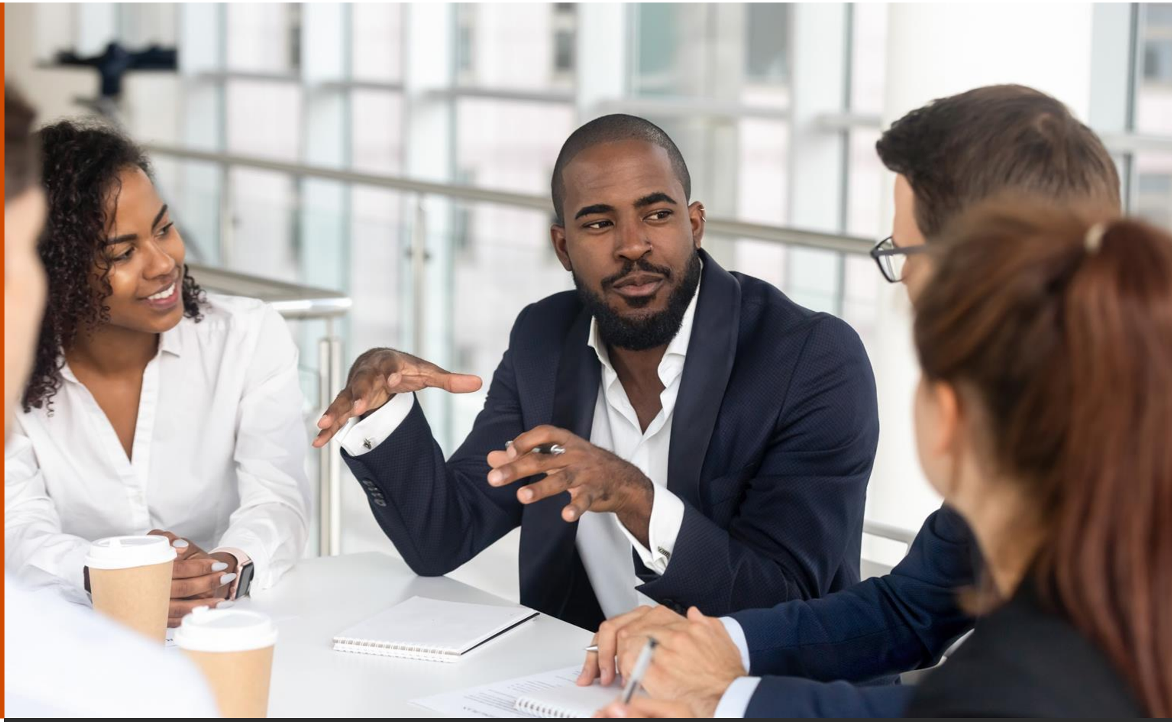

UK GAAP (FRS 102) illustrative financial statements

December 2022

Strictly private and confidential

Preface

This publication provides illustrative financial statements for the year ended 31 December 2022. These illustrative financial statements will assist you in preparing financial statements by illustrating the required disclosure and presentation for UK groups and UK companies reporting under FRS 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland'.

UK GAAP Group Limited

This annual report illustrates the disclosures and format that might be expected for a company that prepares consolidated and separate financial statements in accordance with FRS 102 and the Companies Act 2006.

UK GAAP Limited

This annual report illustrates the disclosures and format that might be expected for a company preparing its financial statements under FRS 102 and the Companies Act 2006.

PricewaterhouseCoopers LLP London

January 2023

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UK GAAP group limited

Year ended 31 December 2022

Example annual report under UK GAAP (FRS 102)

Introduction

The example annual report that follows includes the financial statements of UK GAAP Group Limited, a wholly-owned private group which prepares financial statements in accordance with FRS 102.

UK GAAP Group Limited is a fictitious company. Its annual report has been prepared for illustrative purposes only and shows the disclosures and formats that might be expected for a company 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).

These financial statements also include voluntary disclosures that illustrate certain aspects of disclosure under FRS 102.

We have assumed that neither the entity nor the group it heads up qualify as small or medium sized under company law.

Guidance and information

References to source material are given in the left-hand margin. PwC commentary on matters of interest is in orange font. New disclosure requirements are shaded in pink.

The intention is not to show all conceivable disclosures and this annual report should not, therefore, be used as a checklist. The suggested disclosures are not necessarily applicable for all private companies.

