

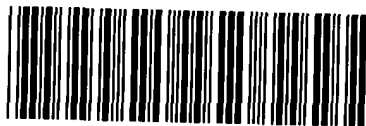
Company Registration No. 02766111

FEDRIGONI U.K. LIMITED

Annual report and financial statements

For the year ended 31 December 2018

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FEDRIGONI U.K. LIMITED

Annual report and financial statements For the year ended 31 December 2018

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FEDRIGONI U.K. LIMITED

**Annual report and financial statements
For the year ended 31 December 2018**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Medioli
G Alfonsi

SECRETARY

Forgate Secretaries Limited

REGISTERED OFFICE

1 Princeton Mews
167-169 London Road
Kingston Upon Thames
Surrey
KT2 6PT

REGISTERED NUMBER

02766111 (England and Wales)

BANKERS

Barclays Bank plc
Wellingborough Road
Northampton
NN1 4EN

AUDITOR

Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

FEDRIGONI U.K. LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2018.

BUSINESS REVIEW AND ACTIVITIES

Fedrigoni U.K. operates as a distributor of creative papers mainly within the U.K. and Ireland. It distributes only those papers manufactured by the Fedrigoni Group. The target customers for Fedrigoni U.K. are commercial printers, paper convertors, publishers, paper merchants and office product dealers.

Results for the company show sales of £19,993,923 increased to £21,671,593 in 2018, and profit before taxation was £1,050,814 up from £814,811 the previous year. The company's cash position has increased to £3,039,547, up £2,296,279 from the previous year end. This is reflective of the movement in the receivable loan owed by the parent company which has fallen by £1,131,821 to a balance of £1,896,503 in 2018.

Fedrigoni U.K. has established a retail shop in central London under the Fabriano Boutique brand, selling high end stationery and leather goods.

2018 has been a challenging year with further price rises driven by increased pulp and distribution costs. We have worked hard to reduce our reliance on commodity volume with a heightened focus on speciality sales. Coupled with good cost management and an improved mix, the results for 2018 show an improvement on 2017 both in turnover and net result.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Fedrigoni U.K. Limited, which include those of the company, are discussed within the group's annual report which does not form part of this report.

The company acknowledges the risk associated with Brexit. We have continued to work closely with our customer base and transporters to mitigate these risks, which we feel are confined to exchange rate fluctuations and potential delay at port. Local stock holdings are being temporarily increased, for fast moving production lines, to allow for any such delay at port. We believe the political and also the technological impacts to the Fedrigoni UK Ltd to be minimal. There is an expectation that Fedrigoni UK Ltd would be supported by the parent company if required.

Fedrigoni UK Ltd are constantly monitoring the Brexit progress and developments and will act accordingly whenever any new information is available.

STRATEGY

Fedrigoni U.K. has a vision to be the leading supplier of imaginative, inspirational, quality paper products and services.

Our strategy of working with distributors to manage certain channels has worked well and helps us maintain our cost of sales and transport costs. This has worked well in the digital printing sector and our extensive and technically advanced range supports our strategy. Competition in the digital market has increased and we will work closely with the mill and our main distributor to ensure our presence remains strong in this sector.

Fedrigoni UK have developed a partnership to provide an improved range of envelopes and cut size samples for the design and retail market via an online shop.

In 2018 a marketing initiative has facilitated the introduction of a micro-site for the graphic design community. This site aims to provide technical data and image downloads.

Additional to our close tie in with distributors we continue to trade directly with various market sectors including printers, packaging manufacturers, greetings card publishers and producers and the publishing market.

FEDRIGONI U.K. LIMITED

STRATEGIC REPORT (continued)

STRATEGY (continued)

Due to the importance of London, our Showroom in Clerkenwell is very important as a venue for meetings, seminars and product launches to maintain our high profile.

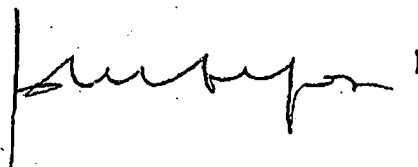
We completed the year with producing our second 365 calendar with the help of 365 designers contributing to the content. This has also proved to be a fantastic inclusion to marketing projects.

Approved by the Board of Directors
and signed on behalf of the Board

G Alfonsi

Director

Date:


7th March 2019

1 Princeton Mews
167-169 London Road
Kingston Upon Thames
Surrey
KT2 6PT

FEDRIGONI U.K. LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The company's principal activity continues to be that of importers and distributors of quality paper.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018 (2017 : £nil).

