REGISTERED NUMBER: 04279501 (England and Wales)

Strategic Report,

Report of the Director and

Financial Statements

for the Year Ended 31 December 2022

for

Bifrangi UK Limited

Contents of the Financial Statements for the Year Ended 31 December 2022

Bifrangi UK Limited

Company Information
for the Year Ended 31 December 2022

DIRECTOR:	F Biasion
REGISTERED OFFICE:	Tower Works Spa Road Lincoln LN2 5TB
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 2022

The director presents their strategic report and the financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

During the year 2022, the principal activities of the Company continued to be the forging and machining of crankshafts for the agricultural, power generation and automotive markets, and flight and rack bars for the mining industry. The product mix remained stable between 2021 and 2022.

REVIEW OF BUSINESS

Bifrangi UK Ltd has forging and testing facilities in Lincoln and machining facilities in Sheffield. The Company's results for the year ended 31 December 2022 show a post-tax loss of £5,246k (loss of £3,794k in 2021) on sales of £38,211k (£25,986k in 2021). It should be noted that the 2022 the operating loss was affected by exchange rate losses for £1,903k, due to the loss in value of the pound against medium and long-term debt of the Company in Euro and US dollars. Conversely, in 2021 the operating loss was influenced positively by £844k due to exchange rate gains. Therefore, the 2022 operating result, although still negative, shows an improvement of around £1,300k compared to 2021, an improvement however limited due to the rapid increase in operating costs.

Similar to 2021, in 2022 Bifrangi UK continued to be affected by a rise in the cost of production due to gas and electricity price increases and a steep increase in consumable and raw material prices. In May of 2022, steel mills began introducing an "Energy Surcharge" mechanism to the material purchased, which was added at short notice, creating difficulties in re-negotiations for the final product selling prices.

The Energy Surcharge had to be negotiated with Bifrangi UK's customers and the time-lag contributed to some of the losses for 2022. Later in the year this surcharge was accepted by our customers and included in the pricing mechanism. The current pricing structure for Bifrangi UK Ltd, which includes energy, gas, and all applicable material surcharges, is showing to be successful in 2023.

Investments for both the production site in Lincoln and the one in Sheffield are continuing, with delays caused by availability of electronic components and labour availability at suppliers' locations.

In 2022 the project of installing an induction heater line, hot cropper, bar loader and new descaler commenced in Lincoln. This investment, totalling more than £1.5 million, will be completed in 2023, allowing high-volume production in the 32k tonne press shop. Moreover, a second gas batch furnace will be installed in 2023, to ensure maximum flexibility when forging aerospace materials. Alongside these investments to increase forging capacity, during the course of a 6-week-long shutdown in April and May 2023 significant refurbishment will be carried out on the 16k tonne press shop equipment. This will include a full retrofit of the clipping press, in depth maintenance to the screw press, installation of a new descale pump and motor drive and essential building works.

In Sheffield the new purposely built grinding machine from Trevisan Macchine Utensili will be installed in June of this year. The machine was commissioned in 2016 by Bifrangi UK and is expected to increase the output of the site by 25%.

The director and shareholder are confident that the investments are strategic and will allow the realisation of the long-term objectives of the Company.

In carrying out its activities, Bifrangi UK Ltd is constantly supported by the parent company Bifrangi S.p.A., which recognizes its strategic role within the Group and supports its operations, also guaranteeing the liquidity necessary to meet its financial commitments. Bifrangi S.p.A. uses self-financing to support its own activities and those of its subsidiaries.

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 orders received, production volumes, cost of sales and cash flow are reviewed weekly.

PRINCIPAL RISKS AND UNCERTAINTIES

In 2023 the uncertainty remains high on the cost of gas and electricity, which in the first quarter of the year reduced significantly in Europe, but not as much in the United Kingdom. Pricing mechanisms are in place in order to correctly pass on these costs to our customers and energy cost data is reviewed weekly for correct cashflow management.
While sales for both Lincoln and Sheffield was very high in 2022, labour availability severely affected the overall capacity. This is due to a very competitive labour market, caused by reduced availability of skilled and unskilled labour in manufacturing, due to changing trends in people's employment preferences and the decision of part of the population not to return to work after the pandemic.

