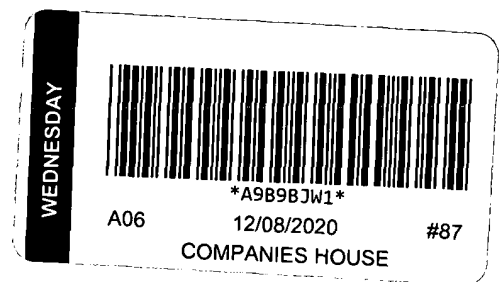


BONFIGLIOLI UK LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS:

J Adair

S Bonfiglioli

F Carboni

REGISTERED OFFICE:

Unit 1 Calver Quay

Calver Road, Winwick

Warrington WA2 8UD

REGISTERED NUMBER:

01582759 (England and Wales)

SENIOR STATUTORY AUDITOR:

Jamie Dixon

AUDITORS:

Ernst & Young LLP

2 St Peters Square, M2 3EY,

Manchester, United Kingdom

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report with the Financial Statements of the company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The Profit for the year after taxation amounted to £870,803 (2018 – profit £799,810). No dividends will be distributed for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was importing, assembling and distribution of drive technologies for mechanical and electrical solutions.

DIRECTORS

The directors shown below have held office during the period from 1 January 2019 to 31st December 2019.

J Adair
S Bonfiglioli
F Carboni
M McCann (resigned 31st March 2019)

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as director(s) in order to make themselves aware of any relevant information and to establish that the auditor is aware of that information.

GOING CONCERN

The Financial Statements have been prepared on a going concern basis. Based on internal forecasts and projections, prepared for a period of at least 12 months from the date of approval of the Financial Statements that take into account the principal risks and uncertainties facing the business and reasonably possible changes in the company's trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in the preparation of Financial Statements.

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

REPORT OF THE DIRECTORS – continued FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 taking responsible steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The decision to appoint Ernst & Young LLP was taken at group level.

ON BEHALF OF THE BOARD:



J Adair

Director

Date: 31st July 2020

The directors present their strategic report for the year ended 31 December 2019.

During 2019 the leases on our facilities were due to be renewed for the company sites at Warrington for the Mobility and Wind Industries business and Redditch for its Discrete Manufacturing and Process Industries business. The decision was taken not to renew these leases as these facilities didn't have the capacity in order to meet the companies 3-year growth strategy. The previous sites were closed, and the business units have merged into one new facility located in Calver Quay Warrington.

Both businesses had a strong and successful year in terms of revenues and marginality. The D&P business grew its customer base within the OE sector and the DI (distribution channel) was in line with the company's expectations. The M&W business benefitted from a strong domestic market and the business exceeded the company's expectations.

Bonfiglioli UK Limited's result for 2019 considering the companies merger was an excellent team performance.

For 2020 both business units are in a strong position to grow and develop in a sustainable manner. However, the company now must overcome the current Covid-19 pandemic and prepare for the United Kingdom's withdrawal from the European Economic Community from January 2021.

The recent events related to the Covid-19 pandemic which, starting from beginning of March 2020 are affecting the most industrialized areas worldwide and whose effects, of historical significance, are being evaluated by economic-financial analysts. These events affect the possibilities to forecast the trends of the coming months and the Company has been affected by restrictive measures by national government which have led to a reduction of business activities considered as non-essential.

Bonfiglioli Group has become fully aware of the situation and is implementing every type of measure capable of predicting and managing the situation in the best possible way, trying to minimize the impact of this serious crisis. Among the actions undertaken, priority was given to monitoring the cash flow, implementing all the necessary actions for reducing non-strategic expenses and investments and for the correct management of working capital. Bonfiglioli Group business model consists of a strong geographical diversification, of production, of assembly, of products and sectors served, which allows us to limit the problems of production, supply and market drop significantly compared to other players operating in similar industries.

Financial Risk Management

The company's operations exposes it to a variety of financial risks that include credit, liquidity and foreign exchange risk. The company has in place a risk management that seeks to limit the adverse effects on the financial performance of the company.

Credit Risk

The company has implemented policies through its credit control procedures to ensure appropriate credit checks are performed on potential customers before sales are made. The company has credit insurance in place to hedge against this risk.

Liquidity Risk

The company actively maintains a mixture of medium and short-term debt finance that is designed to ensure the company has sufficient funds for its operations.