FUTURE DEVELOPMENTS

The results show a significant improvement to previous years, with a positive net result achieved, considering the profit without the boutique business losses and the directors confirm the next expectations of the company to continue producing a satisfactory profit in the forthcoming years.

DIRECTORS

The directors who served throughout the year and to the date of this annual report, unless otherwise stated, were:

C Medioli	(appointed 16 April 2018)
A Fedrigoni	(resigned 16 April 2018)
G Alfonsi	

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. In any event, the parent company assures the financial management of Fedrigoni U.K. Limited against those risks outlined. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The board of directors considers that the below policies and procedures established are adequate and appropriate to manage the company's financial risks. Those policies and procedures are implemented by the company's finance department. This sets out specific guidelines to manage price risk, credit risk, liquidity risk, interest rate risk and currency risk, including circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The company is exposed to price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company's principal financial assets are cash and trade debtors. Risks associated with cash are low as the company's banks have high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The company insures all the major debts and all limits that are not insured are agreed with senior management in Italy.

FEDRIGONI U.K. LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operation and planned expansions.

Interest rate risk

The company's exposure to risk for the changes in interest rates relates primarily to the company's loan. The company's policy is to manage its interest cost using a variable market rate based on Euribor, which will fluctuate according to levels of working capital required.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. To minimise the risk, the company purchases from Group companies in Pounds Sterling for goods to be sold in the U.K. When the customer is to be invoiced in Euros the company buys goods in the same currency.

KEY PERFORMANCE INDICATORS (KPI'S)

The directors of Fedrigoni U.K. Limited manage the group's operations on a divisional basis. For this reason the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Fedrigoni U.K. Limited. The development, performance and position of Fedrigoni U.K. Limited are discussed within the group's annual report, which does not form part of this report.

GOING CONCERN

The directors have considered the financial position of the company at 31 December 2018 and forecasts for a period of 12 months from the date of signing these financial statements. In light of these forecasts, they consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 and then apply them consistently;
- make judgements 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; and
- 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.

FEDRIGONI U.K. LIMITED

DIRECTORS' REPORT (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

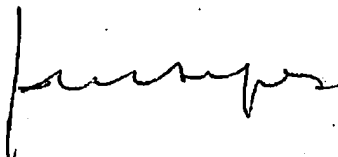
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G Alfonsi
Director
Date:



7th March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDRIGONI U.K. LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fedrigoni U.K. Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDRIGONI U.K. LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDRIGONI U.K. LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Adam Norman (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

Date: 7 March 2019

FEDRIGONI U.K. LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Note	2018 £	2017 £
TURNOVER	3	21,671,593	19,993,923
Cost of sales		<u>16,942,882</u>	<u>15,840,785</u>
GROSS PROFIT		<u>4,728,711</u>	<u>4,153,138</u>
Distribution costs		474,175	454,783
Administrative expenses		3,562,685	3,176,635
Other operating income		<u>336,481</u>	<u>271,987</u>
OPERATING PROFIT	5	<u>1,028,332</u>	<u>793,707</u>
Interest receivable and similar income	6	<u>22,482</u>	<u>21,104</u>
PROFIT BEFORE TAXATION		<u>1,050,814</u>	<u>814,811</u>
Tax on profit	7	<u>135,395</u>	<u>51,792</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>915,419</u></u>	<u><u>763,019</u></u>

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

FEDRIGONI U.K. LIMITED

BALANCE SHEET As at 31 December 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	8	476,711	467,898
CURRENT ASSETS			
Stocks	9	2,757,875	2,400,296
Debtors	10	6,859,350	7,706,211
Cash at bank and in hand		3,039,547	743,268
		12,656,772	10,849,775
CREDITORS: amounts falling due within one year	11	7,346,743	6,446,352
NET CURRENT ASSETS		5,310,029	4,403,423
TOTAL ASSETS LESS CURRENT LIABILITIES		5,786,740	4,871,321
CAPITAL AND RESERVES			
Called up share capital	14	7,500,000	7,500,000
Profit and loss account	14	(1,713,260)	(2,628,679)
SHAREHOLDERS' FUNDS		5,786,740	4,871,321

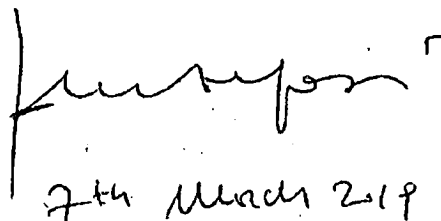
The financial statements of Fedrigoni U.K. Limited, registered number 02766111, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

G Alfonsi

Director

Date:


7th March 2019

FEDRIGONI U.K. LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2017	7,500,000	(3,391,698)	4,108,302
Total comprehensive income for the financial year	-	763,019	763,019
At 31 December 2017	7,500,000	(2,628,679)	4,871,321
Total comprehensive income for the financial year	-	915,419	915,419
At 31 December 2018	7,500,000	(1,713,260)	5,786,740

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2018**

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year.

