

EDILIZIACROBATICA®



Consolidated Financial Statements EdiliziAcrobatica S.p.A.

as at 31.12.2019

EDILIZIACROBATICA S.P.A.

Registered office in Milan-Via Turati, 29

Share Capital €792,423.70



EDILIZIACROBATICA SPA

Consolidated Financial Statements as at 31.12.2019

Balance sheet

	31/12/2019	31/12/2018
ASSETS [Amounts expressed in thousands of Euro]		
A) <i>Receivables from shareholders for payments due</i>		
Redial part		
Uncalled portion		
<i>Total receivables from shareholders</i>		
B) B. FIXED ASSETS		
I. Intangible fixed assets		
1) Formation and start-up costs	2,679,746	910,005
2) Development costs	40,000	95,796
3) Industrial patent rights and rights to use patents of others	113,717	90,750
4) Concessions, licenses, trademarks and similar rights	2,304	2,346
5) Goodwill	236,684	
5 bis) Consolidation difference		
6) Tangible assets in course of construction and payments on account	237,919	56,871
7) Other intangible fixed assets	605,417	581,194
Total Intangible fixed assets	3,915,787	1,736,962
II. Tangible fixed assets		
1) Land and buildings		
2) Plant and machinery	150,283	49,290
3) Industrial and commercial equipment	246,992	107,093
4) Other tangible fixed assets	655,639	620,623
5) Tangible assets in course of construction and payments on account		
6) Fixed assets under finance leases	175,631	
Total tangible fixed assets	1,228,545	777,006
III. Fixed asset investments		
1) Equity investments in:		
a) subsidiary companies		
b) associated companies		
c) parent companies		
d) companies under the control of parent companies		
d-bis) other companies		
2) Account receivables		
a) subsidiary companies		
b) associated companies		
c) parent companies		
d) companies under the control of parent companies		
d-bis) other companies		
3) Other securities		
4) Derivative financial instrument assets		
Total Fixed asset investments		
TOTAL FIXED ASSETS (B)	5,144,331	2,513,968
C) C. CURRENT ASSETS		
I. Inventory		
1) Raw materials and consumables	2,642,854	1,748,546
2) Work in progress and components		
3) Contract work in progress		
4) Finished products and goods for resale		
5) Advances received		
Total inventory	2,642,854	1,748,546
II. Receivables		
1) Trade receivables	13,667,049	9,489,322
2) Receivables from subsidiary companies	(0)	
3) Receivables from associated companies		
4) Receivables from parent companies		
5) Receivables from companies under the control of parent companies		

5-bis) Tax receivables	3,135,378	2,534,496
5-ter) Deferred tax assets	211,040	105,573
5-quater) Receivables from others	2,031,949	845,476
Total accounts receivable	19,045,416	12,974,867
III. Current asset investments		
1) Investments in subsidiary companies		
2) Investments in associated companies		
3) Investments in parent companies		
3-bis) Investments in companies under the control of parent companies		
4) Other investments		
5) Derivative financial instrument assets	4,105,749	4,018,517
Total current asset investments	4,105,749	4,018,517
IV. Cash and cash equivalents		
1) Bank and postal current accounts	5,696,160	8,425,242
2) Cheques to be deposited		
3) Cash on hand	19,606	14,374
Total liquid funds	5,715,766	8,439,616
TOTAL CURRENT ASSETS (C)	31,509,785	27,181,546
D) PREPAYMENTS AND ACCRUED INCOME		
- Loan disbursements		
- Other accruals and deferred income	123,060	69,494
<i>TOTAL ACCRUED INCOME AND PREPAID EXPENSES D)</i>	123,060	69,494
TOTAL ASSETS	36,777,177	29,765,008
	LIABILITIES	
A) A. CAPITAL AND RESERVES		
<i>Group's responsibility</i>		
I – Share capital	792,424	772,530
II – Share premium reserve	6,255,986	5,547,771
III – Revaluation reserves		
IV – Legal reserve	154,506	120,000
V – Reserves provided for by the articles of association		
VI – Other reserves, with separate indication		
- Consolidation reserve		
- translation difference reserve		
- others	116	116
VII – Reserve for expected hedging transactions		
VIII – Profit (loss) retained earnings	3,190,216	1,282,431
IX – Profit (loss) for the year	1,093,450	2,224,030
X – Negative reserve for treasury stock owned		
GROUP NET CONSOLIDATED CAPITAL AND RESERVES	11,486,698	9,946,878
<i>Third party's responsibility:</i>		
XI Capital and reserves	39,922	82,545
XII Profit/loss for the year	7,146	39,735
Total minority interest in shareholders' equity	47,068	122,280
<i>TOTAL SHAREHOLDERS' EQUITY A)</i>	11,533,766	10,069,158
B) PROVISIONS FOR RISKS AND CHARGES		
1) Provisions for employee benefits		
2) Provisions for taxation, including deferred taxation	32,145	44,293
2 bis) Consolidation provision for future risks and charges		
3) Derivative financial instrument liabilities		
4) Others	519	3,200
TOTAL PROVISIONS FOR RISKS AND CHARGES	32,664	47,493
C) C. EMPLOYEE SEVERANCE INDEMNITY	1,126,476	655,301
D) D. DEBTS		
1) Debenture loans		5,000,000
<i>Due within one year</i>	714,300	
<i>Payable beyond one year</i>	4,285,700	
2) Convertible debenture loans		
3) Shareholder loans	250	
4) Amounts owed to banks		5,287,354
<i>Due within one year</i>	6,485,405	
<i>Payable beyond one year</i>	843,252	
5) Amounts owed to other financiers		67,740
<i>Due within one year</i>	55,568	
<i>Payable beyond one year</i>	100,422	
6) Advances received	1,287,242	815,039
7) Trade payables	5,375,549	4,032,505
8) Debts represented by bills of exchange		

	9) Amounts owed to subsidiary companies		
	10) Amounts owed to associated companies		
	11) Amounts owed to parent companies	70,423	
	11) Amounts owed to parent companies		
	12) Taxation payables		1.461.486
	<i>Due within one year</i>	1,383,212	
	<i>Payable beyond one year</i>	76,004	
	13) Amounts owed to social security institutions	1,368,972	829.160
	14) Other payables	1,741,697	1.444.168
	TOTAL DEBTS	23,787,996	18.937.452
<i>E)</i>	ACCRUALS AND DEFERRED INCOME		
	- Loan outstandings		
	- Other accruals and deferrals	296,278	55.604
	<i>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</i>	<i>296,275</i>	<i>55.604</i>
	TOTAL LIABILITIES AND EQUITY	36,777,177	29,765,008

PROFIT AND LOSS STATEMENT		2019	2018
<i>A)</i>	A. SALES		
	1) Revenues from sales of goods and services	39,224,623	24,984,852
	2) Change in inventory levels of finished goods and work in progress		
	3) Change in contract work in progress		
	4) Work performed for internal purposes and capitalized	2,082,534	56,871
	5) Other revenues and income		
	a) grants received during the period	79,365	1,030,557
	b) others	368,715	132,889
	TOTAL SALES (A)	41,755,237	26,205,169
<i>B)</i>	B. COST OF PRODUCTION		
	6) For raw materials, consumables and goods for resale	5,786,364	3,676,443
	7) For services	8,859,987	6,181,335
	8) For use of third-party assets	2,718,585	1,458,763
	9) For employees:		
	a) wages and salaries	10,237,281	5,581,820
	b) social security costs	6,187,416	3,348,649
	c) provision for employee benefits	756,691	353,531
	d) pension costs and similar		
	e) other personnel costs	2,719,688	1,510,126
	10) Depreciation, amortization and write-downs		
	a) amortization of intangible fixed assets	1,429,047	305,043
	b) depreciation of tangible fixed assets	247,405	115,102
	c) write-downs of intangible and tangible fixed assets		2,828
	d) write-downs of receivables shown under current assets	215,000	277,485
	11) Change in inventory of raw materials, consumables and goods for resale	(875,503)	(724,574)
	12) Provisions for risks and contingencies		
	13) Other provisions		3,200
	14) Other operating costs	1,152,844	463,072
	TOTAL COST OF PRODUCTION (B)	39,434,804	22,552,823
<i>C)</i>	FINANCIAL INCOME AND CHARGES		
	15) Income from equity investments		
	- dividends and other income from subsidiaries		
	- dividends and other income from associates		
	- dividends and other income from others		
	16) Other financial income:		
	a) from loans shown under fixed assets		
	- subsidiaries		
	- affiliated companies		
	- parent companies		
	- others		
	b) from securities shown under fixed assets other than equity investments		7,620
	c) from securities shown under current assets other than equity investments		
	d) other income not included above		
	- interest and commission from subsidiary companies		

- interest and commission from associated companies		
- interest and commission from parent companies		
- interest and commission from others and sundry income	23,935	13,327
17) Interest and other financial charges		
a) to subsidiary companies		
b) to associated companies		
c) to parent companies		
d) to others	(386,993)	(314,736)
17-bis) Gains and losses on exchange		(15)
<i>TOTAL C)</i>	(363,058)	(293,804)
<i>D) D. VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES</i>		
18) Revaluations		
a) of shareholdings		
b) of financial fixed assets other than equity investments		
c) of securities included in current assets other than equity investments	87,233	18,517
19) Write-downs		
a) of shareholdings		
b) of financial fixed assets other than equity investments		
c) of securities included in current assets other than equity investments		
<i>TOTAL D)</i>	87,233	18,517
<i>E) EXTRAORDINARY INCOME AND EXPENSES</i>		
20) Income		
- capital gains		
- Others		
21) Charges		
- capital losses from disposals		
- taxes relating to previous years		
-others		
<i>TOTAL E)</i>		
PROFIT (LOSS) BEFORE TAXATION (A-B+-C+-D)	2,044,608	3,377,059
22) Operating income tax		
- current taxes	(1,091,628)	(1,113,294)
- deferred tax assets	54,350	
- taxes relating to previous years	93,266	
- consolidated tax income/expenses		
22 bis) Profit / (loss) from e.g. minority interests	7,146	39,735
23) PROFIT / (LOSS) FOR THE YEAR	1,093,450	2,224,030

