

Strategic Report,  
Report of the Directors and  
Financial Statements  
for the Year Ended 31 December 2018  
for  
Bifrangi UK Limited

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for the Year Ended 31 December 2018**

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**Bifrangi UK Limited**  
**Company Information**  
**for the Year Ended 31 December 2018**

**DIRECTORS:**

R Biasion  
Ms P Biasion  
F Biasion  
Miss F Biasion

**REGISTERED OFFICE:**

Shardlow Works  
Grange Mill Lane  
Sheffield  
S9 1HW

**REGISTERED NUMBER:**

04279501 (England and Wales)

**SENIOR STATUTORY AUDITOR:**

James Sewell BA (Hons) FCA CTA

**AUDITORS:**

Wright Vigar Limited  
Statutory Auditors  
Chartered Accountants & Business Advisers  
15 Newland  
Lincoln  
Lincolnshire  
LN1 1XG

**Strategic Report**  
**for the Year Ended 31 December 2018**

The directors present their strategic report and the financial statements for the year ended 31 December 2018.

**PRINCIPAL ACTIVITIES**

During the year 2018, the principal activities of the company remained forging and machining of crankshafts for the agricultural, power generation and automotive markets, and also flight and rack bars for the mining industry. Since their introduction in the product portfolio in 2016, the production of steel wheels has remained stable, whilst the production of control arms for the automotive industry increased significantly. The forging and machining of large crankshafts continued growing throughout 2018.

**REVIEW OF BUSINESS**

Bifranghi UK Ltd has forging and testing facilities in Lincoln and machining facilities in Sheffield. The Company's results for the year ended 31 December 2018 show a post-tax loss of £249k (profit of £195k in 2017) on sales of £37,022k (£25,960k in 2017). This loss includes the exceptional provision of £500,000 for a potential claim against the company relating to a health and safety incident.

Bifranghi continues its strong investment programme at the Lincoln site. The focus in 2018 remained on auxiliary equipment for the 32kT press, installed in 2016, in order to increase production efficiency and flexibility. The capabilities achieved with this piece of machinery continue to interest current and prospective customers, especially in the market for wheels, bull gears and crankshafts larger than previously forged. During 2018 the Company invested in a new rotary furnace for the 32kT press and 2 manipulators to enhance efficiency and quality. A new clipping press was also purchased so as to improve the flexibility of the production line and ensure practicability of control arm forging. In 2018, its second year of production, the 32kT press accounted for 17.8% of Bifranghi UK's total turnover.

In order to ensure sufficient capacity to process the additional production from the 32kT press, Bifranghi UK has been increasing and developing the facilities in the post forging operations. In 2018 work to build a new shotblast department with new and more efficient equipment commenced with completion due in mid-2019. An existing facing and centering machine was refurbished to allow faster processing of large crankshafts and a new MPI machine has been ordered for 2019 delivery. Finally, Bifranghi UK committed to a full refurbishment and conversion of a grinding machine for the Sheffield site. This equipment, which is being designed to represent a technological advancement to the current grinding technology, will improve production stability and quality of parts processed.

The improvement of health and safety, the environment and welfare has been another focus in 2018. Firstly, Bifranghi UK invested in the modernisation of the lighting in 3 departments at the Lincoln site and a production area of the Sheffield site, improving energy consumption and visibility within the factory. Secondly, the Company has commissioned a water-cooling system at both the Sheffield and Lincoln sites, to reduce the energy used to cool down equipment. At the Lincoln site a new gas inlet was installed and in 2019/2020 the gas line will be replaced. Finally, a new changing block facility for the Lincoln site was designed in 2018 for construction in 2019.

The Board of Directors and shareholders are confident that the investments are strategic and will allow the realisation of the long-term objectives of the Company.

To constantly improve quality and efficiency, the Company uses a range of measures to monitor performance. Management accounts are reviewed monthly and key performance indicators such as receipt of orders, production, cost of sales and cash flow are reviewed weekly.

There are strong indications that customer demand for the Lincoln site will decrease in the year 2019. The Company is reacting to this decrease in two ways: i) identifying and introducing new products; ii) adapting shift patterns to allow a focus on maintenance of current facilities and external and internal training of current employees.

While uncertainties are high for the machined crankshafts market, the demand for the Sheffield site has been stable from the beginning of 2019, where new products are being introduced.

