

# UK GAAP Limited

Illustrative annual report and FRS 101 financial statements for the year ended 31 December 2022



# Example annual report under UK GAAP (FRS 101)

## Introduction

The following illustrative annual report for UK GAAP Limited, a wholly-owned private subsidiary company, includes:

- An illustrative strategic report.
- An illustrative directors' report.
- Illustrative financial statements prepared under FRS 101.

UK GAAP Limited is a fictitious company. Under FRS 101, it is a qualifying entity and is not a financial institution. The annual report has been prepared for illustrative purposes only and shows the disclosures and formats that might be expected for a company of its size that prepares its financial statements in accordance with the requirements of Part 15 of the Companies Act 2006 and 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410).

The illustrative annual report is for the year ended 31 December 2022.

FRS 101 exempts a qualifying entity that is not a financial institution from some IFRS disclosure requirements [FRS 101 paras 8; 9]. These exemptions are also available to a qualifying entity that is a financial institution, except as indicated in paragraph 7 of FRS 101.

UK GAAP Limited is required to prepare a strategic report. Non-mandatory best practice guidance on preparing a strategic report is given in the [Financial Reporting Council's 'Guidance on the Strategic Report'](#).

This illustrative annual report is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in the UK.

UK Corporate Reporting Services  
PricewaterhouseCoopers LLP

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

### About PwC

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## Guidance and information

References to source material are given in the left-hand margin. PwC commentary on matters of interest is shaded grey.

The illustrative annual report is not intended to show all conceivable disclosures, so this annual report should not be used as a checklist. The suggested disclosures are not necessarily applicable for all private companies. Also, UK GAAP Limited has not applied all disclosure exemptions in FRS 101.

This illustrative annual report does not cover the following areas (amongst other items):

- consolidated financial statements;
- investment properties;
- business combinations and goodwill;
- government grants;
- long-term contracts;
- hyperinflation;
- specialised activities;
- non-current assets held for sale and discontinued operations; and
- exceptional items;
- the impact of COVID-19.

### Russia's war on Ukraine

At the time of writing, Russia's war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to reflect these developments because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and provide required FRS 101 disclosures in a manner that is appropriately tailored to their individual circumstances. For guidance see our [In Depth Accounting implications of the Russian invasion of Ukraine](#) on Viewpoint.

### COVID-19

Furthermore, there is no longer a significant impact on the financial statements of entities related to the COVID-19 pandemic. Entities still significantly impacted by COVID-19 will need consider to what extent they need to explain the impact on their business and the key assumptions made. However, as the impact will differ from entity to entity, we are referring our readers to our [dedicated web site](#) which provides many useful resources, including certain disclosure examples. This website also discusses the accounting for COVID-19-related rent concessions by lessees. We have therefore not illustrated any related disclosures in this publication. Our fact pattern assumes that UK GAAP Limited is no longer affected by COVID-19.

### Rising inflation

Many entities are experiencing the effect of rising inflation and interest rates which touch all aspects of an entity's business including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms and investment and financing decisions. In turn, the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications for this year-end. Our fact pattern assumes that certain areas of UK GAAP Limited's financial statements are affected by rising inflation and interest rates. However, there may be other relevant areas of the financial statements impacted that we have not covered as part of these illustrative financial statements. For guidance see our [In Depth Navigating IFRS Accounting Standards in periods of rising inflation](#).

### Interest rate benchmark reform

Our fact pattern further assumes that UK GAAP Limited will not be affected by interest rate benchmark reform. Most entities should have transitioned away from interbank offered rates (IBORs) by 31 December 2022. However, there are a few contracts and jurisdictional rates which remain subject to transition. For example, the three-month, six-month, and one-year USD LIBORs will not cease until June 2023. Some entities are also still in the process of negotiating the replacement rate for IBOR legacy contracts with rates that ceased as at 31 December 2021. Entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on IBORs, and (ii) these IBORs are still subject to the IBOR transition should consider to what extent they may need to update the information previously provided about their exposure to IBOR reform and their progress in transitioning to alternative benchmark rates. These entities may also need to provide additional disclosures, including information about risks arising from IBOR reform, how the entity manages transition to the alternative benchmark rate(s) and details of any significant judgements or estimation uncertainty relating to IBOR reform. Our in-depth details the relevant considerations an entity should make: [Practical guide to Phase 2 amendments for interest rate benchmark \(IBOR\) reform](#).

## New disclosure requirements and changes in accounting policies

There were no changes to the financial reporting requirements this year that affected the disclosures in our illustrative financial statements. While the IASB has made a few amendments to standards that apply to periods commencing after 1 January 2022, these are largely clarifications and we have assumed that none of them required a change in UK GAAP Limited's accounting policies. However, this assumption will not necessarily apply to all entities. If an entity did change its accounting policies as a result of the amendments and the change had a material impact on the reported amounts, it would need to disclose this in the appropriate manner. Entities will also need to consider whether there were any recent IFRS IC agenda decisions that may require changes to their accounting policy.

Standards issued but not yet effective include 'Amendment to FRS 101 reduced disclosure framework – effective date of IFRS 17'. This amendment changes the effective date of an amendment to the definition of a qualifying entity, effectively allowing relevant insurers to continue to apply FRS temporarily. The revised effective date for the new definition of a qualifying entity is accounting periods beginning on or after 1 January 2023.

## Disclosing climate-related risks in the financial statements

Climate-related risks could have a significant impact on an entity's operations and financial performance and users of the financial statements are increasingly looking for evidence that the entity has incorporated climate risk factors when making estimates and judgements in the preparation of financial statements. The accounting standards have an overarching requirement to disclose information that users need to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have undertaken a rigorous assessment to provide all the material and relevant information affecting the financial statements.

The IASB has issued educational material which contains a non-exhaustive list of examples regarding how climate risk might affect the measurement and disclosure requirements of various standards and the various paragraphs of those standards that might be referenced in determining how to incorporate such risks. The material also discusses materiality and while it does not add or change the requirements in the standards, it is useful material that users and preparers might benefit from when preparing and assessing FRS 101 financial statements.

## Additional resources

Our [dedicated climate change web site](#) provides useful industry specific information and links to guidance from standard-setters and other organisations.

Further guidance on the UK law and accounting requirements affecting companies' financial statements is contained in [PwC's Manual of Accounting – UK GAAP](#).

[PwC's Manual of Accounting – Narrative Reporting](#) provides additional guidance on the requirements for strategic, corporate governance, remuneration and directors' reports.

## Abbreviations

|                            |   |   |
|----------------------------|---|---|
| <b>101p3.2</b>             | = | FRS 101, paragraph number   |
| <b>1p81</b>                | = | International Accounting Standard [number], paragraph number (that is, all accounting standard references other than '101' refer to IASs) |
| <b>CA06 s992</b>           | = | Companies Act 2006, section number  |
| <b>DV</b>                  | = | Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice                                    |
| <b>IFRS1p37</b>            | = | International Financial Reporting Standard [number], paragraph number   |
| <b>SI 2008/410 8 Sch 4</b> | = | Statutory instrument [year/number], schedule number, paragraph number   |
| <b>SIC-15p5</b>            | = | Standing Interpretations Committee [number], paragraph number   |
| <b>FRC</b>                 | = | Financial Reporting Council   |
| <b>GSR</b>                 | = | FRC Guidance on Strategic Report  |
| <b>Tech 14/13</b>          | = | ICAEW Technical Release [number]  |

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# Strategic report

## CA06 s414A

The directors present their strategic report for the year ended 31 December 2022

### Commentary

A small company is entitled to exemption from preparing a strategic report if it is entitled to prepare accounts in accordance with the small companies regime or it would be so entitled, but for being, or having been, a member of an ineligible group [CA06 s414B].

### Commentary

This illustrative strategic report reflects the requirements contained in section 414C of the Companies Act 2006 but it does not reflect the non-financial information statement required by section 414CB. Section 414CB only applies to companies with more than 500 employees (or companies that head a group that has over 500 employees) where the company is:

- a traded company;
- a banking company;
- an authorised insurance company; or
- a company carrying on insurance market activity.

FRS 101 reporters that are required to comply with those requirements should refer to the strategic report section of the IFRS for the UK illustrative financial statements.

For periods beginning on or after 6 April 2022, section 414CB has been expanded to include climate-related disclosures. These additional disclosures are applicable to the following companies:

- All UK registered companies that are currently required to produce a non-financial information statement (see above); and
- Other UK registered companies which have more than 500 employees and a turnover of more than £500m (these are referred to as high turnover companies).

The title of the non-financial information statement has been updated to 'non-financial and sustainability information statement'.

### Review of the business

## CA06 s414C(2)

The report should include a review of the business containing:

- a fair review of the business of the company; and
- a description of the principal risks and uncertainties facing the company.

### Commentary

## FRC Press Notice 108

Where non-GAAP numbers are disclosed, it should be clear that these differ from the GAAP numbers; the equivalent GAAP number should be disclosed; and there should be a reconciliation between the GAAP and non-GAAP numbers, together with relevant commentary. This disclosure might be necessary to ensure that the annual report is fair, balanced and understandable.

## CA06 s414C(3)

The review should be a balanced and comprehensive analysis of:

- the development and performance of the business of the company during the financial year; and
- the position of the company at the end of the year, consistent with the size and complexity of the business.

**CA06 s414C(4)**

The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include:

- analysis using financial key performance indicators; and
- where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

**Commentary****[CA06 s414C(6)]**

For medium-sized companies, where these indicators relate to non-financial information, disclosure is not required.

In the year of transition to FRS 101, it would be appropriate to identify the fact of the transition and to give explanations of the effect of the change on the entity's financial position and financial performance.

**General****CA06 s414C(11),  
SI 2008/410 7 Sch 1A**

Any matters that are directors' report disclosure requirements but considered by the directors to be of strategic importance to the company, can be included in the strategic report. If this is the case, the directors' report includes a cross-reference to the relevant information in the strategic report.

**CA06 s414C(12)**

The report must, where appropriate, include references to, and additional explanations of, amounts included in the financial statements of the company.

**CA06 s414C(14)**

The report need not disclose any information about impending developments or matters in the course of negotiation if, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company.

**Section 172(1) statement****CA06 s414CZA**

A strategic report for a financial year of a company must include a statement (a 'section 172(1) statement') which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

**Commentary**

The Section 172(1) statement applies to large companies and does not apply if the company qualifies as small (small companies exempt from the strategic report anyway) or medium-sized in relation to that financial year (see sections 465 to 467 of CA06).

**CA06 s414D(1)**

By order of the board

G Maull  
Company Secretary  
30 April 2023

**Commentary**

The strategic report has to be signed by the company secretary or a director after it has been approved by the board of directors. The copy of the strategic report that is delivered to the Registrar of Companies must be manually signed by the company secretary or a director.

# Directors' report

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## Directors' report for the year ended 31 December 2022

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**CA06 s415(1)**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.

### Commentary

A small company is entitled to some disclosure exemptions in preparing a directors' report if it is entitled to prepare accounts in accordance with the small companies' regime or it would be so entitled, but for being, or having been, a member of an ineligible group [CA06 s415A].

### Future developments

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**SI 2008/410 7 Sch 7(1)(d)**

The directors' report should contain an indication of the likely future developments in the company's business.

### Commentary

A company might elect to provide this disclosure in the strategic report. If so, the directors' report should include a cross-reference to the strategic report.

### Dividends

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**CA06 s416(3)**

Details of dividends paid and recommended should be included.

### Political donations and political expenditure

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**SI 2008/410 7 Sch 3 as amended by SI 2019/145**

If the company has made any donations to a registered political party, other political organisation in the UK or any independent election candidate, or if it incurred UK political expenditure exceeding £2,000 in the financial year, the directors' report should disclose:

- UK donations – the name of the political party and total amount given per party by the entity; and
- UK political expenditure – total amount incurred in the financial year by the company.

**SI 2008/410 7 Sch 4**

Total contributions to non-UK political parties should be disclosed in aggregate. There is no threshold for this disclosure.

### Commentary

Wholly owned subsidiaries of companies incorporated in the UK are exempt from these disclosures.

**SI 2019/145**

### Commentary

Changes have been made to UK company law as it applies to corporate reporting in order to address issues arising from the UK's exit from the European Union. SI 2019/145 replaces several references to the EU or EEA with references to the UK. The impact of doing so includes a change to the disclosure of political contributions.

Disclosures required in the directors' report in respect of contributions to non-EU political parties will be required in respect of non-UK political parties.

The changes apply to financial years beginning on or after implementation period completion day (that is, 31 December 2020). For financial years that begin before, but end on or after, this day, the relevant UK law applies as if the UK continued to be a member State.



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## Financial instruments

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SI 2008/410 7 Sch 6

Where material for the assessment of the assets, liabilities, financial position and profit or loss of the company, the directors' report must contain an indication of:

- the financial risk management objectives and policies of the entity, including the policy for hedging;
- each major type of forecasted transaction for which hedge accounting is used; and
- the exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk.

### Commentary

This disclosure is not required where such information is not material for the assessment of the entity's assets, liabilities, financial position and profit or loss. In addition, an exemption from making these disclosures is available to small companies.

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## Directors

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CA06 s416(1)(a)

The names of all persons who were directors during any part of the period should be provided.

DV

Changes in directors since the end of the financial year, and the dates of any appointments and/or resignations of directors occurring during the financial year could be provided.

DV

Information regarding the retirement of the directors at the AGM, and whether they offer themselves for election, could be disclosed.

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## Qualifying third-party and pension scheme indemnity provisions

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CA06 s236

The directors' report should include a statement if a qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision (whether made by the company or otherwise) has been in place for one or more directors of the company or of an associated company at any time during the financial year or at the date of approval of the directors' report.

