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**THE BRITISH CHAMBER OF COMMERCE FOR ITALY (INCORPORATED)**  
**FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

**Directors' responsibilities**

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 ("the Chamber") and of the profit (surplus) or loss (deficit) of the Chamber for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements 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 Chamber 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 Chamber 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 Chamber and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of Disclosure of Information to Auditors**

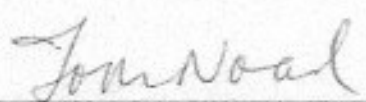
In the case of each of the persons who are Directors at the time of approval of this report:

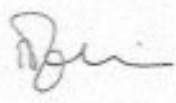
- a) so far as the Directors are aware, there is no relevant audit information of which the Chamber's auditors are unaware, and
- b) each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Chamber's auditors are aware of that information.

**STATEMENT OF INCOME AND EXPENDITURE AND ACCUMULATED FUND FOR  
THE YEAR ENDED 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u>	Euro <u>2018</u>
<b>INCOME</b>			
Subscriptions:			
- Members		242,014	240,005
- Foreign English Language Schools		39,875	37,879
Services	4	92,840	91,425
<b>Total income</b>		<u>374,729</u>	<u>369,309</u>
<b>EXPENDITURE</b>			
Staff costs	5	184,473	187,368
Cost of services rendered	6	79,629	76,680
Office rental	11	12,037	48,226
Professional services	7	15,504	18,269
Depreciation	11	29,992	2,813
Other	8	51,348	54,093
<b>Total expenditure</b>		<u>372,983</u>	<u>387,449</u>
<b>Operating Surplus (Deficit)</b>		1,746	(18,140)
Financial expenses, net	9	(6,444)	(764)
<b>Deficit before taxation</b>		<u>(4,698)</u>	<u>(18,904)</u>
Less: taxation	10	(5,962)	(4,864)
<b>Deficit for the year</b>		<u>(10,660)</u>	<u>(23,768)</u>
Accumulated fund at 1 January		<u>35,137</u>	<u>58,905</u>
<b>Accumulated fund at 31 December</b>		<u>24,477</u>	<u>35,137</u>

The notes 1 to 22 form part of these accounts

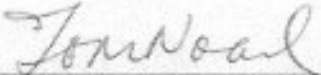
  
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**Tom Noad**  
 President


  
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**Roberto Franchini**  
 Treasurer

**BALANCE SHEET AT 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019</u>	Euro <u>2018</u>
<b><i>Non-current assets</i></b>			
Right-of-use asset	3, 11	167,484	-
Web-site	11	3,687	-
Office furniture and equipment	11	10,556	5,257
		<u>181,727</u>	<u>5,257</u>
<b><i>Current assets</i></b>			
Cash	12	189,988	186,855
Receivables	13	35,161	41,780
		<u>225,149</u>	<u>228,635</u>
<b>Total assets</b>		<u>406,876</u>	<u>233,892</u>
 <b><i>Current liabilities</i></b>			
Lease liability, current portion	14	29,495	-
Payables	15	83,672	68,817
Deferred income, current portion	16	93,200	82,291
		<u>206,367</u>	<u>151,108</u>
<b><i>Non-current liabilities</i></b>			
Lease liability	14	129,018	-
Deferred income	16	3,333	13,317
Provision for employee leaving indemnity	17	43,681	34,330
<b>Total liabilities</b>		<u>382,399</u>	<u>198,755</u>
<b>Net assets</b>		<u>24,477</u>	<u>35,137</u>
 Represented by;			
<b>Accumulated fund</b>		<u>24,477</u>	<u>35,137</u>

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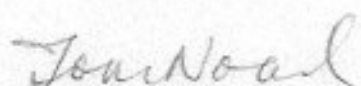
  