Foreign Exchange Risk

While the operations of the company are mainly in the United Kingdom the company is exposed to foreign exchange risk in the normal course of business principally on sales & purchases denominated in Euro. The company operates a Euro denominated bank account and a fixed rate foreign exchange rate contract to hedge its foreign exchange rate risk.

Brexit

Bonfiglioli has taken all the necessary actions to mitigate for a no trade deal exit at the end of the transition period, supplying material under WTO terms.

ON BEHALF OF THE BOARD:



J Adair - Director

Date: 31st July 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

Opinion

We have audited the Financial Statements of Bonfiglioli UK for the year ended 31st December 2019 which comprise Statement of Profit and Loss and other comprehensive income, the statement of changes in equity, the Balance Sheet and related notes 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 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the company's affairs as at 31st December 2019 and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Emphasis of Matter – Effects of COVID-19

We draw attention to Strategic Report of the Financial Statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

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 directors' report have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 4 & 5, 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 either 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

Ernst & Young LLP

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Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31st July 2020

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£	£
REVENUE FROM SALES & SERVICES	4	34,067,250	31,473,744
Cost of Sales		30,518,711	27,891,500
GROSS PROFIT		<u>3,548,539</u>	<u>3,582,244</u>
Admin Costs		2,264,640	2,273,055
Depreciation		273,555	186,688
OPERATING PROFIT	5	<u>1,010,344</u>	<u>1,122,501</u>
Interest Payable and similar expenses		52,016	59,534
Foreign Exchange Gain (Loss)		124,418	(67,274)
PROFIT BEFORE TAXATION		<u>1,082,746</u>	<u>995,693</u>
Taxes	7	211,943	195,883
INCOME (LOSS) FOR THE YEAR		<u>870,803</u>	<u>799,810</u>

All Amounts relate to continuing activities

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

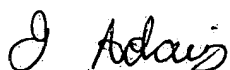
	Notes	2019 £	2018 £	2018.01.01 £
NON-CURRENT ASSETS				
Tangible Assets	8	2,091,941	257,463	286,589
Other intangible assets		-	2,023	4,230
Deferred Tax Assets	7	6,515	26,218	29,575
Other non-current receivables and assets		1,292	-	-
		<u>2,099,748</u>	<u>285,704</u>	<u>320,394</u>
CURRENT ASSETS				
Inventory	9	7,422,280	5,482,489	5,783,680
Trade Receivables	10	7,531,342	7,439,111	7,582,167
Other Current Receivables and assets		17,986	53,523	57,514
Cash and cash Equivalents	11	960,818	1,515,659	567,407
		<u>15,932,426</u>	<u>14,490,782</u>	<u>13,990,768</u>
CURRENT LIABILITIES				
Trade Payables	12	8,609,427	7,625,979	8,076,333
Other Current Payables and Liabilities		935,671	1,103,815	1,020,940
Corporation Tax Payables		112,241	92,525	90,693
Current Borrowings		545,017	663,093	821,016
		<u>10,202,356</u>	<u>9,485,412</u>	<u>10,008,982</u>
Non-Current Borrowings	13	1,774,749	71,268	93,893
Non-Current provisions		242,844	278,384	66,675
		<u>2,017,593</u>	<u>349,652</u>	<u>160,568</u>
NET ASSETS		<u>5,812,225</u>	<u>4,941,422</u>	<u>4,141,612</u>
CAPITAL AND RESERVES				
Called up Share Capital	14	200,000	200,000	200,000
Retained Earnings	15	5,612,225	4,741,422	3,941,612
SHAREHOLDERS' FUNDS		<u>5,812,225</u>	<u>4,941,422</u>	<u>4,141,612</u>

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

	Called up		
	Share	Retained	Total
	Capital	Earnings	Equity
	£	£	£
Balance at 1 st January 2018	200,000	3,941,612	4,141,612
Changes in Equity			
Total Income		799,810	799,810
Balance at 31 st December 2018	200,000	4,741,422	4,941,422
Changes in Equity			
Total Income		870,803	870,803
Balance at 31 st December 2019	200,000	5,612,225	5,812,225

The Financial Statements were approved by the Board of Directors on July 31st and were signed on its behalf by:



J Adair - Director

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

1. STATUTORY INFORMATION

Bonfiglioli UK Limited is a private company limited by shares, incorporated in England and Wales. The company's registered number is 01582759 and registered office is Unit 1 Calver Quay, Calver Road, Winwick, Warrington WA2 8UD.