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## Research and development

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SI 2008/410 7 Sch 7(1)(c)

The directors' report should provide an indication of the company's research and development activities.

DV

It is recommended that a statement is included with regard to the charge to the income statement for the year (which should be separately disclosed in the notes to financial statements).

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## Post balance sheet events

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SI 2008/410 7 Sch 7(1)(1)

The directors' report should include particulars of any important events affecting the company since the year end.

### Commentary

A company might elect to provide this disclosure in the strategic report. If so, the directors' report should include a cross-reference to the strategic report.

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## Employees

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**SI 2008/410 7 Sch 10(1), 11(3)**

A statement is required describing the action that has been taken during the period to introduce, maintain or develop arrangements aimed at involving UK employees in the entity's affairs. This statement should discuss the company's policy on:

- systematic provision of relevant information to employees;
- regular consultation with employees or their representatives so that the employees' views can be taken into account in making decisions that are likely to affect their interests;
- encouragement of employees' participation in the company's performance by employee share schemes or other means; and
- achieving awareness on the part of all employees of the financial and economic factors affecting the company's performance.

**SI 2008/410 7 Sch 10(1), (3)**

A statement should be included as to the UK policy for giving full and fair consideration to applications for employment that disabled people make to the company, the policy for employment, training, career development and promotion of disabled people, and for the continuing employment and training of employees who have become disabled while employed by the company.

**SI 2008/410 7 Sch 11  
(As amended by SI 2018/860 Regulation 13)**

The directors' report for a financial year must contain a statement:

- Describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at:
  - Providing employees systematically with information on matters of concern to them as employees;
  - Consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests;
  - Encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means; and
  - Achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

**SI 2008/410 7 Sch 11  
(as amended by SI 2018/860 Regulation 13)**

- Summarising:
  - How the directors have engaged with employees, and
  - How the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

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## Statement on engagement with suppliers, customers and others in a business relationship with the company

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**SI 2008/410 7 Sch11B  
(as inserted by SI 2018/860 Regulation 13)**

The directors' report for the financial year must contain a statement summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

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## Branches outside the UK

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**SI 2008/410 7 Sch 7(1)(d)**

The directors' report should disclose the existence of any branches that operate outside the UK.

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## Streamlined Energy and Carbon Reporting (SECR)

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SI 2018/1155

The directors' report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the company is responsible involving:

- the combustion of gas; or
- the consumption of fuel for the purposes of transport.

The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by the company for its own use, including for the purposes of transport.

The report must state a figure, in kWh, which is the aggregate of the annual quantity of energy consumed from activities for which the company is responsible involving —

- the combustion of gas; or
- the consumption of fuel for the purposes of transport; and
- the annual quantity of energy consumed resulting from the purchase of electricity by the company for its own use, including for the purposes of transport.

If the company has in the financial year to which the report relates taken any measures for the purpose of increasing the company's energy efficiency, the report must contain a description of the principal measures taken for that purpose.

The figures reported in accordance with sub-paragraphs above —

- if the company is an offshore undertaking, may exclude emissions and energy consumed outside of the United Kingdom and offshore area;
- in any other case, may exclude emissions and energy consumed outside of the United Kingdom.

Nothing in sub-paragraphs above and paragraphs 20F and 20G requires the disclosure of information if:

- the company consumed 40,000 kWh of energy or less in the United Kingdom during the period in respect of which the directors' report is prepared, and the report states that the information is not disclosed for that reason; or
- the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company, and the report states that the information is not disclosed for that reason.

### Commentary

This disclosure applies to all companies that satisfy two or more the following thresholds:

- Turnover greater than £36m;
- Balance sheet total greater than £18m; and
- Number of employees over 250

Certain 'smoothing' arrangements need to be taken into account. These mean that it is not possible to determine whether the new rules are applicable by looking only at the current year: prior years need to be considered, even in the first year of the new reporting. Because the size thresholds are set out in the Regulations, the question of whether an entity forms part of an 'ineligible group' is not relevant.

Certain exemptions exist for companies caught by the above thresholds:

- 'Low energy users' are where the energy usage is less than 40,000 kWh annually;
- A large UK subsidiary of a UK parent which prepares a Group Directors' Report does not have to report on SECR in its own Directors' Report because it must be included in the Group SECR statement.
- A large UK subsidiary of a non-UK parent must report on SECR in its own Directors' Report - for example, UK statutory accounts of US inbounds, even though GHG emissions for the UK sub may be included within a consolidated group report in the USA.
- Non-large UK subsidiaries are completely exempt from reporting - they do not need to report on SECR in their own Directors' Report, nor do they need to be included in the Group SECR statement.

- Overseas subsidiaries of a UK parent which prepares a Group Directors' report are not subject to SECR and therefore can also be omitted from the Group SECR statement.
- Companies are required to provide the SECR information 'only to the extent that it is practical for the company to obtain'. Judgement will need to be applied on what 'practical to obtain' means in practice.

An entity need not report when the directors or members consider the disclosure of the energy and carbon information would be seriously prejudicial to the interests of the organisation. The relevant report must state that the energy and carbon information is not disclosed for that reason.

In September 2021 the FRC published a thematic review report on SECR disclosures which companies should refer to when preparing these disclosures and is available on the FRC website.

### Statement of corporate governance arrangements

SI 2008/410 7 Sch  
26(1)&(2)  
(As inserted by SI  
2018/860 Regulation  
14)

The directors' report must include a statement which states:

- a) which corporate governance code, if any, the company applied in the financial year,
- b) how the company applied any corporate governance code reported under sub-paragraph (a), and
- c) if the company departed from any corporate governance code reported under sub-paragraph (a), the respects in which it did so, and its reasons for so departing.

If the company has not applied any corporate governance code for the financial year, the statement of corporate governance arrangements must explain the reasons for that decision and explain what arrangements for corporate governance were applied for that year

### Commentary

This disclosure applies to all companies that satisfy either or both of the following conditions:

- more than 2,000 employees;
- a turnover of more than £200 million, and a balance sheet of more than £2 billion

A Coalition Group, appointed by BEIS, and with secretarial support from the FRC, has developed a set of principles for corporate governance reporting by large private companies ('Wates Principles'). These are not mandatory and companies are free to explain their own arrangements, as set out in the regulations above.

### The Wates Corporate Governance Principles for Large Private Companies

**Wates Principles –  
Introduction**

A company that adopts the Wates Principles should follow them using an 'apply and explain' approach in a way that is most appropriate for their particular organisation. Accordingly, boards should apply each principle by considering them individually within the context of the company's specific circumstances. They should then be able to explain in their own words how they have addressed them in their governance practices.

**Wates Principle 1**

Purpose and leadership: An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

**Wates Principle 2**

Board composition: Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

**Wates Principle 3**

Director responsibilities: The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

**Wates Principle 4**

Opportunity and risk: A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

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**Wates Principle 5** Remuneration: A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

**Wates Principle 6** Stakeholder relationships and engagement: Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

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### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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### Disclosure of information to auditors

**CA06 s418(2)** The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

- As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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### Independent auditors

**DV**  
**(see also CA06 s489(1), (2))** The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board

G Maull

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**CA06 s419(1)** **Company secretary**

30 April 2023

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### **Commentary**

The directors' report must be signed by the company secretary or a director after it has been approved by the board of directors [CA06 s419(1)].

The copy of the directors' report that is delivered to the Registrar of Companies must be manually signed by the company secretary or a director.

Where the financial statements are published on a website, the statement of directors' responsibilities could also include a statement that:

- the directors are responsible for the maintenance and integrity of the web site; and
- legislation in the UK concerning the preparation and dissemination of financial statements might differ from legislation in other jurisdictions.

### **Commentary – General climate change reporting**

Another example of judgements that may need to be explained are judgements made by the entity about the possible impact of climate-related and other emerging business risks. Climate-related risks could have a significant impact on an entity's operations and financial performance and users of the financial statements are increasingly looking for evidence that the entity has incorporated climate risk factors when making estimates and judgements in the preparation of financial statements. The accounting standards have an overarching requirement to disclose information that users need to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have undertaken a rigorous assessment to provide all the relevant and material information affecting the financial statements.

# Independent auditors' report to the members of UK GAAP Limited

The audit report will be provided by the entity's auditor on completion of the audit of the financial statements. As the wording of the report is likely to differ from entity to entity, we have not included an illustrative report in this publication.

# Income statement

SI 2008/410 1 Sch  
format 1

|                     |  | Year ended 31 December |              |              |
|---------------------|--|------------------------|--------------|--------------|
|                     |  | Note                   | 2022         | 2021         |
| 101pAG(i)           |  |                        |              |              |
| 1p82(a)             | Revenue  | 5                      | 26,675       | 22,010       |
| 1p99, 1p103         | Cost of sales  |                        | (19,622)     | (15,232)     |
| 1p103               | Gross profit   |                        | 7,053        | 6,778        |
| 1p99, 1p103         | Distribution costs                                     |                        | (1,234)      | (1,090)      |
| 1p99, 1p103         | Administrative expenses                                |                        | (2,968)      | (2,279)      |
| 1p82(ba)            | Net impairment losses on financial and contract assets | 6                      | (123)        | (165)        |
| 1p99, 1p103         | Other (expense)/income                                 |                        | (37)         | 111          |
| 1p85                | <b>Operating profit</b>                                | 7                      | <b>2,691</b> | <b>3,355</b> |
|                     | Income from subsidiary                                 |                        | 60           | 50           |
|                     | Income from associated undertakings                    |                        | 17           | 9            |
|                     | <b>Profit before interest and taxation</b>             |                        | <b>2,768</b> | <b>3,414</b> |
| 1p85                | Finance income   | 9                      | 122          | 113          |
| 1p82(b)             | Finance costs  | 9                      | (321)        | (209)        |
|                     | <b>Finance costs – net</b>                             | 9                      | <b>(199)</b> | <b>(96)</b>  |
| SI 2008/410 1 Sch 6 | Profit before income tax                               |                        | 2,569        | 3,318        |
| 1p82(d), 12p77      | Income tax expense                                     | 10                     | (665)        | (828)        |
| 1p81 A(a)           | <b>Profit for the financial year</b>                   |                        | <b>1,904</b> | <b>2,490</b> |

## Commentary

SI 2008/410 requires companies to present the items listed in the formats (SI 2008/410 1 Sch 1(1)). Some companies use different names for the prescribed line items, (for example, describing 'turnover' as 'sales', 'land and buildings' as 'property', or 'stocks' as 'inventories'). This practice is considered allowable, provided that the revised wording is not misleading.

In addition, notes to the accounts must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.



### Commentary

An entity that is not a banking company or insurance company may adapt the detailed company law profit and loss account and balance sheet formats set out in SI 2008/410. This is subject to the condition that the information given is at least equivalent to that which would have been required by the use of the detailed company law formats. SI 2008/410 also requires the presentation to be in accordance with generally accepted accounting principles or practice (or, for an FRS 101 reporter, in accordance with FRS 101). [SI 2008/410 Sch1A(1)].

A company can also choose to present in accordance with IAS 1. A company that presents its profit and loss account in accordance with IAS 1 must, in addition to the IAS 1 line items, present 'profit or loss before taxation'.

Differences between the company law formats and the IFRS-type formats might result from:

- The definitions of fixed assets (company law) and non-current assets (IFRS).
- The definition of current assets.
- The definitions of creditors falling due within, or after, one year (company law) and current/non-current liabilities (IFRS).
- Presentation of debtors falling due after more than one year within current assets (company law). Under IFRS, those items would be presented in non-current assets.

### Commentary

The terms 'revenue' and 'turnover' are not interchangeable. Revenue has a wider definition than turnover. If the entity wishes to use the word 'revenue', it should ensure that the amount presented complies with the narrower definition of 'turnover' under the Act.

### Commentary

1p32

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.

Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.

If an entity's normal operating activities do not include buying and selling non-current assets, including investments and operating assets, then the entity reports gains and losses on disposal of such assets by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses.

### Commentary

Paragraph AG1(g) of FRS 101 states that discontinued operations should be disclosed on the face of the statement of comprehensive income in a column, (that is, separately from continuing operations), with a total column.

