

THE BRITISH CHAMBER OF COMMERCE FOR ITALY (INCORPORATED)
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020**

		Euro	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
INCOME			
Subscriptions:			
- Members		247,489	242,014
- Foreign English Language Schools		22,838	39,875
Services	4	81,165	92,840
Total income		<u>351,491</u>	<u>374,729</u>
EXPENDITURE			
Staff costs	5	177,022	184,473
Cost of services rendered	6	45,070	79,629
Office rental	11	-	12,037
Professional services	7	21,725	15,504
Depreciation	11	35,257	29,992
Other	8	35,137	51,348
Total expenditure		<u>314,211</u>	<u>372,983</u>
Operating surplus (deficit)		37,280	1,746
Financial expenses, net	9	(6,941)	(6,444)
Surplus (deficit) before taxation		<u>30,339</u>	<u>(4,698)</u>
Less: taxation	10	(4,674)	(5,962)
Surplus (deficit) for the year		<u>25,665</u>	<u>(10,660)</u>
Accumulated fund at 1 January		<u>24,477</u>	<u>35,137</u>
Accumulated fund at 31 December		<u><u>50,142</u></u>	<u><u>24,477</u></u>

The notes 1 to 21 form part of these accounts

Tom Noad

Tom Noad
President

Roberto Franchini

Roberto Franchini
Treasurer

BALANCE SHEET AT 31 DECEMBER 2020

	<u>Notes</u>	<u>2020</u>	<u>Euro</u> <u>2019</u>
<i>Non-current assets</i>			
Right-of-use asset	3, 11	135,324	167,484
Web-site	11	2,766	3,687
Office furniture and equipment	11	8,380	10,556
		<u>146,470</u>	<u>181,727</u>
<i>Current assets</i>			
Cash	12	170,629	189,988
Receivables	13	72,132	35,161
		<u>242,761</u>	<u>225,149</u>
<i>Total assets</i>		<u>389,230</u>	<u>406,876</u>
<i>Current liabilities</i>			
Lease liability, current portion	14	30,705	29,495
Payables	15	106,927	83,672
Deferred income, current portion	16	46,858	93,200
		<u>184,490</u>	<u>206,367</u>
<i>Non-current liabilities</i>			
Lease liability	14	98,322	129,018
Deferred income	16	3,333	3,333
Provision for employee leaving indemnity	17	52,943	43,681
		<u>154,598</u>	<u>176,032</u>
<i>Total liabilities</i>		<u>339,088</u>	<u>382,399</u>
<i>Net assets</i>		<u>50,142</u>	<u>24,477</u>
Represented by;			
Accumulated fund		<u>50,142</u>	<u>24,477</u>

The notes 1 to 21 form part of these accounts

Tom Noad

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Roberto Franchini

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Treasurer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	Euro 2019
Surplus (deficit) for the year	25,665	(10,660)
Cash items arising from non-operating activities:		
- Financial expense (income)	6,941	6,444
Non-cash items:		
- Depreciation charge	35,257	29,992
- Charge for employee termination indemnity	9,262	9,351
Changes in working capital:		
- Decrease (increase) in receivables	(36,971)	6,619
- Increase (decrease) in payables	23,255	14,855
- Increase (decrease) in deferred income	(46,342)	925
Net cash inflow (outflow) from operating activities	17,067	57,526
Cash flow from investing activities:		
- Purchase of non-current assets, net	-	(13,519)
Cash flow from financing:		
- Payment of lease obligations	(35,464)	(39,946)
- Other financial expenses	(962)	(928)
	(36,426)	(40,874)
Net (decrease) increase in cash	(19,359)	3,133
Balance of cash at 1 January	189,988	186,855
Balance of cash at 31 December	170,629	189,988

The notes 1 to 21 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. The Chamber's primary place of business is 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.

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 year ended December 2019 would not have been material. However, the transition to IFRS 16 from March 14 2019 explains the decrease in the office rental expense and the increase in depreciation and financial expenses between 2019 and 2020.

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 recognised in the period to which they relate and if collected prior to the approval of the accounts for that year. 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.

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	
	2020	2019
Events	80,085	88,822
Web Site services sponsorship	800	800
English Language Consultancy Service – advertising and bookings	280	2,218
Other	-	1,000
	81,165	92,840

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	
	2020	2019
Salaries	127,025	132,603

Social security contributions	38,297	38,739
Accrual for leaving indemnity (note 16)	9,262	9,456
Other staff costs	2,438	3,675
	177,022	184,473

Average number of employees	4	4
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The reduction in staff costs is due primarily to the program implemented during the year to use up accrued vacation, partially offset by a bonus accrued for staff.

Other staff costs in 2020 are net of a grant of €1,200 received from Regione Lombardia under the EU Youth Employment Initiative in respect of a claim made in prior years.

6. COST OF SERVICES RENDERED

	Euro	
	2020	2019
English language services	27,815	40,030
Events	17,255	39,599
	45,070	79,629

7. PROFESSIONAL SERVICES

	Euro	
	2020	2019
Book-keeping services	10,299	10,608
Legal fees	3,891	-
Payroll services	1,718	1,977
Audit	2,000	2,000
Health and safety consultancy fees	335	340
Other	3,482	579
	21,725	15,504

Legal fees in 2020 relate primarily to notary and attorney fees for the registration of the Chamber with Italian Registro delle Imprese. Other professional services in 2020 comprise translation services related to the registration with the Registro delle Imprese and fees payable to the video-conferencing service used for online events.

