

Valbruna UK Limited

Registered number: 2015096

Directors' report and financial statements

For the year ended 31 December 2019



VALBRUNA UK LIMITED

COMPANY INFORMATION

Directors	M A Gresele V Viero P Wood R Green (appointed 14 May 2019)
Company secretary	V Viero
Registered number	2015096
Registered office	Oldbury Road West Bromwich West Midlands B70 9BT
Independent auditor	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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

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

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

Market conditions continued to improve throughout the year. As a result the company reached £20.9 million in sales which represents a 7.3% increase on the previous year. Gross percentage margins generated at 20.5% were slightly higher than last years 19.2%.

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 beginning of 2020 shows encouragement.

Principal risks and uncertainties

The principal risk identified by the directors continues to be in relation to the growth of revenues and customers in what continues to be a challenging and competitive market. The company always continues to develop and grow relations with existing customers and grow overall customer numbers by delivering a high quality product.

Effect of the Withdrawal of the United Kingdom from the European Union

The Company has increased stock levels in the UK as a precaution against the risk of possible temporary logistical disruptions and delays due to Brexit. On the other hand due to the specialist nature of its products and UK customers the Company does not foresee major long term risks resulting from Brexit.

Financial key performance indicators

Turnover of £20,948,823 was 7.3% more than 2018 (£19,521,252) and profits before tax increased by 66% to £2,086,896 (2018: £1,255,993). The gross margin was 20.5% (2018: 19.2%).

Cash outflow from operating activities was £12,777 (2018: £(52,068)).

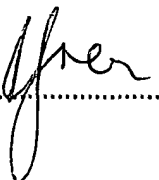
Outlook

The directors are cautiously optimistic that the level of activity will remain satisfactory in the 2020 financial year inspite of some ongoing challenging market conditions especially due to the effects of the Coronavirus outbreak. Estimating the company's results and sales volumes for 2020 is challenging due to the uncertainties that customers may face due to the current coronavirus outbreak. On the other hand current inventory levels allow the business to meet demand for several months and the company is ready to take advantage of some of the government support available should it be required. Furthermore it has the full support of its parent company who is also its main supplier.

VALBRUNA UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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R Green
Director

Date: 3rd April 2020.

VALBRUNA UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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 and dividends

The profit for the year, after taxation, amounted to £1,654,856 (2018 - £1,071,124).

Dividends

The directors do not recommend the payment of any dividend.

Directors

The directors who served during the year were:

M A Gresele
V Viero
P Wood
R Green

VALBRUNA UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Financial risk management**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.

Future development

The directors are optimistic that the level of activity will remain satisfactory in the 2019 financial year in spite of some ongoing challenging market conditions.

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

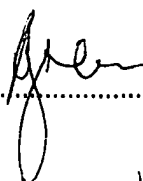
Post balance sheet events

There have been two significant events affecting the Company since the year end, namely Brexit and the Coronavirus outbreak. It is still too early to determine their full effects on the company's activities. Management consider both events to be non-adjusting post balance sheet events.

Auditor

The auditor, 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.


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R Green
Director

Date: 3rd April 2020

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALBRUNA UK LIMITED

Opinion

We have audited the financial statements of Valbruna UK Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and 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 FRS 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 2019 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.

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 Auditor's 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 1, and the consideration in the going concern basis of preparation on page 1 and non- adjusting post balance sheet events on page 4. Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy.

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALBRUNA UK LIMITED

The impact of uncertainties due to both the COVID-19 coronavirus and the United Kingdom exiting the European Union on our audit.

The Directors' view on the impacts of the COVID-19 coronavirus and Brexit are disclosed on pages 1.

The full impact following the recent emergence of the global coronavirus is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the group and company's trade, customers, suppliers and the wider economy.

We considered the impacts of COVID-19 coronavirus and Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to both COVID-19 coronavirus and Brexit.

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 the Strategic Report and the Directors' Report, other than the financial statements and our auditor's report 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.

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALBRUNA UK LIMITED

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

Matters on which we are required to report by exception

In 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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 is 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 an auditor's report 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. This description forms part of our auditor's report.

VALBRUNA UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALBRUNA UK LIMITED

Use of the audit 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 an auditor's 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.