In 2023, the situation is improving and, thanks to a review of the pay structure for both sites, the number of employees is slowly increasing.

Due to the medium to long-term debt structure of Bifrangi UK, exchange rates pose a potential threat for the Company. Nonetheless, the Pound Sterling has been stable for the first four months of 2023.

RESEARCH AND DEVELOPMENT

The Research and Development centre constructed in 2016 continues to be an important support in guaranteeing the quality of the products Bifrangi supplies. The testing facilities allow for independence from external laboratories and assist both the Lincoln and Sheffield sites. The laboratory achieved ISO17025 accreditation in 2022.

Being part of the AFRC, an R&D partnership that links the major players of the forging industry and the University of Strathclyde, offers Bifrangi UK and the Bifrangi Group 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. In 2023, Bifrangi UK plans to carry out some projects for the AFRC, to test results from the small scale laboratory trials on the 32k tonne press.

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 director continues 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 and employee communication. 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, Human Resources and Occupational Health providers. Bifrangi UK employs a full time Health and Safety manager.

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.

SECTION 172(1) STATEMENT
The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. This S172 statement explains how Bifrangi UK Limited Director:

- has engaged with employees, suppliers, customers and others; and
- has had regard to employee interests, the need to foster the group's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to the group, and the level of information disclosed is consistent with the size and the complexity of the business.
The Director is aware of their responsibilities and when making decisions, and ensures that they act in the way that they consider in good faith, would most likely promote the Group's success for the benefit of its members as a whole and in doing so has regard to:

S172(1) (A) The likely consequences of any decision in the long term
The Director understands that due to the nature of the business continual improvements to the existing machinery is essential to create efficiencies and remain competitive long-term. Moreover, technological advancements offer more energy efficient solutions for existing applications. For this reason, Bifrangi UK has a strong investment programme in place which is evaluated considering the long-term changes in demand, the environmental impact of current technologies and, in turn, the long-term stability of the business.

S172(1) (B) The interests of the group's employees
The Director recognises that Bifrangi UK employees are fundamental to the delivery of strategic ambitions of our business. For this reason, employee training, welfare facilities and all aspects of the workplace, especially health and safety, are the first priority in decision making.

S172(1) (C) The need to foster the group's business relationships with suppliers, customers and others
In order to be successful Bifrangi UK must focus on long term relationships with suppliers, customers, local authorities and the rest of the Bifrangi Group. The ability to respond to customer requests in the most flexible manner is a priority for Bifrangi UK and this is only possible with the support of its suppliers. Suppliers are reviewed yearly on multiple factors, including their communication, cooperativeness, and financial stability. The customer base is assessed regularly within the context of business strategy and the management team ensures that these relationships are maintained with regular communication and site visits.

S172(1) (D) The impact of the group's operations on the community and the environment
The Director understands that due to the nature of the business focus on alternative fuels and noise reduction is essential to minimise the impact of the group's operations. Bifrangi UK has been heavily investing in solutions which are both more energy efficient and which reduce its impact on the local community.

S172(1) (E) The desirability of the group maintaining a reputation for high standards of business conduct
The Director carries out their decision making with the aim of maintaining high standards of reputation for the Bifrangi Group. The Company's policy, including the Conduct Policy and the Ethical policy are in place to widen the responsibility of high standards of conduct throughout all layers of the organisation.

S172(1) (F) The need to act fairly between members of the group
The Director considers all factors when determining the best course of action to deliver the Company's long term strategic goals. The impact on all stakeholders is considered as fairly as possible in the interest of the Company.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION & ENERGY EFFICIENCY

Carbon Dioxide Emissions
In 2022 the annual quantities of carbon dioxide emissions for Bifrangi UK were:

- 2,936,637 kgs from gas consumption
- 72,604 kgs from fuel for the purpose of transport
- 2,819,544 kgs from the purchase of electricity for the groups own use, including the purpose of transport.

kWh usage
The aggregated kWh of UK annual energy consumed from activities for which the group is responsible, involving the combustion of gas, was 16,314,648 kWh.
The quantity involving the consumption of fuel for the purpose of transport was 290,418 kWh.
The quantity involving the purchase of electricity by the group for its own use including transport was 14,580,331 kWh.