This illustrative annual report does not cover the following sections of FRS 102 (amongst other items):

- Government grants (Section 24)
- Long term contracts (Section 23)
- Impairment of assets (Section 27)
- Hyper-inflation (Section 31)
- Investment properties (Section 16)
- Specialised activities (Section 34)

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 102 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.

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 to 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 Group Plc is no longer affected by COVID-19.

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 Group Plc 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 illustratives. For guidance see our In Depth Navigating IFRS Accounting Standards in periods of rising inflation

Our fact pattern further assumes that UK GAAP Group Plc 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-brief details the relevant considerations an entity should make 'Phase 2 amendments to FRS 102 – interest rate benchmark (IBOR) reform'.

There were no other amendments to standards that apply from 1 January 2022 and we have therefore not disclosed any changes in accounting policies in this publication. Standards issued but not yet effective include amendment to FRS 101 reduced disclosure framework – effective date of IFRS 17 which also makes an amendment to FRS 102. 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 for a further two years. 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 102 financial statements.

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

20.15	**Financial Reporting Standard 102, section number and paragraph number**
CA06 s992	Companies Act 2006 section number
DV	Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice
FRC	Financial Reporting Council
GSR	FRC Guidance on Strategic Report
SEN 1	FRC Staff Education Note [number]
SI 2008 / 410 8 Sch 4	Statutory instrument [year / number], schedule number, paragraph number
Tech 14 / 13	ICAEW Technical Release [number]
Wates Principles	The Wates Corporate Governance Principles for Large Private Companies

Strategic report

CA06 s414A	The directors present their strategic report for the year ended 31 December 2022.
CA06 s414A(3), 414C(13)	Commentary The strategic report should be prepared on a consolidated basis. A summary of the FRC Guidance on the strategic report is included as an appendix to this section. This section reflects the strategic report requirements contained in section 414C of the Companies Act 2006 but it does not reflect the non-financial 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. • A company carrying on insurance market activity. Most companies reporting under FRS 102 will not meet the above criteria so they will not be required to comply with non-financial reporting requirements of section 414CB. FRS 102 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.
CA06 s414CB **New requirements**	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). • 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. • A description of the principal risks and uncertainties facing the company.
FRC Press Notice 108	**Commentary** 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 comments. This disclosure might be necessary to ensure that the annual report is fair, balanced and understandable. • The information that is required to be included in the strategic report may be included elsewhere in the annual report and incorporated into the strategic report by cross – reference. We consider that this cross-referencing should be specific.
CA06 s414rC(3)	The review is a balanced and comprehensive analysis of: • The development and performance of the business of the group during the financial year. • The position of the group 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 group, include: • Analysis using financial key performance indicators. • Where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

i. General

CA06 s414C(11), **SI 2008 / 410 7 Sch 1A**	Where there are matters that are directors’ report disclosure requirements but considered by the directors to be of strategic importance to the group, these should 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.

ii. 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 does not apply if the company qualifies as medium-sized or smaller in relation to that financial year (see sections 465 to 467 of the Companies Act 2006). For groups, the thresholds are two or more of the following:

- Aggregate turnover – more than £36 million net (or £43.2 million gross).
- Aggregate balance sheet total – more than £18 million net (or £21.6 million gross).
- Aggregate number of employees – more than 250.

CA06 s414D(1)

By order of the board

W Jong

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.

Appendix: Financial reporting council – guidance on the strategic report

Revised guidance	Commentary
	In June 2022, the FRC published its revised Guidance on the Strategic Report. The revisions particularly relate to: • Changes to the Guidance were necessary as a result of the introduction of Streamlined Energy and Carbon Reporting (SECR) in 2019 and the extension of climate change reporting to a wider range of organisations for periods beginning on or after 6 April 2022, as part of the new non-financial and sustainability information statement. • These are now incorporated into the tables that form the appendices to the Guidance, and they set out the reporting requirements under the Companies Act for the strategic and directors' reports of different types of company – from premium, standard listed and AIM through to large and small private companies. The discussion below is not comprehensive and should be read in conjunction with the Guidance itself. The guidance serves as a best practice statement and, as such, has persuasive rather than mandatory force. One of the objectives is to set out high-level principles that enable entities to 'tell their story'. The Guidance is for directors and is intended to serve as best practice for all entities preparing strategic reports.
GSR Overview (x)	• The purpose of the strategic report is to provide information for shareholders and help them to assess how the directors have performed their duty, under section 172, to promote the success of the company and, in doing so, have had regard to the matters set out in that section. This includes considering the interests of other stakeholders which will have an impact on the long-term success of the entity.
GSR Overview (xii)	• The guidance recommends that information that is material to shareholders should be included in the strategic report. Immaterial information should be excluded as it can obscure the key messages and impair understandability.

