



## **UK withdrawal from the EU (Brexit) Strategy Summary**

### **Executive Summary**

The objective of this document is to summarise Cardels' preparations for the UK's withdrawal from the EU.

Our preparations have focused on measures to ensure continuous supply of goods to our customers in the event of any "no deal" scenario as this outcome may cause challenges to trading in the short term.

A negotiated exit deal would be unlikely to cause trading issues in the short to medium term.

### **Scope**

Within the scope of this strategy summary Cardel has considered:

- Import / export registrations
- Tariff coding and customs costs
- Currency Exchange rates
- Port congestion
- Cardel planning and Preparation

### **Import / Export Registration**

#### **EORI**

The European Operator Registration and Identification (EORI) scheme allows registered companies to trade with other companies in countries both inside and outside the EU.

Cardel is a long-term member of the EORI scheme and therefore has an **EU** EORI number.

In the event of a No Deal Cardel will register for a **UK** EORI number so that we can trade with the EU. In the event of the UK leaving the EU with no Deal the UK government has informed UK companies that the government has put in place preparations for a No Deal scenario that will allow Cardel to apply for and obtain an EORI (**UK**) membership within a minimal timeframe.

Registering for a UK EORI number is a key step for Cardel if the UK leaves the EU under a No Deal scenario and we are therefore prepared and ready to do this immediately on exit from the EU in a no deal scenario. This cannot be done before the date of leaving regardless of the method.

January is a key month for this as the current Deal that is on offer from the EU is placed before parliament for approval / rejection on Tuesday the 15<sup>th</sup> January.

#### **Tariff (HS / Commodity) codes**

Cardel has investigated this at length and established some specific points around which we are preparing our business to protect our service and supply chains.

#### **Tariff Codes**

Tariff codes would remain unchanged no matter what the scenario as Tariff codes are globally registered / recognised.

### **Customs Charges (Tariff % rate)**

A potential impact on Cardel and our customers is the customs charge % of duties relating to inbound raw materials to Cardel and outbound goods sent to our customers

The reality of the situation regarding Customs % values and how they might affect our business is that there are no agreed tariff rates in place for UK goods with other countries.

Importing or Exporting of goods to the EU would be included in the above and new tariff rates would not be put in place until new Trade deals have been negotiated.

During the interim period the existing customs rates would remain as current for Cardel goods.

In the event of no deal being reached, when exporting to the EU Cardel will be trading with the EU under the EU CCT (Common Customs Tariff) scheme. This scheme ensures that when Cardel imports from or to exports to countries within the EU the tariff that applies to goods will be consistent across all EU member countries.

***Cardel does not anticipate any increase to customer pricing in the short to medium term as a result of customs duty % rates***

### **Currency Exchange Rates**

In the event of a No Deal the commonly held assumption is that the value of the British Pound might fall in the short term in the currency exchange rate market and Cardel has considered the potential impact of this to our business.

Alternatively, if a deal is reached the British Pound is likely to increase in value in the short term before returning to current levels as the market considers future Trade Deal negotiations that will take place in the following two years.

Cardel has a natural currency hedge as our business trades with suppliers and customers (buy raw materials and sell goods) in three currencies (GBP, Euro, and USD)

The fact that Cardel does this significantly reduces Cardels exposure to exchange rate fluctuation and we operate Treasury management policies with our bank to further reduce any risk.

Cardels' Finance team has modelled the potential effects of currency changes over the next few months for all scenarios (No Deal and Deal).

Cardel customers that trade in their native currencies will see no impact on pricing, however Cardel customers that purchase our goods in GBP from overseas might benefit as a result of any reduction in the value of the GBP.

***Cardel does not anticipate any increase to customer pricing in the short to medium term as a result of currency exchange rate fluctuation***

### **Port Congestion**

Cardel has considered the potential for port congestion in a No Deal scenario.

Reviews have been held with all Cardel freight forwarders and logistics suppliers and the consensus is that there is a significant risk of delays at both sea and air ports in the event of a No deal situation. This is driven principally by potential major changes to Paperwork requirements and the surveillance of goods being transported.

Increased surveillance of goods coming into / leaving the UK is likely to include the stopping by customs officers both within the UK and in other countries of many vehicles during which goods may

be unloaded / reloaded in order to examine the goods and check the paperwork versus the shipment.

### **Cardel planning and Preparation**

Cardel has been considering the potential impact of Brexit for some time and has put in place the following preparations.

#### 1) Raw Materials stock

Cardel has been building up stock of our key product materials to ensure that in the lead up to Brexit Cardel has high stock levels of raw materials onsite ready to produce finished goods in order to ensure Cardels customers can raise and send Purchase Orders in the knowledge that they can be produced and despatched prior to Brexit.

“Made to measure” goods such as Lamination Plates, Lamination Pads and Pre-laid Mag Stripe Overlays are particularly important as they are not generic in size, they are manufactured specific to customer requirements.

Cardel has put in place a communication plan for our customers to ensure that our customers are fully informed of Cardels’ preparations.

Cardel customers will receive updates from their direct contacts at Cardel in order to update and provide advice and recommendations.

#### 2) Finished Goods stock

Cardel has built up stock of our key finished goods both within the UK and internationally at our distributor and agent sites.

Cardel Hi-Bond chip Adhesives (HB-3, HB-2, HB-70, HB-Black), have been produced in all widths and lengths to ensure that these key products will remain available to customers when ordered and can be supplied within our std lead-times.

Cardel Card attaching labels for Kunnecke, Bowe, Matica, CIM, Datacard and Atlantic Zeisser are classed as finished goods stock and stocks of these products have also been put in place.

Laser PIN Mailers are classified as made to measure products.

#### 3) Production Capacity

Cardel anticipates an increase in volume requirements from customers in the lead-up to the Brexit period and has increased operational capacities for all goods to ensure that delivery lead-times do not become extended in this critical period.

Increases have been made to Operations staff headcount and to shift operating hours in all areas to cover the increase in demand that is anticipated in the short to medium term.

### **Summary**

Cardel has worked at length on Brexit preparations in order to ensure that supplies of services and goods to our customers and availability of our Raw Materials continues as smoothly as possible during the period leading up to and post-Brexit.

Cardel recommends that customers order adequate quantity of goods to ensure that they have stock onsite during April / May post Brexit.

Cardel considers this a prudent measure to make and has put in place all the preparations above to ensure that Cardel customers are fully supported during the process of the UK withdrawal from the EU.

Cardel staff will be in regular contact with customers and will work with customers to ensure that business between Cardel and our customers remains as smooth as possible.

Signed

Name: Marshall Haldane

Position: CEO

Date: 16<sup>th</sup> January 2019