General information and basis of accounting

Fedrigoni U.K. Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Fedrigoni U.K. Limited is considered to be pounds sterling, because that is the currency of the primary economic environment in which the company operates.

Fedrigoni U.K. Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, intra-group transactions, remuneration of key management personnel and financial instruments.

Turnover

Turnover, which is stated net of value added tax, but includes settlement discounts and rebates, represents the invoiced value of goods supplied and is recognised on delivery.

Turnover is attributable to the sale of paper. Turnover excludes intercompany commissions invoiced to other group companies which is shown as other operating income. Turnover is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	10% - 20% straight line method
Plant and machinery	20% straight line method
Fixtures and equipment	20% straight line method
Computer equipment	20% straight line method

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value after making due allowance for any obsolete or slow-moving items.

Costs are determined on a weighted average cost basis.

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

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid 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, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Pounds Sterling at the rate ruling on the date of transaction. Exchange differences are taken into profit and loss account in arriving at the operating profit.

Operating leases

Rentals under operating leases are charged on a straight line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the term of the lease.

Pensions

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 disclosed in note 16 represents contributions payable by the company to the fund.

Going concern

The directors have considered the financial position of the company at 31 December 2018 and forecasts for a period of 12 months from the date of signing these financial statements. In light of these forecasts they consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements that have significant impact on the amounts recognised, and make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have concluded that, due to the nature of the business, there are no critical accounting judgements or key sources of estimation uncertainty that are required to be disclosed here.

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company, being the sale of paper goods.

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	21,440,747	19,570,566
Rest of Europe	218,967	402,832
Rest of the World	11,879	20,525
	<u>21,671,593</u>	<u>19,993,923</u>

4. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Director's remuneration		
Emoluments	98,000	-
Contribution to money purchase pension scheme	4,900	-
	<u>102,900</u>	<u>-</u>
	No	No
Number of directors who are members of a money purchase pension scheme	1	1

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

Administration	7	10
Selling and distribution	31	28
	<u>38</u>	<u>38</u>
	£	£

The aggregate payroll costs of the above were:

Wages and salaries	1,631,456	1,544,741
Social security costs	178,267	167,946
Other pension costs	60,667	64,762
	<u>1,870,390</u>	<u>1,777,449</u>

Of the company's two directors, one received remuneration paid by the company during the year of £102,900 (2017 : £nil). Both directors received remuneration either as employees of the immediate parent company or directors of the ultimate parent company. One director has accrued benefits under retirement benefit schemes operated by the company (2017 : none).

The directors do not receive any emoluments from any other party specifically for services as a directors of Fedrigoni U.K. Limited and it is not possible to make an accurate apportionment of the directors' emoluments received from other group companies in respect of their services to Fedrigoni U.K. Limited.

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

5. OPERATING PROFIT

	2018 £	2017 £
Operating profit is stated after charging:		
Impairment of stock recognised as an expense	384	20,202
Depreciation of tangible fixed assets - owned assets	135,380	110,963
Operating lease charges:		
Plant and machinery	34,149	44,803
Other than plant and machinery	74,214	68,033
Foreign exchange loss	2,359	2,244
Loss on disposal of fixed assets	2,525	-
Services provided by the company's auditor		
Fees payable to the company's auditor for the audit of the company's annual accounts	33,981	34,000
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Group interest receivable	21,207	20,651
Other interest receivable	1,275	453
	<u>22,482</u>	<u>21,104</u>

7. TAX ON PROFIT

	2018 £	2017 £
Current taxation		
United Kingdom corporation tax for the year	-	-
Deferred taxation		
Recognition of prior year losses	(78,346)	(90,848)
Utilisation of prior year losses	213,741	142,640
Tax on profit	<u>135,395</u>	<u>51,792</u>

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

7. TAX ON PROFIT (continued)

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below.