**PRINCIPAL RISKS AND UNCERTAINTIES**

In the past the main risk for the Company was not being able to be as flexible as required by the markets it operates in. Modernising the 16Kt press and the introduction of the 32Kt press has allowed faster response to the variations in demand. From the beginning of 2019 it is observable that the general level of demand in the market is diminishing with the heaviest fluctuations being seen in the agricultural market. Tariffs introduced by the American government in 2018 are said to be causing a drop in US export of soybeans, which caused Bifranghi UK's main customer to lower their forecast for 2019 by around 20%. The Company is considering different solutions and is studying a diversification of its production.

While uncertainty over Brexit outcome is continuing to impact currency exchanges, Bifranghi UK has been preparing for a no-deal Brexit by increasing raw material stocks and ensuring customers abroad are holding safety stock.

**Strategic Report**  
**for the Year Ended 31 December 2018**

**RESEARCH AND DEVELOPMENT**

In 2018, the Research and Development centre constructed in 2016 continued to be an important support in guaranteeing the quality of the products Bifrangì supplies. The testing facility allows for independence from external laboratories and assists both the Lincoln and Sheffield sites.

Being part of the AFRC, an R&D partnership that links the major players of the forging industry and the University of Strathclyde, offers Bifrangì UK an access to knowledge on alternative materials and forging practices. This knowledge in the future will allow the Company to enter several new markets, including aerospace.

**FINANCIAL INSTRUMENTS**

The Company trades with both customers and suppliers in Sterling, Euros and US Dollars. For normal trading there is a natural offset in these currencies and as such the Company does not ordinarily place forward currency contracts, however the Directors continue to monitor the needs of the Company on an ongoing basis.

**EMPLOYEE INVOLVEMENT AND DISABLED EMPLOYEES**

Consultation with employees is done via the union representatives. Meetings are on an ad hoc basis or by need. Information is passed via trade union representatives at site meetings or by local management to small groups of employees.

The company does not discriminate against individuals on grounds of disability when vacancies occur.

Employees who are infirm through ill health or injury are accommodated in various forms such as;

- risk assessment of tasks and suitable adjustments to enable the tasks to be undertaken
- work times adjusted to cater for physical difficulties
- job retraining into a services task rather than front line direct work.

Counselling and support are given by our active and knowledgeable Health & Safety Department and Occupational Health providers. From the beginning of 2019 Bifrangì UK has been working with an Health and Safety consultancy firm to work towards an integral safety culture.

Extended periods of absences are followed by lead-in programs and careful monitoring to ensure employees regain working fitness in an efficient and effective manner.

**ON BEHALF OF THE BOARD:**

F Biasion - Director

11 June 2019

**Report of the Directors  
for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

R Biasion  
Ms P Biasion  
F Biasion  
Miss F Biasion

**DISCLOSURE IN THE STRATEGIC REPORT**

The following items, required under Section 1 of Schedule 7 to the Large and Medium-sized Companies and Group (Accounts and Reports Regulations) 2008, are set out in the strategic report in accordance with Section 414(C)11 of the Companies Act 2006:

- Financial instruments
- Future developments and research and development
- Employees and disabled employees

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

F Biasion - Director

11 June 2019

**Report of the Independent Auditors to the Members of**  
**Bifrangí UK Limited**

**Opinion**

We have audited the financial statements of Bifrangí UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- 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; 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 under those standards are further described in the Auditors' 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 this regard.

**Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

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 material misstatements in the Strategic Report or the Report of the Directors.

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

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

**Report of the Independent Auditors to the Members of**  
**Bifrangt UK Limited**

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

**Auditors' 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 a Report of the Auditors 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 Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**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 a Report of the Auditors 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.

James Sewell BA (Hons) FCA CTA (Senior Statutory Auditor)  
for and on behalf of Wright Vigar Limited  
Statutory Auditors  
Chartered Accountants & Business Advisers  
15 Newland  
Lincoln  
Lincolnshire  
LN1 1XG

11 June 2019



**Income Statement  
for the Year Ended 31 December 2018**

	Notes	2018 £	£	2017 £	£
<b>TURNOVER</b>	3		37,022,487		25,960,266
Cost of sales			<u>33,943,288</u>		<u>23,101,537</u>
<b>GROSS PROFIT</b>			3,079,199		2,858,729
Distribution costs		178,287		159,769	
Administrative expenses		<u>2,390,681</u>		<u>1,976,245</u>	
			<u>2,568,968</u>		<u>2,136,014</u>
			510,231		722,715
Other operating income	4		<u>(34,042)</u>		<u>(247,817)</u>
<b>OPERATING PROFIT</b>	6		476,189		474,898
Exceptional expenses	8		<u>500,000</u>		<u>5,125</u>
			(23,811)		469,773
Interest payable and similar expenses	9		<u>225,289</u>		<u>274,472</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>			(249,100)		195,301
Tax on (loss)/profit	10		<u>-</u>		<u>-</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>			<u>(249,100)</u>		<u>195,301</u>