Louis Burns

Louis Burns (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

Date: *6 April 2020*

VALBRUNA UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	3	20,948,823	19,521,252
Cost of sales		(16,654,892)	(15,774,260)
Gross profit		<u>4,293,931</u>	<u>3,746,992</u>
Distribution costs		(905,794)	(902,768)
Administrative expenses		(1,344,568)	(1,318,475)
Other operating income	4	155,086	128,401
Operating profit	5	<u>2,198,655</u>	<u>1,654,150</u>
Investment property impairment		-	(290,000)
Interest payable and expenses	9	(111,759)	(108,157)
Profit before tax		<u>2,086,896</u>	<u>1,255,993</u>
Tax on profit	10	(432,040)	(184,869)
Profit for the financial year		<u><u>1,654,856</u></u>	<u><u>1,071,124</u></u>

There was no other comprehensive income for 2019 (2018:£NIL).

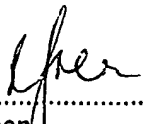
The notes on pages 13 to 29 form part of these financial statements.

VALBRUNA UK LIMITED
REGISTERED NUMBER: 2015096

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	1,567,012	1,599,007
Investments	12	1	1
Investment property	13	1,560,000	1,560,000
		<u>3,127,013</u>	<u>3,159,008</u>
Current assets			
Stocks	14	14,464,138	12,710,030
Debtors: amounts falling due within one year	15	4,087,057	4,321,657
Cash at bank and in hand	16	139,963	303,785
		<u>18,691,158</u>	<u>17,335,472</u>
Creditors: amounts falling due within one year	17	(10,420,646)	(10,790,595)
Net current assets		<u>8,270,512</u>	<u>6,544,877</u>
Total assets less current liabilities		<u>11,397,525</u>	<u>9,703,885</u>
Provisions for liabilities			
Deferred tax	19	(191,602)	(152,818)
		<u>(191,602)</u>	<u>(152,818)</u>
Net assets		<u><u>11,205,923</u></u>	<u><u>9,551,067</u></u>
Capital and reserves			
Called up share capital	20	1,500,000	1,500,000
Revaluation reserve	21	669,955	669,955
Profit and loss account	21	9,035,968	7,381,112
		<u><u>11,205,923</u></u>	<u><u>9,551,067</u></u>

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


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R Green
Director

Date: 3rd April 2020

VALBRUNA UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	1,500,000	959,955	6,019,988	8,479,943
Total comprehensive income for the year				
Profit for the year	-	-	1,071,124	1,071,124
Transfer to/from profit and loss account	-	(290,000)	290,000	-
At 1 January 2019	1,500,000	669,955	7,381,112	9,551,067
Total comprehensive income for the year				
Profit for the year	-	-	1,654,856	1,654,856
At 31 December 2019	1,500,000	669,955	9,035,968	11,205,923

The notes on pages 13 to 29 form part of these financial statements.

VALBRUNA UK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,654,856	1,071,124
Adjustments for:		
Depreciation of tangible assets	218,642	223,182
Impairments of fixed assets	-	290,000
Loss on disposal of tangible assets	(6,752)	-
Interest paid	111,760	108,157
Taxation charge	432,040	184,869
(Increase) in stocks	(1,754,108)	(1,298,180)
Decrease/(increase) in debtors	252,562	(366,503)
(Increase) in amounts owed by groups	(17,961)	(1,944)
(Decrease) in creditors	(87,793)	(452,429)
(Decrease)/increase in amounts owed to groups	(476,387)	435,969
Corporation tax (paid)	(339,636)	(246,313)
Net cash generated from operating activities	<u>(12,777)</u>	<u>(52,068)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(188,980)	(86,749)
Sale of tangible fixed assets	9,085	307
Net cash from investing activities	<u>(179,895)</u>	<u>(86,442)</u>
Cash flows from financing activities		
New secured loans	-	250,000
Interest paid	(111,760)	(108,157)
Net cash used in financing activities	<u>(111,760)</u>	<u>141,843</u>
Net (decrease)/increase in cash and cash equivalents	<u>(304,432)</u>	<u>3,333</u>
Cash and cash equivalents at beginning of year	122,002	118,669
Cash and cash equivalents at the end of year	<u><u>(182,430)</u></u>	<u><u>122,002</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	139,963	303,785
Bank overdrafts	(322,393)	(181,783)
	<u><u>(182,430)</u></u>	<u><u>122,002</u></u>

The notes on pages 13 to 29 form part of these financial statements.

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies**1.1 General information**

Valbruna UK Limited is a private company limited by shares, incorporated in England and Wales and domiciled in England. The address of its registered office and principal place of business are disclosed on the company information page of these financial statements.