	31.12.2019	31.12.2018
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1,100,596	2,263,765
Corporation tax	944,012	1,113,294
Interest charges (income)	363,058	275,287
(Dividends)		
(Gains) losses deriving from the disposal of assets		
1) Profit (loss) for the year before taxation, interest, dividends and gains/losses on disposals	2,407,666	3,652,346
Adjustments for non-cash elements without a corresponding entry from among net working capital		
Provisions	971,691	319,865
Amortization of intangible fixed assets	1,676,452	420,145
Write-downs for permanent diminutions in value		2,828

Adjustments to the value of derivative financial instrument assets and liabilities not giving rise to flows of cash		
Other increasing (decreasing) adjustments for non-cash elements	(87,232)	
Total adjustments for non-cash elements without a corresponding entry from among net working capital	2,560,911	742,838
2) Cash flow before variations in net working capital	4,968,577	4,395,184
Variations in net working capital		
Decrease/(increase) in inventory	(894,308)	(724,576)
Decrease/(increase) in trade receivables	(4,392,727)	(2,761,677)
Increase/(decrease) in trade payables	1,343,044	1,756,344
Decrease/(increase) in prepayments and accrued income	(53,566)	(35,811)
Increase/(decrease) in accruals and deferred income	240,671	(3,251)
Other decreases/(other increases) in net working capital	(1,489,540)	(1,824,518)
Total variations in net working capital	(5,246,427)	(3,593,489)
3) Cash flow after variations in net working capital	(277,850)	801,695
Other adjustments		
Interest received/(paid)	(363,058)	(275,287)
(Corporation tax payments)	(269,693)	(12,282)
Dividends received		
(Utilization of provisions)		
Other receipts/(payments)		
Total other adjustments	(632,751)	(287,569)
Cash flow from operating activities (A)	(910,601)	514,126
B) Cash flow from investing activities		
Tangible fixed assets		
(Investments)	(698,944)	(532,066)
Disinvestments		
Intangible fixed assets		
(Investments)	(3,607,872)	(1,308,315)
Disinvestments		
Fixed asset investments		
(Investments)		
Disinvestments		50,000
Non-fixed asset investments		
(Investments)		(4,018,517)
Disinvestments		
(Purchase of business units net of cash at bank and in hand)		
Disposal of business units net of cash at bank and in hand		
Cash flow from investing activities (B)	(4,306,816)	(5,808,898)
C) Cash flow from financing activities		
Third party finance		
Increase/(decrease) of short-term debt owed to banks	2,264,925	1,564,935
Opening of loans	2,220,914	2,800,000
(Repayment of loans)	(2,356,285)	(2,107,268)
Own resources		
Increase in share capital for consideration	728,109	5,720,301
(Share capital buy-back)		
Disposal/(purchase) of treasury shares		
(Dividends and payments on account on paid dividends)		
Cash flow from financing activities (C)	2,857,662	7,977,968
Changes in the scope of consolidation (D)	(364,096)	
Increase (decrease) in cash at bank and in hand (A ± B ± C)	(2,723,850)	2,683,196
Effect of exchange rates on cash at bank and in hand		
Cash and cash equivalents at the beginning of the year		
Bank and postal current accounts	8,425,242	5,737,679
Cheques to be deposited		565
Cash on hand	14,374	18,176
Total cash at bank and in hand at the start of the year	8,439,616	5,756,420
Portion which is not freely usable		
Cash and cash equivalents at the end of the year		
Bank and postal current accounts	5,696,160	8,425,242
Cheques to be deposited		
Cash on hand	19,606	14,374
Total cash at bank and in hand at the end of the year	5,715,766	8,439,616
Portion which is not freely usable		

Notes at the bottom of the Cash Flow Statement:

The change in the scope of consolidation is generated by the acquisition of subsidiaries during the year, which generated a cash outflow from the acquisition of assets and liabilities net of the results for the period not attributable to the Group.

Specifically, the change in the consolidation scope is composed as follows (amounts in Euro thousands):

Granda Edac S.r.l.	(252)
Edac Roma Nord ovest S.r.l.	17
Edac Biella S.r.l.	(5)
Edac Sicilia S.r.l.	(124)
Changes in the scope of consolidation	(364)

Notes to the Financial Statement

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

This consolidated financial statement of Ediliziacrobatica S.p.A. and its subsidiaries (jointly, the "Ediliziacrobatica Group" or "EDAC") have been prepared in accordance with the provisions of the Italian Civil Code, supplemented and interpreted by the accounting principles adopted by the Italian Accounting Body (O.I.C.).

The financial statements have been prepared on a going concern basis, since there are no significant uncertainties in this regard.

They consist of the balance sheet and income statement (prepared in accordance with the formats set out in Articles 2424, 2424 bis of the Italian Civil Code, Articles 2425 and 2425 bis of the Italian Civil Code and Article 2425 ter of the Italian Civil Code respectively) and these explanatory notes.

The explanatory notes have the function of illustrating, analyzing and in some cases supplementing the financial statement data and contain the information required by Articles 2427 and 2427 bis of the Italian Civil Code, other provisions of the Italian Civil Code concerning financial statements and other previous laws. In addition, it provides all the additional information deemed necessary to give the most transparent and complete representation, even if not required by specific legal provisions.

Following events

Subsidiary merger project

On March 27, 2020 the Board of Directors of the company approved the unitary plan for the merger by incorporation into Ediliziacrobatica Spa of the subsidiaries Edac Biella srl, Edac Roma Nord Ovest srl, Edac Roma Trastevere srl in liquidation, Edac Sicilia srl, Edac Versilia srl in liquidation, Grandaedac srl in liquidation, in which the company holds a 100% stake, with the exception of Edac Versilia srl in liquidation; all the subsidiaries have the same corporate purpose as the parent company and the objective of the merger is to improve the operating efficiency of both the parent company and the subsidiaries, and also to achieve savings in structural costs and in the use of available resources and materials. The merger does not entail any interruption in the activities of the various companies involved and, moreover, the merger operation is fiscally neutral. Since the companies in liquidation Edac Versilia srl, Edac Roma Trastevere srl and Grandaedac srl have not yet started the distribution of assets, they may participate in the merger. As far as Edac Versilia srl in liquidation is concerned, even though it is an incorporation of a company that is not currently wholly owned by Ediliziacrobatica spa, it is nevertheless possible to use the so-called simplified procedure for the merger of wholly owned subsidiaries pursuant to Article 2505 of the Italian Civil Code, even if at the present time there is no requirement to possess the entire share capital, since it is sufficient that the requirement to possess the entire share capital of the subsidiary takes place before the deed of merger is signed.

The merger plan provides for the backdating of the accounting and tax effects of the merger to 1 January 2020 as permitted by Article 2504 bis of the Italian Civil Code and paragraph 9 of Article 172 of the TUIR.

The merger plan assumes the reference date of 31 December 2019, and therefore the balance sheet of the participating companies will be the one shown in the financial statements for the year ended 31 December 2019, pursuant to Article 2501 quater, paragraph 2, of the Italian Civil Code.

As a result of the merger, the parent company will cancel the equity investments held in each of the companies.

Impact of Coronavirus 2019 pandemic

As is well known, since January 2020, the national and international scenario has been characterized by the spread of the "new" Coronavirus and the resulting legal restrictions on mobility and an extensive list of commercial and industrial activities. In compliance with these legal provisions, the Company has significantly reduced its activities in the geographical areas affected by these events. An analysis of alternative scenarios was therefore prepared, assuming the timing of the emergency and the consequences on the Company's turnover volumes. On this basis, by adopting an intermediate scenario for the duration of the emergency, the Company has, since the beginning of the legal measures, set up an internal team to manage extraordinary measures, including the launch of an articulated plan for the containment and rationalization of operating costs, the evaluation of the use of the tools made available by the legislator for the management of the emergency (social shock absorbers, waivers of certain mandatory obligations), the evaluation of contractual obligations towards third parties, the assessment of the adequacy of financial resources and the consequent actions. With regard to financial resources, if necessary, the Company may avail itself of additional lines of financing.

Moreover, the Company, as announced in the Press Release of March 25, 2020, welcoming the changing needs of the country and its people and in order to face the delicate moment it is experiencing, has taken the necessary steps to launch a new service for the sanitization of residential environments in favour of its customers.

On the basis of these elements, it is believed that, despite the significant economic and financial consequences induced by the Covid-19 emergency situation, the Company operates on a going concern basis.

In compliance with art. 2423 paragraph 5, the consolidated financial statements have been prepared in Euro.

The consolidated financial statements include the financial statements of Ediliziacrobatica S.p.A. (the "Company" or "Parent Company"), the financial statements of the following companies over which the Parent Company has control:

- EDAC Biella S.r.l., based in Milan, with a share capital of 50,000 Euros, 100% owned;
- EDAC Roma Trastevere S.r.l. in liquidation, with registered office in Milan, share capital of 50,000 Euro, 100% owned;
- EDAC Sicilia S.r.l., with registered office in Milan, share capital of €50,000, 100% owned;
- EDAC Versilia S.r.l. in liquidation, with registered office in Milan, share capital of Euro 50,000, in which a total of 85% of the shares are held.
- EDAC Roma Nord Ovest s.r.l., with registered office in Rome, share capital of EUR 50,000, 100% owned.
- Granda Edac S.r.l. in liquidation, with registered office in Milan, share capital of Euro 10,000, 100% owned.
- EDAC France S.a.s., headquartered in Riveslatese, with share capital of Euro 150,000, 100% owned by EDAC France S.a.s.

Reference should be made to the comments in the report on operations for the main initiatives of the investee companies.

The financial statements of EDAC Biella S.r.l., EDAC Roma Trastevere S.r.l. in liquidation, EDAC Sicilia S.r.l., EDAC Versilia S.r.l. in liquidation, Edac Roma Nord Ovest S.r.l. Granda Edac S.r.l. in liquidation, Edac France s.a.s. are used for Data Consolidation. Moreover, they are prepared by the Boards of Directors of the subsidiaries, modified or reclassified, where necessary, in order to bring them into line with the Group's accounting standards, which are in compliance with current legal provisions.

Edac Roma Trastevere S.r.l. presented its final liquidation financial statements on 18 December 2019. The consolidated financial statements were prepared in accordance with Group accounting standards.