The notes form part of these financial statements

**Other Comprehensive Income  
for the Year Ended 31 December 2018**

	Notes	2018 £	2017 £
<b>(LOSS)/PROFIT FOR THE YEAR</b>		(249,100)	195,301
<b>OTHER COMPREHENSIVE INCOME</b>			
Capital contribution disposal			
Income tax relating to other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(249,100)</u>	<u>195,301</u>

The notes form part of these financial statements

**Balance Sheet**  
**31 December 2018**

	Notes	2018 £	£	2017 £	£
<b>FIXED ASSETS</b>					
Intangible assets	11		-		-
Tangible assets	12		<u>41,116,212</u>		<u>41,501,992</u>
			41,116,212		41,501,992
<b>CURRENT ASSETS</b>					
Stocks	13	8,128,247		6,252,248	
Debtors	14	7,020,536		4,910,256	
Cash at bank		<u>952,619</u>		<u>840,008</u>	
		16,101,402		12,002,512	
<b>CREDITORS</b>					
Amounts falling due within one year	15	<u>17,197,516</u>		<u>12,466,151</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(1,096,114)</u>		<u>(463,639)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			40,020,098		41,038,353
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		<u>26,948,836</u>		<u>27,717,991</u>
<b>NET ASSETS</b>			<u>13,071,262</u>		<u>13,320,362</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19	4,000,000		4,000,000	
Retained earnings	20	<u>9,071,262</u>		<u>9,320,362</u>	
<b>SHAREHOLDERS' FUNDS</b>			<u>13,071,262</u>		<u>13,320,362</u>

The financial statements were approved by the Board of Directors on 11 June 2019 and were signed on its behalf by:

F Biasion - Director

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2017</b>	4,000,000	9,125,061	13,125,061
<b>Changes in equity</b>			
Total comprehensive income	-	195,301	195,301
<b>Balance at 31 December 2017</b>	<u>4,000,000</u>	<u>9,320,362</u>	<u>13,320,362</u>
<b>Changes in equity</b>			
Total comprehensive income	-	(249,100)	(249,100)
<b>Balance at 31 December 2018</b>	<u>4,000,000</u>	<u>9,071,262</u>	<u>13,071,262</u>

**Cash Flow Statement**  
**for the Year Ended 31 December 2018**

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,475,670	(827,660)
Interest paid		<u>(225,289)</u>	<u>(274,472)</u>
Net cash from operating activities		<u>1,250,381</u>	<u>(1,102,132)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(2,917,978)	(1,223,421)
Interest received		<u>347,753</u>	<u>890,639</u>
Net cash from investing activities		<u>(2,570,225)</u>	<u>(332,782)</u>
<b>Cash flows from financing activities</b>			
Amount introduced by directors		<u>1,780,208</u>	-
Net cash from financing activities		<u>1,780,208</u>	-
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>460,364</u>	<u>(1,434,914)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	840,008	3,165,561
Effect of foreign exchange rate changes		<u>(347,753)</u>	<u>(890,639)</u>
<b>Cash and cash equivalents at end of year</b>	2	<u>952,619</u>	<u>840,008</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2018**

1. **RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2018	2017
	£	£
(Loss)/profit before taxation	(249,100)	195,301
Depreciation charges	3,303,756	3,103,193
Finance costs	225,289	274,472
	<u>3,279,945</u>	<u>3,572,966</u>
Increase in stocks	(1,875,999)	(1,252,094)
Increase in trade and other debtors	(2,110,278)	(1,059,777)
Increase/(decrease) in trade and other creditors	<u>2,182,002</u>	<u>(2,088,755)</u>
<b>Cash generated from operations</b>	<u><u>1,475,670</u></u>	<u><u>(827,660)</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2018**

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>952,619</u>	<u>840,008</u>

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>840,008</u>	<u>3,165,561</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 2018**

**1. STATUTORY INFORMATION**

Bifranghi UK Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Going concern**

The company will receive continued support from the company's ultimate holding company, Bifranghi S P A. At the year end the company owed Bifranghi S P A £12,277,404 (2017: £11,101,211). The purpose of the loan is to provide sufficient funds to enable the company to meet both the capital commitments and any other liabilities as they fall due.

**Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

**Goodwill**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

Goodwill arising on business acquisition, representing the difference between the fair value of the consideration given and the fair value of the assets acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 5 years. The useful economic life of buildings from 31 December 2005 was reassessed for an additional 6 years therefore goodwill relating to the acquisition of these buildings is being written off over an additional 6 years.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases.

