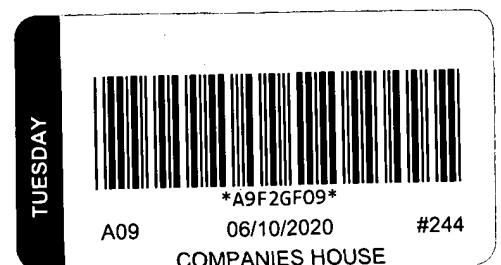


Company Registration No. 3377355

BERNEX UK LIMITED

Report and Financial Statements

31 March 2020



REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2020

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CORPORATE INFORMATION

DIRECTORS

J F M Landsbergen
J Ostman
C P Constable

SECRETARY

A G Frost

REGISTERED OFFICE

Unit 36
No.1 Industrial Estate
Medomsley Road
Consett
Co Durham
DH8 6TS

SOLICITORS

Muckle LLP
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AS

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their Strategic Report for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as a holding company.

REVIEW OF THE BUSINESS

The company is a holding company and does not trade.

FINANCIAL RISK MANAGEMENT POLICY

The company's principal financial instruments comprise group borrowings. Other financial assets and liabilities arise directly from the company's transactions with other group companies.

The main risks associated with the company's financial assets and liabilities are set out below. The company does not undertake any hedging activity.

INTEREST RATE RISK

Financial assets, liabilities, interest expense and cash flows can be affected by movements in interest rates. Going forward there remains an intercompany loan payable with interest chargeable at a fixed rate of 4.25%.

LIQUIDITY RISK

The company aims to mitigate liquidity risk by managing cash generated at group level. Flexibility is maintained by managing the company's inter-company financing.

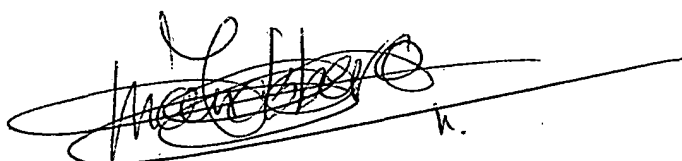
FOREIGN CURRENCY RISK

The company's principal transactions are denominated in GBP and as such the company has no exposure to movements in exchange rates.

IMPAIRMENT RISK

The company holds investments in a group companies (note 6) with a cost and a carrying value of £5.7m. The carrying value of these investments depends upon the recoverable amount of these investments, and should the recoverable amount fall below the carrying value then an impairment would be required. No impairment has been recorded to date

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

A handwritten signature in black ink, appearing to read 'J F M Landsbergen', is written over a horizontal line.

J F M Landsbergen

Director

Date:

17-09-2020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and financial statements for the year ended 31 March 2020.

RESULTS AND DIVIDENDS

The Profit/(Loss) after taxation for the year was £278,626 (2019 loss: £286,279). The directors do not recommend the payment of a dividend (2019: £nil).

FUTURE DEVELOPMENTS

The company is expected to continue to act as a holding company for the foreseeable future.

GOING CONCERN

The company does not trade and acts as a holding company for its trading subsidiaries. The only expense of the company is interest payable on a loan from a group undertaking. After making enquiries, taking into account the trading performance of the company's subsidiaries and obtaining a letter of support from its parent undertaking confirming its assistance to the company for the foreseeable future, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has received a letter of support from IHI Ionbond AG, its parent undertaking, in which IHI Ionbond AG agrees to provide financial support to assist the company in meeting its liabilities as and when they fall due, to the extent that such funds are not otherwise available to the company to meet such liabilities. The directors have considered the financial results of IHI Ionbond AG and have concluded that it has sufficient financial resources to provide such financial support where required. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

DIRECTORS

The directors who held office during the year were:

J F M Landsbergen
J Ostman
C P Constable

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each 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.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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



J F M Landsbergen

Director

Date:

17-9-2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERNEX UK LIMITED

Opinion

We have audited the financial statements of Bernex UK Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERNEX UK LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Paul Moran (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

24 September 2020

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Income from fixed asset investments	6	569,107	-
Interest payable and similar expenses	4	(290,481)	(286,279)
PROFIT/(LOSS) BEFORE TAXATION		278,626	(286,279)
Tax on profit/(loss)	5	-	-
PROFIT/(LOSS) FOR THE PERIOD		278,626	(286,279)

All amounts relate to continuing activities.

OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
PROFIT/(LOSS) FOR THE PERIOD	278,626	(286,279)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	278,626	(286,279)

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £	Capital contribution reserve £	Profit and loss account £	Total £
Balance at 1 April 2018	2,101,000	844,259	(4,250,886)	(1,305,627)
Total comprehensive expense				
Loss for the year	-	-	(286,279)	(286,279)
Balance at 31 March 2019	2,101,000	844,259	(4,537,165)	(1,591,906)
Total comprehensive income				
Profit for the year	-	-	278,626	278,626
Balance at 31 March 2020	2,101,000	844,259	(4,258,539)	(1,313,280)

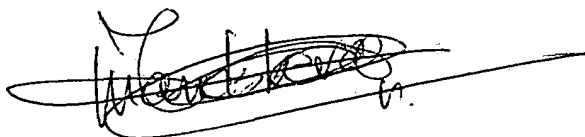
Company Registration No. 3377355

BALANCE SHEET**At 31 March 2020**

	Note	31 March 2020 £	31 March 2019 £
FIXED ASSETS			
Investments	6	5,700,000	5,700,000
		5,700,000	5,700,000
CREDITORS: amounts falling due within one year	7	(290,481)	(569,107)
NET CURRENT LIABILITIES		(290,481)	(569,107)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,409,519	5,130,893
CREDITORS: amounts falling due after more than one year	8	(6,722,799)	(6,722,799)
NET LIABILITIES		(1,313,280)	(1,591,906)
CAPITAL AND RESERVES			
Called-up share capital	9	2,101,000	2,101,000
Capital contribution reserve		844,259	844,259
Profit and loss account		(4,258,539)	(4,537,165)
SHAREHOLDERS' DEFICIT		(1,313,280)	(1,591,906)

These financial statements were approved by the board of directors on behalf by:

17-9-2020 and were signed on its



J F M Landsbergen

Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2020

1. ACCOUNTING POLICIES

Statement of compliance

Bernex UK Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 3377355 and the registered address is Unit 36, Number 1 Industrial Estate, Medomsley Road, Consett, Co. Durham, DH8 6TS.