2. ACCOUNTING POLICIES

Authorisation of Financial Statements and statement of compliance with FRS101

The Financial Statements of Bonfiglioli UK (the 'Company') for the year ended 31st December 2019 were authorised for issue by the Board of Directors and the Financial Statements were signed on the Boards behalf by J Adair on 29th April, 2020.

For all periods up to and including the year ended 31 December 2018, the Company prepared its Financial Statements in accordance with previously extant UK generally accepted accounting practice under FRS 102. These Financial Statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101 "Reduced Disclosure Framework".

Accordingly, the Company has prepared individual Financial Statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2018 and the significant accounting policies meeting those requirements are described in note 3 of the notes to Financial Statements.

The Financial Statements are prepared under the historic cost convention.

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ending 31st December 2019. The Financial Statements are prepared in Sterling.

New and Revised IFRS applied

During the year, the Company applied IFRS 16 for the first time. The nature of the effect of the changes as a result of the adoption of these new standards are listed below.

IFRS 16 supersedes IAS 17 Leases. IFRS 16 introduces new requirements for the reporting of all leases on the balance sheet in order to improve the transparency of lease obligations held by businesses. The company adopted IFRS 16 using a retrospective approach of adoption with the date of initial application being 1 January 2018. Please refer to note 3 for detailed impact.

Basis of preparing the Financial Statements

Being 2019 the first year where the Company prepared the Financial Statements in accordance with FRS 101, comparable information with previous year and for the Statement of Financial Position also with 1 January 2018. The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31st December 2019.

2. ACCOUNTING POLICIES - Continued

The company has taken advantage of the following disclosure exemptions FRS101:

- a) The requirement in paragraph 38 of IAS 1 'Preparation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- b) The requirements of IFRS 7 Financial Instruments Disclosures;
- c) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- d) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) The requirements of IAS 7 Statement of Cash Flows;
- f) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- h) The requirements in IAS 24 Related Party Disclosure to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions wholly owned by such a member.

Going Concern

The Financial Statements have been prepared on a going concern basis. Based on internal forecasts and projections, prepared for a period of at least 12 months from the date of approval of the Financial Statements that take into account the principle risks and uncertainties facing the business and reasonably possible changes in the Company's trading performance, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in the preparation of the Financial Statements.

Revenue Recognition

Revenue 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 at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the good have passed to the buyer, usually on despatch of the goods. Interest income is recognised as interest accrues using effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its carrying amount. With reference to IFRS15 applied by the Company, there are no differences with respect to the balances arising as a result of the change in standard.

2. ACCOUNTING POLICIES - Continued

Tangible fixed assets

Plant and Equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises of the amount paid and the fair value of other considerations to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life as follows

Tangible Asset	Useful life
Plant and machinery	From 4 to 10 years
Industrial and commercial equipment	From 4 to 10 years
Other tangible assets	From 4 to 10 years
Asset in progress and advances	No depreciation
Right to use tangible assets	Over the lease duration
Leasehold improvements	Shorter between the residual life of the related asset and the lease duration

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Useful lives and residual value are reviewed annually, and adjustments made if required.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Inventory

Inventory is valued at the lower of cost and net realisable value, after making allowances for obsolete and slow-moving items.

Raw Materials, consumables – standard cost and used on First-in, First-out basis and goods for resale

Work in progress – cost of direct materials and labour plus attributable finished goods overheads based on normal level of activity.

Net realised value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2. ACCOUNTING POLICIES - Continued

Trade Receivables

Trade receivables have 30 to 90 days credit terms depending on the contract and are carried at the lower of their original invoiced value and recoverable amount.

IFRS 9 requires an expected credit loss (ECL) model to be applied to the financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date. 12-month ECL's are applied to all financial assets, except for the trade receivables and amounts due from fellow group and subsidiary companies, which are measured reflecting lifetime ECL's Using the simplified approach. With reference to IFRS9 applied by the Company, there are no differences with respect to the balances arising as a result of the change in standard.

Provision for Liabilities

A provision recognised when the company has a legal or constructive obligation as a result of past event it is probable that an outflow of economic benefits will be required to settle the obligation.

When the company expects some or all of the provision reimbursed the original accounting adjustment will be reversed.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. During 2019 there have been any item recognised in other comprehensive income or in equity.