i. Section 2 Scope

GSR 2.1	• The guidance is non-mandatory. It is intended to serve as best practice guidance for all entities preparing strategic reports.
GSR 2.3	• The guidance continues to encourage consideration of both material content and non– financial information, irrespective of whether there is a statutory requirement to do so.

ii. Section 3 The annual report

GSR 3.2	**The purpose of the annual report** • The purpose of the annual report is to provide shareholders with relevant information that is useful for making resource allocation decisions and assessing the directors' stewardship.
GSR 3.5	• The annual report as a whole should be fair, balanced and understandable and should provide the information necessary for shareholders to assess the entity's performance, business model and strategy.
GSR 3.12	**Placement of information in the annual report** • The placement of information within the annual report or elsewhere should facilitate the effective communication of that information.
GSR 3.17	Where information satisfying a disclosure requirement that applies to the strategic report is presented outside of that component, cross-referencing must be used in order for the disclosure requirement to be met. Cross-references should be clear and specific.

iii. Section 5 The strategic report: materiality

GSR 5.1	Information is material if its omission or misrepresentation could influence the economic decisions shareholders take on the basis of the annual report as a whole. Only information that is material in the context of the strategic report should be included in it. The inclusion of immaterial information can obscure key messages and impair the understandability of information provided in the strategic report. Immaterial information should be excluded from the strategic report.
GSR 5.12	The strategic report should focus on those matters that are material to an understanding of the development, performance, position or future prospects of the business. In the annual report of a parent company, for example, the strategic report should be a consolidated report and should include only those matters that are material in the context of the consolidated group.
GSR 5.13	The concept of materiality cannot, however, be applied to disclosures that are required by company law or its associated regulations unless explicitly allowed (for example, through the use of the terms 'to the extent necessary for an understanding of' or 'principal').

iv. Section 6 The strategic report – communication principles

GSR 6.2	The strategic report should be fair[1], balanced [2] and understandable.
GSR 6.8	The strategic report should be comprehensive [3] but concise.
GSR 6.11	Where appropriate, information in the strategic report should have a forward-looking orientation.
GSR 6.15	The strategic report should provide information that is entity-specific.
GSR 6.17	The strategic report should highlight and explain linkages between pieces of information presented within the strategic report and in the annual report more broadly.
GSR 6.25	The structure and presentation of the strategic report should be reviewed annually to ensure that it continues to meet its objectives in an efficient and effective manner.
GSR 6.27	Content that has been brought forward from previous years should be reviewed to ensure that it has continuing relevance. Any information that is no longer necessary in meeting the objectives of the strategic report should be removed.

v. Section 7 The strategic report: content elements

GSR 7B.11	The strategic report should include a description of the entity's strategy [4].
GSR 7B.12	A description of the strategy for achieving an entity's objectives provides insight into its future development, performance, position and future prospects. The disclosure of the entity's objectives places the strategy in context and allows shareholders to make an assessment of its appropriateness.
GSR 6.11	Where appropriate, information in the strategic report should have a forward-looking orientation.
GSR 7B.13	Where relevant, linkage to and discussion of key performance indicators (KPIs) should be included in any descriptions to allow an assessment of the entity's progress against its strategy and objectives. Similarly, emphasising the relationship between an entity's principal risks and its ability to meet its objectives may provide relevant information.
GSR 7B.14	The strategic report should include a description of the entity's business model [5].

[1] CA06 s414C(2)(a).

[2] CA06 s414C(3).

[3] CA06 s414C(3).

[4] CA06 s414C(8)(a).

[5] CA06 s414C(8)(b).