PRINCIPLES OF CONSOLIDATION

The principles of consolidation used are set out below:

- The book values of the shareholdings in EDAC Biella S.r.l., EDAC Roma Trastevere S.r.l., EDAC Sicilia S.r.l., EDAC Versilia S.r.l., Edac Roma Nord Ovest S.r.l., Granda Edac S.r.l., Edac France S.a.s., have been eliminated against the related shareholders' equity against the assets and liabilities of the subsidiaries, according to the global integration method. The differences between the cost of the shareholdings and the corresponding portions of shareholders' equity of the investee companies have been entirely entered in the shareholders' equity item called "Retained earnings (losses)".
- Transactions giving rise to receivables and payables and costs and revenues between companies consolidated on a line-by-line basis have been eliminated.
- Unrealized profits deriving from intercompany transactions between companies, included in the valuation of intangible assets, have been eliminated.
- The minority interests in shareholders' equity and the result attributable to minority shareholders in the seven subsidiaries have been shown separately in a separate item in the financial statements.

CHANGES IN THE SCOPE OF CONSOLIDATION

Below is a description of the main transactions involving Group companies and their effects on the consolidated financial statements:

Acquisition transactions

On 14 May 2019, the Parent Company acquired 100% of Edac Biella S.r.l., of which it already held a 95% stake.

On 30 September 2019, the Parent Company acquired 100% of Granda Edac S.r.l. in liquidation.

On 10 June 2019 the Parent Company acquired 100% of Edac Roma Nord Ovest S.r.l.

Incorporation operations

On 7 March 2019, the company Ediliziacrobatica France S.a.S. was incorporated under French law with share capital of Euro 150,000 and 100% owned by the Parent Company.

ACCOUNTING STANDARDS

The accounting standards shown below have been adjusted with the amendments, additions and novelties introduced to the rules of the Italian Civil Code by Legislative Decree 139/2015, which implemented in Italy Accounting Directive 34/2013/EU. In particular, the national accounting standards were applied in the version reformulated by the OIC on 22 December 2016. The application of these standards, where required, was agreed with the Board of Statutory Auditors.

Evaluation Criteria

The criteria adopted in the valuation and value adjustments of the various categories of assets are those set out in Article 2426 of the Italian Civil Code, interpreted and supplemented by the accounting principles, drawn up by the Italian Accounting Standards Board (OIC) and, where lacking and because they do not conflict with Italian accounting rules and principles, by those issued by the International Accounting Standard Board (I.A.S.B.), with a view to continuing the business, with the further clarifications set out below.

They have been applied prudently, taking into account the economic function of the assets and liabilities considered.

The most significant criteria adopted in the valuation of the items in the consolidated financial statements in compliance with Article 2426 of the Italian Civil Code and the aforementioned accounting principles are as follows:

Intangible fixed assets -- These are recorded at purchase or production cost, including ancillary charges and costs directly attributable to the product, and systematically amortized on a straight-line basis in relation to the remaining useful life of the assets.

Formation and start-up costs are depreciated on a straight-line basis over a period not exceeding five years. Development costs are amortized over their useful life. In exceptional cases where their useful life cannot be reliably estimated, they are amortized over a period not exceeding five years. Until amortization is completed, dividends may be distributed only if there are sufficient available reserves to cover the amount of the unamortized costs.

Start-up and expansion costs are amortized over a period of five years on a straight-line basis. Development costs are amortized over their useful life. In exceptional cases where their useful life cannot be reliably estimated, they are amortized over a period not exceeding five years. Until amortization is completed, dividends may be distributed only if there are sufficient available reserves to cover the amount of the unamortized costs.

Advertising and research costs are charged in full to the period cost in the year in which they are incurred.

Leasehold improvements are capitalised and recorded under "other intangible fixed assets" if they cannot be separated from the assets themselves (otherwise they are recorded under "tangible fixed assets" in the specific item to which they belong), and are systematically amortised at the lower of the expected future useful life and the residual lease term, taking into account any renewal period, if dependent on the Company.

In the event of a write/down, the fixed assets are written down accordingly, regardless of the depreciation already accounted for. If, in subsequent years, the reasons for the write-down no longer apply, the original value is reinstated, within the limits of the value that the asset would have had if the write-down had never taken place, with the exception of the item "Goodwill and deferred charges" as per number 5 of Article 2426 of the Italian Civil Code.

Intangible assets are recorded and valued with the consent of the Board of Statutory Auditors in the cases provided by law.

Tangible fixed assets -- These are recorded at purchase or internal construction cost, net of depreciation charged in the year. The cost includes ancillary costs and the share of direct and indirect costs reasonably attributable to the asset, which relate to the time of their manufacture up until the time from when the asset may be used. Tangible fixed assets may be revalued in the case that specific laws require or permit it.

Fixed assets recorded at cost in foreign currency are recorded at the exchange rate at the time of purchase or at the lower of the exchange rate at the end of the financial year, if the reduction is deemed to be durable.

Tangible fixed assets are amortized each year on a straight-line basis, over the residual useful economic life of the assets. The amortisation rates applied are shown in the relevant section of the notes dealing with assets. The amortisation rates for fixed assets brought into use during the year are reduced by 50%, based on the assumption that purchases are distributed evenly across the year. Amortisation is also calculated on fixed assets which are temporarily not being used. Land and works of art, the use of which is not exhausted, are excluded from depreciation.

Buildings that represent a form of investment of financial means are not depreciated if the residual value is equal to or greater than the net book value.

In cases of a permanent diminution in value, independently of the depreciation already accounted for, the asset is written down accordingly; if in subsequent years the causes of the write-down no longer apply the original value is reinstated, limited to the value the asset would have had if the value adjustment had never taken place.

Ordinary maintenance and repair costs are charged in full to the income statement. Costs of maintenance, which increase an asset's value, are attributed to the relevant asset and amortized over the residual useful economic life of said asset.

Costs incurred to extend, modernize or improve the structural elements of a tangible fixed assets may be capitalized if they produce a significant and measurable increase in production capacity, safety or useful economic life. If these costs do not produce such effects they are treated as ordinary maintenance costs and charged to the profit and loss statement.

Tangible fixed assets earmarked for disposal are classified in a specific section under working capital and then valued at the lower of net book value and realizable value, deduced from market conditions. Assets held for sale are no longer depreciated.

Fixed assets are depreciated on a straight-line basis at economic-technical rates determined in relation to the remaining useful life of the assets.

Assets with a unit value less than Euro 516 and rapid use, are fully expensed in the year of acquisition.

Plant grants are recognised when there is a reasonable certainty that the conditions for recognition of the grant have been met and that the grants will be paid. They are indirectly deducted from the cost as they are charged to the income statement under item A5 "other revenues and income", and then deferred to subsequent years through the recognition of "deferred income".

Write-downs for impairment of tangible and intangible fixed assets -- At each Financial Statement date, the Group assesses the existence of indicators of potential impairment of tangible and intangible fixed assets, including goodwill. If such indicators exist, the value of these assets is reduced to their recoverable value, as the greater of their value in use, and their fair value.

The loss in value is recorded if the recoverable value is lower than the net book value of the asset.

Any impairment loss is reversed if the reasons for the loss no longer apply, within the limits of the original value net of depreciation.

Equity investments and securities (recorded as fixed assets) -- These are represented by equity investments in subsidiaries, associated and other companies not consolidated on a line-by-line basis, debt securities and receivables recorded as fixed assets when they are intended to remain in the Group's assets on a long-term basis.

Equity investments in other companies are valued using the cost method as in the following cases: when the percentage held is less than 30% or in non-operating subsidiaries and associated companies, in liquidation or of little significance within the Group, or where information for the application of the line-by-line consolidation method cannot be obtained on a timely basis or without proportionate expenses. The book value is determined on the basis of the purchase price. The cost is reduced, in cases where the pro-quota share of shareholders' equity held by the Company is lower than the book value of the investment recorded in the financial statements, if this condition represents a permanent loss of value; the original value is restored in subsequent years if the reasons for the write-down no longer apply. Losses exceeding the book value of the equity investments are allocated to a specific liability reserve.

Receivables recorded under financial fixed assets are shown at their estimated realizable value, determined, if necessary, by adjusting the nominal value of the receivables so as to take account of all risks of non-collection.

Inventory-- Inventory are valued at the lower of purchase or production cost and the estimated realizable value based on market conditions (article 2426 number 9 of the Civil Code). Purchase cost is calculated as the actual purchase price plus ancillary costs, excluding financing costs.

In the case of goods, finished products, semi-finished products and work in progress, the net realisable value of these goods is taken directly from the market trend.

Inventories are written down in the financial statements when the realizable value inferable from market trends is lower than the related book value. Obsolete and slow-moving inventories are written down in relation to their possibility of use or realisation.

Receivables The amortised cost criterion is not applied when the effects are immaterial, i.e. when transaction costs, commissions paid between the parties and any other difference between initial value and maturity value are insignificant or if the receivables are short-term (i.e. with a maturity of less than 12 months).

The value of receivables, as determined above, is adjusted, where necessary, by a specific allowance for doubtful accounts, shown as a direct reduction in the value of the receivables, in order to adjust them to their estimated realizable value.

The amount of the write-down is recognised in the income statement.

Receivables generated by the centralized cash pooling of treasury funds (i.e. cash pooling) are recorded, if the due date permits, in a specific item of Current Assets. If the terms of short-term collectability are not met, these receivables are recorded under financial fixed assets.

Cash and cash equivalents -- Cash at bank and in hand at the year-end are carried at their nominal value. Cash denominated in foreign currencies are valued using the year-end exchange rate.

Prepayments and accruals -- Accruals and deferrals include portions of costs and revenues pertaining to the year, but payable in subsequent years, and portions of costs and revenues incurred by the end of the year, but pertaining to subsequent years, on an accruals basis.

Provisions for risks and charges -- Provisions for risks and charges are set aside to cover losses or liabilities of a given nature, whose existence is certain or probable, but for which the value or date of crystallization is not known at the year-end. The size of the provisions reflects the best possible estimate based on the available information. Risks, which may only possibly give rise to a liability, are outlined in the comments to the note dealing with provisions, without a provision for risks and charges being booked in the balance sheet. Provisions made for risks and charges are primarily recorded as costs in the profit and loss statement in the relevant section (B, C or D). When it is not possible to associate the nature of the provision with one of the abovementioned sections, the provisions for risks and charges are recorded under items B12 and B13 of the profit and loss statement.

Provisions for employee benefits— The provision for employee benefits shows the amounts employees would have the right to receive on termination of their employment as at the balance sheet date. The seniority indemnities making up this item, i.e. the accrued portion of the provision for the year and the annual revaluation of the pre-existing fund, are determined in accordance with the following rules in force. The employee's severance indemnity provision is recorded in section C of liabilities, and at item B9 in the profit and loss statement.