# Statement of comprehensive income

|                 |   | Year ended 31 December |              |
|-----------------|---|------------------------|--------------|
|                 |   | 2022                   | 2021         |
|                 | <b>Profit for the financial year</b>  | <b>1,904</b>           | <b>2,490</b> |
| <b>1p82A</b>    | Other comprehensive expense: items that will not be reclassified to profit or loss  |                        |              |
|                 | Remeasurements on post-employment benefits  | (80)                   | (24)         |
|                 | Current tax deductions allocated to actuarial losses  | 13                     | 5            |
|                 | Movement on deferred tax relating to pension deficit  | (1)                    | (1)          |
|                 | Movement on deferred tax relating to revaluation reserve  | 6                      | 4            |
|                 | Other comprehensive expense for the year, net of tax  | (62)                   | (16)         |
| <b>1p81A(c)</b> | <b>Total comprehensive income for the year</b>  | <b>1,842</b>           | <b>2,474</b> |
|                 | <b>Commentary</b>   |                        |              |
|                 | Other categories of other comprehensive income might require the inclusion of a subheading for 'Items that may be subsequently reclassified to profit or loss'. |                        |              |

# Statement of financial position

For the year ended 31 December 2022

SI 2008/410 1 Sch  
format 1

|               |  | As at 31 December                  |                |                |
|---------------|--|------------------------------------|----------------|----------------|
|               |  | Note                               | 2022           | 2021           |
| 101pAG(i)     |  |                                    |                |                |
| 1p60, 1p66    | <b>Fixed assets</b>  |                                    |                |                |
| 1p54(c)       | Intangible assets  | 11                                 | 1,075          | 705            |
| 1p54(a)       | Property, plant and equipment  | 12                                 | 3,706          | 3,037          |
| IFRS16p47(a)  | Right-of-use assets  | 13                                 | 550            | 535            |
| 1p54(e)       | Investments in subsidiaries  | 14                                 | 676            | 676            |
| 1p54(e)       | Investments in associated undertakings   | 14                                 | 755            | 738            |
|               | <b>Current assets</b>  |                                    |                |                |
| 1p54(g)       | Inventories  | 15                                 | 2,158          | 2,279          |
| 1p54(h)       | Trade and other receivables  | 16                                 | 2,873          | 2,220          |
| 1p54(i)       | Cash and cash equivalents  |                                    | 330            | 153            |
|               | <b>Creditors – amounts falling due within one year</b>   | 17                                 | <b>(2,811)</b> | <b>(2,627)</b> |
|               | Net current assets   |                                    | 2,550          | 2,025          |
|               | Total assets less current liabilities  |                                    | 9,312          | 7,716          |
|               | Creditors – amounts falling due after more than one year   | 18                                 | (1,431)        | (1,952)        |
|               | Provisions for liabilities   | 20                                 | (671)          | (287)          |
|               | <b>Net assets</b>  |                                    | <b>7,210</b>   | <b>5,477</b>   |
| 1p78(e)       | Equity   |                                    |                |                |
| 1p54(r)       | Ordinary shares  | 23                                 | 508            | 505            |
| 1p78(e), 1p55 | Share premium  |                                    | 144            | 120            |
| 1p78(e), 1p55 | Revaluation reserve  |                                    | 138            | 136            |
| 1p78(e), 1p55 | Retained earnings  |                                    | 6,420          | 4,716          |
|               | <b>Total shareholders' funds</b>   |                                    | <b>7,210</b>   | <b>5,477</b>   |
|               | The notes on pages 18 to 56 are an integral part of these financial statements.  |                                    |                |                |
| 10p17         | The financial statements on pages 11 to 56 were authorised for issue by the board of directors on 30 April 2023 and were signed on its behalf. |                                    |                |                |
|               | L Jampert<br><b>Chief Executive</b>  | H Miggs<br><b>Finance Director</b> |                |                |

|                                  |   |
|----------------------------------|---|
| <b>SI 2008/410</b>               | <b>Commentary</b>   |
| <b>1Sch</b>                      | Prepayments and accrued income could be shown as a separate category heading under current assets.  |
|                                  | <b>Commentary</b>   |
|                                  | According to paragraph 2.9(a) of Appendix A to FRS 101, the Act's definition of 'fixed assets' (the term used in the Regulations) might differ from 'non-current assets' (the term used in UK-adopted IFRS) – the Act takes precedence in this case.  |
|                                  | <b>Commentary</b>   |
|                                  | In addition, paragraph 9A of FRS 101 requires that, where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items is disclosed either under those items or in the notes to the accounts.  |
|                                  | <b>Commentary</b>   |
| <b>IFRS 15p105, BC320, BC321</b> | IFRS 15 Revenue from Contracts with Customers requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets.   |
|                                  | Contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the balance sheet, as long as the entity provides sufficient information so users of financial statements can distinguish them from other items.  |
|                                  | UK GAAP Limited has disclosed contract assets, contract liabilities and receivables in the notes to the accounts.   |
| <b>IFRS16(47)</b>                | Right-of-use assets (except those meeting the definition of investment property) do not need to be presented as a separate line item in the balance sheet, as done by UK GAAP Limited, as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the balance sheet include those right-of-use assets. |
| <b>IFRS16(48)</b>                | Right-of-use assets that meet the definition of investment property must be presented in the statement of financial position as investment property.  |

# Statement of changes in equity

|   | Note      | Called-up<br>share<br>capital | Share<br>premium | Revaluation<br>reserve <sup>1</sup> | Retained<br>earnings | Total        |
|---|-----------|-------------------------------|------------------|-------------------------------------|----------------------|--------------|
| <b>Balance as at 1 January 2021</b>   |           | <b>500</b>                    | <b>75</b>        | <b>136</b>                          | <b>2,136</b>         | <b>2,847</b> |
| <b>1p106(d)(i)</b> Profit for the financial year  |           | -                             | -                | -                                   | 2,490                | 2,490        |
| <b>1p106(d)(ii)</b> Other comprehensive expense for the year: Items that will not be reclassified to profit or loss |           |                               |                  |                                     |                      |              |
| Actuarial losses on pensions scheme   |           | -                             | -                | -                                   | (24)                 | (24)         |
| Current tax deductions allocated to actuarial losses  |           | -                             | -                | -                                   | 5                    | 5            |
| Movement on deferred tax relating to pension deficit  |           | -                             | -                | -                                   | (1)                  | (1)          |
| Movement on deferred tax relating to revaluation reserve  |           | -                             | -                | 4                                   | -                    | 4            |
| <b>Total comprehensive income for the year</b>  |           | <b>-</b>                      | <b>-</b>         | <b>4</b>                            | <b>2,470</b>         | <b>2,474</b> |
| Transactions with owners in their capacity as owners:   |           |                               |                  |                                     |                      |              |
| Credit relating to equity-settled share-based payments  |           | -                             | -                | -                                   | 126                  | 126          |
| <b>1p106(d)(iii)</b> Charge from parent for equity-settled share-based payments                                     |           | -                             | -                | -                                   | (52)                 | (52)         |
| <b>1 Sch 43(c)</b> Tax credit relating to share option scheme   | <b>10</b> | -                             | -                | -                                   | 12                   | 12           |
| <b>I 2008/410</b> Proceeds from shares issued   | <b>23</b> | 5                             | 45               | -                                   | -                    | 50           |
| Dividends   |           | -                             | -                | -                                   | (52)                 | (52)         |
| Transfer to retained earnings   |           | -                             | -                | (4)                                 | 4                    | -            |
| <b>Total transactions with owners, recognised directly in equity</b>  |           | <b>5</b>                      | <b>45</b>        | <b>(4)</b>                          | <b>38</b>            | <b>84</b>    |
| <b>Balance as at 31 December 2021</b>   |           | <b>505</b>                    | <b>120</b>       | <b>136</b>                          | <b>4,716</b>         | <b>5,477</b> |

|  |            |            |            |              |              |
|--|------------|------------|------------|--------------|--------------|
| Profit for the year  | -          | -          | -          | 1,904        | 1,904        |
| Other comprehensive income for the year: Items that will not be reclassified to profit or loss |            |            |            |              |              |
| Actuarial losses on pensions scheme  | -          | -          | -          | (80)         | (80)         |
| Movement on deferred tax relating to pension deficit   | -          | -          | -          | 12           | 12           |
| Movement on deferred tax relating to revaluation reserve                                       | -          | -          | 6          | -            | 6            |
| <b>Total comprehensive income for the year</b>   | <b>-</b>   | <b>-</b>   | <b>6</b>   | <b>1,836</b> | <b>1,842</b> |
| Transactions with owners in their capacity as owners:  |            |            |            |              |              |
| Share-based payments charge  | -          | -          | -          | 134          | 134          |
| Recharge paid to parent for share-based payment  | -          | -          | -          | (86)         | (86)         |
| Tax credit relating to share option scheme   | 10         | -          | -          | 15           | 15           |
| 1p106(d)(iii)<br>SI 2008/410<br>1 Sch 43(c) Proceeds from shares issued                        | 23         | 3          | 24         | -            | 27           |
| Dividends  | -          | -          | -          | (199)        | (199)        |
| Transfer to retained earnings  | -          | -          | (4)        | 4            | -            |
| <b>Total transactions with owners, recognised directly in equity</b>                           | <b>3</b>   | <b>24</b>  | <b>(4)</b> | <b>(132)</b> | <b>(109)</b> |
| <b>Balance as at 31 December 2022</b>  | <b>508</b> | <b>144</b> | <b>138</b> | <b>6,420</b> | <b>7,210</b> |

1p79(b)

<sup>1</sup> The revaluation reserve arose on the revaluation of certain fixed assets (see note 12). Amounts representing the equivalent depreciation on the revalued element are transferred to retained earnings each year.

#### Commentary

SI 2008/410 1  
Sch 43 (a)–  
(c)

In relation to dividends and reserves, the following must be stated: a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves; b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date); and c) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and are not otherwise disclosed under a) or b).

# Notes to the financial statements

## 1. General information

**1p138(b),  
1p51(a), (b)** UK GAAP Limited ('the company') manufactures, distributes and sells furniture through a network of independent retailers. The company sells retail mainly in the UK and wholesale to customers in the UK, the US and Europe. The company also operates through its 100% owned subsidiary, Gamma Limited.

**1p138(a)** The company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Nice Walk Way, London, England.

### Commentary

**101p11** These financial statements are those of a company that adopted FRS 101 in prior accounting periods. Because the company is not a first-time adopter, it has not applied IFRS 1, including its disclosures. Companies applying FRS 101 for the first time will need to apply the requirements of IFRS 1.

Financial statements prepared in accordance with FRS 101 are not accounts prepared in accordance with UK-adopted IFRS. A qualifying entity must ensure that it complies with any relevant legal requirements applicable to it.

Reporters who are first-time adopters of FRS 101 might find the PwC publication 'Similarities and differences: A comparison of old UK GAAP, current UK GAAP and IFRS' (2nd edition) helpful. Those companies adopting FRS 101 from IFRS will need to make changes to comply with company law. Refer to Appendix 1 for further details.

In addition, notes to the accounts must be presented in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the income statement.

## 2. Significant accounting policies

**1p112(a), 1p117(b),  
1p119** The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of preparation

**101p10, 1p116,  
1p117(a)  
CA06 s395(1)(a), s396** The financial statements of UK GAAP Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

### Commentary

If a voluntary explanation is given to define FRS 101 a company could include the following in the basis of preparation after the first sentence:

"In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in [note 3](#).

### **Commentary – Rising inflation and interest rates**

#### ***Disclosing material information:***

1p30, 31

An entity is required to disclose information explaining:

- all significant accounting policy and other material information (that is, information that, if omitted, misstated or obscured, could reasonably be expected to influence the decisions of primary users of general purpose financial statements);
- judgements that an entity has made in the process of applying its accounting policies and that have the most significant effect on the financial statements; and
- assumptions the entity makes about the future, and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Generally, many of the disclosures needed for an entity to comply with these requirements will be disclosures that are also required by other IFRS. However, in light of rising inflation, an entity needs to assess whether any additional disclosures beyond those required by other IFRS are required. It is a matter of judgement which additional disclosure of material other information is necessary in the absence of a specific disclosure requirement in IFRS.

Possible examples may include, but are not limited to:

1. Disclosure of the expected replacement costs of key operational assets where their replacement cost is significantly higher than their previous purchase cost. This will give a user of the financial statements an insight into the anticipated impact on future cash flows and profits/losses as a result of higher purchase costs and depreciation or amortisation respectively. This may also be of particular relevance to users if the replacement cost exceeds the amount previously budgeted by management and affects the entity's ability to pursue other planned investments.
2. Disclosure to provide users with an insight into the future cash flow position of the borrowing entity such as:
  - a. debt covenants triggers;
  - b. the proximity of the issuer breaching debt covenant triggers; and
  - c. the board's view of debt levels and how any potential breach of debt covenant triggers can be addressed.

Entities should also consider the specific disclosures required by IFRS, some of which may now become material in an economic environment of rising inflation. For example, the requirement to disclose any unrecognised contractual commitments which may be of particular relevance to the users if these commitments expose an entity to future inflationary increases.

#### ***Line item disaggregation***

An entity may need to consider whether information that was previously aggregated within a line item needs to be disaggregated as they may have become material. For example, if finance income and finance costs have previously been aggregated as 'net finance costs', but as a result of interest rate increases each become individually material, they will need to be disaggregated into two line items.

Additional line items, subtotals or headings are permitted, provided that they give more understandable information and do not obscure other material information.

#### ***Current/non-current distinction***

If an entity's financial position has deteriorated as a result of rising inflation and interest rates, it may no longer be able to meet covenants and service its debt. A breach of covenants typically requires a reclassification of a debt liability from non-current to current liabilities in the absence of a formal waiver as at reporting date.



|                 |   |
|-----------------|---|
| <b>101p5</b>    | The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:  |
| <b>101p8(a)</b> | <ul style="list-style-type: none"> <li>• Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).</li> </ul>  |
| <b>101p8(d)</b> | <ul style="list-style-type: none"> <li>• IFRS 7, 'Financial instruments: Disclosures'.</li> </ul>   |
| <b>101p8(e)</b> | <ul style="list-style-type: none"> <li>• Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).</li> </ul>   |
| <b>101p8(f)</b> | <ul style="list-style-type: none"> <li>• Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of: <ul style="list-style-type: none"> <li>– paragraph 79(a)(iv) of IAS 1;</li> <li>– paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and</li> <li>– paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).</li> </ul> </li> </ul>  |
| <b>101p8(g)</b> | <ul style="list-style-type: none"> <li>• The following paragraphs of IAS 1, 'Presentation of financial statements': <ul style="list-style-type: none"> <li>– 10(d) (statement of cash flows);</li> <li>– 16 (statement of compliance with all IFRS);</li> <li>– 38A (requirement for minimum of two primary statements, including cash flow statements);</li> <li>– 38B-D (additional comparative information);</li> <li>– 111 (statement of cash flows information); and</li> <li>– 134-136 (capital management disclosures).</li> </ul> </li> </ul> |
| <b>101p8(h)</b> | <ul style="list-style-type: none"> <li>• IAS 7, 'Statement of cash flows'.</li> </ul>   |
| <b>101p8(i)</b> | <ul style="list-style-type: none"> <li>• Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).</li> </ul>   |
| <b>101p8(j)</b> | <ul style="list-style-type: none"> <li>• Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).</li> </ul>  |
| <b>101p8(k)</b> | <ul style="list-style-type: none"> <li>• The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.</li> </ul>  |

#### **Commentary**

Refer to paragraphs 7–8 of FRS 101 for a complete list of exemptions from IFRS requirements.