Methodology
Energy consumption is calculated using data from meter readings and invoices received for the given year being assessed. CO2 emissions are determined using the appropriate conversion factor for energy type obtained from UK Government information for company reporting of greenhouse gas emissions.

Ratios
In order to effectively manage the energy performance of the Group's facilities, systems processes and equipment, management consider mWh per tonne of steel forged to be the key energy performance indicator (EnPI). The ratios for Lincoln this year are as follows:

Energy Type	2022 EnPI	2022 Ratio	2021 Ratio
Gas Oil	N/A	N/A	0.023
Diesel	290MWh/15,368 tonnes	0.018	0.008
Natural Gas	14,384MWh/15,368 tonnes	0.936	1.035
Electricity	12,790MWh/15,368 tonnes	0.832	0.825

Measures taken to improve efficiency
Bifrangi UK has been carrying out projects to improve energy efficiencies. In particular:

1- Both at the Lincoln and Sheffield sites water cooling has replaced electric chillers where possible. Water cooling pumps are programmed so that they are in operation only when the water temperature is too high.
2- In Lincoln, the recovered heat from water cooling in the press department is used for heating the office and finishing areas.
3- Internal and external lighting is now LED in 90% of Lincoln and Sheffield premises.
4- The gas heating system at the Sheffield site was replaced by a modern system with 102% efficiency rating.
5- At the Lincoln site, 60% of the buildings have been replaced in the last 7 years with above standard insultation to improve heat efficiency. The new buildings also have more skylights to reduce the use of artificial lighting during the day.
6- At the Sheffield site in 2021 and 2022 50% of the facilities were demolished to reduce the area which requires heating. Of the remaining part, around 70% has been re-roofed to improve the efficiency rating of the building. Also, at this site the increase in number of skylights has improved natural lighting in the building.
7- All production furnaces are surveyed regularly to highlight any malfunction which might cause an excessive use of gas. In 2023 low gas usage burners will be trialled for heat treatment gas consumption reduction.
8- From the middle of 2021, shift patterns were changed in order to allow longer continues production of high energy consumption equipment, in particular gas furnaces and the induction heater line. This includes the introduction of a 3-days working week, or a shorter Friday shift in certain departments.
9- The investment on a new heater line will allow higher efficiency in heating material for production, which is the highest single energy consuming activity within Bifrangi UK.
10- Bifrangi UK will utilise the unused space at the East of its site in Lincoln to produce Green Energy, either by Solar, Wind or other renewable sources. This project is being investigated throughout 2023.

Bifrangi UK is working in conjunction with the AFRC to find suitable alternative fuels to reduce the environmental impact of the heat treatment of steel products.

Reporting limitations
At both Lincoln and Sheffield sites meters record energy consumption at site level. For this reason, it is not possible for evaluations to be made on the emissions connected to a specific department or piece of equipment.

ON BEHALF OF THE BOARD:

F Biasion - Director

24 May 2023

Report of the Director
for the Year Ended 31 December 2022

The director presents her report with the financial statements of the company for the year ended 31 December 2022.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2022.

DIRECTOR
F Biasion held office during the whole of the period from 1 January 2022 to the date of this report.

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
- Employee engagement
- Business relationships

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless she is 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 director is 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 director is 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 her to ensure that the financial statements comply with the Companies Act 2006. She is 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 director is 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 she has taken all the steps that she ought to have taken as a director in order to make 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:

Afrancesca Biasion

F Biasion - Director

24 May 2023

Report of the Independent Auditors to the Members of
Bifrangi UK Limited

Opinion
We have audited the financial statements of Bifrangi UK Limited (the 'company') for the year ended 31 December 2022 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 2022 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
In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information
The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Director 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 Director 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 Director.