The provision for severance indemnities represents the actual debt accrued to employees in accordance with the law and the employment contract in force, pursuant to Article 2120 of the Italian Civil Code and has been recorded in each financial year on an accruals basis. Pursuant to Law no. 296 of 27 December 2006 (2007 Finance Act), the portions of severance indemnities accrued up to 31 December 2006 remained in the company; subsequent portions, at the employee's choice, could have been allocated to supplementary pension funds or paid into the Treasury Fund managed by INPS or kept in the company.

Debts – Payables are recorded using the amortized cost method, taking account of the time factor. The amortized cost method is not applied to payables when its effects would be immaterial. Its effects are considered immaterial for short-term payables (namely those falling due in less than 12 months). For more details of the amortized cost method reference should be made to the comments relating to receivables, above. Payables for holidays accrued by employees and for deferred remuneration, including the component due to social security institutions, have been booked based on the amount that would have paid if the employment relationships were terminated on the balance sheet date.

Finance lease transactions -- In the financial statements, assets leased by third parties, in accordance with the consolidated practice followed in Italy, are recorded under assets only at the time of redemption, while lease payments are recorded in the income statement on a straight-line basis over the term of the contract (equity method).

The financial method applied in the attached consolidated financial statements to finance leases provides for the following:

- the value of assets received under finance leases is recorded under tangible fixed assets and depreciated over their estimated useful life;
- the residual debt to the leasing companies is recorded under payables to other lenders;
- the interest accrued and included in the lease payments for the year is recorded under financial charges, while the remaining part of the lease payments for the year is eliminated from the income statement;
- prepayments for lease payments are eliminated from the balance sheet.

The reconciliation between the Parent Company's shareholders' equity and profit and loss and the consolidated results shows, as part of the consolidation adjustments, the effects of accounting for assets leased from third parties according to the financial method.

Revenues -- Revenues from the sale of goods are recognised when there has been a substantial and non-formal transfer of title, assuming the transfer of risks and benefits as a benchmark.

Revenues from the sale of products and goods or the provision of services relating to ordinary operations are recognised net of returns, discounts, rebates and bonuses, as well as taxes directly related to the sale of products and the provision of services.

Revenues from the provision of services are recognised when they are completed and/or mature.

Transactions with related parties are carried out at normal market conditions.

Cost of production – Costs are recorded on an accrual basis, independently of collection or payment date, net of returns, discounts, rebates and bonuses.

Dividends – Dividends are recorded in the year in which they are deliberated by the shareholders' meeting of Subsidiary Company. Dividends are recognized as financial income, independently of the nature of the reserves which are the subject of the distribution.

Financial income and charges – Financial income and charges are recorded on an accrual basis. Costs relating to credit factoring of any type (with and without recourse) and of whatever nature (commercial, financial, other) are charged in the year to which they relate.

Corporate tax for the period –Corporation tax is recorded on the basis of taxable profits estimated in accordance with the rules in force, considering applicable exemptions and tax credits.

Deferred taxation liabilities and assets are calculated based on the temporary differences arising between values of assets and liabilities recognized in the statutory accounts and the corresponding values applicable for tax purposes. The valuation is made taking account of the estimated tax rates that the company is expected to sustain in the years when the reversal of these differences impacts taxable profit, considering the tax rates in force or that have already been announced at the balance sheet date. They are shown respectively as "provision for deferred taxation" under provisions for risks and charges in liabilities, and under "deferred tax assets" in working capital.

In accordance with the prudence concept, deferred tax assets are recognized for all deductible temporary differences if there is reasonable certainty that during the year when the differences reverse there will be taxable profit of a value no lower than the value of the reversing differences.

However, deferred tax liabilities are recognized on all temporary differences affecting taxable profits.

Deferred taxation over reserves for which taxation is suspended have not been recognized if there is a low degree of probability that these reserves will be distributed to shareholders.

CONVERSION CRITERIA FOR ITEMS DENOMINATED IN FOREIGN CURRENCY

Assets and liabilities of a non-monetary nature originally expressed in foreign currency are recorded at the exchange rate at the time of purchase, i.e. at the cost of initial recognition.

Assets and liabilities originally expressed in foreign currency of a monetary nature are translated into the balance sheet at the spot exchange rate on the closing date of the financial year; the related exchange gains and losses are recorded in the income statement and any net profit is allocated to a specific non-distributable reserve until they are realised.

Use of Estimates

Preparation of the Consolidated financial statements and related explanatory notes to the financial statements requires the use of estimates and assumptions, which impact the value of the assets and liabilities recorded, related disclosure and contingent assets and liabilities at the balance sheet date, as well as revenues and costs for the year.

Estimates are used in various areas, such as the bad debt provision, amortization/depreciation, employee benefits, income taxes, other risk provisions and the assessment of possible losses in value of tangible, intangible and financial fixed assets (including investments).

Actual outcomes may differ from those estimated due to the inherent uncertainty that characterizes the hypotheses and conditions upon which the estimates are based. Estimates and assumptions are periodically reviewed by the Group based on the best available knowledge of the Group itself and other factors, which may reasonably be inferred from current circumstances. The effects of each change are immediately reflected in the profit and loss statement.

Going concern

In the preparation of these Consolidated Financial Statements, the Directors have deemed the going concern assumption to be fully present and adequate, for the objective and concomitant reasons explained in detail in the Report on Operations, to which reference should be made.

CASH FLOW STATEMENT

The cash flow statement includes all cash outflows and inflows of cash and cash equivalents during the period. In the cash flow statement, the individual cash flows are presented separately in one of the following categories:

- a. operational management;
- b. investment activities;
- c. financing activities;

The cash flow categories are presented in the sequence indicated above.

The cash flow from operating activities is determined using the indirect method, i.e. by adjusting the profit or loss for the year reported in the income statement.

The algebraic sum of the cash flows of each of the above categories represents the net change (increase or decrease) in cash and cash equivalents during the year. The form of presentation of the cash flow statement is indirect.

Interest paid and received is presented separately between the cash flows from operations, except in particular cases where it relates directly to investments (investment activities) or financing (financing activities).

Dividends received and paid are presented separately in the income statement and in the financing activities, respectively. Cash flows relating to income taxes are indicated separately and classified in the income statement.

OTHER INFORMATION

Derogations pursuant to paragraph 4 of Article 2423 -- It should also be noted that there were no exceptional cases that required derogations from the provisions of the law relating to financial statements pursuant to paragraph 4 of Article 2423.

Pursuant to Article 2427 of the Italian Civil Code, it should be noted that:

- during the year no financial charges were charged to the assets in the balance sheet;
- there are no commitments other than those shown in the notes to the financial statements;

COMMENTS ON THE MAIN ASSET ITEMS

Introduction, notes to the accounts

Introduction

Below is a detailed description of the items making up the balance sheet as at 31 December 2019.

ASSETS

For fixed assets (intangible and tangible), special statements have been prepared, shown on the following pages, which indicate for each item of the two categories, historical costs, previous amortization and depreciation and previous revaluations and write-downs, movements during the year, closing balances and total revaluations existing at the end of the year.

Introduction, intangible fixed assets

The item "Intangible fixed assets" amounts to Euro 3,915,787 as at 31 December 2019 (Euro 1,736,962 As at 31 December 2018).

The item "Start-up and formation costs" amounting to Euro 2,679,746 (Euro 910,005 as at 31 December 2018) includes costs with a multi-year utility relating to start-up and start-up costs of new direct offices.

The item "Development costs" at year-end amounted to Euro 40,000 (Euro 95,796 as at 31 December 2018) and is composed of development costs related to the launch of the project for the development of the franchising network in Italy.

The item "Industrial patents and intellectual property rights" for Euro 113,717 (Euro 90,750 as at 31 December 2018) refers to software use rights.

The item "Tangible assets in course of construction and payments on account" for Euro 237,919 (Euro 56,871 as at 31 December 2018) is made up of costs incurred by the Parent Company for the creation and development of new software for the implementation of computer systems to improve business functionality.

The item "Other intangible fixed assets", amounting to 605,417 Euros (581,194 Euros as of 31 December 2018), includes at year-end leasehold improvements and long-term costs for the issue of bonds.

At 31 December 2019, there were no commitments relating to intangible fixed assets held.

Introduction, movements of intangible fixed assets

The item "Intangible fixed assets" amounts to Euro 3,915,787 (Euro 1,736,962 as at 31 December 2018).

A detailed description about the composition of intangible fixed assets is shown below:

Analysis of changes in intangible assets (statement)

	Installation and start-up costs	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Real estate - intangible assets in progress and payments on account	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the year								-
Historical Cost	988,453	278,978	472,444	3,362	-	56,871	831,116	2,988,679
Revaluations		-	-	2,978	-	-		-
Depreciation and amortization (provision for depreciation)	75,619	183,182	381,694	3,994	-	-	249,922	1,122,302
Write-downs		-	-		-	-		-
Book value	910,005	95,796	90,750	2,346	-	56,871	581,194	1,866,376
Changes for the period								-
Increases for acquisitions	2,750,886	-	74,027	-	236,684	237,919	235,764	3,487,782
Reclassifications (of carrying amount)	56,871	-	-	1,009	-	- 56,871	-	1,009

Decreases by alienation and divestments (of the book value)	-	-	-	-	-	-	-	8,582
Revaluations carried out in the period	-	-	-	-	-	-	-	-
Depreciation for the period	1,04,443	55,796	51,060	918	-	-	211,540	1.405,952
Write-downs during the period	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Total changes	1,626,137	-	22.967	-	-	181,048	13,674	1,788,030
Period-end value								-
Cost	3,807,596	278,978	546,471	4,371	236,684	237,919	1,077,339	6,463,050
Revaluations	-	-	-	-	-	-	-	-
Depreciation and amortization (provision for depreciation)	1,125,021	238,978	432,754	2,067	-	-	471,922	2,544,436
Write-downs	2,829	-	-	-	-	-	-	2,829
Book value	2,679,746	40,000	113,717	2,304	236,684	237,919	605,417	3,915,787

Comments, changes in intangible assets

The item Start-up and expansion costs amounts to Euro 2,679,746 (Euro 910,005 the previous year). The increase in the year of Euro 2,750,886 is mainly attributable, for Euro 306,352, to costs incurred for the listing on the AIM Italia and Euronext Growth markets, for Euro 226,026 to costs incurred for the establishment of the French company EdiliziaAcrobatica France S.a.S, for Euro 2,054,266 to costs incurred during the design, opening, start-up and development of new direct offices, in new territories, not adjacent to existing and already operational offices. The latter are amortized over a period of 3 years taking into account the cost/benefit ratio that the Group believes will derive from this activity. It should be noted that in 2019, in view of the business model reflected in the development plans and the implementation of more refined analyses as part of the management control of costs incurred for the opening of new direct offices, the Parent Company adopted a new policy (the so-called "On-Board Policy for new direct offices") for the analysis and evaluation of these costs.

