

Registration number: 07016167

Bodycote America Treasury Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2019



Bodycote America Treasury Limited

Contents

Company Information	1
Directors' Report	2 to 3
Income Statement	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Notes to the Unaudited Financial Statements	7 to 12

Bodycote America Treasury Limited

Company Information

Directors	D Yates M J Harkcom U S Ball
Company secretary	U S Ball
Registered office	Springwood Court Springwood Close Tytherington Business Park Macclesfield Cheshire SK10 2XF

Bodycote America Treasury Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the unaudited financial statements for the year ended 31 December 2019.

Directors' of the company

The directors, who held office during the year and up to the date of signing, were as follows:

D Yates

M J Harkcom

U S Ball

Principal activity

The principal activity of the company continued to be that of a financing company.

Dividends

The directors propose a final dividend payment of £Nil be made in respect of the financial year ended 31 December 2019 (2018: £Nil).

Future developments

The directors expect the general level of activity to continue for the foreseeable future.

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 had no impact on the company due to the nature of its business.

Going concern

The company is a subsidiary of Bodycote plc, which manages its working capital on a pooled basis across the Group. Based on the strong trading relationship between this company and Bodycote plc, the directors believe that the company will continue to provide financial and management services to the Group. The receivables with other group companies are significant and the directors consider there to be no issues with the recoverability of these balances due to the relationship with the parent company and the following going concern disclosure which appears in the financial statements of Bodycote plc for the year ended 31 December 2019:

"The Group meets its working capital requirements through a combination of cash resources, committed and uncommitted facilities and overdrafts. The overdrafts and uncommitted facilities are repayable on demand but the committed facilities are due for renewal as set out below. There is sufficient headroom in the committed facility covenants to assume that these facilities can be operated as contracted for the foreseeable future.

The committed facilities as at 31 December 2019 were as follows:

£230m Revolving Credit Facility maturing 3 April 2022.

The December 2019 weighted average life of the committed facilities was 2.3 years (2018: 3.3 years).

The Group's forecasts and projections, taking account of reasonable potential changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities."

Since 31 December 2019 the Company has negotiated an increased facility of £250m extended to 27 May 2025.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continue to be implemented across the Group. The Company will pay close attention to the developments of the epidemic, and evaluate its impacts on the Company's financial position.

On the above basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

Bodycote America Treasury Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2016 and accordingly no Strategic Report is being presented.

Approved by the Board on 16 September 2020 and signed on its behalf by:

U. Ball
U S Ball
Company secretary

Bodycote America Treasury Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Other interest receivable and similar income	4	309,097,099	46,977,940
Amounts written off investments		(224,459,079)	-
Interest payable and similar charges	5	<u>-</u>	<u>(72,731)</u>
Profit before tax		84,638,020	46,905,209
Tax on profit	7	<u>(2,765,278)</u>	<u>(512,618)</u>
Profit for the year		<u><u>81,872,742</u></u>	<u><u>46,392,591</u></u>

The above results were derived from continuing operations.

There are no recognised gains or losses other than those passing through the profit and loss account.

The notes on pages 7 to 12 form an integral part of these financial statements.

Bodycote America Treasury Limited

(Registration number: 07016167)

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Investments	8	331,692,151	224,459,693
Trade and other receivables	9	<u>158,923,052</u>	<u>374,971,153</u>
		<u>490,615,203</u>	<u>599,430,846</u>
Current assets			
Trade and other receivables	9	-	3,542,029
Current liabilities			
Loans and borrowings	10	(123)	-
Current tax liability		<u>(3,298,242)</u>	<u>(532,964)</u>
Net current (liabilities)/assets		<u>(3,298,365)</u>	<u>3,009,065</u>
Net assets		<u>487,316,838</u>	<u>602,439,911</u>
Capital and reserves			
Share capital	11	259,671,152	259,671,152
Share premium		139,806,195	139,806,195
Retained earnings		<u>87,839,491</u>	<u>202,962,564</u>
Total equity		<u>487,316,838</u>	<u>602,439,911</u>

For the financial year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 16 September 2020 and signed on its behalf by:


M J Harkcom
Director

The notes on pages 7 to 12 form an integral part of these financial statements.

Bodycote America Treasury Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2019	259,671,152	139,806,195	202,962,564	602,439,911
Profit for the year	-	-	81,872,742	81,872,742
Total comprehensive income	-	-	81,872,742	81,872,742
Dividends	-	-	(196,995,815)	(196,995,815)
At 31 December 2019	<u>259,671,152</u>	<u>139,806,195</u>	<u>87,839,491</u>	<u>487,316,838</u>

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	259,671,152	139,806,195	156,569,973	556,047,320
Profit for the year	-	-	46,392,591	46,392,591
Total comprehensive income	-	-	46,392,591	46,392,591
At 31 December 2018	<u>259,671,152</u>	<u>139,806,195</u>	<u>202,962,564</u>	<u>602,439,911</u>

The notes on pages 7 to 12 form an integral part of these financial statements.

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019

1 General information

Bodycote America Treasury Limited is a company limited by shares incorporated in England and Wales. The registered office is Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire, SK10 2XF.

2 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and using the historical cost convention. They are prepared in Sterling, the functional currency of the company.