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 director's 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 Bifrangi UK Limited

Responsibilities of director
As explained more fully in the Statement of Director's Responsibilities set out on page six, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our work is performed to include an assessment of the susceptibility of the entity's financial statements to material misstatement, including the risk of fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We plan our work to gain an understanding of the significant laws and regulations that are of significance to the entity and the sector in which they operate. We perform our work to ensure that the entity is complying with its legal and regulatory framework.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries to the management and people charged with governance.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Substantive procedures performed in accordance with the ISAs (UK).
- Challenging assumptions and judgments made by management in its significant accounting estimates.
- Identifying and testing journal entries, in particular material journal entries and an assessment of year end journals.
- Assessing the extent of compliance with the relevant laws and regulations.

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. 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.

Wright Vigar

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

23 May 2023

Bifrangi UK Limited (Registered number: 04279501)

Income Statement
for the Year Ended 31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
TURNOVER	3		38,211,487		25,985,632
Cost of sales			38,960,464		28,050,870
GROSS LOSS			(748,977)		(2,065,238)
Distribution costs		236,073		157,757	
Administrative expenses		2,715,785	2,951,858	2,655,067	2,812,824
			(3,700,835)		(4,878,062)
Other operating income	4		(1,433,657)		1,354,974
OPERATING LOSS	6		(5,134,492)		(3,523,088)
Interest payable and similar expenses	8		111,532		304,488
LOSS BEFORE TAXATION			(5,246,024)		(3,827,576)
Tax on loss	9		-		(33,045)
LOSS FOR THE FINANCIAL YEAR			(5,246,024)		(3,794,531)

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2022

	Notes	2022 £	2021 £
LOSS FOR THE YEAR		(5,246,024)	(3,794,531)
OTHER COMPREHENSIVE INCOME			
Capital contribution		3,543,366	-
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		3,543,366	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,702,658)	(3,794,531)

The notes form part of these financial statements

Bifrangi UK Limited (Registered number: 04279501)

Balance Sheet
31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
FIXED ASSETS					
Intangible assets	10		-		-
Tangible assets	11		31,981,730		34,703,251
			31,981,730		34,703,251
CURRENT ASSETS					
Stocks	12	7,946,486		6,904,702	
Debtors	13	10,202,050		5,274,662	
Cash at bank		2,701,324		2,279,530	
		20,849,860		14,458,894	
CREDITORS					
Amounts falling due within one year	14	18,036,591		13,575,910	
NET CURRENT ASSETS			2,813,269		882,984
TOTAL ASSETS LESS CURRENT LIABILITIES			34,794,999		35,586,235
CREDITORS					
Amounts falling due after more than one year	15		26,442,855		25,531,433
NET ASSETS			8,352,144		10,054,802
CAPITAL AND RESERVES					
Called up share capital	18		4,000,000		4,000,000
Retained earnings	19		4,352,144		6,054,802
SHAREHOLDERS' FUNDS			8,352,144		10,054,802

The financial statements were approved by the director and authorised for issue on 24 May 2023 and were signed by:

F Biasion - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2022

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021	4,000,000	9,849,333	13,849,333
Changes in equity			
Total comprehensive income	-	(3,794,531)	(3,794,531)
Balance at 31 December 2021	4,000,000	6,054,802	10,054,802
Changes in equity			
Total comprehensive income	-	(1,702,658)	(1,702,658)
Balance at 31 December 2022	4,000,000	4,352,144	8,352,144

Cash Flow Statement
for the Year Ended 31 December 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	(5,409,640)	2,747,210
Interest paid		(111,532)	(304,488)
Tax paid		-	33,045
Net cash from operating activities		(5,521,172)	2,475,767
Cash flows from investing activities			
Purchase of tangible fixed assets		(766,169)	(912,664)
Sale of tangible fixed assets		-	110,000
Foreign exchange		1,903,393	(843,959)
Net cash from investing activities		1,137,224	(1,646,623)
Cash flows from financing activities			
Intercompany loan movements		3,165,769	(649,138)
Capital contribution		3,543,366	-
Net cash from financing activities		6,709,135	(649,138)
Increase in cash and cash equivalents		2,325,187	180,006
Cash and cash equivalents at beginning of year	2	2,279,530	1,255,565
Effect of foreign exchange rate changes		(1,903,393)	843,959
Cash and cash equivalents at end of year	2	2,701,324	2,279,530