#### **Commentary**

The following exemptions are available but are not relevant for UK GAAP Limited:

|                 |  |
|-----------------|--|
| <b>101p7A</b>   | <ul style="list-style-type: none"> <li>• The requirement of IFRS 1, 'First-time adoption of International Financial Reporting Standards', to present a statement of financial position at the date of transition.</li> </ul>   |
| <b>101p8(b)</b> | <ul style="list-style-type: none"> <li>• The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations', can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.</li> </ul> |
| <b>101p8(c)</b> | <ul style="list-style-type: none"> <li>• The requirements of paragraph 33(c) of IFRS 5 'Non-current assets held for sale and discontinued operations' can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.</li> </ul>  |

|                 |  |
|-----------------|--|
| <b>101p8(g)</b> | <ul style="list-style-type: none"> <li>• The following paragraphs of IAS 1, 'Presentation of financial statements': <ul style="list-style-type: none"> <li>– 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and</li> <li>– 40A–D (requirements for a third statement of financial position).</li> </ul> </li> </ul> |
| <b>101p8(j)</b> | <ul style="list-style-type: none"> <li>• Paragraph 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.</li> </ul>   |
| <b>101p8(l)</b> | <ul style="list-style-type: none"> <li>• Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).</li> </ul>   |

### 2.1.1. Going concern

DV

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty, particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### Commentary – Rising inflation and interest rates

Rising inflation and interest rates may directly impact the going concern assessment, for example when they have a significant negative impact on:

- customer behaviour and sales volumes;
- operating margins because increased costs cannot be passed onto customers;
- the replacement cost of key operational assets; and
- funding alternatives.

Events after the reporting date that indicate that an entity is no longer a going concern are always adjusting events in accordance with IAS 10.

### 2.1.2. New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

#### Commentary

Entities need to consider the impact of amendments to and new standards effective for the period, for example:

- Annual Improvements to IFRS 2018–2020, effective 1 January 2022
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37), effective 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective 1 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective 1 January 2022

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## 2.2. Consolidation

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**CA06 s400(2)** The company is a wholly owned subsidiary of UK GAAP Intermediate Holdings Limited and of its ultimate parent, UK GAAP Holdings Limited. It is included in the consolidated financial statements of UK GAAP Holdings Limited, which are publicly available. Therefore, the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is UK GAAP Towers, 3 The Square, London, WC2N 6RH.

**27p16(a)** These financial statements are separate financial statements.

## 2.3. Foreign currency translation

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**1p119** a) Functional and presentation currency

**21p17, 21p9, 1p51(d)** Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

**1p119** b) Transactions and balances

**21p21, 28, 21p32, 39p95(a), 39p102(a)** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (expenses)/income'.

## 2.4. Property, plant and equipment

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**16p73(a), 16p35(b), 16p15, 16p17** Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

**39p98(b)** All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

**16p12** Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**16p39, 1p79(b), 16p40, p41** Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are first charged in other comprehensive income to the extent of the remaining surplus attributable to that asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost, is transferred from revaluation reserve to retained earnings.

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Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- |                  |                         |   |
|------------------|-------------------------|---|
| <b>16p73(b),</b> | - Buildings 25–40 years | - Machinery 10–15 years                       |
| <b>16p73(c)</b>  | - Vehicles 3–5 years    | - Furniture, fittings and equipment 3–8 years |

**16p51** The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**36p59** An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount (see [note 2.6](#)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other (expense)/income' in the income statement.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

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## 2.5. Intangible assets

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**1p119** Computer software

**38p57** Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

**38p66** Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

**38p68, 71** Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**38p97, 118(a), (b)** Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed three years.

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## 2.6. Impairment of non-financial assets

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**36p9, 10** Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash

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inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **Commentary – Rising inflation and interest rates**

Rising inflation has far-reaching implications and may impact not only product pricing and the cost of expenses, but also product volume as customer behaviours change. These factors may alter the cash flows an entity is able to generate, giving rise to impairment indicators. Increased market interest rates or other market rates of return on investments during the period is an impairment indicator, where those increases are likely to affect the applicable discount rate.

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## **2.7 Financial assets**

**IFRS9(4.1.1),(5.7.1)**

The company classifies its financial assets in the following categories:

- amortised cost.
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

**IFRS9(3.1.1),(3.2.2),  
(B3.1.3)-(B3.1.6)**

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

**IFRS9(5.1.1)**

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**IFRS9(4.1.2)**

a) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets.

b) Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' and are categorised as fair value through profit or loss. The assets are subsequently measured at fair value with gains or losses recognised in profit or loss and presented net within other (expenses)/income in the period they arise. Fair values are determined by reference to active market or using valuation techniques where no active market exists.

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The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost (see [note 2.7\(a\)](#) above)
- equity investments that are held for trading, and

equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

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**IFRS9(4.1.2A)**

c) Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Where the entity has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established

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**Commentary**

The company is exempt from the disclosure requirements for financial assets under IFRS 7, but paragraph 119 of IAS 1 requires consideration of 'disclosure [that] would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position'.

The company is not a financial institution (see FRS 101 Glossary) and so is able to take advantage of certain exemptions from disclosure relating to financial instruments (IFRS 7), fair value (IFRS 13) and capital (IAS 1). Disclosures required by the Companies Act (or other legislation) should still be presented.

UK GAAP Limited does not have any assets classified at FVOCI nor FVTPL hence the accounting policies above are for illustration purposes only.

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**2.8. Investment in subsidiaries**

27p38

Investments in subsidiaries are held at cost less accumulated impairment losses.

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**2.9 Investment in associated undertakings**

27p38

Investments in associated undertakings are held at cost less accumulated impairment losses.

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**2.10 Impairment of financial assets**

IFRS9(5.5.1)

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables – see [note 2.13](#).

1p119

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**2.11 Derivative financial instruments and hedging activities**

IFRS9 (4.3.3)

The company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

1p119

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**2.12 Inventories**

2p36(a),  
2p9, 10, 25,  
26p6, 7

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production

2p28, 30

overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### **Commentary – Rising inflation and interest rates**

The carrying amount of inventory might no longer be recoverable if the estimated cost of completion or the estimated cost to be incurred to make the sale has significantly increased as a result of rising inflation, resulting in a write-down to the NRV.

Judgement may need to be used to determine the extent to which the costs of rising inflation can be passed onto customers when estimating NRV. The judgement might be particularly challenging in the absence of historical evidence about the entity's ability to pass on inflationary increases.

1p119

#### **2.13 Trade and other receivables**

1p117

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

IFRS9(5.1.3),(4.1.2),  
(5.4.1)

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1p117

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

1p119

#### **2.14 Cash and cash equivalents**

7p46

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

#### **2.15 Share capital**

32p18(a)

Ordinary shares are classified as equity. Preference shares are classified as liabilities (see [note 2.17](#)).

32p37

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1p119

#### **2.16 Creditors**

IFRS9(5.1.1)

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

IFRS9(5.1.1)

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

1p119

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## 2.17 Borrowings

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IFRS9(5.1.1),(4.2.1)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

32p18(a),  
32p35

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

IFRS9(3.3.1),(3.3.3)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

1(69)

Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

1p119

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## 2.18 Borrowing costs

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23p8

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

23p12

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1p119

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## 2.19 Current and deferred tax

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12p58, 61A

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

12p12, 46

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

12p24, 15, 47

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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|                      |  |
|----------------------|--|
| 12p24, 34            | Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.  |
| 12p74                | Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.  |
| 1p119                | <b>2.20 Employee benefits</b>  |
|                      | The company operates various post-employment obligation schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.  |
| 19Rp26-28            | <p>a) Pension obligations</p> <p>A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.</p> <p>A defined benefit plan is a pension plan that is not a defined contribution plan.</p>  |
| 19Rp30               | Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.  |
| 19Rp57-60, 67-68, 83 | The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.                       |
| 19Rp57               | Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.   |
| 19Rp123              | The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.   |
| 19Rp103              | Past service costs are recognised immediately in the income statement.   |
| 19Rp51               | For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.   |
| 19Rp7                | <p>b) Other post-employment obligations</p> <p>The company is a member of a multi-employer plan. Because of the nature of the information available to the company, it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan. Accordingly, it accounts for the plan as a defined contribution plan.</p> <p>Where the plan is in deficit and the company has agreed, with the plan, to participate in a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement, that relate to the deficit, and the company expenses such amounts in profit or loss. The unwinding of the discount is recognised as a finance cost.</p> |

1p119

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## 2.21 Share-based payments

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IFRS2p15(b), p19

The company operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (options) of UK GAAP Holdings Limited. The awards are granted by UK GAAP Holdings Limited and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

IFRS2p20–21A, 15

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company is recharged the options' original fair value as of the grant date from UK GAAP Holdings Limited. This recharge is accounted for as a deduction from equity.

1p119

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## 2.22 Provisions

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37p14, 72, 63

Provisions for environmental restoration, restructuring costs and legal claims are recognised where: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

37p24

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

37p45

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1p119

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## 2.23 Revenue recognition

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Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods (furniture) or services (IT consulting) have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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a) Sales of goods – wholesale

**15p119(a),(c),123(a),  
125**

The company manufactures and sells a range of furniture in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

**15p119(b),(d),(e)  
123(b),126**

The furniture is often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in creditors: amounts falling due within one year) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see [note 20](#).

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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b) Sales of goods – retail

**15p119(a),(c),123,125**

The company operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when the company sells a product to the customer.

**15p117,119(b),(d),  
123(b),126**

Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery in store. Retail sales are usually in cash or by debit/credit cards. It is the company's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in creditors: amounts falling due within one year) and a right to the returned goods (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see [note 20](#).

**15p119(e)**

The company does not operate any loyalty programmes.

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c) Internet revenue

**15p117,119(b),(d),  
123(b),126**

The company also sells furniture on the internet and revenue is recognised when control of the furniture has passed to the customer, which is at the point of receipt by customer.

Internet sales are usually settled by credit or debit card. It is the company's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in creditors: amounts falling due within one year) and a right to the returned goods (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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d) Sales of services – IT consulting

15p119(a),(c),124

The IT consulting division provides business IT management, design, implementation and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

15p119(c)

15p22,73,79,119(a),125

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

15p119(a),123(a)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

15p117

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

15p117,B16

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

IAS1p117

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**2.24 Interest income/(expense)**

Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

IFRS15(Appendix A)  
Framework (4.29)  
IAS1(82)(a)

**Commentary**

The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's ordinary activities rather than an incidental benefit, the interest income should be included within the main 'revenue' heading and separately disclosed in the income statement, if material. In other cases, entities may take the view that finance income is most appropriately included as 'other income' or as a separate line item in arriving at operating profit (if disclosed). UK GAAP Limited includes finance income that arises from treasury activity (for example, income on surplus funds invested for the short term) outside operating profit whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the income statement, the presentation policy adopted should be applied consistently and disclosed if material.

1p119

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**2.25 Dividend income**

Dividend income is recognised when the right to receive payment is established.

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1p119

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## 2.26 Leases

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**IFRS16(59)(a),(c)**

The company leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options.

**IFRS16(15)**

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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**IFRS16(27)**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

**IFRS16(18)**

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

**IFRS16(26)**

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

**IFRS16(38)**

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**IAS1(117)**  
**IFRS16(24)**

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

**IAS1(112)(c)**

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
  - uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing, and
-

- 
- makes adjustments specific to the lease, e.g. term, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the company uses that rate as a starting point to determine the incremental borrowing rate.

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**IFRS16(38)**

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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**IAS16(73)(b)  
IFRS16(35)**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

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**IFRS16(60)**

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Information about critical accounting judgements in the application of lease accounting is disclosed in [note 3.2](#).

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**2.27 Dividend distribution**

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**10p12**

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

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**2.28 Financial guarantees**

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**IFRS9(4.2.1)(c)**

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9: Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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**2.29 Rounding of amounts**

All amounts in the financial statements and notes have been rounded off to the nearest thousand Sterling Pound, unless otherwise stated.

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**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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### 3.1 Critical accounting estimates and assumptions

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The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See [note 12](#) for the carrying amount of the property plant and equipment and [note 2.4](#) for the useful economic lives for each class of assets.

As indicated in [note 2.4](#) the estimated useful lives of items of property, plant and equipment range between 3 – 40 years. However, the actual useful lives might be shorter or longer depending on technological innovations and other factors. Based on the current useful lives, the carrying amount of property, plant and equipment is expected to be £3,166,000 at the next reporting date (within 12 months). If the useful lives were two years shorter, the carrying amount would instead be £2,465,000 and if they were 2 years longer, the carrying amount would be £3,765,000.

b) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See [note 21](#) for the disclosures of the defined benefit pension scheme.

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### 3.2 Critical judgements in applying the entity's accounting policies

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a) Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the region. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. So, the scheme is accounted for as a defined contribution scheme; see [note 21](#) for further details.

b) Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
  - If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
  - Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
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Most extension options in offices and vehicles leases have not been included in the lease liability because the company could replace the assets without significant cost or business disruption.

As at 31 December 2022, potential future cash outflows of £65,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (2021: £100,000).

## IFRS16(20)

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £15,000.

### Commentary

In July 2022 the FRC published a [thematic review report on judgements and estimates](#) that companies should refer to when preparing these disclosures and is available on the FRC website. The thematic review focused on:

- The use of sensitivity and range-of-outcome disclosures
- Judgements and estimates relating to climate change.

