

Valbruna UK Limited

Registered number: 2015096

Directors' report and financial statements

For the year ended 31 December 2013

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VALBRUNA UK LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | M A Gresele V Viero P Wood |
| Company secretary | V Viero |
| Registered number | 2015096 |
| Registered office | Oldbury Road West Bromwich West Midlands B70 9BT |
| Independent auditors | Mazars LLP Chartered Accountants & Statutory Auditor 45 Church Street Birmingham B3 2RT |
| Bankers | HSBC Bank Plc 130 New Street Birmingham West Midlands B2 4JU |

VALBRUNA UK LIMITED

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VALBRUNA UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and strategic review 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Results

The profit for the year, after taxation, amounted to £270,457 (2012 - £530,110).

Directors

The directors who served during the year were:

M A Gresele
V Viero
P Wood

Directors Indemnity

The company has Directors' and Officers' Insurance in place and the directors have confirmed that the level of cover taken out is adequate.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

VALBRUNA UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



M A Gresele
Director

Date: **28 APR. 2014**

VALBRUNA UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

The principal activity of the company continued to be stockholders of stainless steel and nickel alloy.

There have not been any significant changes in the Company's activities in the year under review. The directors are not aware, as at the date of this report, of any likely major changes in the Company's principal activities in the next year.

Business review

After a slow start of the year, market conditions improved in the second part of 2013. As a result the company reached £26 million in sales which represents a 11% decrease on the previous year. In line with this development trading margins generated in value were lower, whilst percentage margins remained about the same. Also our volumes remained similar to 2012 in accordance with our strategic change to specialty markets.

Collections of trade receivables were generally within trading terms and no significant bad debt was incurred. The level of business and the year end financial position were satisfactory and the directors are optimistic that the level of activity will also remain satisfactory in the current financial year in spite of the ongoing challenging market conditions

Principal risks and uncertainties

Credit Risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Liquidity Risk

The company manages its cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Financial Instruments

The directors of the company regularly review the financial risks to which the company is exposed. The company is supported by its parent group and is invoiced largely in sterling. Credit risk exposures are dealt with by insurance arrangements.

The company does not enter into any hedging transactions and does not have any abnormal exposure price, credit, liquidity and cash flow risks arising from trading activities. Transactions in foreign currencies are transacted at spot rates.

Financial key performance indicators

Turnover of £25,943,294 was 11% lower than 2012 (£29,257,510) and profits before tax fell by 50% to £355,262 (2012: £713,222). The gross margin was 11.3% (2012: 12.1%).

Cash used in operations was £1,349,782 (2012: cash generated from operation £3,495,927)

VALBRUNA UK LIMITED

STRATEGIC REPORT (continued)

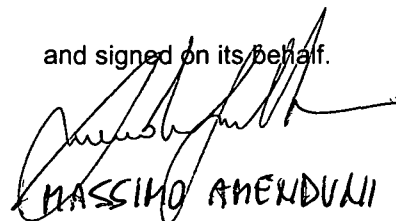
Outlook

The challenging market conditions noted in the latter part of 2012 that continued into the early part of 2013 has impacted on the overall performance for the year, however management are confident that if the early indications noted in the 2014 trading continue that activity levels should be in line with managements expectation.

This report was approved by the board on

28 APR. 2014

and signed on its behalf.



MASSIMO AMENDUNI GRESELE

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALBRUNA UK LIMITED

We have audited the financial statements of Valbruna UK Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit 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.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALBRUNA UK LIMITED

Paul Lucas (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham
B3 2RT



Date:

6 May 2014

VALBRUNA UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013 £ | 2012 £ |
|--|------|------------------|------------------|
| Turnover | 1,2 | 25,943,294 | 29,257,510 |
| Cost of sales | | (23,006,239) | (25,695,334) |
| Gross profit | | 2,937,055 | 3,562,176 |
| Distribution costs | | (1,070,459) | (1,153,812) |
| Administrative expenses | | (1,287,412) | (1,461,876) |
| Other operating income | 3 | 45,108 | 36,992 |
| Operating profit | 4 | 624,292 | 983,480 |
| Interest receivable and similar income | | 205 | 563 |
| Interest payable and similar charges | 8 | (269,235) | (270,821) |
| Profit on ordinary activities before taxation | | 355,262 | 713,222 |
| Tax on profit on ordinary activities | 9 | (84,805) | (183,112) |
| Profit for the financial year | 19 | 270,457 | 530,110 |

All amounts relate to continuing operations.

The notes on pages 11 to 22 form part of these financial statements.