8. OTHER EXPENSES

	Euro	
	2020	2019
Travel expenses	2,049	3,851
Office expenses	3,540	5,622
Condominium expenses	4,427	6,101
Energy	764	1,388
Office cleaning	1,443	3,769
IT expenses	9,697	8,736
Membership	1,421	2,557
Stationary and telecommunications	4,778	7,674
Increase (Decrease) in provision for doubtful accounts	-	2,780
Removals	-	5,243
Other expenses, net	7,018	3,627
	35,137	51,348

Expenses related to office operations (cleaning, energy, stationary and telecommunications) declined as staff worked from home for much of the period from March through December.

9. FINANCIAL EXPENSE

	Euro	
	2020	2019
Interest expense on "Right-of-Use" obligations	5,979	5,517
Bank guarantee charge	835	881
Other	127	46
	6,941	6,444

10. TAXATION

In 2020, taxation expense comprises IRES income tax for €410 and IRAP €4,264.

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.

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 2020	192,944
Additions	-
Cost 31 December 2020	<u>192,944</u>
Accumulated depreciation 1 January 2020	25,460
Charge for the year	32,160
Accumulated depreciation 31 December 2020	<u>57,620</u>
Net book value 31 December 2020	<u>135,324</u>
Net book value 31 December 2019	<u>167,484</u>

Other non-current assets

	Euro	
	Office furniture and equipment	Website
Cost 1 January 2020	49,520	4,608
Additions	-	-
Cost 31 December 2020	<u>49,520</u>	<u>4,608</u>
Accumulated depreciation 1 January 2020	38,964	921
Charge for the year	2,176	921
Accumulated depreciation 31 December 2020	<u>41,140</u>	<u>1,842</u>
Net book value 31 December 2020	<u>8,380</u>	<u>2,766</u>
Net book value 31 December 2019	<u>10,556</u>	<u>3,687</u>

12. CASH

	Euro	
	2020	2019
Cash at bank	170,447	189,806
Cash in hand	182	182
	170,629	189,988

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

13. RECEIVABLES

	Euro	
	2020	2019
Receivables for membership subscriptions	32,241	3,815
Receivables for services	32,764	18,692
Other receivables	4,983	7,610
Prepayments and accrued income	2,143	5,044
	72,132	35,161

Receivables for membership subscriptions represent amounts due in 2020 but collected in 2021 prior to approval of these accounts. Amounts not collected or not certain of collection at the date of approval by the Council are written-off. The increase compared to the prior year is due to the delay experienced in collecting subscriptions during the pandemic emergency.

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

14. LEASES

At 31 December 2020, the Chamber had non-cancellable operating lease commitments of € 145,407. The following table reconciles such lease commitments to the IFRS 16 lease liability:

	Euro
Operating lease obligations	145,407
Less lease commitments on right-of-use assets of low value	(5,219)
Undiscounted lease liabilities	140,188
Discounting effect	(11,161)
Total lease liability	129,027
Less: current portion	(30,705)

Lease liability, non-current portion	98,322
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The total lease payments charged as an expense in the statement of income and expenditure amounted to €2,338 and comprised the lease payments on the low value assets. In 2019 total lease payments charged as an expense amounted to €14,015 and included the rental on the office premises of Via Dante prior to termination of the lease in March 2019. 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	
	2020	2019
Trade payables	33,281	31,711
Payroll taxes and social security	6,628	6,637
Tax liability	2,089	1,115
Accrued payroll	30,030	28,819
Advances from sponsors and other accrued expenses	34,899	15,390
	106,927	83,672

Accrued payroll decreased compared to the prior year due to staff using up vacation accruals from prior years, partially offset by a staff bonus.

Advances from sponsors increased due to the receipt of sums from sponsors for projects to be undertaken in future years.

16. DEFERRED INCOME

	Euro	
	2020	2019
Members' subscriptions	37,700	52,960
Subscriptions from foreign English language schools	-	21,925
Deferred sponsorship income	12,491	21,648
	50,191	96,533
Less: Current portion of deferred income	(46,858)	(93,200)
Deferred income, non-current portion	3,333	3,333

Deferred members' subscriptions relate to memberships covering more than one calendar year. The major portion relates to the July-to-June membership cycle. The decrease compared to the prior year is due in part to the lack of influx of new members in the period of the first lockdown and in part due to a higher than normal rate of membership resignations on the July-to-June membership cycle.

Subscriptions from foreign English Language schools are generally for the period October to September of each year. These schools were closed for much of 2020 due to the global pandemic emergency and, accordingly, as of December 31, 2020, no subscriptions were collected for the period 2020/21.

Deferred sponsorship income relates to revenue received in the year for events to be held in subsequent periods. In 2019, this amount related 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 held in 2020. In 2020, this amount also includes €3,324 received from HSBC for the sponsorship of the NextGen project for the period through September 2021 and €6,667 received from Intertek for sponsorship of the Gala awards for 2021-2022.

17. PROVISION FOR EMPLOYEE LEAVING INDEMNITY

The movement in the provision for employee leaving indemnity for the year 2020 is as follows:

	Euro
1 January 2020	43,681
Charge for the year	9,262
Other movements	-
31 December 2020	52,943

18. EMOLUMENTS OF THE DIRECTORS

In 2020 and in 2019 the directors did not receive any emoluments.

19. CAPITAL COMMITMENTS

The Chamber had no significant capital commitments at 31 December 2020.

20. AUDITORS' REMUNERATION

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

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and authorised for issue on 9 June 2021.