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**President**

  
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**Treasurer**

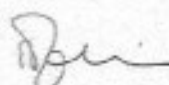
## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	Euro 2018
Deficit for the year	(10,660)	(23,768)
Cash items arising from non-operating activities:		
- Financial expense (income)	6,444	764
Non-cash items:		
- Depreciation charge	29,992	2,813
- Charge for employee termination indemnity	9,351	9,264
Changes in working capital:		
- Decrease (increase) in receivables	6,619	(24,629)
- Increase (decrease) in payables	14,855	8,333
- Increase (decrease) in deferred income	925	31,254
<b>Net cash inflow (outflow) from operating activities</b>	<b>57,526</b>	<b>4,031</b>
Cash flow from investing activities:		
- Purchase of non-current assets, net	(13,519)	-
Cash flow from financing:		
- Payment of lease obligations	(39,946)	-
- Other financial expenses	(928)	(764)
	(40,874)	(764)
<b>Net increase in cash</b>	<b>3,133</b>	<b>3,267</b>
Balance of cash at 1 January	186,855	183,588
<b>Balance of cash at 31 December</b>	<b>189,988</b>	<b>186,855</b>

The notes 1 to 22 form part of these accounts



**Tom Noad**  
President



**Roberto Franchini**  
Treasurer

## **1. BACKGROUND**

The British Chamber of Commerce for Italy (Incorporated) (hereinafter "the Chamber") is a private non-profit organisation organized as a UK company limited by guarantee. In 2018, the Chamber's primary place of business was Via Dante 12, Milan. In early 2019, the Chamber moved to new offices in Via Sforza 4, Milan. The primary mission of the Chamber is to assist and encourage the development of trade and investment between the United Kingdom and Italy and to support and promote the interests of its members' commercial activities.

## **2. BASIS OF PRESENTATION OF THE ACCOUNTS**

The accounts are prepared on the going concern basis under the historical cost convention and are based on the Chamber's accounting records used for taxation and other purposes in Italy. The Articles of Association of the Chamber require that the Accounts be prepared in accordance with International Financial Reporting Standards in compliance with Section 395 (1)(b) of the Companies Act, 2006. Although exempted from a statutory audit under the Companies Act 2006, the Articles of Association require that an audit of the accounts be performed in accordance with International Standards of Auditing.

Certain amounts in the comparative accounts for the prior year have been reclassified to comply with the presentation of the 2019 accounts. In particular, certain costs related to our office premises (primarily condominium, energy and cleaning expenses) have been reclassified to "Other Expenses" leaving "Office rental" as a separate line item, and financial expenses have been reclassified from "Other expenses" to a separate line item below "Operating Surplus (Deficit)".

The principal accounting policies, which have been applied consistently, are set out below.

## **3. ACCOUNTING POLICIES**

### **Non-current assets**

#### *Right-of-use asset*

Effective January 1, 2019, the Chamber applied the new accounting standard on Leases, IFRS 16.

In accordance with IFRS 16, the Chamber has identified the office premises of Via Sforza as a right-of-use asset and is depreciating this asset over the initial life of the lease agreement as described below. The initial carrying value of this asset is represented by the present value of the lease payments due under the agreement plus the cost of the real estate agent's commission. Each lease payment is allocated between a reduction of the lease liability and interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The initial lease term for the office is six years renewable for an additional six years. The agreement also contains a termination option by the lessee commencing the third year after inception, however, at the current time there is no expectation that this option will be exercised. Accordingly, the Council has determined the lease term to be six years for the purposes of IFRS 16.



As permitted by the transition provisions of IFRS 16, the Chamber has elected not to apply the new method of accounting to the lease agreement on the prior premises of Via Dante. As the lease agreement on those premises was terminated on March 14 2019, the impact on the income statements of the Chamber for the years ended December 2019 and 2018 would not have been material. However, the transition to IFRS 16 explains the decrease in the office rental expense and the major portion of the increase in depreciation and financial expenses between 2018 and 2019.

As permitted by IFRS 16, lease payments on right-of-use assets with low value are charged to the statement of income and expenditure on a straight-line basis over the lease term. At the current time the only such asset is a multi-functional printer/copier machine.

#### *Web-site*

The cost of development of the new website by a third-party developer has been capitalized and amortized over 5 years.

#### *Office furniture and equipment*

Office furniture and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated using the straight-line method at a rate estimated to write-off the cost of the asset over its expected useful life, which can vary between three and eight years. Depreciation rates applied are as follows:

Office equipment	20% - 33,33%
Office furniture	12%

Depreciation in the year of purchase is calculated at half the rate shown above.

#### **Receivables**

Receivables are stated at net realizable value. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

#### **Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. There are no monetary assets and liabilities in the balance sheet denominated in foreign currencies.