In particular, the Parent Company's Business Plan shows that there is a need for intense development of the sales, in the phase of opening new direct offices and also in the subsequent phase of increasing operating capacity, logistics and marketing network and for training and education courses, also in the form of on-the-job training.

The recoverability of these costs emerges from the Company's Business Plan when the Senior phase is reached. In addition, management prepares and periodically updates economic plans approved by the Company's directors from which the Group's profitability prospects and the ability to recover the costs incurred in the start-up and development phases of the new direct offices can be seen.

The item Development costs, amounting to Euro 40,000 (Euro 95,796 the previous year), includes the expenses incurred by the Parent Company for the launch of the project for the development of the franchising network in Italy. There were no increases in this item during the year; the reduction in the net book value compared to the previous year is attributable to the amortisation charge for the year.

The item Industrial patents and intellectual property rights at the end of the financial year amounted to Euro 113,717 (Euro 90,750 the previous year) and is mainly composed of costs relating to internally developed software programs. Increases in the financial year related to expenses incurred for new features associated with internally produced management software, amounting to Euro 22,967.

Concession, trademark and similar rights at year-end amounted to Euro 2,304 (Euro 2,346 the previous year). The decrease in the financial year was almost entirely due to a reclassification in the accounts of luminous signs within tangible fixed assets.

Goodwill was recorded in the financial statements of Edac France S.a.S. for the acquisition of the assets acquired by the bankrupt company Etair Mediterranée S.a.S. following the agreement signed by the Parent Company with the Bankruptcy Court of Perpignan.

The item Assets under construction and advances as at 31 December 2019 showed a balance of Euro 237,919 consisting of the costs for the implementation of projects aimed at improving business cycles.

The item Other intangible fixed assets, amounting to Euro 605,417 (Euro 581,194 the previous year) mainly includes leasehold improvements and long-term costs for the issue of bonds. During the financial year, there was an increase due to residual expenses

incurred by the Company for management of bonds and improvements to leased premises for operating offices located in Italy. With reference to the costs related to the bond issue, it should be noted that they were recorded under this item and amortized over 5 years, equal to the duration of the loan, as it is believed that there will be future benefits for a period of at least 5 years.

Assessment of the recoverability of investments..

When preparing the financial statements and in the presence of indicators of impairment, the Company assessed the recoverability of the intangible assets held. The analysis carried out did not reveal any indicators of impairment.

Introduction, tangible assets

Tangible fixed assets net of accumulated depreciation amounted to Euro 1,228,545 (Euro 777,006 at 31 December 2018). Ordinary depreciation, shown in the specific table, was calculated on the basis of rates considered representative of the residual possibility of use of the related tangible fixed assets. The rates applied are as follows:

- Plant and machinery 15%.
- Industrial and commercial equipment 20.00%
- Other assets:
 - Electronic office machines 20.00%
 - Furniture and office equipment 12.00%.
 - Vehicles 25.00%

Introduction, changes in tangible assets

Below is a breakdown of changes in property, plant and equipment, closing balances as well as the total revaluations existing at the end of the financial year.

Analysis of changes in property, plant and equipment (statement)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets in progress and payments on account	Total tangible fixed assets
Value at the beginning of the year						
Historical Cost	-	66,710	142,116	142,116	-	350,942
Revaluations						
Depreciation and amortization (provision for depreciation)	-	17,420	35,023	361,693	-	414,136
Write-downs						
Book value	-	49,290	107,093	620,623	-	777,006
Changes for the period						
Increases for acquisitions	-	115,809	120,543	272,469	-	508,821
Reclassifications (of carrying amount)	-	2,800	-	2,250	-	550
Decreases by alienation and divestments (of the book value)	-	3,156	959	3,898	-	12,335
Revaluations carried out in the period	-	-	-	-	-	-
Depreciation for the period	-	17,126	3,223	173,643	-	193,992
Write-downs during the period	-	-	-	-	-	-
Other changes	-	-	175,631	-	-	-
Total changes	-	99,438	53,736	51,538	-	323,070
Period-end value						
Cost	-	185,320	449,488	1.196.612	-	1,655,789

Revaluations	-	-	-	-	-	-
Depreciation and amortization (provision for depreciation)	-	35,036	26,863	540,973	-	602,873
Write-downs	-	-	-	-	-	-
Book value	-	150,283	422,623	655,639	-	1,228,545

Comments, changes in tangible assets

The item Plant and machinery amounts to Euro 150,283 (Euro 49,290 at 31 December 2018). The increase in the year is mainly attributable to the costs of electrical and air conditioning systems incurred for the restructuring of the new points opened during 2019. Industrial and Commercial Equipment amounted to 422,623 Euros (107,093 Euros as at December 31, 2018), of which 175,631 Euros related to assets under finance leases. The increase in the year is mainly related to the purchase of signs for the new points opened during the year.

Other assets amounted to Euro 655,639 (Euro 620,623 as at 31 December 2018). This item is mainly composed of costs for furniture and fittings at the points of sale.

When preparing the financial statements and in the presence of indicators of impairment, the Company assessed the recoverability of the intangible assets held. The analysis carried out did not reveal any indicators of impairment.

Leasing transactions (lessee) (statement)

In accordance with IAS 17, existing finance leases have been reclassified using the following schedule:

- the cost of the leased assets has been entered under "Industrial and commercial equipment" and systematically depreciated over their estimated useful life; a financial payable to the lessor has been entered as a contra-entry;
- any maxi rent initially paid is considered an immediate repayment of the principal loan;
- the lease payments are recorded in such a way as to separate the interest payable from the principal, which reduces the residual debt.

Table 1.3

	Amount
Total amount of leased assets at the end of the year	137,732
Depreciation that would have been charged during the year	29,498
Present value of lease instalments not yet due at the end of the year	7,657
Financial charges for the year based on the effective interest rate	114,795
Total amount of leased assets at the end of the year	5,796

Introduction, current assets

For the item in question, special detailed statements have been prepared, shown on the following pages, which highlight the nature of the individual items and the related changes during the period.

Introduction, inventories

Inventories consist of the goods that contribute to the production of the services provided by the company, and more specifically they consist of the equipment with which each team of rope operators must be equipped such as harnesses, ropes and safety equipment and the inventories of building materials used to carry out the work.

As at 31 December 2019, the value of inventories at Group level consisted of Euro 627,340 in building materials (Euro 260,728 as at 31 December 2018) used to carry out the work and Euro 2,015,514 (Euro 1,487,818 as at 31 December 2018) in equipment used by rope operators.

Analysis of changes in inventories (statement)

	Inventory
Value at the beginning of the year	1,748,546
Changes	894,308
Value at the end of the year	2,642,854

Inventories, comment

The increase compared to the previous year of Euro 894,308 of which Euro 527,626 can be attributed to the increase in the stock of the "Rope Operator Kit" due to the increase in the number of rope operators and the increase in the number of areas. In addition, in order to meet the regulations on safety at work, the unit value of the Kit compared to 2018 has increased by Euro 725. The increase in the building stock has increased compared to the previous year in proportion to the increase in work carried out during the year.

Introduction, current assets: receivables

Receivables from clients

Trade receivables due within the year amount to Euro 13,667,049 (Euro 9,489,322 as at 31 December 2018) and they are related to receivables arising from normal sales transactions with customers only. The Group has not used the amortised cost method for these receivables, which are expected to be recovered within normal commercial terms. Trade receivables at 31 December 2019 are recorded net of an allowance for doubtful accounts allocated to adjust their value to their estimated realizable value. The allowance for doubtful accounts at 31 December 2019 amounted to Euro 592,981.

The write-down of receivables is considered to be adequate overall, also in relation to the trend in the recovery, through legal proceedings, of disputed receivables.

Below is a breakdown of the composition and changes in write-downs:

The provision for bad debts pursuant to art. 106 Tuir, includes the write-downs made on a lump-sum basis and by mass of all receivables recorded in the financial statements, within the tax limits provided for.

Receivables from customers, fully collectable within the year, relate to receivables arising from normal sales transactions on the domestic market.

Table 1.4

	31.12.2018	Provision	Uses	31.12.2019
Provision for doubtful accounts	414,232	215,000	62,051	567,181
Provision for doubtful accounts taxed		-	-	-
Total	414,232	215,000	62,051	567,181

Tax receivables and deferred tax assets

The item tax receivables includes certain, determined and in some cases allocated amounts deriving from receivables for which a right of realisation has arisen through reimbursement or set-off.

The item "Tax receivables" mainly includes the Parent Company's receivables for withholding taxes of Euro 1,443,488, the tax credit for Research and Development activities carried out by the Parent Company during 2018 for Euro 801,742, the Parent Company's IRES credit for the previous year for Euro 87,257 and the credit for training 4.0 activities carried out during 2018 by the Parent Company for Euro 163,386.

Deferred tax assets of Euro 211,064 relate to the temporary differences between statutory profit and taxable income for tax purposes, in addition to the effect of consolidation entries; these receivables have been entered because, on the basis of the multi-year plans drawn up by the Company's management, there is reasonable certainty that the Company will produce sufficient taxable income in future years to recover them.

Other receivables

Other Receivables amounted to 2,031,949 Euros (845,476 Euros at 31 December 2017) and is mainly composed of receivables of the Parent Company for security deposits (138,482 Euros), advances to suppliers (59,519 Euros), associating company Cine 1 Italia SRL (600,000 Euros), social security institutions (579,590 Euros).

Introduction, changes and maturity of receivables recorded under current assets

The most significant changes that occurred during the year with regard to receivables recorded under current assets are shown in the following table:

Analysis of changes and maturity of receivables recorded under current assets (schedule)

Table 1.5

	Receivables from subsidiary companies	Receivables from associated companies	Receivables from parent companies	Receivables from companies under the control of parent companies	Other receivables
Value at the beginning of the year	9,489,322	2,534,496	105,573	845,476	12,974,867
Changes during the year	4,177,727	600,782	105,467	1,186,473	6,070,549
Period-end value	13,667,049	3,135,378	211,040	2,031,949	19,045,416
Due within one year	13,667,049	3,135,378	211,040	2,031,949	19,045,416
Receivable beyond one year	-	-	-	-	-
Amount due over 5 years	-	-	-	-	-

Geographical breakdown of receivables recognised in the financial statements as at 31 December 2018

The breakdown of receivables by geographical area is not reported as it is not relevant since they are totally related to the national territory.

