	<u>105</u>	<u>110</u>

#### 7. Interest receivable

	2018 £	2017 £
Interest receivable from group companies	97	77
Other interest	-	579
	<u>97</u>	<u>656</u>

#### 8. Interest payable

	2018 £	2017 £
Interest payable to group companies	53,431	743
	<u>53,431</u>	<u>743</u>

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 9. Taxation

##### Analysis of charge in year

	2018 £	2017 £
UK corporation tax	-	(1,154)
Adjustments in respect of prior years	-	(1,154)
Total current tax	-	(1,154)
Origination and reversal of timing differences	58,551	37,818
Effects of tax rate change	11,875	11,495
Reversal of deferred tax asset previously recognised on losses	-	101,279
Total tax charge	<u>70,426</u>	<u>149,438</u>

##### Factors affecting the tax

The tax assessed for the year is higher (2017: higher) than that resulting from applying the average standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Loss before tax	<u>(4,247,785)</u>	<u>(1,166,953)</u>
Loss multiplied by the average standard rate of corporation tax of 19% (2017: 19.25%)	(807,079)	(233,391)
Effects of:		
Expenses not deductible for tax purposes	24	183
Short term timing differences	(36,889)	328,307
Losses not utilised	902,495	-
Effect of tax rate change	11,875	11,495
Prior year adjustment	-	(1,154)
Group relief	-	43,998
Tax charge	<u>70,426</u>	<u>149,438</u>

The average rate of tax applied to reported profit is 19% (2017: 19.25%). The finance No 2 Act which was substantively enacted on 26 October 2015 includes provisions to reduce the corporation tax rate to 17% effective from 1 April 2020. Accordingly deferred tax assets and liabilities have been calculated at the rates which will be in force when the timing differences are projected to reverse.

There is no expiry date on timing differences, unused tax losses or tax credits.

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 10. Goodwill

	£
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	6,647,850
<b>Amortisation</b>	
At 1 January 2018 and 31 December 2018	6,647,850
<b>Net book amount</b>	
At 31 December 2018 and 2017	-

#### 11. Tangible assets

	Short leasehold land and buildings £	Plant and machinery £	Assets under construction £	Total £
<b>Cost</b>				
At 1 January 2018	962,312	7,643,195	1,930,344	10,535,851
Additions	-	-	1,889,435	1,889,435
Transfer	129,641	327,605	(457,246)	-
<b>At 31 December 2018</b>	<b>1,091,953</b>	<b>7,970,800</b>	<b>3,362,533</b>	<b>12,425,286</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	808,657	3,049,783	-	3,858,440
Charge for the year	41,906	760,533	-	802,439
<b>At 31 December 2018</b>	<b>850,563</b>	<b>3,810,316</b>	<b>-</b>	<b>4,660,879</b>
<b>Net book amount</b>				
At 31 December 2018	241,390	4,160,484	3,362,533	7,764,407
At 31 December 2017	153,655	4,593,412	1,930,344	6,677,411

The company tests tangible assets annually for impairment, or more frequently if there are indications that the balance might be impaired.

The recoverable amounts have been determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets approved by the directors covering a 5 year period, then extrapolated into perpetuity. These budgets have been adjusted for specific risk factors that take into account sensitivities of the projection. A discount rate of 9.15% per annum has been applied to these cash flows, being an estimation of current market risks and the time value of money. Following this sensitivity analysis, the directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 12. Investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2018 and 31 December 2018	265,205
Provision for impairment	
At 1 January 2018 and 31 December 2018	265,205
Net book amount	
At 31 December 2018 and 2017	-

The Company has investments in the following subsidiary undertakings, associates and other significant investments.

	Class of share capital held	Proportion of share capital held	Nature of business
Netlon Sentinel Limited	Ordinary £1 shares	50%	Dormant
Rylands-Whitecross Limited	Ordinary £1 shares	100%	Dormant
Twil Company	Ordinary £1 shares	100%	Dormant

The investment in all three companies was fully written-off as at 1 January 2018.

All above mentioned entities are incorporated in England and Wales and held directly by Bekaert Bradford UK Limited. The registered office of Twil Company and Rylands-Whitecross Ltd is Park House Road, Low Moor, Bradford, West Yorkshire, BD12 0QB. The registered office of Netlon Sentinel Ltd is Units 2-4 Cunningham Court, Shadsworth Business Park, Blackburn, Lancashire. BB1 2QX.