1.2 Statement of compliance

The financial statements of Valbruna UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

1.3 Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention as modified by the revaluation of investment properties and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The financial statements are presented in Sterling, which is considered to be the functional currency of the company, and are rounded to the nearest £1.

The following principal accounting policies have been applied:

1.4 Going concern

Management have considered the current economic conditions and what the worst case scenario may be during 2020 and early 2021 and have concluded that they would have sufficient working capital resources to continue trading even through those conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.9 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

1.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments in unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.14 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Income Statement.

1.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.19 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.20 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regards, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below:

Investment property valuations

The directors have made key assumptions in the determination of the fair value of investment properties in respect of the state of the property market in the locations where the properties are situated and in respect of the range of reasonable fair value estimates of the asset. The valuation method is further described in Note 12 together with the valuation of the property at the reporting date.

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	18,780,526	18,142,064
Rest of Europe	1,647,858	1,103,311
Rest of the world	520,439	275,877
	<u>20,948,823</u>	<u>19,521,252</u>

4. Other operating income

	2019 £	2018 £
Other operating income	155,086	128,401
	<u>155,086</u>	<u>128,401</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation on tangible fixed assets	218,642	223,182
Exchange differences	4,100	(755)
(Profit) on disposal of tangible fixed assets	(6,752)	-
	<u></u>	<u></u>

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	22,000	21,500
	<u>22,000</u>	<u>21,500</u>
Fees payable to the Company's auditor and its associates in respect of:		
Services relating to corporation tax compliance	13,355	5,855
All other non-audit services not included above	8,026	5,104
	<u>21,381</u>	<u>10,959</u>

7. Employees

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

	2019 £	2018 £
Wages and salaries	934,928	947,050
Social security costs	92,007	99,880
Cost of defined contribution scheme	32,328	33,077
	<u>1,059,263</u>	<u>1,080,007</u>

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

	2019 No.	2018 No.
Management	2	2
Administration	7	6
Warehouse	17	16
Sales	12	14
	<u>38</u>	<u>38</u>

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	124,734	72,315
Company contributions to defined contribution pension schemes	2,730	1,678
	<u>127,464</u>	<u>73,993</u>

During the year retirement benefits were accruing to 2 directors (2018: 1) in respect of defined contribution pension schemes.

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	108,644	94,547
Other interest payable	3,115	13,610
	<u>111,759</u>	<u>108,157</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	393,256	317,586
Adjustments in respect of previous periods	-	(1,374)
	<u>393,256</u>	<u>316,212</u>
Total current tax	<u>393,256</u>	<u>316,212</u>
Deferred tax		
Origination and reversal of timing differences	38,784	(132,325)
Adjustments in respect of prior periods	-	982
Total deferred tax	<u>38,784</u>	<u>(131,343)</u>
Taxation on profit on ordinary activities	<u>432,040</u>	<u>184,869</u>

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	2,086,895	1,255,994
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	396,510	238,639
Effects of:		
Expenses not deductible for tax purposes	2,389	55,592
Capital allowances for year in excess of depreciation	15,162	15,221
Adjustments to tax charge in respect of previous periods - deferred tax	-	982
Adjustments to tax charge in respect of prior periods	-	(1,374)
Chargeable losses	-	(139,758)
Adjustment to deferred tax to average rate of 19%	17,979	15,567
Total tax charge for the year	432,040	184,869

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Tangible fixed assets

	Freehold property £	Motor Vehicles, Plant & Machinery £	Computer, Fixtures & Fittings £	Total £
Cost				
At 1 January 2019	2,408,585	1,876,256	501,487	4,786,328
Additions	-	188,980	-	188,980
Disposals	-	(101,475)	(6,961)	(108,436)
At 31 December 2019	<u>2,408,585</u>	<u>1,963,761</u>	<u>494,526</u>	<u>4,866,872</u>
Depreciation				
At 1 January 2019	1,231,157	1,511,641	444,523	3,187,321
Charge for the year on owned assets	79,801	122,472	16,369	218,642
Disposals	-	(99,142)	(6,961)	(106,103)
At 31 December 2019	<u>1,310,958</u>	<u>1,534,971</u>	<u>453,931</u>	<u>3,299,860</u>
Net book value				
At 31 December 2019	<u>1,097,627</u>	<u>428,790</u>	<u>40,595</u>	<u>1,567,012</u>
At 31 December 2018	<u>1,177,428</u>	<u>364,615</u>	<u>56,964</u>	<u>1,599,007</u>

Included within freehold property is land of £413,539 (2018: £413,539), which is not depreciated.