Introduction, changes in financial assets not constituting fixed assets

Financial assets not constituting fixed assets amount to Euro 4,105,750 and relate to two investments made during the year by the Parent Company in capitalized financial products. In particular, the Parent Company made investments in the following financial instruments:

- Aviva soluzione valore UBI Edition 2017", the contract was signed on 27 February 2018 for a value of Euro 1,040,971;
- Eurovita Valore Private", the contract was signed on 13 December 2018 for a value of Euro 3,064,777.

The Directors made these investments with the prospect of a temporary use of cash. In fact, the first instrument grants a redemption option as early as 27 February 2019, while the second instrument can be liquidated by the end of 2019.

The valuation is carried out at acquisition cost adjusted by a revaluation, equal to Euro 87,233, to take into account the higher realizable value at 31 December 2019.

Table 1.6

	Current asset investments in subsidiary companies	Current asset invest in associated companies	Current asset investments in parent companies	Current asset investments in companies under the control of parent companies	Current asset investments in other companies	derivati ve financial instrum ents not held as fixed assets	other securities not held as fixed assets	Financial assets for centralised treasury managem ent	Total financial assets not constituting fixed assets
Value at the beginning of the year							4,018,517		4,018,517

Changes in the period								-87,232		-87,232
Value at the end of the period								4,105,749		4,105,749

Introduction, changes in cash and cash equivalents

The breakdown of this item is already provided in the balance sheet.

It should be noted that the Group's cash and cash equivalents amounted to Euro 5,715,766 (Euro 8,439,616 at 31 December 2018).

It should be noted that the cash and cash equivalents of the various group companies are distributed between the Parent Company for Euro 5,335,574, Edac Biella S.r.l. for Euro 158,288, Edac Versilia S.r.l. in liquidation for Euro 64. 420, Edac Sicilia S.r.l. for Euro 134,745, Edac Roma Trastevere S.r.l. in liquidation for Euro 365, Granda Edac S.r.l. in liquidation for Euro 10,527, Roma Nord Ovest S.r.l. for Euro 11,846.

Analysis of changes in cash and cash equivalents (statement)

Di seguito, l'analisi delle variazioni delle disponibilità liquide.

Table 1.7

	Bank and postal current accounts	Cheques to be deposited	Cash on hand	Total liquid funds
Value at the beginning of the year	8,425,242		14,374	8,439,616
Changes in the period	(2,729,284)		5,232	(2.723,850)
Value at the end of the period	5,696,160	-	19,606	5,715,766

Comments, changes in cash and cash equivalents

The decrease in "Cash and cash equivalents" is due to the difference between positive and negative cash flows. In particular, the investments made during the year concern the expansion abroad and the establishment of the new Società EdiliziAcrobatica France S.a.S., the investment of financial resources in film production, investments in marketing activities and the opening of new direct offices.

ACCRUED INCOME AND PREPAID EXPENSES

The item "Accrued income and prepaid expenses" includes prepaid expenses of Euro 123,060 due to insurance premiums, mortgage investigation costs and rents.

Table 1.8

	1) Issue discounts and other similar charges on loans	2) Other accruals and deferrals	Total accrued income and prepaid expenses
Value at the beginning of the year	-	69,494	69,494
Changes in the period	-	53,566	53,566
Value at the end of the period	-	123,060	123,060

Introduction, notes on liabilities

With reference to the year-end period, comments on the main items of shareholders' equity and liabilities are provided below.

Introduction, equity

Introduction

Changes in the items making up the shareholders' equity in the last two years are provided below.

Statement for the movement of Equity

Table 1.9

	Share capital	Share premium reserve	Legal reserve	Statutory reserves	Other reserves	Retained earnings (losses)	Profit (loss) for the year	Negative reserve on treasury shares	Total equity of the group	capital and reserves of third parties	total equity of group and of third parties
Beginning for the year value	772,530	5,547,771	120,000	-	116	1,282,431	2,224,030		9,946,878	122,280	10,069,158
Allocation for the operating result of the previous year			34,506			2,189,524	2,224,030				
Dividends distribution											
Other allocations											
Other changes						-281,739			-281,739	-82,358	-364,097
Increases	19,894	708,215							728,109		728,109
Decreases											
Reclassifications											
Fiscal year result							1,093,150		1,093,450	7,146	1,100,596
Year end value	792,424	6,255,986	154,506	-	116	3,190,216	1,093,150		11,486,697	47,068	11,533,765

We comment below on the main items making up Shareholders' Equity and the related changes.

SHARE CAPITAL

The share capital was fully subscribed and paid in at 31 December 2019 and amounted to 792,424 Euros, represented by 7,924,237 ordinary shares. Compared to the previous year, the share capital increased by Euro 19,894.

LEGAL RESERVE

The legal reserve of Euro 164,608, is equal to the allocation of 5% of the results achieved in previous years that the Parent Company's shareholders' meeting has allocated to this reserve until it reaches one-fifth of the share capital in accordance with Article 2430 of the Italian Civil Code. The legal reserve increased by Euro 34,506 compared to the previous year due to the allocation of 2018 profits as per the Parent Company's shareholders' resolution of 26 April 2019.

SHARE PREMIUM RESERVE

The reserve recorded in the financial statements amounts to Euro 6,255,986 and increased by Euro 708,215 as a result of the exercise of the Warrants at 30 September 2019 for a total amount of Euro 728,109 of which Euro 19,894 allocated to the share capital increase and the residual portion allocated to the share premium reserve.

RETAINED EARNINGS

This item, recorded at 3,190,216 Euros, includes the retained earnings of the Parent Company and its subsidiaries.

Reconciliation of the shareholders' equity and net result for the year of Ediliziacrobatica S.p.A. with the shareholders' equity and net result of the Consolidated Financial Statements.

A comparison between the composition of shareholders' equity shown in the Parent Company's financial statements at 31 December 2019 and the corresponding amounts shown in the Consolidated Financial Statements at the same date is as follows.

Table 1.10

	EDAC S.p.A.	Consolidated Financial Statement
Share Capital	792,424	792,424
Share premium reserve	6,255,986	6,255,986
Legal reserve	154,506	154,506
Other reserves, separately indicated	116	116
Retained earnings (losses)	3,313,457	3,190,216

Group Profit (loss) for the year	1,225,175	1,093,450
Total	11,741,664	11,486,698

These differences can be explained as follows:

Table 1.11

	Shareholder's Equity	Net Income
Financial Statement of EDAC S.p.A.	11,741,664	1,225,175
- Consolidation of EDAC Versilia S.r.l.	271,286	47,640
- Consolidation of EDAC Biella S.r.l.	- 101,233	- 3,932
- Consolidation of EDAC Roma Trastevere S.r.l.	26,425	26,224
- Consolidation of EDAC Sicilia S.r.l.	- 36,471	- 73,215
- Consolidation of Granda EDAC S.r.l.	- 73.874	34,008
- - Consolidation of Roma Nord Ovest S.r.l.	- 13.885	- 36,078
- Consolidation of EDAC France	- 426.872	- 42.6872
- IAS 17	5,606	6,184
Elision Fees entrance of subsidiaries	15,154	25,840
- Capitalisation of start-up costs France	125,966	125,966
- Granda Edac depreciation		73,619
- EC consolidation Granda Edac and North West Rome		144,054
Consolidated Financial Statement	11,533,766	1,100,597
- Amounts attributable to minority shareholders	39,922	7,146
VALUES ATTRIBUTABLE TO THE GROUP	11,493,844	1,093,451

Shareholders' equity attributable to third parties

At 31 December 2019, the shareholders' equity (capital and reserves) and the net result attributable to minority interests refer to the minority interest held by minority shareholders in Group companies.

Here is a detail of the portion of Capital and Profit attributable to minority interests:

Table 1.12

	31.12.2019
Minority interest capital and reserves	39,922
PROFIT (LOSS) FOR THE YEAR INCLUDING MINORITY INTEREST SHARE	7,146

Introduction, information on provisions for risks and charges

Introduction

As at 31 December 2019 they amounted to 32,664 Euros (47,493 Euros as at 31 December 2018) and are broken down as follows:

Analysis of changes in provisions for risks and charges (statement)

Table 1.13

	Provisions for employee benefits	Provisions for taxation, including deferred taxation	Derivative financial instrument liabilities	Other funds	Total provisions for risk and charges
Beginning of the year value	-	44,293	-	3,200	47,493
Changes during the period					
Provision for the year	-				
Uses during the year	-	12,148	-	2,681	14,829
Other changes	-	-	-	-	-
Total changes	-	12,148	-	2,681	14,829
Year end value	-	32,145	-	519	32,664

Comments, information on provisions for risks and charges

The provision reflects the amounts recorded for the year, while the utilisation represents the use of previous provisions for the purposes for which they were intended.

Introduction, information on provisions for employee benefits

Provisions for employee benefits of Euro 1,126,476 (Euro 655,301 as at 31 December 2018) is determined in accordance with the provisions of Article 2120 of the Italian Civil Code and it shows the following movements:

Table 1.14

	31.12.2018- 31.12.2019
Fund as at 31.12.2018	655,301
Provisions for the year	756,691
Delivered	- 285,516
Fund as at 31.12.2019	1,126,476

Comment, information on provisions for employee benefits

The provision set aside represents the Company's actual debt at 31 December 2019 to employees on that date, net of advances paid.

Introduction, debts

Payables are valued at their nominal value.

Introduction, changes and maturity of debts

The composition, maturity and movements during the year of the items making up this grouping are commented obelow.

