

# **BIFRANGI UK LIMITED**

Company Number: 04279501

## **ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2005**

# REGISTRARS COPY



55

# BIFRANGI UK LIMITED

## COMPANY INFORMATION

<b>Directors</b>	F Biasion P Biasion R Biasion
<b>Secretary</b>	A J Howard
<b>Company Number</b>	04279501
<b>Registered Office</b>	Shardlow Works Grange Mill Lane Meadow Hall Sheffield S9 1HR
<b>Auditors</b>	PKF (UK) LLP Knowle House 4 Norfolk Park Road Sheffield S2 3QE
<b>Solicitors</b>	RadcliffesLeBrasseur 5 Great College Street Westminster London SW1P 3SJ
<b>Bankers</b>	The Royal Bank of Scotland plc 79-83 Colmore Road Birmingham B3 2AP

# BIFRANGI UK LIMITED

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**BIFRANGI UK LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2005**

The directors submit their report and the financial statements for the year ended 31 December 2005.

**Results and dividends**

The profit for the year, after taxation, amounted to **£842,339** (2004 - £1,839,505).

**Principal activity and review of the business**

The principal activity of the company during the year was the forging and machining of crankshafts for the automotive industry and the forging of flight and rack bars for the mining industry.

The directors are pleased to report a pre-tax profit of £1,140,401 for the year. Turnover during the year increased from £38.3m to £42.6m, although this increase in value is largely down to the changing product mix sold within the year.

Gross profit margin decreased from 15.97% in 2004 to 11.48% in 2005. As with the previous 2 years of trading the company has experienced further price increases in its major raw material, steel. It does appear however that the cycle of increasing steel prices of the last 3 years has abated. This pressure on gross margins is further compounded by the huge increases in gas and electricity prices that are being experienced throughout the UK.

**Future developments**

The directors constantly review opportunities to improve profitability and performance.

**Directors**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

F Biasion  
P Biasion  
R Biasion

The directors' percentage holding in the parent undertaking Bifrangi S.P.A. is F Biasion 92%, P Biasion 4% and R Biasion 4%.

**Political and charitable donations**

During the year the company made charitable donations of £1,895 (2004: £nil).

**Employee involvement and employment of disabled persons**

The company gives full and fair consideration to applications made by disabled persons for employment with the company, having regard to their particular aptitudes and abilities. The company arranges appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company, and generally arranges for the training, career development and promotion of disabled persons employed by the company. The company complies with "The Disability and Discrimination Act 1995".

The Bifrangi UK Limited employee "partnership agreement" aims to create an environment that will secure our long-term future by working together as partners to continually improve business performance and ensure that we are in a position to respond and grow as the market demands. The company operates a single status environment. All employees will be expected to contribute to their full ability to achieve company targets.

**BIFRANGI UK LIMITED**  
**DIRECTORS' REPORT (continued)**  
**YEAR ENDED 31 DECEMBER 2005**

**Auditors**

On 23 May 2005, PKF transferred its business to PKF (UK) LLP, a Limited Liability Partnership, under Section 26(5) of the Companies Act 1989, the Company consented to extend audit appointment to PKF (UK) LLP from 23 May 2005.

Accordingly, the audit report has been signed in the name of PKF (UK) LLP.

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board

**A J Howard**  
Secretary



18/4/06

**BIFRANGI UK LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BIFRANGI UK LIMITED**

We have audited the financial statements of Bifrangi UK Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BIFRANGI UK LIMITED (continued)**

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

**24 April 2006**

Sheffield, UK

**PKF UK LLP**

**PKF (UK) LLP**  
Registered Auditors



**BIFRANGI UK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
<b>TURNOVER</b>	<b>2</b>	<b>42,572,225</b>	<b>38,349,374</b>
Cost of sales		<u>(37,682,821)</u>	<u>(32,223,819)</u>
<b>GROSS PROFIT</b>		<b>4,889,404</b>	<b>6,125,555</b>
Distribution costs		<u>(556,862)</u>	<u>(567,678)</u>
Administrative expenses		<u>(2,884,687)</u>	<u>(2,699,301)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>1,447,855</b>	<b>2,858,576</b>
Interest receivable and similar income	<b>6</b>	<b>80,664</b>	<b>-</b>
Interest payable and similar charges	<b>5</b>	<u>(388,118)</u>	<u>(285,290)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,140,401</b>	<b>2,573,286</b>
<b>TAXATION</b>	<b>7</b>	<u><b>(298,062)</b></u>	<u><b>(733,781)</b></u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>842,339</b></u>	<u><b>1,839,505</b></u>