Summary of disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Bodycote plc in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of Bodycote plc. The group accounts of Bodycote plc are available to the public and can be obtained as set out in note 13.

The company has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

Based on the assumptions outlined in the Director's report on page 2, the directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises just current tax.

Tax is recognised in the profit or loss result for the year, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Investments

Investments are stated at cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables are initially recognised at fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Per IFRS 9, a simplified lifetime Expected Credit Loss (ECL) model is used to assess receivables for impairment. An assessment regarding the ECL of these amounts has been made and the Company has identified that no allowance for expected credit losses is required.

Amounts owed by subsidiary undertakings falling due after more than one year are classified as such according to the loan agreement.

Payables

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Non-interest-bearing financial liabilities are stated at their nominal value. Trade payables are recognised at fair value.

Amounts owed to subsidiary undertakings falling due after more than one year are classified as such according to the loan agreement.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements often requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. For the current year, there were no significant judgements nor key sources of estimation uncertainty that require disclosure.

4 Interest receivable and similar income

	2019	2018
	£	£
Interest received from group undertakings	17,516,437	25,110,952
Dividend income	287,221,347	-
Foreign exchange gains	4,359,315	21,866,988
	<u>309,097,099</u>	<u>46,977,940</u>

5 Interest payable and similar charges

	2019	2018
	£	£
Interest paid to group undertakings	<u>-</u>	<u>72,731</u>

6 Staff costs

The directors were the only employees of the company in both 2019 and 2018, and they received no remuneration from the company during the year (2018: £Nil). All directors' fees or emoluments were paid by Bodycote plc and the amount attributable to the qualifying services provided by the directors to the company cannot be reliably estimated.

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

7 Income tax

Tax charged/(credited) in the income statement

	2019	2018
	£	£
Current taxation		
UK corporation tax	2,730,675	1,189,415
UK corporation tax adjustment to prior periods	<u>34,603</u>	<u>(676,797)</u>
	<u><u>2,765,278</u></u>	<u><u>512,618</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2018: lower than the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	2019	2018
	£	£
Profit before tax	<u>84,638,020</u>	<u>46,905,209</u>
Corporation tax at standard rate of 19% (2018: 19%)	16,081,224	8,911,989
Amounts written off investments	42,647,225	-
Taxable overseas financing income	2,448,334	97,988
Adjustment in respect of prior periods	34,603	(676,797)
Effect of foreign exchange gains	(828,270)	(4,184,160)
Group relief claimed for nil payment	(3,045,782)	(3,636,402)
Increase (decrease) from effect dividends from UK companies	<u>(54,572,056)</u>	<u>-</u>
Total tax charge	<u><u>2,765,278</u></u>	<u><u>512,618</u></u>

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 but subsequently repealed in March 2020 such that the UK corporation tax rate remains at 19%.

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

8 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2019	224,459,693
Additions	<u>331,691,537</u>
At 31 December 2019	<u>556,151,230</u>
Provision for impairment	
At 1 January 2019	-
Provision	<u>224,459,079</u>
At 31 December 2019	<u>224,459,079</u>
Carrying amount	
At 31 December 2019	<u>331,692,151</u>
At 31 December 2018	<u>224,459,693</u>

The additions in the year relate to the acquisitions of Bodycote Jersey Finance Limited (£331,609,292) and Bodycote America Capital Limited (£82,245).

The impairment during the year all relates to the company's investment in Bodycote Ireland Treasury Limited.

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is provided in note 12.

9 Trade and other receivables

Non-current	2019 £	2018 £
Amounts due from group undertakings	<u>158,923,052</u>	<u>374,971,153</u>

The balance included in amounts due from group undertakings of £158,923,052 (2018: £374,971,153) relates to loans with other group companies. These loan balances are all repayable on demand and attract varying rates of interest.

Current	2019 £	2018 £
Amounts due from group undertakings	<u>-</u>	<u>3,542,029</u>
	<u>-</u>	<u>3,542,029</u>

The balance included in amounts due from group undertakings of £Nil (2018: £3,542,029) relates to loans with other group companies. These loan balances are all repayable on demand and attract varying rates of interest.

10 Loans and borrowings

Current	2019 £	2018 £
Bank overdrafts	<u>123</u>	<u>-</u>

Bodycote America Treasury Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

11 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.64131 each	<u>404,906,377</u>	<u>259,671,152</u>	<u>404,906,377</u>	<u>259,671,152</u>

12 Investments

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights in ordinary shares held	
			2019	2018
Bodycote Ireland Treasury Limited	Provision of services to group companies	12 Merrion Square North Dublin 2 Ireland	74.27%	74.27%
Bodycote Jersey Finance Limited	Provision of services to group companies	50 La Colomberie St Helier JE2 4QB Jersey	100%	0%

The company also holds 10.02% of shares in Bodycote America Capital Limited, a company incorporated in the UK.

13 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Bodycote plc. These financial statements are available upon request from Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF.

14 Parent and ultimate parent undertaking

The company's immediate parent is Bodycote International Limited and the ultimate parent is Bodycote plc. The most senior parent entity producing publicly available financial statements is Bodycote plc.

Bodycote plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements may be obtained upon request from The Secretary, Bodycote plc, Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF, the registered office of Bodycote plc.