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	<u>1</u>
At 31 December 2019	<u>1</u>

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Fixed asset investments (continued)**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Valbruna Ireland Limited	Ordinary	0.01%

13. Investment property

	Freehold investment property £
Valuation	
At 1 January 2019	1,560,000
At 31 December 2019	<u>1,560,000</u>
Comprising	
Cost	1,008,772
Annual revaluation surplus/(deficit):	
Pre 2010	689,467
2013	151,761
2018	(290,000)
At 31 December 2019	<u>1,560,000</u>

1 property was revalued in 2016 by Kutner Associates Chartered Surveyors, on an open market value for existing use basis.

2 properties were revalued on 12th November 2018 by Kutner Associates Chartered Surveyors, using a market approach with comparable evidence.

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Stocks

	2019 £	2018 £
Raw materials and consumables	14,464,138	12,710,030
	<u>14,464,138</u>	<u>12,710,030</u>

Stock recognised in cost of sales during the year as an expense was £17,073,235 (2018 - £14,778,258) . Impairment losses totalling £(510,157) (2018 - £89,052) were recognised in profit and loss due to slow moving and obsolete stock.

15. Debtors

	2019 £	2018 £
Trade debtors	3,927,447	4,175,458
Amounts owed by group undertakings	103,416	85,455
Other debtors	17,117	17,946
Prepayments and accrued income	39,077	42,798
	<u>4,087,057</u>	<u>4,321,657</u>

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	139,963	303,785
Less: bank overdrafts	(322,393)	(181,783)
	<u>(182,430)</u>	<u>122,002</u>

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	322,393	181,783
Bank loans	7,000,000	7,000,000
Trade creditors	277,583	171,226
Amounts owed to group undertakings	2,132,663	2,609,050
Corporation tax	218,655	165,035
Other taxation and social security	402,582	528,717
Other creditors	17,818	10,370
Accruals and deferred income	48,952	124,414
	<u>10,420,646</u>	<u>10,790,595</u>

Secured loans

The company has bank loans secured by parent company Acciaierie Valbruna Spa.

Acciaierie Valbruna Spa has a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, uncalled capital, buildings, fixtures, fixed plant and machinery of Valbruna.

18. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	139,963	-
Financial assets that are debt instruments measured at amortised cost	<u>4,047,980</u>	<u>4,582,644</u>
	<u>4,187,943</u>	<u>4,582,644</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(9,799,409)</u>	<u>(10,096,843)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertaking and other debtors.

Financial liabilities measured at amortised cost comprise bank loan, trade creditors, amounts owed to group undertaking and other creditors.

VALBRUNA UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Deferred taxation

	2019 £
At beginning of year	(152,818)
Charged to profit or loss	(38,784)
At end of year	(191,602)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(154,835)	(120,554)
Capital gains	(42,633)	(38,146)
Short term temporary differences	5,866	5,882
	<u>(191,602)</u>	<u>(152,818)</u>

20. Share capital

	2019 £	2018 £
Authorised		
5,000,000 (2018 - 5,000,000) Ordinary Share shares of £1.00 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
1,500,000 (2018 - 1,500,000) Ordinary Share shares of £1.00 each	<u>1,500,000</u>	<u>1,500,000</u>

21. Reserves**Revaluation reserve**

The revaluation reserve represents the cumulative effect of revaluations of investment properties which are revalued to fair value at each reporting date.

Profit & loss account

The profit and loss reserve represents cumulative profits or losses, excluding unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. 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 £32,328 (2018: £33,077). At 31 December 2019 contributions amounting to £Nil (2018: £Nil) were payable to the fund and are included in creditors.

23. Related party transactions

The company has taken advantage of the exemption under FRS 102 "Related Party Disclosures" not to disclose related party transactions between companies which are 100% or more owned by the ultimate parent company.

24. Post balance sheet events

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. It is still too early to determine the full effects of the COVID-19 on the company's activities. This is considered to be a non-adjusting post balance sheet event.

25. Controlling party

The immediate and ultimate parent company is Acciaierie Valbruna s.p.a , a company incorporated in Italy. Copies of its consolidated financial statements are publicly available.