#### **Income**

Subscriptions are collected from Members on an annual basis either for the period January to December or the period July to June. Subscriptions from foreign English language schools are collected for the period October to September. Such subscriptions are recognized when received. The portion of membership subscriptions received and pertaining to the following accounting period is classified as deferred income.

Income from services is recognised in the accounting period in which the services are rendered. Such income relates primarily to sponsorship of events and is recognised when the event has taken place. Payment is normally due immediately.

During 2018, the Chamber has adopted the new standard *IFRS 15 - Revenue from Contracts with Customers*. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Adoption of the standard has not had a material effect on the accounts of the Chamber for the years 2019 and 2018.

### Payables

Payables are stated at nominal value, represent obligations with normal credit terms and do not bear interest.

### Provision for employee leaving indemnity

Under existing regulations and pursuant to labour contracts with its employees, the Chamber must pay a severance indemnity to all personnel on leaving employment based on the length of service and remuneration over the period of employment. As prescribed by Italian law, the amount of such leaving indemnity is revalued each year in line with the rate of inflation. The Directors believe that the carrying value of such provision does not materially differ from a valuation using actuarial methods, as required under IAS 19 *Employee Benefits*, as the effect of the discount rate that would be used in an actuarial valuation would be largely offset by the effect of the inflation adjustment.

### Accounting estimates

The preparation of the accounts requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses recognised in the financial statements, as well as amounts included in the notes thereto, including disclosure of contingent assets and contingent liabilities. Estimates made are based on complex judgements and past experience of other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the accounts are in relation to the accounting for receivables and the allowance for doubtful receivables. Although the Chamber uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

## 4. INCOME FROM SERVICES

	Euro	
	2019	2018
Events	88,822	86,376
Web Site services sponsorship	800	2,300
English Language Consultancy Service – advertising and bookings	2,218	2,749
Other	1,000	-
	<b>92,840</b>	<b>91,425</b>

Income from events represents primarily sponsorship revenue in relation to such events.

Income from "English Language Consultancy Service – advertising and bookings" (ELCS) does not include subscriptions relating to the member schools, which are included under the income from subscriptions from "Foreign English Language Schools".

## 5. STAFF COSTS

	Euro	
	2019	2018
Salaries	132,603	131,988
Social security contributions	38,739	37,343
Accrual for leaving indemnity (note 16)	9,456	9,358
Other staff costs	3,675	8,679
	<b>184,473</b>	<b>187,368</b>
Average number of employees	4	4

The increase in social security contributions is due primarily to the expiration at the end of March 2018 of a subsidy for employer social security contributions relating to one employee.

## 6. COST OF SERVICES RENDERED

	Euro	
	2019	2018
English language services	40,030	39,050
Events	39,599	37,630
	<b>79,629</b>	<b>76,680</b>

## 7. PROFESSIONAL SERVICES

	Euro	
	2019	2018
Book-keeping services	10,608	10,544
Legal fees	-	3,040
Payroll services	1,977	1,908
Audit	2,000	1,900
Health and safety consultancy fees	340	347
Other	579	530
	<b>15,504</b>	<b>18,269</b>

Legal fees in 2018 relate to advisory services in connection with implementation of the GDPR (General Data Protection Regulation).



## 8. OTHER EXPENSES

	Euro	
	2019	2018
Travel expenses	3,851	8,793
Office expenses	5,622	7,653
Condominium expenses	6,101	6,454
Energy	1,388	1,599
Office cleaning	3,769	3,920
IT expenses	8,736	18,792
Membership	2,557	1,934
Stationary and telecommunications	7,674	5,259
Increase (Decrease) in provision for doubtful accounts	2,780	(3,800)
Removals	5,243	-
Other expenses, net	3,627	3,489
	<b>51,348</b>	<b>54,093</b>

IT expenses in 2018 include approximately €6,000 due to refurbishment and adaptation of the Chamber web site to the new GDPR.

Travel expenses in 2018 were higher primarily due to the Liverpool business mission supporting Italian companies and international trade, staff training held overseas and participation at the annual UK COBCOE conference and partner organization ICCI events.

## 9. FINANCIAL EXPENSE

	Euro	
	2019	2018
Interest expense on lease obligations	5,517	-
Bank guarantee charge	881	524
Other	46	240
	<b>6,444</b>	<b>764</b>

## 10. TAXATION

In 2019, taxation expense comprises IRES income tax for €709 and IRAP €5,253.