The Company is exempt by virtue of S.401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 33.7 Related Party Disclosures

The Company's ultimate parent undertaking, IHI Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of IHI Corporation are prepared in accordance with Japanese Generally Accepted Accounting Practice (JGAAP) and are available to the public and may be obtained from TOYOSU IHI BUILDING., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The accounting principles used to prepare the financial statements are based on historical cost, unless stated otherwise.

Going Concern

The company does not trade and acts as a holding company for its trading subsidiaries. At the year end the company had net current liabilities of £0.3m and net liabilities of £1.3m, including an amount of £6.7m due to group undertakings. After making enquiries, taking into account the trading performance of the company's subsidiaries and other group undertakings, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has received a letter of support from IHI Ionbond AG, its parent undertaking, in which IHI Ionbond AG agrees to provide financial support to assist the company in meeting its liabilities as and when they fall due, to the extent that such funds are not otherwise available to the company to meet such liabilities. The directors have considered the financial results of IHI Ionbond AG and have concluded that it has sufficient financial resources to provide such financial support where required. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2020

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgement has had the most significant effect on amounts recognised in the financial statements:

1. ACCOUNTING POLICIES (CONTINUED)

• Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

• Investments

Investments are stated at cost less impairment. The carrying value at which the Company's investment in its subsidiary is subject to management's judgement in respect of impairment. No events or conditions have been identified by management which indicate that the investment is impaired at the balance sheet date.

• Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at that date.

• Taxation

Current tax is provided at amounts expected to be paid using the 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 have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2020

2. (LOSS)/PROFIT BEFORE TAXATION

Profit/(loss) before taxation is stated after charging:

	Year ended 31 March 2020 £	15 months ended 31 March 2019 £
Fees payable to the company's auditor for the audit of the company's financial statements	2,500	1,200

3. DIRECTORS' REMUNERATION

The company does not have any employees.

The directors of the company were paid by the ultimate holding company and fellow subsidiaries.

The directors received no remuneration in respect of their services to the company for the year ended 31 March 2020 (2019: nil). No charge is made to the company for the remuneration of the directors who serve the Group.

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
On amounts due to group undertakings	290,491	286,279
	<u>290,491</u>	<u>286,279</u>

5. TAX

a. Tax on profit/(loss)

No tax charge or credit arises on the result for the period (2019: £nil).

The tax assessed for the period is lower (2019: lower) than that resulting from applying the standard rate of corporation tax of 19% (2019: 19%) in the UK. The differences are explained below:

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Profit/(loss) before taxation	278,626	(286,279)
Tax at 19% (2019: 19%) thereon	52,939	(54,393)
Effects of:		
Income not taxable	(108,130)	
Group relief surrendered for £nil proceeds	55,191	54,393
Total tax on profit/(loss)	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2020

b. Deferred tax

There is an unprovided deferred tax asset in the amount of £517,382 (2019: £462,921) in relation to tax losses carried forward.

This deferred tax asset has not been provided for due the uncertainty of the recoverability of these losses in the foreseeable future.

c. Factors that may affect future tax charges

Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 March 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur, and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

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

6. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £
Cost:	
At 1 April 2019 and 31 March 2020	<u>5,700,000</u>

Subsidiary undertaking

The company holds 100% of the £1 ordinary shares of Ionbond UK Limited, a company incorporated in England and Wales whose registered address is Unit 36 No 1 Industrial Estate, Medomsley Road, Consett, Co. Durham, DH8 6TS. The principal activity of Ionbond UK Limited is the coating of cutting tools, form tools and wear parts with a wear resistant coating.

During the year the company recorded and received dividends from group undertakings of £569,107 (2019: £nil).

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020 £	31 March 2019 £
Amounts owed to group undertakings	290,481	569,107
	<u>290,481</u>	<u>569,107</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2020 £	31 March 2019 £
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NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2020

Amounts owed to group undertakings	6,722,799	6,722,799
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The loan is to be repaid as follows:

In two to five years	6,722,799	6,722,799
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The loan is unsecured and incurs interest at a rate of 4.25%. There is no fixed repayment date with a rolling 2 year arrangement in place that is revisited annually for renewal and extension.

9. CALLED-UP SHARE CAPITAL

	31 March 2020 £	31 March 2019 £
Allotted, called-up and fully paid		
2,101,000 ordinary shares of £1 each	2,101,000	2,101,000

10. RELATED PARTY TRANSACTIONS

The company has not disclosed transactions with other Group companies, as it has taken advantage of the exemption contained within FRS 102.33.1A on the grounds that the subsidiaries are wholly owned.

11. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of Bernex UK Limited is IHI Ionbond AG, a company incorporated in Switzerland.

The Company's ultimate parent undertaking, IHI Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of IHI Corporation are prepared in accordance with Japanese Generally Accepted Accounting Practice (JGAAP) and are available to the public and may be obtained from TOYOSU IHI BUILDING., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan.

12. FINANCIAL INSTRUMENTS

The company's only financial instruments are creditors and share capital disclosed in note 8 and 9. They are recorded at amortised cost.