	2018 £	2017 £
Profit before tax	1,050,814	814,811
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	199,655	156,851
Factors affecting tax charge for the year:		
Expenses not deductible for tax purposes	8,829	(2,517)
Capital allowances in deficit (excess) of depreciation	5,257	(9,657)
Changes in tax rates	-	(2,037)
Utilisation of prior year losses	(213,741)	(142,640)
Change in unrecognised deferred tax assets	135,395	51,792
Total tax charge	135,395	51,792

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 19%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Fixtures and equipment £	Computer equipment £	Total £
Cost					
At 1 January 2017	436,815	246,582	154,639	177,280	1,015,316
Additions	56,633	35,220	30,208	23,967	146,028
Disposals	(58,382)	(434)	(95,345)	(33,203)	(187,364)
At 31 December 2018	435,066	281,368	89,502	168,044	973,980
Accumulated depreciation					
At 1 January 2017	200,615	120,062	138,243	88,498	547,418
Charge for the year	58,372	42,661	10,166	24,181	135,380
Disposals	(58,015)	(434)	(94,999)	(32,081)	(185,529)
At 31 December 2018	200,972	162,289	53,410	80,598	497,269
Net book value					
At 31 December 2018	234,094	119,079	36,092	87,446	476,711
At 31 December 2017	236,200	126,520	16,396	88,782	467,898

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

9. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	<u>2,757,875</u>	<u>2,400,296</u>

10. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	4,665,927	4,186,680
Amounts owed by parent company	1,917,903	3,071,889
Amounts owed by fellow subsidiaries	24,835	14,518
Deferred taxation (note 12)	133,001	268,396
Prepayments and accrued income	<u>117,685</u>	<u>164,728</u>
	<u>6,859,350</u>	<u>7,706,211</u>

Amounts owed by parent company include a receivable loan of £1,896,503 (2017: £3,028,324), which is unsecured, interest free and repayable on demand. All other amounts owed by group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Overdrafts	-	43,884
Trade creditors	218,078	201,566
Amounts owed to parent company	6,146,406	5,357,095
Amounts owed to fellow subsidiaries	10,000	10,000
Social security and other taxes	311,423	262,553
Accruals and deferred income	<u>660,836</u>	<u>571,254</u>
	<u>7,346,743</u>	<u>6,446,352</u>

Amounts owed to parent company and fellow subsidiaries are unsecured, interest free, have no fixed repayment date and are repayable on demand.

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

12. LEASING AGREEMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Within one year	427,078	416,128
Between one and five years	1,495,708	1,533,033
In more than five years	652,962	996,435
	<u>2,575,748</u>	<u>2,945,596</u>

13. DEFERRED TAX

An analysis of deferred tax assets recognised in the financial statements relating to unutilised trading losses is as follows:

	2018 £	2017 £
At 1 January 2018	268,396	320,188
Charged to the profit and loss account	(135,395)	(51,792)
At 31 December 2018	<u>133,001</u>	<u>268,396</u>

The company has fully recognised its deferred tax asset in the year as it is deemed reasonably likely that the amount will be recovered through utilisation against future taxable profits which, as at 31 December 2018, amounts to £133,001 (2017: £268,396). The company does not hold any amount in respect of an unrecognised deferred tax asset. There is no expiry date on unused tax losses, however the recognised tax losses are expected to be fully utilised in the 2019 financial year.

14. CALLED UP SHARE CAPITAL AND RESERVES

	2018 £	2017 £
Allotted, called up and fully paid 7,500,000 ordinary shares of £1 each	<u>7,500,000</u>	<u>7,500,000</u>

The company has one class of ordinary shares which carry no fixed right to income.

15. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary and qualifying entity the company has taken advantage of the exemption in FRS 102 "Related Party Disclosures" from disclosing transactions with other members of the group.

FEDRIGONI U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

As at the year-end 31 December 2018, the immediate parent undertaking of the company is Fedrigoni S.p.A., a company incorporated in Italy. Fedrigoni S.p.A.'s immediate shareholder is Fabric (BC) S.p.A., also a company incorporated in Italy. The ultimate controlling party of Fedrigoni U.K. Limited is Bain Capital, LLC.

The smallest group of which Fedrigoni U.K. Limited is a member and for which consolidated financial statements are produced is Fabric (BC) S.p.A. The consolidated financial statements of Fabric (BC) S.p.A. may be obtained from Fedrigoni S.p.A. by writing to Fedrigoni S.p.A., Viale Piave 3, 37135 Verona, Italy.

The largest group of which Fedrigoni U.K. Limited is a member and for which consolidated financial statements are produced is Fabric (BC) Midco Limited. The consolidated financial statements of Fabric (BC) Midco Limited can be obtained from Companies House.

The registered office of Fabric (BC) S.p.A. is Via Vittor Pisani 20, 20124 Milan, Italy.

The registered office of Fabric (BC) Midco Limited is 35 Great St. Helen's, London, United Kingdom, EC3A 6AP.

17. PENSION COSTS

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 £60,667 in the year (2017: £64,762).

Pension liabilities outstanding at the financial year end are £14,422 (2017: £11,104).