The Chamber is exempt from IRES income tax on the contributions made by members by way of annual subscriptions but must pay IRES income tax on income arising from activities of a commercial nature. No IRES tax was accrued in 2018 as the Chamber had a loss for tax purposes.

The Chamber is subject also to IRAP tax. As the Chamber qualifies as a not-for-profit organization, IRAP is computed using gross salaries as the tax basis.

There are no significant differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences) that would warrant the recognition of deferred tax assets or liabilities.

Value Added Tax can be recovered on costs relating to commercial activities.

## 11. NON-CURRENT ASSETS

### *Right-of-Use Asset*

	Euro
Cost 1 January 2019	-
Additions	192,944
Cost 31 December 2019	<u>192,944</u>
Accumulated depreciation 1 January 2019	-
Charge for the year	25,460
Accumulated depreciation 31 December 2019	<u>25,460</u>
<b>Net book value 31 December 2019</b>	<b><u>167,484</u></b>
Net book value 31 December 2018	<u>-</u>

The decrease in the office rental expense and the major portion of the increase in depreciation and financial expenses between 2018 and 2019 is due to the adoption of IFRS 16 and the resulting treatment of the lease of the new offices as a right-of-use asset.

### *Other non-current assets*

	Euro	
	Office furniture and equipment	Website
Cost 1 January 2019	40,610	-
Additions	8,910	4,608
Write off		-
Cost 31 December 2019	<u>49,520</u>	<u>4,608</u>

Accumulated depreciation 1 January 2019	35,353	-
Charge for the year	3,611	921
Write off		
Accumulated depreciation 31 December 2019	<u>38,964</u>	<u>921</u>
<b>Net book value 31 December 2019</b>	<b><u>10,556</u></b>	<b><u>3,687</u></b>
Net book value 31 December 2018	<u>5,257</u>	-

During 2019 the Chamber acquired furniture and equipment for the new offices as well as developed a new institutional website.

## 12. CASH

	Euro	
	<u>2019</u>	<u>2018</u>
Cash at bank	189,806	186,774
Cash in hand	182	81
	<b><u>189,988</u></b>	<b><u>186,855</u></b>

Cash at bank represents bank deposits held with two primary financial institutions.

The Chamber benefits from the collection of membership subscriptions in advance either at the beginning of the year or in July. As a consequence, cash in bank and in hand amounted to €189,988 at the end of 2019 as compared to €186,855 at the end of the prior year.

## 13. RECEIVABLES

	Euro	
	<u>2019</u>	<u>2018</u>
Receivables for services	18,692	31,863
Other receivables	11,425	6,844
Prepayments and accrued income	5,044	3,073
	<b><u>35,161</u></b>	<b><u>41,780</u></b>

Receivables for services relate mainly to billings for sponsorship of events that took place in November and December of each year. The amount can fluctuate significantly depending on the nature of our events and other activities in those months.

Other receivables mainly include the subscription fees due by members and schools collected within the period of preparation of these financial statements.

#### 14. LEASES

At 31 December 2019, the Chamber had non-cancellable operating lease commitments of €182,781. The following table reconciles such lease commitments to the IFRS 16 lease liability:

	Euro
Operating lease obligations	182,780
Less lease commitments on right-of-use assets of low value	<u>(7,176)</u>
Undiscounted lease liabilities	175,604
<b>Discounting effect</b>	<b>(17,091)</b>
<b>Total lease liability</b>	<b><u>158,513</u></b>
<b>Less: current portion</b>	<b>(29,495)</b>
<b>Lease liability, non-current portion</b>	<b><u>129,018</u></b>

The total lease payments charged as an expense in the statement of income and expenditure, were €14,015 and comprised the lease payments on the low value assets as well as the rental on the office premises of Via Dante prior to termination of the lease in March 2019. In 2018, such payments amounted to €52,706. The lease agreement on the right-of-use asset of low value relates to a multi-functional printer/copier machine and expires in 2023.