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2022

1. **RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2022	2021
	£	£
Loss before taxation	(5,246,024)	(3,827,576)
Depreciation charges	3,487,690	3,442,535
Finance costs	111,532	304,488
	(1,646,802)	(80,553)
Increase in stocks	(1,041,784)	(2,718,242)
Increase in trade and other debtors	(4,927,388)	(937,310)
Increase in trade and other creditors	2,206,334	6,483,315
Cash generated from operations	(5,409,640)	2,747,210

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 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	2,701,324	2,279,530

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	2,279,530	1,255,565

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank	2,279,530	421,794	2,701,324
	2,279,530	421,794	2,701,324
Debt			
Debts falling due within 1 year	(2,679,275)	(1,746,709)	(4,425,984)
Debts falling due after 1 year	(16,295,418)	2,254,346	(14,041,072)
	(18,974,693)	507,637	(18,467,056)
Total	(16,695,163)	929,431	(15,765,732)

Notes to the Financial Statements
for the Year Ended 31 December 2022

1. **STATUTORY INFORMATION**

Bifrangi 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, Bifrangi S P A. At the year end the company owed Bifrangi S P A £12,401,783 (2021: £9,236,014) in the form of loans. The purpose of the loans 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.

continued...

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.

Grants relating to the Coronavirus Job Retention Scheme are recognised in full in the period in which the associated salary, national insurance and pension costs were incurred.

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 before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
United Kingdom	8,435,160	5,268,560
Europe	9,926,401	7,374,036
Rest of world	19,849,926	13,343,036
	38,211,487	25,985,632

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

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4. OTHER OPERATING INCOME

	2022	2021
	£	£
Government grants	469,736	511,015
Exchange (gains)/losses	(1,903,393)	843,959
	(1,433,657)	1,354,974

5. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	6,001,527	5,818,993
Social security costs	589,006	550,750
Other pension costs	284,156	279,732
	6,874,689	6,649,475

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

	2022	2021
Production	186	190
Administration	28	28
Directors	1	1
	215	219

	2022	2021
	£	£
Director's remuneration	120,000	120,000

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2022	2021
	£	£
Depreciation - owned assets	3,487,690	3,442,535
Foreign exchange differences	1,903,393	(843,959)

7. AUDITORS' REMUNERATION

	2022	2021
	£	£
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	43,200	39,300

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Other interest	111,532	115,016
Loan interest	-	189,472
	111,532	304,488

continued...

9. TAXATION

Analysis of the tax credit
The tax credit on the loss for the year was as follows:

	2022 £	2021 £
Current tax:		
R&D tax credit	-	(33,045)
Tax on loss	-	(33,045)

Reconciliation of total tax credit 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:

	2022 £	2021 £
Loss before tax	(5,246,024)	(3,827,576)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(996,745)	(727,239)
Effects of:		
Expenses not deductible for tax purposes	2,159	9,108
Depreciation in excess of capital allowances	131,241	52,351
Adjustments to tax charge in respect of previous periods	-	134,645
Tax losses brought forward	(3,412,204)	(2,836,026)
Tax losses carried forward	4,275,549	3,412,204
R&D tax credit	-	(33,045)
Land remediation adjustment	-	(45,043)
Total tax credit	-	(33,045)

Tax effects relating to effects of other comprehensive income

	Gross £	2022 Tax £	Net £
Capital contribution	3,543,366	-	3,543,366

	Gross £	2021 Tax £	Net £
Capital contribution			

continued...