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The Company has not posted any deferred taxes on previous year losses as there are any.

2. ACCOUNTING POLICIES - Continued

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 actual rate of exchange ruling on the date of the transaction.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits that are immediately available. Cash equivalents are deposits with an original maturity of 3 months or less.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the pension scheme company are charged to profit or loss in the period to which they relate.

Leases

These accounting policies are applied on and after the initial application date of IFRS16, 1 January 2018.

At the commencement of a lease, the company recognises a right of use asset and a lease liability. The right of use asset valuation includes the lease liability measured at present value of the lease payments payable over the term of the lease and any other associated costs less incentives.

The lease liability is expensed on a straight-line basis and recognising the interest payable and the lease payments made to the lessor.

The depreciation and interest charges are charged to the income statement.

3. FIRST TIME ADOPTION IFRS – FRS101

For all periods up to and including the year ended 31 December 2018, the Company prepared its Financial Statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These Financial Statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual Financial Statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2018 and the significant accounting policies meeting those requirements are described in the relevant notes.

3. FIRST TIME ADOPTION IFRS – FRS101 Continued

In preparing these Financial Statements, the Company has started from an opening balance sheet as at 1 January 2018, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2018 prepared under previously extant UK GAAP and its previously published UK GAAP Financial Statements for the year ended 31 December 2018.

The company has, in its opening IFRS Financial Statement position:

- a) recognise all assets and liabilities whose recognition is required by IFRS;
- b) not recognize items as assets or liabilities if IFRSs do not permit such recognition;
- c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with IFRSs; and
- d) apply IFRSs in measuring all recognized assets and liabilities

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

a) Full Retrospective IFRS Adoption

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2019 year ends retrospectively. The company takes advantage of the following exemption:

- Application of the valuation estimation used in preparing the information at the Transition date that are the same as the ones used preparing Financial Statements applying previous accounting principles (after adjustments necessary to reflect eventual differences between accounting principles).

Other mandatory exemptions required by IFRS1 have not been applied as related to cases not applicable for the Company.

3. FIRST TIME ADOPTION IFRS – IFRS101 Continued

Full Retrospective IFRS16 Adoption

b) Lease agreements

At IFRS Transition date, the Company decided to value whether an agreement include a lease applying to the agreements the paragraphs 9-11 of IFRS16 on the basis of facts and circumstances existing at that date. The agreement is or includes a lease when, an agreed value of consideration, gives the Company the right to use a specified asset for a period of time.

The Company elected to apply to all its leasing agreements the following approach:

- 1) The liability of the lease at the IFRS transition date was calculated based on the value of the remaining payments due for the lease, using the Companies incremental borrowing rate (IBR) because the rate implicit within the lease is not readily available;
- 2) The right of use asset at the IFRS transition date was calculated based on the value equal to the lease liability and adjusted by amount of any prepaid or accrued lease payments.

At the IFRS transition date, the Company decided to apply a unique discount rate to a portfolio of leases with reasonably similar characteristics. The company decided experience in determining the lease duration in previous experience in instances where agreement contains a renewal option or a termination option.

The Company has taken advantage of the option allowed under IFRS 16, to not make transitional adjustments for leases whose underlying value is not material. The Company also made use of the option to account for leases whose term ends within 12 months from the transition Date as a short-term lease, recognizing the payments due within the income statement.

c) IFRS Adoption Elections

IFRS principles allow some accounting options. Here below are the Company's choices:

- Evaluation of the tangible and intangible assets, including right of use assets. After initial recognition at cost, the company may elect to value the assets at cost less accumulated depreciation and impairment charges, or periodically determine the market value of the asset. The Company has elected to value the assets on a cost basis.

3. FIRST TIME ADOPTION IFRS – FRS101 Continued

c) Reconciliation of the Statements of Financial Position at 1 January 2018 and at 31 December 2018 and of Income Statement for the financial year ended at 31 December 2018

Statement of Financial Position at 1 January 2018

The table below reports the reconciliation between the Statements of Financial Position at 1 January 2018 prepared in compliance with previous principles reclassified by the application of FRS 101.