Freehold buildings	- 2-4% straight line
Plant & machinery	- 4-33% straight line

**Stocks and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Cost is determined on the weighted average cost formula.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the income statement.

**Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**Government grants**

Government grant income is recognised when it is received. Grants relating to the purchase of assets are treated as deferred income and allocated to the income statement over the useful economic lives of the related assets while grants relating to expenses are treated as other income in the income statement.

**Loans and borrowings**

Loan and borrowings are initially measured at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a finance transaction it is measured at present value.

**Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The company has elected to treat the date of transition to FRS102 (1 January 2014) as the commencement date of the capitalisation of interest on qualifying assets.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

**3. TURNOVER**

The turnover and loss (2017 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	5,684,068	4,264,926
Europe	15,064,154	12,080,877
Rest of world	16,274,265	9,614,463
	<u>37,022,487</u>	<u>25,960,266</u>

The whole of the turnover is attributable to one class of business.



**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**4. OTHER OPERATING INCOME**

	2018	2017
	£	£
Government grants	313,711	642,823
Exchange gains/(losses)	(347,753)	(890,640)
	<u>(34,042)</u>	<u>(247,817)</u>

**5. EMPLOYEES AND DIRECTORS**

	2018	2017
	£	£
Wages and salaries	6,428,893	5,297,596
Social security costs	638,247	491,456
Other pension costs	310,701	253,296
	<u>7,377,841</u>	<u>6,042,348</u>

The average number of employees during the year was as follows:

	2018	2017
Production	213	186
Administration	28	22
Directors	4	4
	<u>245</u>	<u>212</u>

	2018	2017
	£	£
Directors' remuneration	<u>120,000</u>	<u>120,000</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation - owned assets	3,303,758	3,103,193
Foreign exchange differences	<u>347,753</u>	<u>890,640</u>

**7. AUDITORS' REMUNERATION**

	2018	2017
£		
Fees payable to the company's auditor for the audit of the company's annual accounts	27,468	25,662
Fees payable to the company's auditor and its associates in respect of - All other services	4,500	4,400

**8. EXCEPTIONAL ADMINISTRATIVE EXPENSES**

	2018	2017
	£	£
Exceptional expenses	<u>(500,000)</u>	<u>(5,125)</u>

The exceptional administrative expenses in 2017 relate to redundancy costs.

In the current year the amount relates to a potential claim against the company relating to a health and safety incident that occurred during the year ended 31 December 2018. The provision is an approximate mid point in the range of financial penalty capable of being imposed under the relevant Sentencing Guidelines. The total liability will not be determined until July 2019 and may well be different to this.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2018**

**9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Other interest	20,000	20,000
Loan interest	205,289	254,472
	<u>225,289</u>	<u>274,472</u>

**10. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year ended 31 December 2017.

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018	2017
	£	£
(Loss)/profit before tax	<u>(249,100)</u>	<u>195,301</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	(47,329)	37,107
Effects of:		
Tax losses carried forward	47,329	(37,107)

Total tax charge	<u>-</u>	<u>-</u>
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**Tax effects relating to effects of other comprehensive income**

There were no tax effects for the year ended 31 December 2018.

	Gross £	2017 Tax £	Net £
Capital contribution disposal	<u>          </u>	<u>          </u>	<u>          </u>
<b>11. INTANGIBLE FIXED ASSETS</b>			Goodwill £
<b>COST</b>			
At 1 January 2018			
and 31 December 2018			<u>(12,045,650)</u>
<b>AMORTISATION</b>			
At 1 January 2018			
and 31 December 2018			<u>(12,045,650)</u>
<b>NET BOOK VALUE</b>			
At 31 December 2018			<u>-</u>
At 31 December 2017			<u>-</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

**12. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Totals £
<b>COST</b>			
At 1 January 2018	15,554,355	65,950,898	81,505,253
Additions	-	2,917,978	2,917,978
At 31 December 2018	15,554,355	68,868,876	84,423,231
<b>DEPRECIATION</b>			
At 1 January 2018	1,923,652	38,079,609	40,003,261
Charge for year	265,163	3,038,595	3,303,758
At 31 December 2018	2,188,815	41,118,204	43,307,019
<b>NET BOOK VALUE</b>			
At 31 December 2018	13,365,540	27,750,672	41,116,212
At 31 December 2017	13,630,703	27,871,289	41,501,992

Included in cost of land and buildings is freehold land of £ 2,040,000 (2017 - £ 2,040,000 ) which is not depreciated.