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2022	(12,045,650)
Disposals	12,045,650
At 31 December 2022	-
AMORTISATION	
At 1 January 2022	(12,045,650)
Eliminated on disposal	12,045,650
At 31 December 2022	-
NET BOOK VALUE	
At 31 December 2022	-
At 31 December 2021	-

11. TANGIBLE FIXED ASSETS

	Land and Buildings £	Plant and machinery £	Totals £
COST			
At 1 January 2022	17,622,994	70,735,734	88,358,728
Additions	-	766,169	766,169
At 31 December 2022	17,622,994	71,501,903	89,124,897
DEPRECIATION			
At 1 January 2022	3,049,357	50,606,120	53,655,477
Charge for year	265,161	3,222,529	3,487,690
At 31 December 2022	3,314,518	53,828,649	57,143,167
NET BOOK VALUE			
At 31 December 2022	14,308,476	17,673,254	31,981,730
At 31 December 2021	14,573,637	20,129,614	34,703,251

Included in cost of land and buildings is freehold land of £2,040,000 (2021 - £2,040,000) which is not depreciated.

12. STOCKS

	2022 £	2021 £
Raw materials	3,866,509	3,361,346
Work-in-progress	3,379,721	2,763,899
Finished goods	700,256	779,457
	7,946,486	6,904,702

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	7,183,274	4,955,438
Other debtors	158,612	158,612
VAT	378,008	13,762
Prepayments and accrued income	2,482,156	146,850
	10,202,050	5,274,662

continued...

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Debentures (see note 16)	1,000,000	1,000,000
Bank loans and overdrafts (see note 16)	1,771,683	1,679,275
Other loans (see note 16)	1,654,301	-
Trade creditors	10,169,569	6,995,721
Social security and other taxes	136,862	139,045
Other creditors	28,229	10,377
Accruals and deferred income	3,275,947	3,751,492
	18,036,591	13,575,910

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

	2022	2021
	£	£
Bank loans (see note 16)	4,472,888	5,877,464
Other loans (see note 16)	9,568,184	10,417,954
Amounts owed to group undertakings	12,401,783	9,236,015
	26,442,855	25,531,433

16. LOANS

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Debentures	1,000,000	1,000,000
Bank loans	1,771,683	1,679,275
Other loans	1,654,301	-
	4,425,984	2,679,275
Amounts falling due between one and two years:		
Bank loans	1,771,683	1,679,275
Other loans	1,654,301	1,480,341
	3,425,984	3,159,616
Amounts falling due between two and five years:		
Bank loans	2,701,205	4,198,189
Other loans	7,913,883	8,937,613
	10,615,088	13,135,802

17. 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.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
4,000,000	Ordinary	£1	4,000,000	4,000,000

continued...

19. **RESERVES**

	Retained earnings £
At 1 January 2022	6,054,802
Deficit for the year	(5,246,024)
Capital contribution	3,543,366
At 31 December 2022	4,352,144

20. **CAPITAL COMMITMENTS**

	2022 £	2021 £
Contracted but not provided for in the financial statements	788,399	950,000

21. **RELATED PARTY TRANSACTIONS**

Fincoil SPA
Included within creditors due in less than one year is a £1,000,000 (2021: £1,000,000) advance from Fincoil SPA, a company which previously owned 40% of this company's share capital up until February 2022. As at 31 December 2022, the loan is repayable on 31 December 2023.

Bifrangi SPA
The company has total amounts outstanding to its parent company Bifrangi SPA of £12,401,783 (2021: £9,236,014). This balance is included within amounts due to group undertakings in more than one year based on the expected repayment profile.

The company trades with its parent company Bifrangi SPA. During the year the company acquired goods and services to the value of £582,686 (2021: £168,944) from Bifrangi SPA and made sales to Bifrangi SPA of £1,643,812 (2021: £1,495,450).

At the year end amounts relating to trading balances owed by/to Bifrangi SPA were £nil (2021: £nil) and £3,473,776 (2021: £3,906,039) respectively.

Boltex Inc
During the year the company made purchases totalling £1,580,661 (2021: £508,675) 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. In 2016 the company repaid €2,000,000 and a further €4,000,000 was repaid in 2020.

The total translated balance outstanding at the year end is £11,222,485 (2021: £10,417,954) of which £1,654,301 (2021: £nil) is due within one year.

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

The company is controlled by Bifrangi SPA.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Fincoil SPA, a company incorporated in Italy.

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

Consolidated accounts are available from Sede in Via Manzoni, 14, 36065 Mussoleti, 14 for both Fincoil SPA and Bifrangi SPA.