For the purpose of this thematic, the FRC also identified four areas where there is room for further improvement:

- Companies should explicitly state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
- Sensitivity disclosures should be provided more frequently and in the way that is most meaningful to readers.
- Companies should assess whether disclosure of climate-related significant judgements or assumptions and sources of estimation uncertainty are required by paragraphs 122 or 125 of IAS 1 (relevant if IFRS format is adopted) and consider whether information about assumptions with a longer-term effect is required.
- Where additional estimate disclosures are provided, such as those carrying lower risk, having smaller impact or crystallising over a longer timeframe, they should be clearly distinguished from those with a short-term effect.

### Commentary – Impact of Russia’s war on Ukraine

Russia’s war on Ukraine is continuing and may likely have significant accounting implications for some entities. We have not updated the illustrative disclosures in this publication to reflect these developments because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and disclose judgements made in this area. It might also result in critical estimates being made of financial and non-financial assets. Disclosure of assumptions made for such estimates would be required in the financial statements. For guidance see our [In Depth Accounting implications of the Russian invasion of Ukraine](#) on Viewpoint.

### Commentary – Rising inflation and interest rates

Disclosures – Detailed and entity-specific disclosure of rising inflation risks and interest rates should be made to explain the judgements taken, assumptions made and the impact on the entity’s operations. Where there are particular threats, such as on expected replacement costs, debt covenant triggers etc, entities should identify these clearly and management should describe any actions they are taking, or have taken, to manage the potential impact. The broad uncertainties in relation to rising inflation and interest rates when companies report will require disclosure of sufficient information to help users understand the degree of sensitivity of assets and liabilities to changes in management’s assumptions.



Impairments and valuations – Valuations, measurements and recoverable amount calculations that use market inputs should reflect market data at the balance sheet date. If valuation techniques and estimates are applied, cash flow models for impairment testing will likely require a wider range of outcomes than usual to reflect a broad spectrum of possible rising inflation and interest rate. Disclosure about the sensitivity of the recoverable amount to key assumptions and the impact on headroom may be of heightened relevance when there is greater uncertainty surrounding forecast cash flow projections. Management should carefully identify the key assumptions to ensure the applicable disclosures are provided.

Directors duties and dividends – Directors need to consider, apart from statutory duties, their fiduciary duties to safeguard the company’s assets and ensure that the company is able to pay its debts as they fall due. This would be relevant when deciding on dividend payments as rising inflation and interest rate might affect the company’s financial position

#### 4. Financial instruments

**SI 2008/410 1  
Sch 55**

At year end the company has neither financial assets measured at fair value through profit or loss (FVTPL) nor those measured at fair value through other comprehensive income (FVOCI).

The company has the following financial liabilities measured at fair value through profit or loss:

**SI 2008/410 1 Sch 55**

|                                  | <b>2022</b> | <b>2021</b> |
|----------------------------------|-------------|-------------|
| Derivative financial instruments | 86          | 65          |

#### Derivative financial instruments

**SI 2008/410 1  
Sch 55**

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2022, the outstanding contracts all mature within 6 months (2021: 9 months) of the year end. The company is committed to sell US\$500,000 and €450,000 and received a fixed sterling amount.

**SI 2008/410 1  
Sch 55**

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD and GBP:EUR.

**SI 2008/410 1 Sch 55**

#### Commentary

For financial instruments measured at fair value, the financial statements must disclose:

- significant assumptions underlying the valuation;
- amounts recognised in profit and loss or the fair value reserve;
- terms and conditions which might affect future cash flows; and
- the amount of the revaluation reserve at the beginning and end of the year and a reconciliation of movements.

**101pA2.5A–A2.7**

#### Commentary

If a qualifying entity has financial instruments where the fair value option has been applied (that is, those designated at fair value through profit or loss as permitted by paragraph 36(4) of Schedule 1 to the Regulations), relevant disclosures as required by IFRS 7 and IFRS 13 must be included.

Paragraph 36(4) refers to financial instruments that, under IASs, may be included in accounts at fair value. Derivatives are required to be held at fair value through profit or loss, and so no fair value option is applied. Where financial instruments must be measured at fair value (for example, derivatives), only the disclosures in paragraph 55 of Sch 1 to SI 2008/410 are required.

## 5. Revenue

Analysis of revenue by geography:

| SI 2008/410 1Sch 68 | 2022          | 2021          |
|---------------------|---------------|---------------|
| United Kingdom      | 15,153        | 10,791        |
| France              | 1,963         | 2,813         |
| Germany             | 3,204         | 2,965         |
| Rest of Europe      | 3,903         | 2,828         |
| New Zealand         | 1,748         | 1,257         |
| Rest of the world   | 704           | 1,356         |
|                     | <b>26,675</b> | <b>22,010</b> |

Analysis of revenue by category:

| SI 2008/410 1 Sch 68 | 2022          | 2021          |
|----------------------|---------------|---------------|
| IFRS15p114           |               |               |
| Sales of goods       | 21,854        | 18,352        |
| IFRS15p114           |               |               |
| Sale of services     | 3,128         | 2,482         |
| IFRS15p114           |               |               |
| Internet sales       | 1,693         | 1,176         |
|                      | <b>26,675</b> | <b>22,010</b> |

Assets and liabilities related to contracts with customers:

The company has recognised the following assets and liabilities related to contracts with customers:

|  | 31 Dec 2022 | 31 Dec 2021 | 1 Jan 2021 |
|--|-------------|-------------|------------|
| 1p77   |             |             |            |
| Current contract assets relating to IT consulting contracts          | 142         | 240         | 46         |
| Loss allowance   | (15)        | (11)        | (9)        |
| IFRS15p(116)(a)  |             |             |            |
| <b>Contract assets</b>   | <b>127</b>  | <b>229</b>  | <b>37</b>  |
| Non-current asset recognised for costs incurred to fulfil a contract | 50          | 73          | 42         |
| 1p77, IFRS 15(116)a  |             |             |            |
| Contract liabilities – IT consulting contracts                       | 138         | 122         | 15         |

1. Significant changes in contract assets and liabilities

IFRS 15(113)(b) In 2022 contract assets have decreased as the company has provided less services ahead of the agreed payment schedules for fixed-price contracts. The company also recognised a loss allowance for contract assets in accordance with IFRS 9.

IFRS 15(113)(b) Contract liabilities for expected IT consulting contracts have increased by £16,000. The increase in 2022 was due to the negotiation of larger prepayments and an increase in overall contract activity.

2. Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

|   | 31 Dec 2022 | 31 Dec 2021 |
|---|-------------|-------------|
| IFRS15(116)(b)  |             |             |
| Revenue recognised that was included in the contract liability balance at the beginning of the period |             |             |
| <b>IT consulting contracts</b>  | <b>14</b>   | <b>8</b>    |

### 3. Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the company has also recognised an asset in relation to costs to fulfil a long-term IT contract.

|                |   | 31 Dec 2022 | 31 Dec 2021 |
|----------------|---|-------------|-------------|
| IFRS15(128)(a) | Asset recognised from costs incurred to fulfil a contract at 31 December                  | 50          | 73          |
| IFRS15(128)(b) | Amortisation and impairment loss recognised as cost of providing services during the year | 23          | 17          |

### 6. Net impairment losses on financial and contract assets recognised in profit or loss

#### Not mandatory

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

|                |  | 2022  | 2021  |
|----------------|--|-------|-------|
|                | Impairment losses  | (123) | (165) |
| IAS1(82)(ba)   | Net impairment losses on financial and contract assets   | (123) | (165) |
| IFRS15(113)(b) | Of the above impairment losses, £108,000 (2021 – £154,000) relate to receivables arising from contracts with customers (see note 7). |       |       |

### 7. Operating profit

Operating profit is stated after charging:

|                               |   | 2022         | 2021         |
|-------------------------------|---|--------------|--------------|
| 1p104                         | Wages and salaries  | 3,161        | 2,891        |
| 1p104                         | Social security costs   | 615          | 536          |
| 1p104                         | Other pension costs (note 21)   | 302          | 168          |
| DV                            | Share-based payments (note 21)  | 134          | 126          |
| 1p104                         | <b>Staff costs</b>  | <b>4,212</b> | <b>3,721</b> |
| 1p104                         | Reorganisation expense  | 157          | -            |
| 1p104                         | Loss on disposal of property, plant and equipment   | 15           | 13           |
| 1p104                         | Depreciation charge on property, plant and equipment  | 502          | 401          |
| 1p104                         | Amortisation charge on intangible assets  | 270          | 151          |
| 1p104                         | Impairment of trade receivables   | 108          | 154          |
| 1p104                         | Impairment of contract assets   | 15           | 11           |
| 1p104                         | Amortisation and impairment loss recognised as cost of providing services during the period | 23           | 17           |
| 1p104                         | Impairment of intangible assets (included in 'administrative expenses')                     | 122          | -            |
| 2p36(d),                      | Inventory recognised as an expense  | 6,869        | 6,102        |
| 2p36(e) 1p104                 | Impairment of inventory (included in 'cost of sales')                                       | 134          | 112          |
| 1p104;<br>IFRS 16(53)(c), (d) | Lease expenses for low value assets and short-term leases (note 13)                         | 28           | 29           |
| 1p104                         | Foreign exchange losses/(gains) on trade receivables  | 22           | (124)        |
| SI 2008/489                   | Audit fees payable to the company's auditor   | 40           | 35           |
| ICAEW Tech 14/13,<br>1p104    |   |              |              |

**CA06 s534****Example disclosure where the company and the auditor have entered into a liability limitation agreement ('LLA') in respect of the statutory audit****SI 2008/489, Part 3, Regulation 8**

The directors have agreed with the company's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the company's financial statements for the year to 31 December 2022 should be limited to the greater of £[X] or [X] times the auditor's fees, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the company as is just and equitable having regard to the extent to which the auditor, the company and any third parties are responsible for the loss in question. The shareholders [approved this / waived the need for approval of this] limited liability agreement, as required by the Companies Act 2006, by a resolution dated [date].

**Commentary**

CA06 Section 536(4) states that the 'principal terms' of an LLA are 'terms specifying, or relevant to the determination of –

- a. the kind (or kinds) of acts or omissions covered,
- b. the financial year to which the agreement relates, or
- c. the limit to which the auditor's liability is subject.'

Companies may wish to take legal advice as to precisely what to disclose in their accounts, but we recommend the example disclosure given above to be the minimum.

**8. Employees and directors****Employees**

The average monthly number of persons (including executive directors) employed by the company during the year was:

|                          | 2022       | 2021       |
|--------------------------|------------|------------|
| <b>CA06 s411</b>         |            |            |
| <b>By activity</b>       | <b>No.</b> | <b>No.</b> |
| Production               | 166        | 170        |
| Selling and distribution | 32         | 30         |
| Administration           | 55         | 55         |
|                          | <b>253</b> | <b>255</b> |

**SI 2008/410 5 Sch 1****Directors**

The directors' emoluments were as follows:

|   | 2022 | 2021 |
|---|------|------|
| Aggregate emoluments  | 210  | 206  |
| Aggregate amounts (excluding shares) receivable under long-term incentive schemes | 5    | 7    |
| Sums paid to third parties for directors' services                                | 2    | -    |

Post-employment benefits are accruing for three (2021: two) directors under a defined benefit scheme.

**Highest paid director**

The highest paid director's emoluments were as follows:

**SI 2008/410 5 Sch 2**

|  | 2022 | 2021 |
|--|------|------|
| Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes | 75   | 70   |
| Defined benefit pension scheme:  |      |      |
| • accrued pension at the end of the year   | 38   | 36   |
| • accrued lump sum at the end of the year  | 50   | 45   |

## 9. Interest income and expense

|                             |  | 2022         | 2021         |
|-----------------------------|--|--------------|--------------|
|                             | <b>Finance income</b>  |              |              |
|                             | Bank interest income   | 71           | 58           |
|                             | Interest income on short-term deposits   | 41           | 36           |
|                             | Accrued interest on commercial paper   | 10           | 5            |
|                             | Total interest income  | 122          | 99           |
|                             | Gains on derivative financial instruments  | -            | 14           |
| <b>SI 2008/410 1 Sch 55</b> | <b>Total finance income</b>  | <b>122</b>   | <b>113</b>   |
|                             | <b>Finance expense</b>   |              |              |
| <b>SI 2008/410 1 Sch 66</b> | Bank borrowings  | (209)        | (133)        |
| <b>SI 2008/410 1 Sch 66</b> | Other loans  | (78)         | (54)         |
| <b>SI 2008/410 1 Sch 66</b> | Dividend on preference shares: 3.5p (2021: 3.5p) per share                                     | (3)          | (3)          |
| <b>SI 2008/410 1 Sch 66</b> | Lease liabilities  | (6)          | (7)          |
|                             | Provisions: unwinding of discount ( <a href="#">note 20</a> )                                  | (13)         | (12)         |
| <b>SI 2008/410 1 Sch 55</b> | Losses on derivative financial instruments   | (21)         | -            |
|                             | Net cost on post-employment benefits   | (6)          | (6)          |
| <b>23p26(a)</b>             | Interest capitalised*  | 15           | 6            |
|                             | <b>Total finance expense</b>   | <b>(321)</b> | <b>(209)</b> |
| <b>DV</b>                   | <b>Net finance cost</b>  |              |              |
|                             | Interest income  | 122          | 113          |
|                             | Interest expense   | (321)        | (209)        |
|                             | <b>Net finance cost</b>  | <b>(199)</b> | <b>(96)</b>  |
| <b>23p26(b)</b>             | *Borrowing costs have been capitalised at a rate of 10%, in line with the unsecured loan rate. |              |              |