Statement of Financial Position at January 1st, 2018	UK PRINCIPLES FR102	IFRS 16 Adoption	IFRS 16 - LEASEHOLD IMPROVEMENTS	FRS 101
NON-CURRENT ASSETS				
Tangible Assets	51,404	227,823	7,362	286,589
Other Intangible Assets	11,592	-	(7,362)	4,230
Deferred Tax Assets	29,575			29,575
TOTAL NON-CURRENT ASSETS	92,571	227,823	-	320,394
CURRENT ASSETS				
Inventory	5,783,680			5,783,680
Trade receivables	7,582,167			7,582,167
Other current receivables and assets	57,514			57,514
Cash and cash equivalents	567,407			567,407
TOTAL CURRENT ASSETS	13,990,768	-	-	13,990,768
TOTAL ASSETS	14,083,339	227,823	-	14,311,162
CURRENT LIABILITIES				
Trade payables	8,076,333			8,076,333
Other current payables and liabilities	1,020,940			1,020,940
Corporate tax payables	90,693			90,693
Current borrowings	687,086	133,930		821,016
TOTAL CURRENT LIABILITIES	9,875,052	133,930	-	10,008,982

3. FIRST TIME ADOPTION IFRS – FRS101 Continued***Statement of Financial Position at 1 January 2018 - Continued*****NON-CURRENT LIABILITIES**

Non-current borrowings		93,893		93,893
Non-current provisions	66,675			66,675
TOTAL NON-CURRENT LIABILITIES	66,675	93,893	-	160,568
TOTAL LIABILITIES	9,941,727	227,823	-	10,169,550
NET ASSETS	4,141,612	-	-	4,141,612
EQUITY				
Share Capital	200,000			200,000
Retained Earnings (Losses)	3,220,228			3,220,228
Income (Loss)	721,384			721,384
TOTAL EQUITY	4,141,612	-	-	4,141,612

Statement of Financial Position at 31 December 2018

The table below reports the reconciliation between the Statement of Financial Position at 31 December 2018 prepared in compliance with previous principles reclassified by the application of FRS 101.

Statement of Financial Position at December 31st 2018	UK PRINCIPLES FR102	IFRS 16 Adoption	IFRS 16- LEASEHOLD IMPROVEMENTS	FRS 101
NON-CURRENT ASSETS				
Tangible Assets	68,733	184,838	3,892	257,463
Other Intangible Assets	5,915	-	(3,892)	2,023
Deferred Tax Assets	26,218			26,218
TOTAL NON-CURRENT ASSETS	100,866	184,838	-	285,704

3. FIRST TIME ADOPTION IFRS – FRS101 Continued***Statement of Financial Position at 31 December 2018 – Continued*****CURRENT ASSETS**

Inventory	5,482,489		5,482,489
Trade receivables	7,439,111		7,439,111
Other current receivables and assets	53,523		53,523
Cash and cash equivalents	1,515,659		1,515,659
TOTAL CURRENT ASSETS	14,490,782	-	14,490,782
TOTAL ASSETS	14,591,648	184,838	14,776,486

CURRENT LIABILITIES

Trade payables	7,625,979		7,625,979
Other current payables and liabilities	1,103,815		1,103,815
Corporate tax payables	92,525		92,525
Current borrowings	546,475	116,618	663,093
TOTAL NON-CURRENT LIABILITIES	9,368,794	116,618	9,485,412

NON-CURRENT LIABILITIES

Non-current borrowings	-	71,268	71,268
Non-current provisions	278,384		278,384
TOTAL NON-CURRENT LIABILITIES	278,384	71,268	349,652
TOTAL LIABILITIES	9,647,178	187,886	9,835,064

NET ASSETS

	4,944,470	(3,048)	4,941,422
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EQUITY

Share Capital	200,000		200,000
Retained Earnings (Losses)	3,941,612		3,941,612
Income (Loss)	802,858	(3,048)	799,810
TOTAL EQUITY	4,944,470	(3,048)	4,941,422

3. FIRST TIME ADOPTION IFRS – FRS101 Continued***Income Statement for the fiscal period ended at 31 December 2018***

The table below reports the reconciliation between the Income Statement of the Company for the financial year ended at 31 December 2018 prepared in compliance with previous principles reclassified by the application of FRS 101.