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

# BIFRANGI UK LIMITED

## BALANCE SHEET 31 DECEMBER 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Intangible - Negative Goodwill	6	(2,280,744)	(4,767,684)
Tangible	9	15,216,065	14,441,903
		<u>12,935,321</u>	<u>9,674,219</u>
<b>CURRENT ASSETS</b>			
Stocks	10	5,770,081	5,332,211
Debtors	11	7,109,211	8,546,949
Cash at bank and in hand		4,194,083	851,410
		<u>17,073,375</u>	<u>14,730,570</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(11,096,046)</u>	<u>(7,015,405)</u>
<b>NET CURRENT ASSETS</b>		<u>5,977,329</u>	<u>7,715,165</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,912,650</u>	<u>17,389,384</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(8,995,697)	(8,193,956)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>(347,743)</u>	<u>(468,557)</u>
<b>NET ASSETS</b>		<u><u>9,569,210</u></u>	<u><u>8,726,871</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	4,000,000	4,000,000
Profit and loss account	18	5,569,210	4,726,871
<b>SHAREHOLDERS' FUNDS</b>	19	<u><u>9,569,210</u></u>	<u><u>8,726,871</u></u>

The financial statements were approved by the board and approved for issue on 18/4/06 .

Signed on behalf of the board of directors

F Biasion

Director

*\*F Biasion*

**BIFRANGI UK LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Operating profit	1,447,855	2,858,576
Amortisation of intangible assets	(2,486,940)	(2,487,489)
Depreciation of tangible fixed assets	4,456,302	3,943,367
Profit on sale of fixed assets	-	(5,000)
Decrease/(increase) in debtors	1,437,738	(2,483,634)
Increase in stocks	(437,870)	(1,419,762)
Increase/(decrease) in creditors	1,704,404	(707,414)
Movement in provisions	-	(150,000)
<b>Net cash inflow/(outflow) from operating activities</b>	<u><u>6,121,489</u></u>	<u><u>(451,356)</u></u>
 <b>CASH FLOW STATEMENT (note 20)</b>		
Net cash inflow/(outflow) from operating activities	6,121,489	(451,356)
Returns on investments and servicing of finance	(307,454)	(285,290)
Taxation	(570,000)	(743,356)
Capital expenditure	(2,542,477)	(919,631)
	<u>2,701,558</u>	<u>(2,399,633)</u>
Financing	641,116	3,632,490
<b>Increase in cash</b>	<u><u>3,342,674</u></u>	<u><u>1,232,857</u></u>
 <b>Reconciliation of net cash flow to movement in net debt (note 21)</b>		
Increase in cash in the year	3,342,674	1,232,857
Cash outflow/(inflow) from increase in debt and lease financing	(641,116)	(3,632,490)
New finance leases	(2,687,987)	(2,194,181)
	<u>13,571</u>	<u>(4,593,814)</u>
Change in net debt	(8,229,983)	(3,636,169)
Net debt at 1 January 2005	<u>(8,229,983)</u>	<u>(3,636,169)</u>
<b>Net debt at 31 December 2005</b>	<u><u>(8,216,412)</u></u>	<u><u>(8,229,983)</u></u>

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

**(c) Intangible fixed assets**

Goodwill arising on business acquisitions, 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.

**(d) Tangible fixed assets**

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

Freehold buildings	4 % on cost
Computer equipment	25 % on cost
Milling, cutting and grinding machines	20 % on cost
Vehicles including fork lift trucks	25 % on cost
Presses	10 % on cost
Hot cropping equipment	14 % on cost

Freehold land is not depreciated.

**(e) Finance leases and hire purchase**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

**(f) Operating leases**

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

**(g) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

**(h) Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the 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 differences are taken into account in arriving at the operating profit.

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**1 ACCOUNTING POLICIES (continued)**

**(i) Deferred taxation**

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

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse on a non-discounted basis.

**(j) Pensions**

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

**2 TURNOVER**

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2005 £	2004 £
United Kingdom	19,358,123	17,140,841
European Union	16,449,063	17,269,729
Other	6,765,039	3,938,804
Total	<u>42,572,225</u>	<u>38,349,374</u>

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	2005 £	2004 £
Amortisation of intangible assets	(2,486,940)	(2,487,489)
Depreciation of tangible fixed assets:		
- owned by the company	3,404,736	3,111,129
- held under finance lease or hire purchase contracts	1,051,566	832,238
Audit fees	13,500	13,000
Auditors' remuneration - non-audit services	10,500	11,209
Operating lease rentals:		
- plant & machinery	<u>132,962</u>	<u>119,370</u>

No directors received any emoluments (2004 - £NIL).