## 10. Income tax

|                                |  | 2022 | 2021 |
|--------------------------------|--|------|------|
| <b>12p79</b>                   | Tax expense included in profit or loss:  |      |      |
|                                |  |      |      |
| <b>SI 2008/410 1 Sch 67(2)</b> | <b>Current tax:</b>  |      |      |
| <b>12p80(a)</b>                | <ul style="list-style-type: none"> <li>UK corporation tax on profits for the year</li> </ul> | 619  | 765  |
| <b>12p80(b)</b>                | <ul style="list-style-type: none"> <li>Adjustment in respect of prior periods</li> </ul>     | 23   | 33   |
|                                | Total current tax  | 642  | 798  |
|                                | <b>Deferred tax:</b>   |      |      |
| <b>12p80(c)</b>                | Origination and reversal of temporary differences  | 21   | 32   |

|                                |   |             |                 |
|--------------------------------|---|-------------|-----------------|
| 12p80(d)                       | Impact of change in tax rate  | 2           | (2)             |
|                                | Total deferred tax  | 23          | 30              |
|                                | <b>Tax on profit</b>  | <b>665</b>  | <b>828</b>      |
| 12p81(ab)                      | Tax income included in other comprehensive income:  |             |                 |
|                                |   | <b>2022</b> | <b>2021</b>     |
|                                | Current tax   | 13          | 5               |
|                                | Deferred tax:   |             |                 |
|                                | Movement in relation to pension deficit   | (1)         | (1)             |
|                                | Movement in relation to revaluation reserve   | 6           | 4               |
|                                | <b>Total tax income included in other comprehensive income</b>  | <b>18</b>   | <b>8</b>        |
| 12p81(a)                       | Tax income included in equity:  |             |                 |
|                                |   | <b>2022</b> | <b>2021</b>     |
|                                | Current tax   | (15)        | (12)            |
|                                | <b>Total tax income included in equity</b>  | <b>(15)</b> | <b>(12)</b>     |
| 12p81(c)                       | Tax expense for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:  |             |                 |
|                                |   | <b>2022</b> | <b>2021</b>     |
|                                | Profit before taxation  | 2,569       | 3,318           |
|                                | Profit multiplied by the standard rate of tax in the UK of 19% (2021: 19%)  | 488         | 630             |
|                                | <b>Effects of:</b>  |             |                 |
|                                | • Income not subject to tax   | (15)        | (11)            |
|                                | • Remeasurement of deferred tax – change in UK tax rate   | 2           | -               |
|                                | • Adjustments to tax charge in respect of prior years   | 23          | 33              |
|                                | Expenses not deductible for tax purposes  | 167         | 176             |
|                                | <b>Tax charge</b>   | <b>665</b>  | <b>828</b>      |
| 12p81(d)                       | The tax rate for the current year is the same as the prior year.  |             |                 |
| SI 2008/410 1 Sch 67(1)        | In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. |             |                 |
| SI 2008/410 1Sch 51, 38p118(e) | <b>11. Intangible assets</b>  |             | <b>Software</b> |
|                                | <b>Cost</b>   |             |                 |
|                                | At 1 January 2022   |             | 1,177           |

|                                    |   |              |
|------------------------------------|---|--------------|
|                                    | Additions   | 640          |
|                                    | <b>As at 31 December 2022</b>   | <b>1,817</b> |
|                                    | <b>Accumulated amortisation and impairment</b>  |              |
|                                    | At 1 January 2022   | (472)        |
|                                    | Amortisation  | (148)        |
| 36p126(a)                          | Impairment  | (122)        |
|                                    | <b>As at 31 December 2022</b>   | <b>(742)</b> |
|                                    | <b>Net book amount</b>  | <b>1,075</b> |
|                                    | <b>Net book amount</b>  |              |
|                                    | As at 31 December 2021  | 705          |
|                                    | Movement during the year  | 370          |
|                                    | <b>As at 31 December 2022</b>   | <b>1,075</b> |
| 38p122(b)                          | The software intangible assets include the company's inventory management system, which was created by an external development firm for the company's specific requirements. The asset is carried at £109,000 (2021: £140,000) and has a remaining amortisation period of 3.5 years (2021: 4.5 years) on a straight-line basis. There are no other individually material intangible assets. |              |
| 38p118(d)                          | Intangible assets amortisation is recorded in administrative expenses in the income statement.  |              |
| 36p130(a)–(c), (e), (g), 36p126(a) | During the year, design software with a net book value of £122,000 was impaired. The software has been superseded by more advanced software acquired by the company during the year, and so it has a £nil value in use. As well as having more modelling capabilities, the new software is compatible with 3D printers.   |              |

SI 2008/410 1 Sch 21

**Commentary**

If the company has capitalised development costs, it should disclose the reasons for capitalising the costs and the period over which the costs are being written off.

**12. Property, plant and equipment**

SI 2008/410 1  
Sch 51, 16p73,  
101p8(f)

|               |   | Land and buildings | Plant and machinery | Fixtures, fittings, tools and equipment | Total        |
|---------------|---|--------------------|---------------------|---|--------------|
|               | <b>At 31 December 2021</b>              |                    |                     |   |              |
| 16p73(d)      | Cost or valuation                       | 862                | 1,342               | 1,854                                   | 4,058        |
| 16p73(d)      | Accumulated depreciation and impairment | (143)              | (457)               | (421)                                   | (1,021)      |
|               | <b>Net book amount</b>                  | <b>719</b>         | <b>885</b>          | <b>1,433</b>                            | <b>3,037</b> |
|               | <b>Year ended 31 December 2022</b>      |                    |                     |   |              |
| 16p73(e)(i)   | Additions                               | 198                | 341                 | 998                                     | 1,537        |
| 16p73(e)(ix)  | Disposals                               | (11)               | (87)                | (268)                                   | (366)        |
| 16p73(e)(vii) | Depreciation                            | (33)               | (122)               | (347)                                   | (502)        |

|                 |   |            |              |              |              |
|-----------------|---|------------|--------------|--------------|--------------|
|                 | <b>Closing net book amount</b>          | <b>873</b> | <b>1,017</b> | <b>1,816</b> | <b>3,706</b> |
|                 | <b>At 31 December 2022</b>              |            |              |              |              |
| <b>16p73(d)</b> | Cost or valuation                       | 1,047      | 1,496        | 2,579        | 5,122        |
| <b>16p73(d)</b> | Accumulated depreciation and impairment | (174)      | (479)        | (763)        | (1,416)      |
|                 | <b>Net book amount</b>                  | <b>873</b> | <b>1,017</b> | <b>1,816</b> | <b>3,706</b> |

Analysis of the land and buildings that have been revalued to show the carrying amount that would have been recognised if the assets had been carried under the cost model is as follows:

|                               | <b>2022</b> | <b>2021</b> |
|-------------------------------|-------------|-------------|
| Historical cost equivalent    | 144         | 148         |
| Amount of revaluation reserve | 173         | 177         |
| <b>Net book value</b>         | <b>317</b>  | <b>325</b>  |

**SI 2008/410 1 Sch 52, 16p77(a)–(c)**

The properties were last revalued in 2019 by an independent valuer, using arm's length market transactions for similar properties sold in the local area.

|                        | <b>2022</b> | <b>2021</b> |
|------------------------|-------------|-------------|
| Freehold               | 447         | 436         |
| Long leasehold         | 213         | 196         |
| Short leasehold        | 213         | 87          |
| <b>Carrying amount</b> | <b>873</b>  | <b>719</b>  |

**16p74(a)**

Freehold property with a carrying value of £54,000 (2021: £58,000) is pledged as security for an intercompany guarantee (see [note 24](#)).

**16p74(c)**

See [note 25](#) for contractual commitments on capital expenditure.

### 13. Leases

The company has lease contracts for various offices, warehouses, equipment and tools used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

#### 1. Amounts recognised in the statement of financial position

**IFRS16(54)**

The balance sheet shows the following amounts relating to leases:

|                      | <b>31-Dec 2022</b>         | <b>31-Dec 2021</b> |
|----------------------|----------------------------|--------------------|
| <b>IFRS16(47)(a)</b> | <b>Right-of-use assets</b> |                    |
| <b>IFRS16(53)(j)</b> | Buildings                  | 220                |
| <b>IFRS16(53)(j)</b> | Equipment                  | 230                |
| <b>IFRS16(53)(j)</b> | Vehicles                   | 100                |
|                      | <b>550</b>                 | <b>535</b>         |
| <b>IFRS16(47)(b)</b> | <b>Lease liabilities</b>   |                    |
|                      | Current                    | 55                 |
|                      |                            | 31                 |



|             |            |            |
|-------------|------------|------------|
| Non-current | 500        | 785        |
|             | <b>555</b> | <b>816</b> |

**IFRS16(53)(h)** Additions to the right-of-use assets during the financial year were £57,000 (2021: £49,900).

2. Amounts recognised in the income statement

**IFRS16(54)** The income statement shows the following amounts relating to leases:

|                      | Note   | 2022        | 2021        |
|----------------------|--|-------------|-------------|
| <b>IFRS16(53)(a)</b> | <b>Depreciation charge of right-of-use assets</b>  |             |             |
|                      |  | (15)        | (12)        |
|                      |  | (18)        | (19)        |
|                      |  | (9)         | (8)         |
|                      |  | <b>(42)</b> | <b>(39)</b> |
| <b>IFRS16(53)(b)</b> | Interest expense (included in finance cost)  | 9           | (6)         |
| <b>IFRS16(53)(c)</b> | Expense relating to short-term leases (included in administrative expenses)  | 7           | (13)        |
| <b>IFRS16(53)(d)</b> | Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | 7           | (15)        |
| <b>IFRS16(53)(e)</b> | Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)                | -           | -           |
| <b>IFRS16(53)(g)</b> | The total cash outflow for leases was £37,000 (2021: £39,500).   |             |             |

#### 14. Investments

|                | 2022                         |                         |              | 2021                         |                         |              |
|----------------|------------------------------|-------------------------|--------------|------------------------------|-------------------------|--------------|
|                | Shares in group undertakings | Associated undertakings | Total        | Shares in group undertakings | Associated undertakings | Total        |
| At 1 January   | 676                          | 738                     | 1,414        | 676                          | 738                     | 1,414        |
| Additions      | -                            | 17                      | 17           | -                            | -                       | -            |
| At 31 December | <b>676</b>                   | <b>755</b>              | <b>1,431</b> | <b>676</b>                   | <b>738</b>              | <b>1,414</b> |

**SI 2008/410 4 Sch** Investments comprise equity shares in Alpha Limited and Gamma Limited, neither of which are publicly traded. Both companies are incorporated in the United Kingdom. The address of the registered office of Alpha Limited is 13 Slippers Way, London, W5 1RT, UK and of Gamma Limited is 2 Starlight Street, Leeds, LS1 6AC, UK.

**SI 2008/410 4 Sch 1** The company owns 100% of the ordinary shares of Gamma Limited (2021: 100%).

**SI 2008/410 4 Sch 19** The company owns 35% of the ordinary shares of Alpha Limited (2021: 34%)

**18p35(b)(v)** During the year, the company received dividends of £17,000 from Alpha Limited (2021: £9,000), and dividends of £60,000 (2021: £50,000) from Gamma Limited.

#### Commentary

A company must disclose information about all of its related undertakings (as set out in Schedule 4 to SI 2008/410), regardless of their materiality to the company.

## Commentary

For listed investments, paragraph 54(2) of Schedule 1 to SI 2008/410 also requires disclosure of 'the aggregate market value of those investments where it differs from the amount so stated, and both the market value and the stock exchange value of any investments of which the former value is, for the purposes of the accounts, taken as being higher than the latter'.

## 15. Inventories

| 2p36(b), 1p78(c)                    | 2022         | 2021         |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables       | 1,173        | 1,020        |
| Work in progress                    | 309          | 282          |
| Finished goods and goods for resale | 1,026        | 977          |
|                                     | <b>2,508</b> | <b>2,279</b> |

The replacement cost of inventories exceeds the balance sheet values as follows:

| SI 2008/410 1 Sch 28(3)       | 2022 | 2021 |
|-------------------------------|------|------|
| Raw materials and consumables | 40   | 19   |

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £12,000 (2021: £18,000).

## 16. Trade and other receivables

| 1p78(b)  | 2022         | 2021         |
|--|--------------|--------------|
| Trade receivables  | 1,913        | 1,238        |
| Amounts owed by group undertakings                       | 589          | 467          |
| Other receivables  | 130          | 129          |
| Prepayments and accrued income                           | 24           | 54           |
| Contract assets  | 127          | 229          |
| Right of return assets                                   | 40           | 30           |
| Asset recognised for costs incurred to fulfil a contract | 50           | 73           |
|  | <b>2,873</b> | <b>2,220</b> |

1p61 Trade receivables of £205,000 (2021: £56,000) fall due after more than one year.

DV Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

1p54 Trade receivables are stated after provisions for impairment of £162,000 (2021: £54,000).

101pA2.9(d),  
A2.10

#### Commentary

The Act requires presentation of debtors falling due after more than one year within current assets. Under UK-adopted IFRS, those items would be presented in non-current assets.

In most cases, it will be satisfactory to disclose the amount of debtors due after more than one year in the notes to the accounts. There will be some instances, however, where the amount is so material, in the context of the total net current assets, that, in the absence of disclosure of the debtors due after more than one year on the face of the balance sheet, readers might misinterpret the accounts. In such circumstances, the amount should be disclosed on the face of the balance sheet within current assets.

101pA2.9B(b)

#### Commentary

The Act's definition of 'current assets' might be different from 'current assets' under UK-adopted IFRS. If so, the Act's definition takes precedence.