**13. STOCKS**

	2018 £	2017 £
Raw materials	4,875,186	2,870,375
Work-in-progress	3,152,607	1,853,120
Finished goods	100,454	1,528,753
	<u>8,128,247</u>	<u>6,252,248</u>

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £	2017 £
Trade debtors	6,984,002	4,757,041
Other debtors	1,455	1,611
VAT	-	95,400
Prepayments and accrued income	35,079	56,204
	<u>7,020,536</u>	<u>4,910,256</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £	2017 £
Bank loans and overdrafts (see note 17)	2,003,808	1,973,292
Other loans (see note 17)	1,803,427	2,360,060
Trade creditors	4,567,509	2,629,897
Amounts owed to group undertakings	2,291,460	1,317,251
Social security and other taxes	161,956	143,495
VAT	6,919	-
Other creditors	522,427	(11,724)
Directors' current accounts	1,780,208	-
Accruals and deferred income	4,059,802	4,053,880
	<u>17,197,516</u>	<u>12,466,151</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2018**

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018	2017
	£	£
Debentures (see note 17)	1,000,000	1,000,000
Bank loans (see note 17)	3,005,711	4,933,229
Other loans (see note 17)	12,957,181	12,000,802
Amounts owed to group undertakings	9,985,944	9,783,960
	<u>26,948,836</u>	<u>27,717,991</u>

**17. LOANS**

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank loans	2,003,808	1,973,292
Other loans	<u>1,803,427</u>	<u>2,360,060</u>
	<u>3,807,235</u>	<u>4,333,352</u>
Amounts falling due between one and two years:		
Bank loans	<u>2,003,808</u>	<u>1,973,292</u>
Amounts falling due between two and five years:		
Debentures	1,000,000	1,000,000
Bank loans	1,001,903	2,959,937
Other loans	<u>12,957,181</u>	<u>12,000,802</u>
	<u>14,959,084</u>	<u>15,960,739</u>

**18. SECURED DEBTS**

Short term borrowings are secured by guarantee given by the company's parent, Bifrangi S P A.

The loans with Boltex Inc are secured by way of (a) fixed charge over the Chattels and (b) assignment of the Borrower's rights under certain agreements and insurance policies associated with the acquisition, operation and maintenance of the Chattels.

**19. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
4,000,000	Ordinary	£1	<u>4,000,000</u>	<u>4,000,000</u>

**20. RESERVES**

	Retained earnings
	£
At 1 January 2018	9,320,362
Deficit for the year	<u>(249,100)</u>
At 31 December 2018	<u>9,071,262</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2018**

21. **CAPITAL COMMITMENTS**

	2018 £	2017 £
Contracted but not provided for in the financial statements	<u>874,844</u>	<u>1,026,515</u>

22. **RELATED PARTY TRANSACTIONS**

**Fincoil S R L**

Included within creditors due in more than one year is a £1,000,000 (2017: £1,000,000 due in less than one year) advance from Fincoil S R L, a company which owns 40% of this company's share capital. As at 31 December 2018 the loan is repayable on 31 December 2022. Interest totalling £20,000 (2017: £20,000) was outstanding at 31 December 2018 and is included in accruals.

**Bifrangì S P A**

The company has total amounts outstanding to its parent company Bifrangì S P A of £12,277,404 (2017: £11,101,211). This balance is included within amounts due to group undertakings in less than one year and greater than one year based on the expected repayment profile.

The company trades with its parent company Bifrangì S P A. During the year the company acquired goods and services to the value of £828,791 (2017: £397,471) from Bifrangì S P A and made sales to Bifrangì S P A of £2,373,959 (2017: £1,175,715).

At the year end amounts relating to trading balances owed by/to Bifrangì S P A were £50,240 (2017: £69,469) and £2,291,460 (2017: £1,387,225) respectively. These amounts are shown within amounts owed by/to group undertaking.

**Boltex Inc**

During the year the company made purchases totalling £1,085,439 (2017: £509,985) from Boltex Inc, a company under common ownership.

In 2013 the company took out a loan with Boltex Inc to the value of €4,800,000. In addition in 2014 a further €9,200,000 loan was taken and in 2015 an additional \$5,000,000 loan was taken with Boltex Inc.

The total translated balance outstanding at the year end is £14,760,607 (2017: £14,361,421) of which £1,803,426 (2017: £1,775,884) is due within one year.

23. **ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is controlled by Bifrangì S P A.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Bifrangì S P A, a company incorporated in Italy. Consolidated accounts are available from Sede in Via Manzoni, 14, 36065 Mussoletti, 14.

In the opinion of the directors this is the company's ultimate parent company.

Bifrangì S P A is ultimately controlled by F Biasion.

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