#### 13. Stocks

	2018 £	2017 £
Raw materials	235,279	260,148
Work-in-progress	242,725	213,250
Finished goods	1,180,954	712,880
Maintenance Spares	549,059	359,505
	<u>2,208,017</u>	<u>1,545,783</u>

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

The introduction of new systems allowed the creation of a spare parts stock 3 years ago for certain spares. The value has increased consistently over recent years, as the business has expanded its production lines and as such more spares are held to meet the ongoing needs of the business on its respective production lines.

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 14. Debtors

	2018 £	2017 £
Due within one year		
Trade debtors	3,909,579	4,543,608
Amounts owed by group companies - BBRG	6,204,452	-
Amounts owed by group companies - Other	330,039	300,610
Advance payments to suppliers	-	175,430
Corporation tax	96,279	96,278
Other taxes and social security	-	294,604
Other debtors	272,198	261,811
	<u>10,812,546</u>	<u>5,672,341</u>

Amounts owed by group companies (other than from BBRG) are repayable on end of month 30 day payment terms. Amounts owed by BBRG are repayable on 120 day payment terms and this new arrangement has been discussed in more detail within the strategic report.

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

	2018 £	2017 £
Trade creditors	10,195,765	1,823,336
Amount owed to group undertakings (trading)	854,746	2,793,067
Amount owed to group undertakings (loan)	5,334,115	1,236,437
Other taxes and social security	267,572	181,385
Corporation Tax	12,921	12,918
Other creditors and accruals	165,221	333,657
	<u>16,830,340</u>	<u>6,380,800</u>

Amount owed to group undertakings (trading) includes trade creditors, which are repayable on end of month 30 day payment terms. Amount owed to group undertakings (loan) relates to a current account balance. The current account balance has no set repayment date and attracts interest at the interbank deposit rate plus 0.75%.

As set out in notes 3 and 14 the purchases of steel on behalf of BBRG on 120 day terms have significantly increased the value of trade creditors at the end of the year.

## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 16. Provision for liabilities

	Restructuring costs £	Deferred taxation £	Total £
At 1 January 2018	-	384,010	384,010
Charged to the profit and loss account	454,738	70,426	176,658
Utilisation of provision	(348,506)	-	348,506
At 31 December 2018	106,232	454,436	560,668

The deferred taxation relates to accelerated capital allowances. At the end of the current and previous year the company had no unprovided deferred tax liabilities. At the year end the company had capital losses available for carry forward of £9,772,428 (2017: £9,772,428), a deferred tax asset has not been recognised.

At the year end the company had trading losses available to carry forward against future trading profits of £1,672,269 (2017: £356,344), a deferred tax asset has not been recognised, due to the uncertainty over the expected taxable profits of the business.

The restructuring provision relates to lay-off costs which are estimated to occur over the next 6 months as a result of the restructuring of the business.

#### 17. Called up share capital

	Authorised, allotted, called up and fully paid Ordinary shares £1 shares	
	No.	£
At 1 January 2018 and 31 December 2018	2,095,271	2,095,271

#### 18. Financial commitments

The company had capital commitments amounting to £nil as at 31 December 2018 (2017: £114,032).

At 31 December 2018 the company has commitments under non-cancellable operating leases as set out below.



## Bekaert Bradford UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 18. Financial commitments (continued)

	2018 £	2017 £
Operating leases which expire:		
Assets other than land and buildings		
Within 1 year	18,609	34,602
Within 2 to 5 years	27,678	57,380
	<hr/>	<hr/>
	46,287	91,982
Land and buildings		
Within 1 year	346,428	426,279
Within 2 to 5 years	937,997	673,431
	<hr/>	<hr/>
	1,284,425	1,099,710
	<hr/>	<hr/>
	1,330,712	1,191,692
	<hr/>	<hr/>

#### 19. Related party transactions

In accordance with paragraph 1.12 of FRS 102 "Related Party Disclosures" transactions with other group undertakings within, and investee related parties of, the NV Bekaert SA Group have not been disclosed in these financial statements. There have been no transactions with directors.

#### 20. Employee benefits

##### *Defined contribution schemes:*

The company contributes to a number of defined contribution schemes. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions paid to the scheme amounted to £189,837 (2017: £174,865).

Unpaid contributions included within other creditors at the balance sheet were £19,534 (2017: £25,164).

#### 21. Parent undertaking

The immediate and ultimate parent company, and ultimate controlling party of the group of undertakings for which largest and smallest group financial statements are drawn up and of which the company is a member, is NV Bekaert SA, a company incorporated in Belgium. Copies of NV Bekaert SA financial statements can be obtained from NV Bekaert SA, Corporate Communications, Bekaertstraat 2, 8550 Zwevegem, Belgium, its registered office.

#### 22. Subsequent events

There have been no subsequent events requiring disclosure in these financial statements.