### 17. Creditors: amounts falling due within one year

| 1p69                                | 2022         | 2021         |
|-------------------------------------|--------------|--------------|
| Debenture loans (note 19)           | 349          | 12           |
| Bank loans and overdrafts (note 19) | 668          | 419          |
| Creditors                           | 711          | 1,183        |
| Amounts owed to group undertakings  | 241          | 180          |
| Lease liabilities (note 13)         | 55           | 31           |
| Taxation and social security        | 233          | 272          |
| Other creditors                     | 217          | 214          |
| Derivative financial instruments    | 86           | 65           |
| Accruals and deferred income        | 63           | 89           |
| Refund liabilities                  | 50           | 40           |
| Contract liabilities                | 138          | 122          |
|                                     | <b>2,811</b> | <b>2,627</b> |

DV

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

SI 2008/410 1 Sch 43

#### Commentary

The aggregate amount of dividends that the company is liable to pay must be disclosed.

#### Commentary

According to paragraph 2.9(c) of Appendix A to FRS 101, the Act's definition of 'creditors falling due within or after one year' (the term used in the Regulations) might differ from 'current and non-current liabilities' (the term used in UK-adopted IFRS) – the Act takes precedence in this case.

## 18. Creditors: amounts falling due after more than one year

Amounts falling due after more than one year and less than five years:

| 1p69   | 2022         | 2021         |
|--|--------------|--------------|
| Bank loans (note 19)                                       | 586          | 945          |
| Lease liabilities (note 13)                                | 500          | 785          |
| Cumulative preference shares of £1 each – 75,000 (note 23) | 75           | 75           |
| Other creditors  | 95           | 40           |
|  | <b>1,256</b> | <b>1,845</b> |

SI 2008/410 1 Sch 61(1)

Amounts falling due after more than five years:

|                           | 2022         | 2021         |
|---------------------------|--------------|--------------|
| Debenture loans (note 19) | 175          | 107          |
| <b>Total</b>              | <b>1,431</b> | <b>1,952</b> |

### Commentary

SI 2008/410 1 Sch 61(1),(3)

A company should disclose any debts that are due after more than five years, and disclose the terms of repayment and the interest rates for any debts.

## 19. Loans and other borrowing

|                               | 2022         | 2021         |
|-------------------------------|--------------|--------------|
| 7% unsecured loan stock 2023  | 349          | 12           |
| 10% unsecured loan stock 2027 | 175          | 107          |
| Bank loans                    | 1,254        | 1,364        |
|                               | <b>1,778</b> | <b>1,483</b> |

SI 2008/410 1 Sch 50

The company has issued the following debentures during the year:

|                               | 2022 | 2021 |
|-------------------------------|------|------|
| 7% unsecured loan stock 2022  | 337  | 337  |
| 10% unsecured loan stock 2027 | 68   | 68   |

SI 2008/410 1 Sch 61

The 7% unsecured loan stock 2023 is redeemable at par between 1 January and 31 December 2023. The 10% loan stock 2027 is redeemable at par between 1 January and 31 December 2027.

DV

Included in the bank loans is an amount of £1,000,000, which is payable in two annual instalments commencing 1 January 2023 and carries fixed interest at 11%. The balance of £254,000 is repayable in six quarterly instalment commencing 1 February 2023 and carries variable interest at LIBOR plus 3%.

## 20. Provisions for liabilities

The company had the following provisions during the year:

|          |   | Pending litigation | Reorganisation provision | Environmental provision | Service warranties/ refund obligation | Deferred tax provision | Post-employment benefits | Total      |
|----------|---|--------------------|--------------------------|-------------------------|---------------------------------------|------------------------|--------------------------|------------|
| 37p84(a) | At 31 December 2021   | 19                 | -                        | 46                      | 46                                    | 47                     | 129                      | 287        |
| 37p84(b) | Additions/ (credit) to the income statement                     | 15                 | 157                      | 22                      | 50                                    | 21                     | (1)                      | 264        |
| 37p84(b) | Additions to the statement of other comprehensive income        | -                  | -                        | -                       | -                                     | (18)                   | 80                       | 62         |
| 37p84(e) | Unwind of discount  | -                  | -                        | 13                      | -                                     | -                      | -                        | 13         |
| 37p84(c) | Amount utilised   | -                  | (42)                     | (20)                    | (14)                                  | -                      | -                        | (76)       |
| 37p84(d) | Unused amounts reversed to the income statement                 | (7)                | -                        | -                       | -                                     | -                      | -                        | (7)        |
| 37p84(b) | Additional liability recognised under the multi-employer scheme | -                  | -                        | -                       | -                                     | -                      | 128                      | 128        |
|          | <b>At 31 December 2022</b>                                      | <b>27</b>          | <b>115</b>               | <b>61</b>               | <b>82</b>                             | <b>50</b>              | <b>336</b>               | <b>671</b> |

### Pending litigation

37p85

In December 2022, the company received a claim from Customer Limited regarding a defect in a line of chairs produced by the company. A provision of £15,000 has been made for the costs of product recall and loss of profit claim from Customer Limited. The claim is expected to be fully resolved in early 2023.

### Reorganisation

37p85

A rationalisation of product processes at the company's two factories in Reading and Nottingham was announced on 11 December 2022. This rationalisation, involving the introduction of new technology, will result in the loss of 15 jobs in total over the following six months. The provision is expected to be fully utilised by 30 June 2023.

### Environment

37p85

In April 2019, a spillage of cleaning chemicals contaminated land surrounding the Burnley factory. The company is committed to a policy of environmental protection, and immediate action was taken to deal with the contamination. A provision was recognised for the ongoing containment, clearing and monitoring of the land, which is expected to be incurred over the period until 2024. A further provision of £22,000 has been recognised during the year, as the extent of the spill was larger than initially thought.

37p85

**Service warranties**

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

15p119(e)

The company generally offers 12 months warranties for its wholesale furniture sales. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year.

**Deferred tax**

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

|   | 2022        | 2021        |
|---|-------------|-------------|
| Deferred tax assets due within 12 months            | (54)        | (45)        |
| Deferred tax liabilities due within 12 months       | 61          | 57          |
| <b>Carrying amount at year end</b>                  | <b>7</b>    | <b>12</b>   |
|   | <b>2022</b> | <b>2021</b> |
| Deferred tax assets due in more than 12 months      | (32)        | (12)        |
| Deferred tax liabilities due in more than 12 months | 75          | 47          |
| <b>Carrying amount at year end</b>                  | <b>43</b>   | <b>35</b>   |
|   | <b>2022</b> | <b>2021</b> |
| <b>Total carrying amount at year end</b>            | <b>50</b>   | <b>47</b>   |

|  | Accelerated<br>capital<br>allowances | Revaluation<br>of PPE | Other     | Total      |
|--|--------------------------------------|-----------------------|-----------|------------|
| At 1 January 2021  | 28                                   | 45                    | 9         | 82         |
| 12p81(g)(ii) Charged to the income statement             | 12                                   | -                     | 14        | 26         |
| 12p81(e) Credited directly to other comprehensive income | -                                    | (4)                   | -         | (4)        |
| <b>At 31 December 2021</b>                               | <b>40</b>                            | <b>41</b>             | <b>23</b> | <b>104</b> |
| 12p81(g)(ii) Charged to the income statement             | 25                                   | -                     | 13        | 38         |
| 12p81(e) Credited directly to other comprehensive income | -                                    | (6)                   | -         | (6)        |
| <b>At 31 December 2022</b>                               | <b>65</b>                            | <b>35</b>             | <b>36</b> | <b>136</b> |

| Deferred tax assets | Relating to<br>the pension<br>deficit | Revaluation<br>of derivative<br>financial<br>liabilities | Share-based<br>payments | Total |
|---------------------|---------------------------------------|--|-------------------------|-------|
|---------------------|---------------------------------------|--|-------------------------|-------|

|              |   |           |           |           |           |
|--------------|---|-----------|-----------|-----------|-----------|
|              | At 1 January 2021                                     | 31        | 21        | -         | 52        |
| 12p81(g)(ii) | Charged to the income statement                       | -         | (6)       | -         | (6)       |
|              | Credited directly to equity                           | -         | -         | 12        | 12        |
| 12p81(e)     | Charged directly to other comprehensive income        | (1)       | -         | -         | (1)       |
|              | <b>At 31 December 2021</b>                            | <b>30</b> | <b>15</b> | <b>12</b> | <b>57</b> |
| 12p81(g)(ii) | Credited to the income statement                      | -         | 15        | -         | 15        |
|              | Credited directly to equity                           | -         | -         | 15        | 15        |
| 12p81(e)     | Charged directly to other comprehensive income        | (1)       | -         | -         | (1)       |
|              | <b>At 31 December 2022</b>                            | <b>29</b> | <b>30</b> | <b>27</b> | <b>86</b> |
| 12p81(e)     | There are no unused tax losses or unused tax credits. |           |           |           |           |

## 21. Post-employment benefits

The company operates a number of pension schemes for its employees.

### Defined benefit scheme

19Rp136, 138, 139(a) For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary.

On 1 January 2010, the defined benefit pension scheme was closed to new entrants. At the same time, the company established a defined contribution scheme to provide benefits to new employees.

The scheme pensions are updated in line with the retail price index.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan including investment decisions and contribution schedules lies jointly with the company and the board of trustees of the fund.

19Rp139(b) The risks of the scheme are as follows:

#### (a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in 2021, with the sale of a number of equity holdings and the purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK government securities only. The corporate bonds are securities with an emphasis on the UK.

However, the company believes that, due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the company's long-term strategy to manage the plans efficiently.

#### (b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

DV

A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 31 March 2021 by Actuary and Actuary LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

19Rp144

|  | 2022 | 2021 |
|--|------|------|
| Expected rate of salary increases                | 4.3% | 4.0% |
| Expected rate of increase of pensions in payment | 3.0% | 4.0% |
| Discount rate                                    | 5.2% | 5.0% |
| Rate of inflation                                | 2.8% | 2.5% |

Assumptions regarding future mortality are set, based on actuarial advice, in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

19Rp144

|  | 2022 Years | 2021 Years |
|--|------------|------------|
| Longevity at age 65 for current pensioners |            |            |
| – Men                                      | 22.5       | 22.5       |
| – Women                                    | 23.6       | 23.0       |
| Longevity at age 65 for future pensioners  |            |            |
| – Men                                      | 23.6       | 23.0       |
| – Women                                    | 25.2       | 25.1       |

19Rp140(a)

Reconciliation of scheme assets and liabilities:

|                              | Assets       | Liabilities    | Carrying amount |
|------------------------------|--------------|----------------|-----------------|
| At 1 January 2022            | 6,841        | (6,970)        | (129)           |
| Benefits paid                | (51)         | 51             | -               |
| Employer contributions       | 96           | -              | 96              |
| Current service cost         | -            | (84)           | (84)            |
| Past service cost            | -            | (5)            | (5)             |
| Interest income/(expense)    | 356          | (362)          | (6)             |
| Remeasurement gains/(losses) | 210          | (290)          | (80)            |
| <b>At 31 December 2022</b>   | <b>7,452</b> | <b>(7,660)</b> | <b>(208)</b>    |



**19Rp145(a)** The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

|                     | Impact on defined benefit obligation |                        |                        |
|---------------------|--------------------------------------|------------------------|------------------------|
|                     | Change in assumption                 | Increase in assumption | Decrease in assumption |
| Discount rate       | 0.50%                                | Decrease by 8.2%       | Increase by 9.0%       |
| Salary growth rate  | 0.50%                                | Increase by 1.8%       | Decrease by 1.7%       |
| Pension growth rate | 0.50%                                | Increase by 4.7%       | Decrease by 4.4%       |
| Life expectancy     | 1 year                               | Increase by 2.8%       | Decrease by 2.9%       |

**19Rp145(b)** The above sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

**19Rp145(c)** The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

**19Rp141(a), (b)** Total cost recognised as an expense:

|                      | 2022 Years  | 2021 Years  |
|----------------------|-------------|-------------|
| Current service cost | (84)        | (90)        |
| Past service cost    | (5)         | -           |
| Interest cost        | (6)         | (6)         |
|                      | <b>(95)</b> | <b>(96)</b> |

**19Rp142** The fair value of the plan assets was:

|                    | 2022         | 2021         |
|--------------------|--------------|--------------|
| Equity instruments | 3,343        | 3,936        |
| Bonds              | 3,612        | 2,484        |
| Property           | 497          | 421          |
|                    | <b>7,452</b> | <b>6,841</b> |

**19Rp143** Included in properties are £124,000 of assets which are leased to the company (2021: £117,000).

**19Rp141** The return on the plan assets was:

|                                    | 2022       | 2021       |
|------------------------------------|------------|------------|
| Interest income                    | 356        | 310        |
| Remeasurements                     | 210        | 288        |
| <b>Total return on plan assets</b> | <b>566</b> | <b>598</b> |

#### Multi-employer scheme

19Rp32, 34, 36

Certain employees in one of the company's factories participate in a multi-employer defined benefit scheme with other companies in the region. The employers share the actuarial risks associated with all employees and former employees. The company is not legally responsible for the plan and does not have sufficient information to use defined benefit accounting. In particular, the plan was not yet able to provide the participation data for the former employees with vested rights and the pensioners relating to the company that would have allowed estimating the defined benefit obligation. Accordingly, the scheme is accounted for as if it is a defined contribution scheme.

19Rp148

The company can be liable to the plan for other entities' obligations under the terms and conditions as the minimum funding requirements may lead to higher contributions. This is the case if another affiliated company gets insolvent.

If the affiliation contract to the plan is terminated, the company must pay a withdrawal liability. The withdrawal liability is calculated based on the total contributions of the affiliated employers and the employer contributions of the company to the plan.

Upon the wind-up of the scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the participants in line with their contribution schedule.

19Rp147

The multi-employer scheme is currently in deficit and, in 2022, the company has agreed to participate in a funding plan to reduce the deficit. The participation percentage is an indication based on the relevant amount of its contributions during the year in relation to the total amount of contributions made to the plan which during the year is estimated at 5% (2021: 4.9%). A liability of £128,000 has been recognised, representing present value of the additional contributions payable between 2023 and 2026, with the resulting expense recognised in the income statement. The proportionate share of deficit was calculated by multiplying the deficit plan deficit by the company's participation percentage in that plan. This proportional share of deficit is an indication of our share of deficit based on the best available information.