Tabella 1.15

	Debenture loans	Amounts owed to banks	payables to shareholders for loans	Amounts owed to other financiers	Advances received	Trade payables	Payables to parent companies	Tax payables	Payables to social security institutions	Other payables	Total debts
Beginning of the year value	5.000.000	5.287.354		67.740	815.039	4.032.505		1.461.486	829.160	1.444.168	18.937.452
Changes during the period		2.041.303	250	88.250	472.203	1.343.044	70.423	-2.270	539.812	297.529	4.850.544
Year end value	5.000.000	7.328.657	250	155.990	1.287.242	5.375.549	70.423	1.459.216	1.368.972	1.741.697	23.787.996
Amount due within the financial year	714.300	6.485.404	250	55.568	1.287.242	5.375.549	70.423	1.383.212	1.368.972	1.741.697	18.482.617
Amount due after the financial year	4.285.700	843.253		100.422				76.004			5.305.379
Of which a residual duration of more than 5 years											

Comments, changes and maturity of debts

The total amount of payables is placed in the "liabilities" section of the balance sheet under class "D" for an amount of Euro 23,787,996 (Euro 18,937,452 as at 31 December 2018). The new formulation of Article 2426 of the Italian Civil Code requires receivables and payables to be recognised in the financial statements according to the amortised cost criterion, taking into account the time factor (and, as regards receivables, the estimated realizable value). A valuation of debt items showed that the effect of applying amortised cost to debt items in the financial statements was irrelevant compared to a valuation at nominal value.

We comment below on the composition of the main items making up this grouping.

Bonds

By notary resolution dated 21 September 2017, registered in the Milan Companies Register on 28 September 2017, the Board of Directors of the Parent Company approved the issue of the following two bonds to be listed on the professional segment of the ExtraMOT Market:

1. bond called "EdiliziAcrobatica S.p.A. 4% 2017 - 2023" consisting of 30 bonds with a nominal value of Euro 100 thousand each, for a nominal amount of Euro 3,000 thousand, ISIN code IT0005283475;
2. bond loan called "EdiliziAcrobatica S.p.A. 5% 2017 - 2023", consisting of 20 bonds with a nominal value of Euro 100 thousand each, for a total nominal amount of Euro 2,000 thousand, ISIN code T0005283467.

On 28 September 2017, ICCREA BANCA IMPRESA S.p.A. subscribed all the bonds issued by the Company.

As at 31.12.2019, the Covenants set out in the agreement between the Parent Company and ICCREA BANCA IMPRESA S.p.A. were complied with.

Amounts owed to banks

Payables to banks are as follows

Table 1.17

	Balance as at 31.12.2019	Balance as at 31.12.2018
Advances on invoices	- 4,540,001	- 2,494,914
Credit cards	- 10,534	- 8,970

Loans	- 2,778,121	- 2,783,470
Total	- 7,328,657	- 5,287,354

The items shown for "advances on invoices" for Euro 4,540,001 relate to the use of ordinary credit lines granted by the various Credit Institutions of the Parent Company. It should be noted that the uses largely fall within the limits of the credit lines granted.

Below is a breakdown of payables to banks due within the year and due after the year.

Table 1.18

	Balanza as at 31.12.2019
Payable within the next year	6,485,405
Payable beyond the next year	843,252
Totale	7,328,657

Below is the time breakdown for the main loans with instalments due within and after the year:

Table 1.19

	Payable within the next year	Payable beyond the next year
Credem loan	233,442	
BNL loan	167,169	
BPM loan	250,687	
UNICREDIT loan	462,750	
DEUTSCHE loan	112,500	
CREDEM loan	99,999	100,798
BPM loan	105,908	162,268
INTESA loan	376,592	412,386
SARDINIA BANK loan	21,381	
UNICREDIT loan	70,648	89,560
France loan	33,675	
Banca Centro Padana loan (Edac Roma Nord Ovest S.r.l.)	10,523	10,924
Intesa San Paolo loan (Edac Roma Nord Ovest S.r.l.)	8,934	8,329
C.R.A. BOVES BCC loan (Granda Edac S.r.l.)	11,770	58,987
Advances on invoices	4,519,428	
Totale	6,485,405	843,252

Amounts owed to other financiers

Amounts owed to other financiers consist of a loan for a company car and lease payments.

Advances

The item "Advances", amounting to Euro 1,287,242, includes advances received from customers for goods and services not yet supplied. The most significant amounts relate to advances received from customers of the Parent Company for Euro 1,090,524.

Trade payables

Trade payables are related to transactions of a commercial nature within normal payment terms all due within the year.

Tax payables

The item "Tax payables", amounting to 1,459,216 Euros, mainly refers to payables for current taxes for the financial year, net of advances for the months of June and November, amounting to 815,866 Euros, VAT payables to Group companies amounting to 283,596 Euros, payables to the Parent Company for taxes paid in installments or in the process of being settled on a facilitated basis amounting to 130,290 Euros and payables to Group companies for withholding taxes on employees and self-employed workers amounting to 168,669 Euros.

The composition of this item is as follows:

Table 1.21

	Balance as at 31.12.2019
Income taxes and minor taxes	971,499
VAT payable	283,604
Withholding tax relating to employees	191,448
Withholding tax relating to contractors	12,666
Total	1,459,216

The time breakdown of tax payables is as follows:

Table 1.22

	31.12.2019
Payable within the next year	1,383,212
Payable beyond the next year	76,004
Total	1,459,216

Amounts owed to social security institutions

This item refers to payables to the Parent Company's social security institutions for Euro 1,108,588, the subsidiary Edac Versilia S.r.l. for Euro 16,443, the subsidiary Edac Biella S.r.l. for Euro 31,285, the subsidiary Edac Sicilia S.r.l. for Euro 52,814, the subsidiary Granda Edac S.r.l. for Euro 15,719 and the subsidiary Edac France S.a.s. for Euro 143,762. In particular, the payables are mainly due to social security institutions and reimbursed during the first months of the 2020 financial year.

Other debts

The item "Other payables", amounting to Euro 1,741,697, is mainly composed of payables to employees for salaries and wages for the month of December regularly paid in January 2020 for Euro 975,957, payables to employees for deferred salaries and wages for Euro 436,561 and payables of the Parent Company for Euro 85,000 to shareholders for profits to be paid and Euro 90,000 arising from the acquisition of subsidiaries.

The breakdown of this item is as follows:

Table 1.23

	Balance as at 31.12.2019	Balance as at 31.12.2018
Payables due to employees	1,415,152	878,428
Payables due to shareholders for profits	85,000	489,500
Franchising pre-agreement deposit	88,942	38,165
Other sundry payables	152,603	38,075
Total	1,741,697	1,444,168

Geographical breakdown of payables recorded in the financial statements at 31 December 2019

The breakdown of payables by geographical area is not reported as it is not relevant since they mainly relate to the national territory.

Introduction, information on accrued expenses and deferred income

Pursuant to Article 2424 bis, paragraph 6, of the Italian Civil Code, these are costs pertaining to the financial year payable in subsequent financial years and income received by the end of the financial year but pertaining to subsequent financial years.

Comments, information on accrued expenses and deferred income

As at 31 December 2019, the item accrued expenses and deferred income, amounting to Euro 296,275, mainly relates to deferred income of Euro 235,002 recorded following the obtaining from the MISE and the Inland Revenue of the authorisation for the recording in the financial statements and the compensation of the tax credit for IPO accrued against the costs of consulting for the listing on the stock exchange. The contribution of Euro 391,670 has been deferred over 5 years in line with the amortisation period of the consultancy costs to which it refers.

Introduction, notes to the income statement

Before analysing the individual items, it should be remembered that comments on the general trend of costs and revenues are set out, pursuant to Article 2428, paragraph 1, of the Italian Civil Code, in the Report on Operations.

Introduction, production value

The value of production amounts to Euro 41,755,237 (Euro 26,205,169 at 31 December 2018).

Revenues as of 31 December 2019 amounted to €39,224,623 (€24,984,852 as of 31 December 2018) and relate to the provision of services relating to ordinary operations recognised net of returns, discounts, allowances and bonuses, as well as taxes directly related to the sale of products and the provision of services.

Item A4) "Work performed for internal purposes and capitalized" includes the capitalised costs that generated increases in assets in the balance sheet under the item "Work in progress and advances" recorded for € 2,082,534 under intangible assets. For details of the increases, reference should be made to the comment on the item "Assets under construction and advances".

Item A5) "Other revenues and income" includes operating grants recorded under "Operating grants" for Euro 79,365 and other revenues recorded under "Other" for Euro 368,715.

Operating grants are recorded in the Parent Company's financial statements for Euro 78,334 and relate to the contribution paid by the MISE and the Inland Revenue for the costs incurred in connection with the SME listing.

Breakdown of revenues from sales and services by category of activity

Introduction

Below is a breakdown of production value by category of assets net of the increase in fixed assets for internal work:

Table 1.24

Values in thousands of Euro	Balance as at	
	2019	31.12.2018
Revenues from direct operations	33,784	22,902
Revenues from franchised operating locations	5,440	2,083
Operating grants	-	1,030
Other minor operating revenues	448	133
Increases in fixed assets for internal work	2,083	57
Total	41,755	26,205

Comment

As at 31 December 2019 the item "Revenues from sales and services" includes revenues from production carried out at construction sites for Euro 39,224,623 (in 2018 for Euro 24,984,852); this increase is due to the opening of new direct operating areas and the seniority of those already present, reaching 45 production areas at the end of the year, in addition to the opening of new branches in France. The increase in royalties is due to the increase in the production volume of the areas managed by the franchisees: this has also led to an increase in sales of material to these areas and a better planning of operating resources with the effect of containing revenues from the secondment of personnel. During 2019, agreements for new franchise openings were signed, reaching 33 areas by the end of the year.

PRODUCTION COSTS

Class B costs and charges in the Income Statement, amounting to Euro 39,434,804 (Euro 22,552,823 at 31 December 2018), classified by nature, have been shown net of returns, commercial discounts, allowances and bonuses, while financial discounts have been recorded under item C.16, constituting financial income. Costs for the purchase of goods also include ancillary purchase costs (transport, insurance, loading and unloading, etc.) if the supplier has included them in the purchase price of the materials. Otherwise, these costs have been recorded under costs for services (item B.7). It should be noted that non-recoverable VAT has been incorporated in the purchase cost of the goods. Not only costs of a certain amount resulting from invoices received from suppliers, but also costs of an estimated amount not yet documented, for which specific assessments have been made, have been charged to items B.6, B.7 and B.8. It should be noted that, since the criterion of classification of costs "by nature" must prevail, allocations to provisions are made.

For raw materials, consumables and goods for resale

The cost For raw materials, consumables and goods for resale amounted to 5,786,364 euros (3,676,443 euros the previous year). This item is mainly composed of costs for the purchase of harnesses, equipment and materials for teams.