Income Statement December 31 st , 2018	UK PRINCIPLES FR102	IFRS 16 Adoption	Reclass	FRS 101
Revenues from sales and services	31,496,796		(23,052)	31,473,744
Cost of Sales	(27,914,552)		23,052	(27,891,500)
GROSS OPERATING PROFIT (EBITDA)	3,582,244	-	-	3,582,244
Admin	(2,431,779)	158,724	-	(2,273,055)
Depreciation and impairment	(32,660)	(154,028)	-	(186,688)
OPERATING PROFIT (EBIT)	1,117,805	4,696	-	1,122,501
Financial income and (costs)	(51,790)	(7,744)		(59,534)
Foreign exchange gain and (losses)	(67,274)			(67,274)
PROFIT BEFORE TAX	998,741	(3,048)	-	995,693
Taxes	(195,883)			(195,883)
INCOME (LOSS)	802,858	(3,048)	-	799,810

3. FIRST TIME ADOPTION IFRS – FRS101 Continued**d) Equity reconciliation at 1 January 2018 and at 31 December 2018**

The table below reports the reconciliation between the Equity of the Company at 1st January 2018 and at 31 December 2018 and net result for the financial year ended at 31 December 2018 prepared in compliance with previous principles reclassified by the application of FRS 101.

Equity Reconciliation	1 January 2018	Profit (Loss) of the year	31 December 2018	Note
Equity as per UK accounting principles	<u>4,141,612</u>	<u>802,858</u>	<u>4,944,470</u>	
IFRS 16 adoption		(3,048)	(3,048)	d.1
Equity IFRS (FRS101)	<u>4,141,612</u>	<u>799,810</u>	<u>4,941,422</u>	

Here below it is reported a description of main adjustments performed during IFRS transition.

d.1) Leases

Base on previously used UK GAAP:

- Payments made under operating leases are recognised in the Income statement on a straight-line basis;

Based on IFRS 16, there is no more distinction between operative and financial lease and when the agreement is set, it is posted the financial liability representing the liability to settle payments foreseen by the agreement and assets represented by the right of use of the underlying assets. The lease payments are allocated, for the capital quota as decrease of above-mentioned liability and for the interests expensed in Income Statement based on the competence criterion.

The adjustments related to operative lease agreements has increased the caption right of use of Tangible assets at 1 January 2018 for 228 KGBP and a decrease of the net result of 2018 year-end for 3KGBP.

Refer to paragraph "b) Lease Agreements" for a more detailed description of the approach applied to lease agreements.

3. FIRST TIME ADOPTION IFRS – FRS101 Continued*Income Statement Reclassification*

In the current year the business prepared the first accounts in accordance with FRS 101. As a result of the transition management have opted for a change of classification of P&L categories to that which better reflects the nature of the costs incurred by the business.

4. REVENUES FROM SALES AND SERVICES

The revenue and profit before taxation are attributable to the one principal activity of the company.

An analysis of revenue by geographical market is given below:

	2019	2018
	£	£
EMEA (Europe - Middle East - Africa)	33,862,220	31,177,768
AME (America)	129,700	236,616
APAC (Asia - Pacific)	75,330	29,526
Total Revenue from sales and services	34,067,250	31,473,744

5. OPERATING PROFIT

The operating profit is stated after charging:

	2019	2018
	£	£
Auditors' remuneration	18,360	10,800
Auditors' remuneration for non - audit work	8,096	2,050
Depreciation of owned assets	46,170	29,190
Depreciation of right to use tangible assets	227,385	157,498
Other risks provisions	123,962	263,120

6. DIRECTORS AND EMPLOYEES

	2019	2018
	£	£
Wages and salaries	1,030,677	1,136,830
Social contribution	123,143	127,753
Defined benefit and contribution costs	42,138	38,527
Other costs	1,992	30,000
Payroll Costs	1,197,950	1,333,110

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

6. DIRECTORS AND EMPLOYEES – Continued

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

	2019	2018
Directors	1	4
Others	23	27
	24	31

	2019 £	2018 £
Directors' remuneration	162,841	283,756
Directors' pension contributions to money purchase schemes	10,600	13,600
Compensation to director for loss of office	-	42,000

Aggregate value of remuneration to the highest paid director in 2019 was £142,423. (2018 – 162,790).

7. TAXATION

Analysis of the tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current taxes	192,241	192,525
DTA provision/reversal	2,561	2,886
DTL provision/reversal	17,141	472
Taxes	211,943	195,883

UK corporation tax has been charged at 19% (2018 – 19%).