VALBRUNA UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 £ | 2012 £ |
|--|-----------|-----------|
| Profit for the financial year | 270,457 | 530,110 |
| Unrealised surplus on revaluation of investment properties | 649,467 | - |
| | <hr/> | <hr/> |
| Total recognised gains and losses relating to the year | 919,924 | 530,110 |
| | <hr/> | <hr/> |

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 £ | 2012 £ |
|---|-----------|-----------|
| Reported profit on ordinary activities before taxation | 355,262 | 713,222 |
| Historical cost profit on ordinary activities before taxation | 355,262 | 713,222 |
| | <hr/> | <hr/> |
| Historical profit for the year after taxation | 270,457 | 530,110 |
| | <hr/> | <hr/> |

The notes on pages 11 to 22 form part of these financial statements.

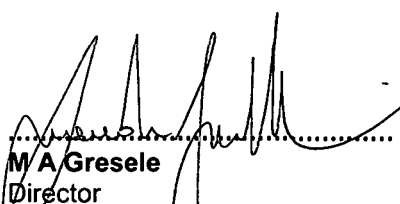
VALBRUNA UK LIMITED

Registered number: 2015096

BALANCE SHEET**AS AT 31 DECEMBER 2013**

| | Note | £ | 2013 £ | £ | 2012 £ |
|--|------|-------------------|-------------------|-------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 2,255,396 | | 2,377,651 |
| Investment property | 11 | | 1,850,000 | | 1,042,164 |
| Investments | 12 | | 2,763 | | 2,763 |
| | | | <u>4,108,159</u> | | <u>3,422,578</u> |
| Current assets | | | | | |
| Stocks | 13 | 15,813,699 | | 18,154,179 | |
| Debtors | 14 | 5,566,464 | | 5,927,005 | |
| Cash at bank | | 107,785 | | 33,687 | |
| | | <u>21,487,948</u> | | <u>24,114,871</u> | |
| Creditors: amounts falling due within one year | 15 | (11,561,293) | | (19,231,278) | |
| Net current assets | | | 9,926,655 | | 4,883,593 |
| Total assets less current liabilities | | | <u>14,034,814</u> | | <u>8,306,171</u> |
| Creditors: amounts falling due after more than one year | 16 | | (6,400,986) | | (1,601,740) |
| Provisions for liabilities | | | | | |
| Deferred tax | 17 | | (131,786) | | (122,313) |
| Net assets | | | <u>7,502,042</u> | | <u>6,582,118</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 1,500,000 | | 1,500,000 |
| Revaluation reserve | 19 | | 959,955 | | 310,488 |
| Profit and loss account | 19 | | 5,042,087 | | 4,771,630 |
| Shareholders' funds | 20 | | <u>7,502,042</u> | | <u>6,582,118</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


M A Gresele
 Director

Date: **28 APR. 2014**

The notes on pages 11 to 22 form part of these financial statements.

VALBRUNA UK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013 £ | 2012 £ |
|---|------|--------------------|------------------|
| Net cash flow from operating activities | 21 | (1,349,782) | 3,495,927 |
| Returns on investments and servicing of finance | 22 | (269,031) | (270,258) |
| Taxation | | (119,489) | (193,252) |
| Capital expenditure and financial investment | 22 | (295,788) | (167,439) |
| Cash (outflow)/inflow before financing | | (2,034,090) | 2,864,978 |
| Financing | 22 | 2,301,239 | (3,401,239) |
| Increase/(Decrease) in cash in the year | | 267,149 | (536,261) |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 £ | 2012 £ |
|--|--------------------|--------------------|
| Increase/(Decrease) in cash in the year | 267,149 | (536,261) |
| Cash (inflow)/outflow from (increase)/decrease in debt and lease financing | (2,301,239) | 3,401,239 |
| Change in net debt resulting from cash flows | (2,034,090) | 2,864,978 |
| Other non-cash changes | - | 1 |
| Movement in net debt in the year | (2,034,090) | 2,864,979 |
| Net debt at 1 January 2013 | (4,258,125) | (7,123,104) |
| Net debt at 31 December 2013 | (6,292,215) | (4,258,125) |

The notes on pages 11 to 22 form part of these financial statements.

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements.

On this basis the directors consider that the company has adequate funds to meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

1.3 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.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|---------------------|---|-------|
| Freehold property | - | 4% |
| Plant & machinery | - | 12.5% |
| Motor vehicles | - | 25% |
| Fixtures & fittings | - | 12.5% |
| Computer equipment | - | 25% |

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 Investment properties

Investment properties are included in the Balance Sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company.

1.7 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting Policies (continued)

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is calculated using the weighted average method and consists of material costs and all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.10 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 Profit and Loss Account.