Service costs

Service costs are shown for an amount of Euro 8,859,987 (Euro 6,181,335 the previous year). This item is mainly made up of consultancy costs relating to administrative personnel (Euro 490,990), commercial consultancy costs (Euro 1,924,670), costs for the service of temporary staff (Euro 159,319), reimbursement of workers', collaborators' and coordinators' expenses (Euro 490,990), labour costs at construction sites (Euro 420,516), waste disposal costs (Euro 250,970), insurance costs (Euro 81,128), fuel costs (Euro 471,282), general travel expenses (Euro 1,116,2304), entertainment and advertising expenses (Euro 619,263) and utilities (Euro 222,000).

LEASE AND RENTAL COSTS

This item includes the rents for the rental of the buildings of the direct operating sites for 955,061 Euros, the rents for the use of software licenses for 169,383 Euros, the rents for the rental of site equipment for 337,096 Euros and the rents for the rental and leasing of vehicles and vans, including accessory costs, for 1,025,707 Euros.

COSTS FOR EMPLOYEE

Costs for employee are recorded under production costs in the income statement for a total of Euro 19,901,076 (Euro 10,794,126 at 31 December 2018). The breakdown of these costs is already provided in the income statement.

This item includes the entire cost of employees including merit improvements, contingency increases, the cost of holidays not taken and provisions set aside by law and collective agreements. In addition, the item "Other costs" includes the cost of temporary work amounting to Euro 1,174,670 .

Below is a breakdown of the number of employees by category.

Table 1.26

	31.12.2019	31.12.2018
Executives	3	
Employees	56	37
Workers	359	238
Total	415	275

Amortisation, depreciation and write-downs

The breakdown into the four required sub-items is already presented in the income statement.

The item "Write-down of receivables included in current assets and cash and cash equivalents" consists of the provision for risks on receivables for the year, made by the Parent Company and Edac Biella S.r.l.

Change in inventory of raw materials, consumables and goods for resale

The change in the Group's consolidated inventories amounts to 875,503 Euros, of which 821,519 Euros refer only to the Parent Company due to the increase in the "Rope Operator Kit" and the building stock.

Other operating expenses

The item "Other operating expenses" shows a balance of Euro 1,152,844 (Euro 463,072 in the same period of the previous year) and consists mainly of Euro 1,117,043, recorded in the Parent Company's financial statements, of Euro 351,000 for sponsorships, Euro 253,050 for contingent liabilities, Euro 112,402 for sanctions, penalties and fines mainly for Ediliziacrobatica S.p.A. and Euro 66,793 for entertainment expenses.

INTEREST AND OTHER FINANCIAL CHARGES

Other incomes

This item includes interest income deriving from deferred payment concessions to certain customers of the Parent Company for Euro 19,049.

Interest and other financial charges

This item, amounting to Euro 386,993 (Euro 314,736 as at 31 December 2019), mainly includes the charges relating to interest expense accrued on the bond loan and loans recorded under the item "payables to banks".

The main interest items are detailed here.

Table 1.28

	31.12.2019
Interest expense	71,002
Interest on bonds	218,791
Interest on loans	39,733
Interest expense on third-party loans	9,243
Others	48,223
Total	386,993

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

The item "Revaluations of securities recorded in current assets that are not equity investments" is composed of 87,233 Euros for the revaluation of the value of the item "Other securities" recorded in Current Assets.

Table 1.29

	31.12.2019
from securities included in fixed assets not constituting equity investments	
from securities included in current assets not constituting equity investments	87,233
Total	87,233

INCOME TAXES FOR THE YEAR

They are recorded on the basis of estimated taxable income in accordance with the provisions in force.

Deferred and prepaid current taxes

Introduction

Taxes have been calculated on the basis of current tax legislation and represent the amount of taxes for the year to which the financial statements refer.

They amount to a total of Euro 944,009 thousand (Euro 1,113,294 thousand at 31 December 2018) and relate to

- a) current taxes on taxable income for the year;
- b) deferred and prepaid taxes;
- c) current taxes relating to previous years.

The item "taxes" includes current, prepaid, deferred and deferred taxes relating to previous years as follows highlighted:

Table 1.30

31.12.2019	
Current taxes	
Current Ires	680,700
Current Irap	410,925
Deferred taxes	
Deferred Ires	- 12,673
Postponed Irap	-
Deferred tax assets	
Anticipated Ires	- 41,677
Anticipated Irap	-
Sanctions imposed in previous years	
Taxes relating to previous years	- 93,266
Total	944,009

The theoretical rate determined on the basis of the configuration of taxable income for Ires tax purposes is 24%.
The reconciliation with the effective rate is shown below:

Table 1.31

eft ires reconciliations	
Profit (loss) before taxation	2,044,608
Theoretical tax burden (%)	24%
Theoretical Ires	490,706
Permanent differences	4,919
Temporary differences	
Taxable income	2,049,527
Effective ires	491,886
Actual tax burden (&)	24,06%

The theoretical rate determined on the basis of the configuration of taxable income for the purposes of IRAP tax is 3.9%.
The reconciliation with the effective rate is shown below:

Table 1.32

Eft ives reconciliations	
Ebit	2,320,433
Immaterial costs	20,116,076
Theoretical production value	22,436,509
Theoretical tax burden (%)	3,90%
Theoretical Irap	875,024
Permanent differences	
Temporary differences	
Production value	22,436,509
Effective irap	918,261
Actual tax burden	4,09%

Introduction, notes and other information

Introduction, employment data

The average number of employees in 2019, broken down by category, was as follows

Numero medio di dipendenti ripartiti per categoria (prospetto)

Table 1.33

	Executives	Middle managers	Employees	Workers	Other employees	Total
Average number	-	3	56	359	-	419

Introduction, remuneration of directors and statutory auditors

In 2019, the fees paid to the Directors and Statutory Auditors of the Parent Company were recognised on an accrual basis for Euro 181,628 divided as follows:

- Euro 154,228 to the directors;
- 27,400 euros to the Statutory Auditors.

Introduction, Statutory Auditor or Audit Firm fees

The total fee for the statutory audit of the financial statements at 31.12.2019 is Euro 26 thousand, corresponding to the total amount of the fees due to the independent auditors for the statutory audit of the annual accounts of Ediliziacrobatica S.p.A. and for the limited audit of the other Group companies.

Table 1.34

Statutory audit of annual accounts	Other supplementary services
18,000	5,000

Introduction, securities issued by the company

On 30 September 2019, on the basis of the provisions of the "Warrant EDAC 2018-2021" regulation, warrants number 198,937 were exercised during the first exercise period, therefore 198,937 shares were issued for a total amount of Euro 728,109 of which Euro 19,894 were allocated to the share capital increase and the remaining portion to the share premium reserve.

After the exercise of warrants, the free float is 22.43% and the Company's share capital is represented by 7,924,237 shares and is held as follows:

Analysis of securities issued by the company (statement)

Table 1.35

	deeds of enjoyment	Convertible bonds	Warrants	Options	Other securities or similar values
Number	-	-	232,398	-	-
Attributed rights	-	-	-	-	-

Information on transactions with related parties

Pursuant to Article 2427, first paragraph, no. 22-bis, of the Italian Civil Code, it was decided to highlight the information relating to transactions with related parties, even if they were concluded at market conditions, in the information contained in the Report on Operations.

The following table shows the balance sheet and income statement transactions with related parties in the year ended 31 December 2018:

Tabella 1.36

	Receivable	Revenues	Debts	Costs
Edac I-Profile Srl	114	-	70.908	30.962
Ediliziacrobatica Italia Srl	-	-	76.156	567.719

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES NOT SHOWN ON THE BALANCE SHEET

After the changes made to the financial statements by Legislative Decree 139/2015 from 2016, the memorandum accounts at the foot of the Balance Sheet must no longer be shown. Any commitments, guarantees and contingent liabilities not shown in the Balance Sheet are therefore described in this specific section of the Report.

Sureties

The main sureties, as shown in the table at the end of the financial statements, were completely extinguished during 2019.

Table 1.32

Beneficiary	Guarantor	Debtor	Value Guarantee	Guaranteed amount
Banco BPM Spa	Ediliziacrobatica Spa	Edac Biella Srl	-	-
Banco BPM Spa	Ediliziacrobatica Spa	Edac Versilia Srl	-	-
		Total	-	-

At the balance sheet date there were no commitments, guarantees and contingent liabilities to be recognised for the Group.

INFORMATION ON ASSETS AND FINANCING FOR A SPECIFIC DEAL

Assets earmarked for a specific business

We certify that at the balance sheet date there were no assets allocated to a specific business as per Article 2427, no. 20 of the Italian Civil Code.

Financing allocated to a specific business transaction

We certify that at the balance sheet date there were no loans for a specific business as per Article 2427, no. 21 of the Italian Civil Code.

INFORMATION ON AGREEMENTS NOT SHOWN ON THE BALANCE SHEET

No agreements were made during the year that are not shown on the balance sheet.

INFORMATION ON SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2019

With reference to point 22-quater of Article 2427 of the Italian Civil Code, no significant events occurred after 31/12/2018 that had a significant impact on the company's equity, financial and economic performance.

Please refer to the information at the beginning of these Notes for a description of subsequent events.

INFORMATION RELATING TO DERIVATIVE FINANCIAL INSTRUMENTS PURSUANT TO ARTICLE 2427 BIS OF THE CIVIL CODE

We certify that no derivative financial instruments have been underwritten.

OTHER INFORMATION

Information pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017

Law No 124/2017 provides for the obligation to provide information on subsidies, contributions, paid assignments and economic advantages of any kind received by Italian public administrations. In this regard, it should be noted that during 2019 EdiliziAcrobatica S.p.A. did not receive any form of subsidy, contribution, paid assignment or other economic advantage from Italian public administrations. It should be noted that the revenues:

- generated by services provided to entities belonging to the public administrations as part of the company's core business and regulated by contracts for the provision of services, and
- the tax advantages available to all firms which meet certain conditions on the basis of predetermined general criteria, which are, moreover, the subject of specific declarations (see CNDCEC Document March 2019)

are not considered relevant for the purposes of the information obligations provided for by Law no. 124/2017.

Pursuant to Article 2427 of the Italian Civil Code, it should also be noted that:

- no financial charges have been charged to the assets in the balance sheet;

Genoa, 27 march 2020

On behalf of the Board of Directors,

Riccardo Iovino (The Chairman)