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**4 STAFF COSTS**

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

	2005 £	2004 £
Wages and salaries	11,890,428	12,037,408
Social security costs	1,256,717	1,265,853
Other pension costs	502,143	351,702
	<u>13,649,288</u>	<u>13,654,963</u>

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

	No	No
Production	386	394
Administration	57	70
Directors	3	3
	<u>446</u>	<u>467</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £	2004 £
Bank loans and overdrafts	-	94,862
Other loans	223,238	67,042
Finance charges under finance lease and hire purchase contracts	164,880	102,960
Exchange differences	-	20,426
	<u>388,118</u>	<u>285,290</u>

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2005 £	2004 £
Exchange differences	80,664	-

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**7 TAXATION**

<b>(a) Analysis of charge in year</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>UK corporation tax</b>		
Current tax on income for the year	418,876	570,000
Adjustments in respect of prior periods	-	4,365
<b>Total UK taxation</b>	<b>418,876</b>	<b>574,365</b>
<b>Deferred tax</b>		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	(120,814)	159,416
<b>Tax on profit on ordinary activities</b>	<b>298,062</b>	<b>733,781</b>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	1,140,401	2,573,286
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2004: 30%)	342,120	771,986
Effects of:		
Expenses not deductible for tax purposes	2,859	(20,453)
Excess of depreciation over capital allowances	819,979	564,713
Amortisation of negative goodwill	(746,082)	(746,246)
Adjustments to tax charges in respect of prior periods	-	4,365
<b>Current tax charge for the year</b>	<b>418,876</b>	<b>574,365</b>

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**8 INTANGIBLE FIXED ASSETS**

	Negative Goodwill £
<b>Cost</b>	
At 1 January 2005 and 31 December 2005	(12,709,190)
<b>Amortisation</b>	
At 1 January 2005	(7,941,506)
Charge for the year	(2,486,940)
At 31 December 2005	(10,428,446)
<b>Net book amount</b>	
At 31 December 2005	(2,280,744)
At 31 December 2004	(4,767,684)

**9 TANGIBLE FIXED ASSETS**

	Freehold land & buildings £	Plant & machinery £	Total £
<b>Cost</b>			
At 1 January 2005	3,089,348	21,372,247	24,461,595
Additions	-	5,230,464	5,230,464
At 31 December 2005	3,089,348	26,602,711	29,692,059
<b>Depreciation</b>			
At 1 January 2005	640,034	9,379,658	10,019,692
Charge for year	208,977	4,247,325	4,456,302
At 31 December 2005	849,011	13,626,983	14,475,994
<b>Net book amount</b>			
At 31 December 2005	2,240,337	12,975,728	15,216,065
At 31 December 2004	2,449,314	11,992,589	14,441,903

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2005 £	2004 £
Plant & machinery	5,610,173	3,849,000



**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**10 STOCKS**

	2005 £	2004 £
Raw materials	2,064,245	2,334,606
Work in progress	2,803,456	1,848,127
Finished goods	902,380	1,149,478
	<u>5,770,081</u>	<u>5,332,211</u>

**11 DEBTORS**

	2005 £	2004 £
<b>Due within one year</b>		
Trade debtors	6,418,396	6,134,216
Other debtors	690,815	2,412,733
	<u>7,109,211</u>	<u>8,546,949</u>

Gross trade debtors included £NIL (2004 - £5,863,417) that are subject to Invoice Discounting Recourse Confidential with the Royal Bank of Scotland.

**12 CREDITORS**

	2005 £	2004 £
<b>Amounts falling due within one year</b>		
Debenture loans (note 14)	1,000,000	-
Bank loans and overdrafts (note 14)	1,147,052	-
Trade creditors	5,933,959	4,672,412
Amounts owed to group undertakings	130,884	18,894
Corporation tax	418,876	570,000
Other tax and social security	453,122	368,467
Net obligations under finance lease and hire purchase contracts(note 15)	1,267,746	887,436
Accruals and deferred income	744,407	498,196
	<u>11,096,046</u>	<u>7,015,405</u>

**13 CREDITORS**

	2005 £	2004 £
<b>Amounts falling due after more than one year</b>		
Debenture loans (note 14)	-	1,000,000
Bank loans (note 14)	5,735,260	4,247,788
Net obligations under finance lease and hire purchase contracts(note 15)	3,260,437	2,946,168
	<u>8,995,697</u>	<u>8,193,956</u>

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**14 LOANS**

Loans fall due for payment as follows:

	2005 £	2004 £
<b>Debenture loans</b>		
Within one year	1,000,000	-
Between one and two years	-	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Bank loans</b>		
Within one year	1,147,052	-
Between one and two years	1,147,052	707,965
Between two and five years	3,441,156	2,123,894
After more than five years	1,147,052	1,415,929
	<u>6,882,312</u>	<u>4,247,788</u>

The loan is repayable in twelve equal half yearly instalments starting eighteen months from the date of signing the loan agreement.