1.11 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.

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Turnover

The whole of the turnover is attributable to the sales of stainless steel and nickel alloy.

A geographical analysis of turnover is as follows:

| | 2013 £ | 2012 £ |
|------------------------|------------|------------|
| United Kingdom | 24,810,623 | 27,580,864 |
| Rest of European Union | 616,258 | 977,695 |
| Rest of world | 516,413 | 698,951 |
| | <hr/> | <hr/> |
| | 25,943,294 | 29,257,510 |
| | <hr/> | <hr/> |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Other operating income

| | 2013 £ | 2012 £ |
|------------------------|-----------|-----------|
| Other operating income | 45,108 | 36,992 |

4. Operating profit

The operating profit is stated after charging:

| | 2013 £ | 2012 £ |
|--|-----------|-----------|
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 267,517 | 272,018 |
| Operating lease rentals: | | |
| - plant and machinery | 11,382 | 11,382 |

5. Auditors' remuneration

| | 2013 £ | 2012 £ |
|---|-----------|-----------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 21,835 | 21,200 |
| Fees payable to the company's auditor and its associates in respect of: | | |
| All other non-audit services not included above | 5,969 | 5,228 |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

| | 2013 £ | 2012 £ |
|-----------------------|----------------|------------------|
| Wages and salaries | 874,292 | 897,294 |
| Social security costs | 89,763 | 91,545 |
| Other pension costs | 18,718 | 16,623 |
| | <u>982,773</u> | <u>1,005,462</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2013 No. | 2012 No. |
|----------------|-------------|-------------|
| Management | 1 | 1 |
| Administration | 18 | 17 |
| Production | 14 | 14 |
| Sales | 7 | 7 |
| | <u>40</u> | <u>39</u> |

7. Directors' remuneration

| | 2013 £ | 2012 £ |
|---|---------------|---------------|
| Remuneration | <u>43,924</u> | <u>42,508</u> |
| Company pension contributions to defined contribution pension schemes | <u>1,020</u> | <u>1,020</u> |

During the year retirement benefits were accruing to 1 director (2012 - 1) in respect of defined contribution pension schemes.

8. Interest payable

| | 2013 £ | 2012 £ |
|----------------------------------|----------------|----------------|
| On bank loans and overdrafts | 107 | 181 |
| On loans from group undertakings | 75,203 | 118,483 |
| Other interest payable | 193,925 | 152,157 |
| | <u>269,235</u> | <u>270,821</u> |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

9. Taxation

| | 2013 £ | 2012 £ |
|--|---------------|----------------|
| Analysis of tax charge in the year | | |
| Current tax (see note below) | | |
| UK corporation tax charge on profit for the year | 75,871 | 188,850 |
| Adjustments in respect of prior periods | (539) | (62,734) |
| Total current tax | <u>75,332</u> | <u>126,116</u> |
| Deferred tax (see note 17) | | |
| Origination and reversal of timing differences | 9,473 | 56,996 |
| Tax on profit on ordinary activities | <u>84,805</u> | <u>183,112</u> |

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2012 - the same as) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%) as set out below:

| | 2013 £ | 2012 £ |
|---|----------------|----------------|
| Profit on ordinary activities before tax | <u>355,262</u> | <u>713,222</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%) | 82,586 | 174,720 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 22,847 | 24,162 |
| Capital allowances for year in excess of depreciation | (16,817) | (10,125) |
| Adjustments to tax charge in respect of prior periods | (539) | (62,734) |
| Short term timing difference leading to an increase (decrease) in taxation | (12,737) | 97 |
| Non-taxable income | (8) | (4) |
| Current tax charge for the year (see note above) | <u>75,332</u> | <u>126,116</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

10. Tangible fixed assets

| | Freehold property £ | Motor Vehicles, Plant & Machinery £ | Computer, Fixtures & Fittings £ | Total £ |
|--------------------------|---------------------------|---|--|------------|
| Cost or valuation | | | | |
| At 1 January 2013 | 2,381,539 | 1,658,269 | 460,577 | 4,500,385 |
| Additions | - | 101,550 | 43,937 | 145,487 |
| Disposals | - | (74,595) | (18,138) | (92,733) |
| At 31 December 2013 | 2,381,539 | 1,685,224 | 486,376 | 4,553,139 |
| Depreciation | | | | |
| At 1 January 2013 | 754,521 | 1,022,706 | 345,507 | 2,122,734 |
| Charge for the year | 78,720 | 154,801 | 33,996 | 267,517 |
| On disposals | - | (74,595) | (17,913) | (92,508) |
| At 31 December 2013 | 833,241 | 1,102,912 | 361,590 | 2,297,743 |
| Net book value | | | | |
| At 31 December 2013 | 1,548,298 | 582,312 | 124,786 | 2,255,396 |
| At 31 December 2012 | 1,627,018 | 635,563 | 115,070 | 2,377,651 |