7. TAXATION - Continued

Reconciliation of total tax charge included in profit and loss. The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Profit before tax	1,082,746	995,693
Profit multiplied by the standard rate of corporation	205,722	189,760
Tax in the UK of 19% (2018 – 19%).		
<i>Effects of:</i>		
- Expenses not deductible	5,453	7,989
- Other Adjusting Items	767	
- Capital allowance in excess of depreciation.	-	(5,224)
- Deferred tax movement	-	3,358
Total tax charge	211,943	195,883

Deferred Tax asset details are given here below:

	2019	2018	1/1/2018
	£	£	£
Balance at 1 January	26,218	29,575	33,169
Charge to Income Statement during year	(19,703)	(3,357)	(3,594)
Balance at 31 December	6,515	26,218	29,575

The deferred tax asset calculated at the standard rate of corporation tax relates to other timing differences of £24,128 (2018 - £26,688) less an excess of accumulated capital allowances over related depreciation of £17,613.

8. TANGIBLE ASSETS

	2019 £	2018 £	1/1/2018 £
Cost			
Right of use land and buildings	2,128,074	236,616	236,616
Plant and Machinery	365,522	287,805	275,618
Industrial and Commercial Equipment	100,672	100,672	100,672
Other tangible assets	285,720	226,505	194,379
Right of use other tangible assets	169,266	165,265	54,222
	3,049,254	1,016,863	861,507
Accumulated Depreciation			
Right of use land and buildings	280,408	174,629	55,652
Plant and Machinery	284,770	264,136	254,382
Industrial and Commercial Equipment	100,214	99,315	98,238
Other tangible assets	205,411	182,798	166,646
Right of use other tangible assets	86,510	38,522	
	957,313	759,400	574,918
Net Value			
Right of use land and buildings	1,847,666	61,987	180,964
Plant and Machinery	80,752	23,669	21,236
Industrial and Commercial Equipment	458	1,357	2,434
Other tangible assets	80,309	43,707	27,733
Right of use other tangible assets	82,756	126,743	54,222
	2,091,941	257,463	286,589

9. INVENTORY

	2019 £	2018 £	1/1/2018 £
Raw materials, supplies and consumables	111,195	112,805	116,930
Work in progress and semi-finished goods	755,285	760,576	779,481
Finished goods and goods for resale	6,555,800	4,609,108	4,887,269
Inventory	7,422,280	5,482,489	5,783,680

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

10. TRADE RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018	1/1/2018
	£	£	£
Trade receivables	7,578,302	7,486,071	7,629,127
Advances	(46,960)	(46,960)	(46,960)
Trade Receivables	7,531,342	7,439,111	7,582,167

11. CASH AND CASH EQUIVALENTS

	2019	2018	1/1/2018
	£	£	£
Cash and cash equivalents	960,818	1,515,659	567,407

12. TRADE PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018	1/1/2018
	£	£	£
Trade payables	8,609,915	7,625,979	8,083,179
Advances	(488)	-	(6,486)
Trade payables	8,609,427	7,625,979	8,076,333

13. LEASES

	2019	2018
	£	£
Lease Liability		
Lease Liability <1 Year	144,854	116,618
Lease Liability >1 Year	1,774,749	71,268
	<u>1,919,603</u>	<u>187,886</u>

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

13. LEASES – Continued

Value of Undiscounted Lease Payments

	2019	2018
	£	£
1 Year		
2 Years	222,835	131,451
3 Years	193,849	85,954
4 Years	169,033	-
5 Years	169,033	-
>5 Years	169,033	-
	<u>1,092,815</u>	<u>217,405</u>

Amounts recognised to Income Statement

	2019	2018
	£	£
Interest on lease liability	(4,023)	(3,048)

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018	01/01/18
			£	£	£
2,000	Ordinary	£100	200,000	200,000	200,000

15. RESERVES

Reference to Statement of changes in Equity is made. The variation of the year is given by the profit brought forward.

BONFIGLIOLI UK LIMITED (REGISTERED NUMBER: 01582759)

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

16. ULTIMATE PARENT COMPANY

The ultimate parent company is Bon-fi Srl, a company incorporated in Italy. Advantage has been taken of the exemption, under the terms of FRS 101, not to disclose related party transactions with wholly owned subsidiaries within the group. The consolidated Financial Statements are prepared and published by holding company Bonfiglioli Riduttori S.p.A. – Italy.

17. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption available under paragraph 8(k) of FRS101 not to disclose related party transactions with other members of the Bonfiglioli Group.