The interest rate for the loan is variable and is calculated based on an applicable margin which is calculated by reference to the ratio Net Debt to EBITDA, (where EBITDA is earnings before interest, tax, depreciation and amortisation), EURIBOR and mandatory costs levied by the bank to cover its costs of complying with the requirements of the Financial Services Act.

**15 FINANCE LEASES**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2005 £	2004 £
Within one year	1,267,746	887,436
Between one and five years	3,260,437	2,946,168
	<u>4,528,183</u>	<u>3,833,604</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation £
At 1 January 2005	468,557
Charged to profit and loss	(120,814)
<b>At 31 December 2005</b>	<b>347,743</b>

Deferred tax is analysed as follows:

	2005 £	2004 £
Capital allowances	368,151	486,782
Other timing differences	(20,408)	(18,225)
	<u>347,743</u>	<u>468,557</u>

Certain fixed assets acquired on the acquisition of the business have been included in the accounts at their fair value rather than at cost. If the company was to dispose of these assets at their net book value a tax liability of approximately £1,093,000 (2004: £1,770,000) would arise.

**17 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2005 and 31 December 2005			
Ordinary shares of £1 each	4,000,000	4,000,000	4,000,000

**18 RESERVES**

	£
<b>Profit and loss account</b>	
At 1 January 2005	4,726,871
Profit for the year	842,339
<b>At 31 December 2005</b>	<b>5,569,210</b>

**19 SHAREHOLDERS' FUNDS**

	2005 £	2004 £
Shareholders' funds at 1 January 2005	8,726,871	6,887,366
Profit for the year	842,339	1,839,505
<b>Shareholders' funds at 31 December 2005</b>	<b>9,569,210</b>	<b>8,726,871</b>

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**20 GROSS CASH FLOWS**

	2005 £	2004 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(223,238)	(160,535)
Interest element of finance lease rentals	(164,880)	(102,960)
Exchange differences	80,664	(21,795)
	<u>(307,454)</u>	<u>(285,290)</u>
 <b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(2,542,477)	(924,631)
Receipts from sales of tangible fixed assets	-	5,000
	<u>(2,542,477)</u>	<u>(919,631)</u>
 <b>Financing</b>		
New loans	2,634,524	4,247,788
Capital element of finance lease rentals	(1,993,408)	(615,298)
	<u>641,116</u>	<u>3,632,490</u>

**21 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 January 2005 £	Cash flows £	Other changes £	At 31 December 2005 £
Cash at bank and in hand	851,410	3,342,673	-	4,194,083
Debt due within 1 year	-	(2,147,052)	-	(2,147,052)
Debt due after 1 year	(5,247,788)	(487,472)	-	(5,735,260)
Finance leases	(3,833,604)	1,993,408	(2,687,987)	(4,528,183)
Total	<u>(8,229,982)</u>	<u>2,701,557</u>	<u>(2,687,987)</u>	<u>(8,216,412)</u>

**22 MAJOR NON-CASH TRANSACTIONS**

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of **£2,687,987** (2004 - £2,194,181).

**23 CAPITAL COMMITMENTS**

At 31 December 2005 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately **£1,772,608** (2004 - £2,880,743).

**BIFRANGI UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**24 OTHER COMMITMENTS**

At 31 December 2005 the company had annual commitments under operating leases as follows:

	2005 £	Other 2004 £
<b>Expiry date:</b>		
Within one year	-	34,280
Between one and five years	25,908	25,908

**25 TRANSACTIONS WITH RELATED PARTIES**

Included in creditors is a **£1,000,000** (2004: £1,000,000) advance from Fincoil Investissement S.A. a company which owns 40% of this company's share capital. Interest is chargeable at 4.5% per annum. The loan is repayable on 31 December 2006. **£23,854** (2004: £10,834) loan interest has been accrued on this loan.

The company trades with its parent company Bifranghi S.P.A. During the year the company acquired goods and services to the value of **£575,040** (2004: £489,820) from Bifranghi S.P.A. The company made sales during the year to Bifranghi S.P.A. to the value of **£NIL** (2004: £105,667) and at the year end trade creditors included **£130,884** (2004: £18,894) due to Bifranghi S.P.A. There were capital purchases from Bifranghi S.P.A of **£244,206**.

**26 PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

The company is controlled by Bifranghi S.P.A.

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

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

Bifranghi S.P.A is ultimately controlled by F Biasion.