11. Investment property

| | Freehold investment property £ |
|---------------------------------------|---|
| Valuation | |
| At 1 January 2013 | 1,042,164 |
| Additions at cost | 158,369 |
| Surplus/(deficit) on revaluation | 649,467 |
| At 31 December 2013 | 1,850,000 |
| Comprising | |
| Cost | 1,008,772 |
| Annual revaluation surplus/(deficit): | |
| 2009 | 151,761 |
| 2010 | 40,000 |
| 2013 | 649,467 |
| At 31 December 2013 | 1,850,000 |

Freehold properties were revalued during the year by Chesterton Humberts on the basis of the open market value for existing use.

These properties have not been depreciated.

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

12. Fixed asset investments

| | Investments in subsidiary companies £ | Unlisted investments £ | Total £ |
|--|---|------------------------------|------------|
| Cost or valuation | | | |
| At 1 January 2013 and 31 December 2013 | 1 | 2,762 | 2,763 |
| Net book value | | | |
| At 31 December 2013 | 1 | 2,762 | 2,763 |
| At 31 December 2012 | 1 | 2,762 | 2,763 |

Subsidiary undertakings

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding |
|--------------------------|-----------------|---------|
| Valbruna Ireland Limited | Ordinary | 1 % |

Valbruna Ireland Limited operates as a steel stockholder.

13. Stocks

| | 2013 £ | 2012 £ |
|---------------|------------|------------|
| Raw materials | 15,813,699 | 18,154,179 |

14. Debtors

| | 2013 £ | 2012 £ |
|------------------------------------|-----------|-----------|
| Trade debtors | 5,433,614 | 5,809,791 |
| Amounts owed by group undertakings | 81,928 | 66,295 |
| Other debtors | 4,954 | 765 |
| Prepayments and accrued income | 45,968 | 50,154 |
| | 5,566,464 | 5,927,005 |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

15. Creditors: Amounts falling due within one year

| | 2013 £ | 2012 £ |
|------------------------------------|-------------------|-------------------|
| Bank facilities and overdrafts | - | 2,691,812 |
| Trade creditors | 245,295 | 425,252 |
| Amounts owed to group undertakings | 5,781,209 | 10,253,881 |
| Corporation tax | 3,413 | 43,866 |
| Other taxation and social security | 597,062 | 655,854 |
| Other creditors | 4,829,594 | 5,016,158 |
| Accruals and deferred income | 104,720 | 144,455 |
| | <u>11,561,293</u> | <u>19,231,278</u> |

The company has an invoice discounting agreement with HSBC Invoice Finance (UK) Limited pursuant to which the company has assigned to HSBC Invoice Finance (UK) Limited all book debts belonging to the company. The invoice discounting facility is secured by way of a fixed charge on non-vesting debts and a floating charge dated 18 April 2012. The amount outstanding under the invoice discounting agreement as at 31 December 2013 was £4,819,100 (2012 - £5,015,747).

The overdraft facility provided by HSBC Bank plc was secured by a debenture dated 2 April 2012 pursuant to which the company has granted fixed and floating charges over all of its property, assets and undertaking.

Indebtedness to Acciaierie Valbruna Spa is secured by way of a debenture dated 29 March 2012 pursuant to which the company has granted fixed and floating charges over all its property, assets and undertaking. The debenture is subject to a deed of priority entered into between HSBC Bank plc, HSBC Invoice Finance (UK) Limited, Acciaierie Valbruna Spa and the company.

16. Creditors: Amounts falling due after more than one year

| | 2013 £ | 2012 £ |
|------------------------------|------------------|------------------|
| Other loans | 6,400,000 | 1,600,000 |
| Accruals and deferred income | 986 | 1,740 |
| | <u>6,400,986</u> | <u>1,601,740</u> |

17. Deferred taxation

| | 2013 £ | 2012 £ |
|-----------------------|----------------|----------------|
| At beginning of year | 122,313 | 65,317 |
| Charge for year (P&L) | 9,473 | 56,996 |
| | <u>131,786</u> | <u>122,313</u> |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

17. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

| | 2013 £ | 2012 £ |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | 133,084 | 122,313 |
| Short term timing differences | (1,298) | - |
| | <u>131,786</u> | <u>122,313</u> |