#### 15. PAYABLES

	Euro	
	2019	2018
Trade payables	<u>31,711</u>	<u>24,638</u>
Payroll taxes and social security	6,637	7,048
Tax liability	1,115	-
Accrued payroll	28,819	24,622
Accrued expenses and other current liabilities	<u>15,390</u>	<u>12,509</u>
	<b><u>83,672</u></b>	<b><u>68,817</u></b>

Trade payables relate mainly to costs incurred in relation to events that took place in the last quarter of each year and can fluctuate significantly depending on the nature of our events and other activities in that quarter. In 2019, this amount also includes the cost of website development.

## 16. DEFERRED INCOME

	Euro	
	2019	2018
Subscriptions relating to the following period	74,885	70,075
Deferred sponsorship income	21,648	24,333
Other	-	1,200
	<b>96,533</b>	<b>95,608</b>
Less: Current portion of deferred income	(93,200)	(82,291)
Deferred income, non-current portion	<b>3,333</b>	<b>13,317</b>

Deferred sponsorship income relates primarily to the Awards for Business Excellence (the "Gala Awards") and the portion of such income received in 2018 but relating to the sponsorship of the award ceremonies due to be held in 2020. This amount also includes €10,000 received from HSBC for the sponsorship of the NextGen project over a period of 24 months commencing September 2019.

## 17. PROVISION FOR EMPLOYEE LEAVING INDEMNITY

The movement in the provision for employee leaving indemnity for the year 2018 is as follows:

	Euro
1 January 2019	34,330
Charge for the year	9,351
Other movements	-
<b>31 December 2019</b>	<b>43,681</b>

## 18. EMOLUMENTS OF THE DIRECTORS

In 2019 and in 2018 the directors did not receive any emoluments.

## 19. CAPITAL COMMITMENTS

The Chamber had no significant capital commitments at 31 December 2019.

## 20. AUDITORS' REMUNERATION

During the year fees amounting to €1,750 were incurred for services provided by the auditors.

## 21. EVENT SUBSEQUENT TO BALANCE SHEET DATE

### *Going concern*

As discussed in Note 2 and as required by IAS1 *Presentation of Financial Statements*, these accounts are prepared on the going concern basis. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going



concern and will continue its operations for the foreseeable future unless management either intends to liquidate the entity or has no alternative but to cease operations.

The Chamber incurred a net loss of € 10,660 for 2019, compared to a loss of €23,768 for 2018, and had an accumulated fund at the end of the year amounting to €24,477. The reduced loss for 2019 as compared to 2018 is the consequence of cost saving measures that were implemented in 2019 and which were expected to result in profits in 2020 of at least €10,000. However, the COVID-19 emergency has had a significant impact on our operations requiring us to defer important live events, close our offices for the duration of the emergency and experience a slowdown in collection of membership subscriptions. Under such conditions the question arises as to the extent that the Chamber can be profitable and solvent in 2020 and continue its operations in the foreseeable future.

During the COVID-19 emergency, the Chamber has taken every possible step to further contain costs and sustain revenues. We have required our staff to work remotely from home and, compatibly with our remaining activities, use up accrued vacation, we have requested a deferral of office rental and, generally, have reduced the operating costs of the office. On the revenue side, we have switched to organizing on-line events and this has generated a stream of previously untapped revenue with minimal costs which partially compensates the loss of revenues from live events. In addition, we have increased revenues from current membership subscriptions (at the end of May) by approximately €20,000 compared to last year. However, the Chamber is dependent primarily on our members paying their subscriptions and, like many companies in this period of emergency, we are experiencing a slowdown in collection with a balance of overdue member subscriptions at the end of May of about €70,000 as compared to €20,000 at the same time last year. While we are vigorously chasing those members that have still not paid, given the economic difficulties that many may be experiencing, some uncertainty exists as to the amounts that we will eventually collect.

Nevertheless, as a result of our efforts at containing costs and increasing revenues, our cash in bank at the end of May is at €220,000, higher than our cash in bank at the same time last year of €200,000. In addition, membership subscriptions for approximately €40,000 will fall due in July. Given the balance of cash in bank at the end of May of €220,000, the fact that our operating costs are stable at approximately €25,000 per month, even if no further subscription revenues are collected for the rest of the year we have sufficient cash in hand to finance our operations through the end of the year. As a result, the directors of the Chamber believe that the going concern basis remains appropriate for these accounts. The above considerations were made based on the budget for 2020 approved by Council at its meeting on June 3, 2020.

## **22. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and authorised for issue on 20 May 2020.