19Rp53, 148

The employer contribution to this plan is calculated based on the working hours of the active employees. For each hour a fixed contribution is paid to the plan. This fixed amount is determined based on a collective agreement with the relevant unions. The amount recognised as an expense for the multi-employer scheme was:

|                                 | 2022       | 2021      |
|---------------------------------|------------|-----------|
| Current year contributions      | 60         | 55        |
| Additional liability recognised | 128        | -         |
|                                 | <b>188</b> | <b>55</b> |

The company currently pays total contributions of £60,000 (2021: £55,000) per annum and this amount will increase by 10% per annum from September 2022. Based on the actuarial valuation assumptions, this will be sufficient to pay off the deficit by 30 October 2026.

19Rp148

As of 31 December 2022, the present value of the company's outstanding contributions (i.e. its future liability) is £128,000 (2021: £nil). This amounts to £7,000 (2021: £nil) due within one year and £121,000 (2021: £nil) due after more than one year and is included within other payables

#### Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the company provides a defined contribution scheme for its employees.

19Rp53

The amount recognised as an expense for the defined contribution scheme was:

|                            | 2022 | 2021 |
|----------------------------|------|------|
| Current year contributions | 25   | 23   |

## 22. Share-based payments

|                                |   |
|--------------------------------|---|
| <b>IFRS2(45)(a)</b>            | Certain employees of the company, along with other group employees, have been granted options over the shares in UK GAAP Holdings Limited. The options are granted with a fixed exercise price, are exercisable three years after the date of grant, and expire five years after the date of grant. Employees are required to remain in employment with the company until the options become exercisable. The company makes annual grants on 30 April each year.                                      |
| <b>IFRS2p43A, B53, 2pBC268</b> | The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.  |
| <b>IFRS2p45(a)</b>             | On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by UK GAAP Holdings Limited. This amount is treated as a reduction of the capital contribution, and it is recognised directly in equity.   |
| <b>IFRS2p45(e)</b>             | Out of the 4,833,000 outstanding options (2021: 4,744,000 options), 1,875,000 options (2021: 1,400,000) were exercisable. Options exercised in 2022 resulted in 750,000 shares (2021: 1,000,000 shares) being issued at a weighted average price of £1.28 each (2021: £1.08 each). The related weighted average share price at the time of exercise was £2.85 (2021: £2.65) per share. The related transaction costs amounting to £10 (2021: £10) have been netted off against the proceeds received. |
| <b>IFRS2p45(d)</b>             | Share options outstanding at the end of the year have the following expiry date and exercise prices:  |

| Grant-vest | Expiry date:<br>1 July | Exercise price<br>in £ per share<br>option | Share options (thousands) |       |
|------------|------------------------|--|---------------------------|-------|
|            |                        |  | 2022                      | 2021  |
| 20W0-X2    | 2021                   | 1.1  | -                         | 500   |
| 20W1-X3    | 2023                   | 1.2  | 800                       | 900   |
| 20X2-X4    | 2023                   | 1.35                                       | 1,075                     | 1,250 |

### Commentary

FRS 101 provides an exemption from the disclosure requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 for entities which meet one of the following conditions:

- (i) a subsidiary where the share-based payment arrangement concerns equity instruments of another group entity; or
- (ii) an ultimate parent where the share-based payment arrangement concerns its own equity instruments, and its separate financial statements are presented alongside the consolidated financial statements of the group.

In both cases, the equivalent disclosures must be included in the consolidated financial statements of the group in which the entity is consolidated.

## 23. Share capital

**SI 2008/410 1 Sch 47, 1p79** Ordinary shares of £0.25 each:

| Allotted and fully paid    | No.              | Amount     |
|----------------------------|------------------|------------|
| At 1 January 2022          | 2,020,000        | 505        |
| Issued during the year     | 12,000           | 3          |
| <b>At 31 December 2022</b> | <b>2,032,000</b> | <b>508</b> |

**SI 2008/410 1 Sch 48** On 12 May 2022, 12,000 ordinary shares were issued for £27,000 (after deducting expenses of £1,000).

**1p79(a)(v)** All shares rank pari passu in all respects.

**SI 2008/410 1 Sch 47** Preference shares of £1 each:

| <b>Allotted and fully paid</b> | <b>No.</b>    | <b>Amount</b> |
|--------------------------------|---------------|---------------|
| At 1 January 2022              | 75,000        | 75            |
| Issued during the year         | -             | -             |
| <b>At 31 December 2022</b>     | <b>75,000</b> | <b>75</b>     |

The preference shares are classified as liabilities in the balance sheet.

**1p79(a)(v)** The 3.5% cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 3.5% per annum, payable half-yearly in arrears on 31 December and 30 June. The shares have no redemption entitlement. On a winding-up, the holders have priority, before all other classes of shares, to receive repayment of capital plus any arrears of the dividend. The holders have no voting rights unless the dividend is in arrears by six months or more.

**SI 2008/410 1 Sch 47**

**Commentary**

The number and nominal value of treasury shares must be disclosed.

**SI 2008/410 1 Sch 62**

**Commentary**

If the company has fixed cumulative dividends in arrears, the accounts should disclose the amount and period in arrears.

**SI 2008/410 1 Sch 75**

**Commentary**

For investment companies, the amount of any distribution which reduces the net assets to less than the share capital and undistributable reserves should be disclosed.

**24. Contingent liabilities**

**24p21(h), SI 2008/410 1 Sch 63**

The company has given a guarantee in respect of the bank borrowings of a fellow subsidiary, which amounted to £25,000 at 31 December 2022 (2021: £35,000). The guarantee is secured by a charge on the company's freehold property – see [note 12](#). The amount of any liability to be recognised under the company's accounting policy is immaterial.

**37p85, SI 2008/410 1 Sch 63**

An overseas customer has commenced an action against the company in respect of products claimed to be defective. A trial date has not yet been set; so it is not practical to state the timing of any payment. The company has been advised by counsel that it is possible, but not probable, that the action will succeed; accordingly, no provision for any liability has been made in these financial statements. It has been estimated that, if the claim is successful, the liability would be £20,000.

**25. Commitments**

At 31 December, the company had the following capital commitments:

**SI 2008/410 1 Sch 63**

Contracts for future capital expenditure not provided in the financial statements:

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| <b>IAS16(74)(c)</b> Property, plant and equipment | 63          | 98          |
| <b>IAS38(122)(e)</b> Intangible assets            | 16          | 9           |
|   | <b>79</b>   | <b>107</b>  |

**26. Related party transactions**

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**24p18,  
101p8(j), (k)** During the year, the company sold £340,000 (2021: £250,000) of goods to SisterCo Limited, another group company. SisterCo Limited is 80% owned by UK GAAP Intermediate Holdings Limited. At the year-end, £65,000 (2021: £47,000) was outstanding and included within debtors. The receivable is unsecured and no guarantees have been received.

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**24p18,  
101p8(j), (k)** During 2022, the company purchased £65,000 (2021: £nil) of IT services from Beta Limited, a company owned by Mr Winter, a director of the company. The amount was settled at the year-end.

See [note 8](#) for disclosure of the directors' remuneration.

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### **27. Controlling parties**

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**1p138(c)** The immediate parent undertaking is UK GAAP Intermediate Holdings Limited.

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**24p13  
SI 2008/410 4 Sch 8,  
9, 27p16(a)** The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is UK GAAP Holdings Limited. Copies of the UK GAAP Holdings Limited consolidated financial statements can be obtained from the Company Secretary at New GAAP Towers, 3 The Square, London, WC2N 6RH.

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**1p138(c)** The ultimate controlling party is Mr M Soseley.

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### **28. Events after the end of the reporting period**

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On 2 February 2023, the company's factory in Carlisle suffered significant damage in a flood. The directors are still evaluating the impact of the damage, which is expected to be largely covered by the company's insurance policies. The maximum financial impact is the company's insurance excess of £150,000. Operations have transferred to other sites whilst repairs are carried out.

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# Appendices

# Appendix 1 – Companies Act requirements

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|                                       |  |
|---------------------------------------|--|
|                                       | In addition to the requirements of FRS 101, company law requires FRS 101 reporters to make the following disclosures:  |
| <b>SI 2008/410 1<br/>Sch 21</b>       | If the company has capitalised development costs, it should disclose the reasons for capitalising the costs and the period over which the costs are being written off.   |
| <b>SI 2008/410 1<br/>Sch 28(3)</b>    | The amount of the difference between the carrying amount of the inventory and the replacement cost must be disclosed in a note to the accounts.  |
| <b>SI 2008/410 1<br/>Sch 43</b>       | The aggregate amount of dividends that the company is liable to pay must be disclosed.   |
| <b>SI 2008/410 1<br/>Sch 47</b>       | The number and nominal value of treasury shares must be disclosed  |
| <b>SI 2008/410 1<br/>Sch 50</b>       | If the company has issued any debentures during the year, the class, the amounts issued, and the consideration received must be disclosed.   |
| <b>SI 2008/410 1<br/>Sch 51</b>       | There should be a reconciliation of the movements in the goodwill balance. Note: paragraph 8(b) of FRS 101 removes the IFRS requirement to provide a goodwill reconciliation, but it is still required under company law, because goodwill is part of fixed assets.  |
| <b>SI 2008/410 1<br/>Sch 51</b>       | These requirements relate to the presentation of property, plant and equipment that are covered by paragraph 73 of IAS 16. Note: paragraph 8(f)(ii) of FRS 101 provides an exemption from requirements under paragraph 73(e) of IAS 16, but disclosure is still required by company law.   |
| <b>SI 2008/410 1<br/>Sch 53</b>       | For amounts included as 'land and buildings', the accounts must disclose the amount of freehold land, long leasehold land and short leasehold land.  |
| <b>SI 2008/410 1<br/>Sch 54</b>       | For amounts included as 'investments', the accounts must disclose the amount of listed investments and, if different, the market value.  |
| <b>SI 2008/410 1<br/>Sch 55(2)(a)</b> | The significant assumptions underlying the valuation models and techniques used, where the fair value of the instruments has been determined in accordance with paragraph 37(4) of schedule 1 to SI 2008/410.  |
| <b>SI 2008/410 1<br/>Sch 55(2)(b)</b> | For each category of financial instrument, the fair value of the instruments in that category and the changes in value –   |
| <b>SI 2008/410 1<br/>Sch 55(2)(c)</b> | <ul style="list-style-type: none"><li>• included in the profit and loss account, or</li><li>• credited to or (as the case might be) debited from the fair value reserve for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that might affect the amount, timing and certainty of future cash flows.</li></ul> |
| <b>SI 2008/410 1<br/>Sch 55(3)</b>    | Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form:   |
| <b>SI 2008/410 1<br/>Sch 55(3)(a)</b> | the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively;   |
| <b>SI 2008/410 1<br/>Sch 55(3)(b)</b> | the amount transferred to or from the reserve during that year; and  |
| <b>SI 2008/410 1<br/>Sch 55(3)(c)</b> | the source and application respectively of the amounts so transferred.   |

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|                                 |   |
|---------------------------------|---|
| <b>SI 2008/410 1<br/>Sch 58</b> | If the company has investment property or living animals or plants held at fair value, the accounts should disclose the amount at which they would have been carried under the historical cost model, or the difference between the historical cost and fair value. |
| <b>SI 2008/410 1<br/>Sch 61</b> | Details must be given of any debts which are due after more than five years, and the terms of repayment and the interest rates for any debts.   |
| <b>SI 2008/410 1<br/>Sch 62</b> | If the company has fixed cumulative dividends in arrears, the accounts should disclose the amount and period in arrears.  |
| <b>SI 2008/410 1<br/>Sch 63</b> | Details must be given of any charge over the company's assets to secure the liability of any other person or company.   |
| <b>SI 2008/410 1<br/>Sch 66</b> | Companies should disclose the amount of interest or similar expenses on bank loans and overdrafts.  |
| <b>SI 2008/410 1<br/>Sch 67</b> | Companies should disclose the amount of the UK corporation tax charge, the amount of the foreign tax charge and the amount of double taxation relief. This will be particularly relevant for companies with foreign branches.                                       |
| <b>SI 2008/410 1<br/>Sch 68</b> | The amount of turnover for each class of business and each geographical market should be disclosed.   |
| <b>SI 2008/410 1<br/>Sch 75</b> | For investment companies, the amount of any distribution which reduces the net assets to less than the share capital and undistributable reserves should be disclosed.  |



# Appendix 2 – Financial Institution definition

## 101 Glossary

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A financial institution is any of the following:

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(a) a bank which is:

- a firm with a Part IV permission which includes accepting deposits and:
    - which is a credit institution; or
    - whose Part IV permission includes a requirement that it complies with the rules in the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms relating to banks, but which is not a building society, a friendly society or a credit union;
  - an UK bank which is a full credit institution;
- 

(b) a building society which is defined in section 119(1) of the Building Societies Act 1986 as a building society incorporated (or deemed to be incorporated) under that Act;

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(c) a credit union, being a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act 1979, which is an authorised person;

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(d) custodian bank, broker-dealer or stockbroker;

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(e) an entity that undertakes the business of effecting or carrying out insurance contracts, including general and life assurance entities;

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(f) an incorporated friendly society incorporated under the Friendly Societies Act 1992 or a registered friendly society registered under section 7(1)(a) of the Friendly Societies Act 1974 or any enactment which it replaced, including any registered branches;

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(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC);

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(h) a retirement benefit plan; or

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(i) any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are not specifically included in the list above.

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A parent entity whose sole activity is to hold investments in other group entities is not a financial institution.

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