18. Share capital

| | 2013 £ | 2012 £ |
|--|------------------|------------------|
| Authorised | | |
| 5,000,000 Ordinary Share shares of £1 each | <u>5,000,000</u> | <u>5,000,000</u> |
| Allotted, called up and fully paid | | |
| 1,500,000 Ordinary Share shares of £1 each | <u>1,500,000</u> | <u>1,500,000</u> |

19. Reserves

| | Revaluation reserve £ | Profit and loss account £ |
|--|-----------------------------|---------------------------------|
| At 1 January 2013 | 310,488 | 4,771,630 |
| Profit for the year | | 270,457 |
| Surplus on revaluation of other fixed assets | 649,467 | |
| | <u>959,955</u> | <u>5,042,087</u> |
| At 31 December 2013 | | |

20. Reconciliation of movement in shareholders' funds

| | 2013 £ | 2012 £ |
|---|------------------|------------------|
| Opening shareholders' funds | 6,582,118 | 6,052,008 |
| Profit for the financial year | 270,457 | 530,110 |
| Other recognised gains and losses during the year | 649,467 | - |
| | <u>7,502,042</u> | <u>6,582,118</u> |
| Closing shareholders' funds | | |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

21. Net cash flow from operating activities

| | 2013 £ | 2012 £ |
|--|--------------------|------------------|
| Operating profit | 624,292 | 983,480 |
| Depreciation of tangible fixed assets | 267,517 | 272,017 |
| Profit on disposal of tangible fixed assets | (7,843) | (5,986) |
| Decrease/(increase) in stocks | 2,340,480 | (1,526,035) |
| Decrease in debtors | 379,879 | 1,375,939 |
| (Increase)/decrease in amounts owed by group undertakings | (15,630) | 36,956 |
| (Decrease)/increase in creditors | (465,805) | 4,320,733 |
| Decrease in amounts owed to group undertakings | (4,472,672) | (1,961,177) |
| Net cash (outflow)/inflow from operating activities | (1,349,782) | 3,495,927 |

22. Analysis of cash flows for headings netted in cash flow statement

| | 2013 £ | 2012 £ |
|--|------------------|------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 205 | 563 |
| Interest paid | (269,236) | (270,821) |
| Net cash outflow from returns on investments and servicing of finance | (269,031) | (270,258) |

| | 2013 £ | 2012 £ |
|---|------------------|------------------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (145,487) | (173,471) |
| Sale of tangible fixed assets | 8,068 | 6,075 |
| Purchase of investment properties | (158,369) | - |
| Purchase of unlisted and other investments | - | (43) |
| Net cash outflow from capital expenditure | (295,788) | (167,439) |

| | 2013 £ | 2012 £ |
|---|------------------|--------------------|
| Financing | | |
| New secured loans | - | 2,498,761 |
| Repayment of loans | (2,498,761) | - |
| Other new loans | 4,800,000 | - |
| Repayment of other loans | - | (5,900,000) |
| Net cash inflow/(outflow) from financing | 2,301,239 | (3,401,239) |

VALBRUNA UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

23. Analysis of changes in net debt

| | 1 January 2013 £ | Cash flow £ | Other non-cash changes £ | 31 December 2013 £ |
|---|------------------------|--------------------|-----------------------------------|--------------------------|
| Cash at bank and in hand | 33,687 | 74,098 | - | 107,785 |
| Bank overdraft | (193,051) | 193,051 | - | - |
| | <u>(159,364)</u> | <u>267,149</u> | <u>-</u> | <u>107,785</u> |
| Debt: | | | | |
| Debts due within one year | (2,498,761) | (2,301,239) | 4,800,000 | - |
| Debts falling due after more than one year | (1,600,000) | - | (4,800,000) | (6,400,000) |
| | <u>(4,258,125)</u> | <u>(2,034,090)</u> | <u>-</u> | <u>(6,292,215)</u> |
| Net debt | <u>(4,258,125)</u> | <u>(2,034,090)</u> | <u>-</u> | <u>(6,292,215)</u> |

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £18,718 (2012: £16,623). At 31 December 2013 contributions amounting to nil (2012: £324) were payable to the fund and are included in creditors.

25. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

| | 2013 £ | 2012 £ |
|-----------------------|---------------|---------------|
| Expiry date: | | |
| Between 2 and 5 years | <u>11,382</u> | <u>11,382</u> |

26. Related party transactions

The company is entitled to the exemption under FRS 8 not to disclose transactions with related parties.

27. Ultimate parent undertaking and controlling party

The ultimate parent company is Acciaierie Valbruna s.p.a a company incorporated in Italy.