GSR 7B.16	A critical part of understanding an entity's business model is understanding its sources of value, being the key resources and relationships that support the generation and preservation of value. In identifying its key sources of value, an entity should consider both its tangible and intangible assets and also identify those resources and relationships that have not been reflected in the financial statements because they do not meet the accounting definitions of assets or the criteria for recognition as assets. This information may provide insight into how the board manages, sustains and develops these unrecognised assets.
GSR 7B.27	The strategic report should include a description of the principal risks and uncertainties facing the entity [6], together with an explanation of how they are managed or mitigated.
GSR 7B.32	The descriptions of the principal risks and uncertainties should be specific so that a shareholder can understand why they are material to the entity. This might include a description of the likelihood of the risk, an indication of the circumstances under which the risk might be most relevant to the entity and its possible effects. An explanation of how the principal risks and uncertainties are managed or mitigated should also be included to enable shareholders to assess the impact on the future prospects of the entity.
GSR 7B.33	Significant changes in principal risks such as a change in likelihood, probable timing or possible effect, or the inclusion of new risks, should be highlighted and explained.
GSR 7B.35	To the extent necessary for an understanding of the development, performance or position and impact of an entity's activity, the strategic report must include information relating to, as a minimum: • Environmental matters (including the impact of the entity's business on the environment) • The entity's employees. • Social matters. • Respect for human rights. To the extent necessary for an understanding of the development, performance or position of the entity's business, the strategic report must include information about community issues[7].
GSR 7B. 59	The strategic report must provide a fair, balanced and comprehensive analysis of the development and performance of the business in the financial year and of its position at the end of that year.[8]
GSR 7B.66	The strategic report must, where appropriate, include references to, and additional explanations of, amounts included in the financial statements.[9]
GSR 7B.68	The analysis in the strategic report must include financial and non-financial key performance indicators (KPIs).[10]
GSR 7B.70	Non-financial KPIs provide insight into future financial prospects and progress in managing risks and opportunities. They may include, for example, measures related to product quality, customer complaints, environmental matters or employee metrics. Non– financial KPIs may be a mixture of indicators which provide information about what the entity has done in the past and what may happen in the future. They should include matters potentially affecting the long-term sustainability of the entity. Entities should also consider disclosing KPIs which measure the impact of the entity's activities.
GSR 7B.77	The strategic report should provide a breakdown showing, as at the end of the financial year [11] • The number of persons of each sex who are directors of the company. • The number of persons of each sex who were senior managers of the entity (other than persons falling within sub-paragraph (a)). • The number of persons of each sex who were employees of the entity.
GSR 7B.85	To the extent that matters are considered to be of strategic importance to the entity, the strategic report should include information that would otherwise be disclosed in the directors' report[12].

[6] CA06 s414C(2)(b).
[7] CA06 s414C(7)(b)(iii)
[8] CA06 s414C(2)(a),(3)
[9] CA06 s414C(12), s414CB(5)
[10] CA06 s414C(4), s414CB(2)(e)
[11] CA06 s414C(8)(c)
[12] CA06 s414C(11)

Directors' report

	Directors' report for the year ended 31 December 2022
CA06 s415(1)	The directors present their report and the audited financial statements of the group and company for the year ended 31 December 2022.
	Future developments
SI 2008 / 410 7 Sch 7(1)(d)	The directors' report should contain an indication of the likely future developments in the group's business.
	Commentary
	This disclosure is likely to be relevant to the strategic report. It could be included in the strategic report and incorporated into the directors' report by cross reference.
	Dividends
CA06 s416(3)	Details of dividends paid and recommended should be included.
	Political donations and political expenditure
SI 2008 / 410 7 Sch 3 **[2] 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. • 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	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.
	Financial instruments
SI 2008 / 410 7 Sch 6	Where material for the assessment of the assets, liabilities, financial position and profit or loss of the group, 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. • 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.
	Directors
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 should be provided.
DV	Information regarding the retirement of the directors at the AGM and whether they offer themselves for election should be disclosed.
	Qualifying third-party and pension scheme indemnity provisions
CA06 s236	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, the directors' report should state that fact. If the company has made such provisions for the benefit of the directors of an associated company, the directors' report should state that fact. These disclosures are required in respect of those provisions in force at any time during the financial year and those in force at the date of approval of the directors' report.
	Research and development
SI 2008 / 410 7 Sch 7(1)(a)	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).
	Post balance sheet events
SI 2008 / 410 7 Sch 7(1)(c)	The directors' report should include particulars of any important events affecting the company or group since the year end.
	Commentary
	Similar to the disclosure on future developments, this disclosure is likely to fit well with the strategic report. It might therefore be appropriate to include therein and cross reference.
	Employees
SI 2008 / 410 7 Sch 10(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.
	Commentary
	This disclosure is required if the average number of employees during the year and working within the UK exceeds 250.

Employee engagement statement

SI 2008 / 410 7 Sch 11 (as amended by SI 2018 / 860 Reg 13)	The directors' report 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. • 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 Reg 13)** **SI 2008 / 410 7 Sch 11B (as inserted by SI 2018 / 860 Reg 13)**	**Summarising**: • How the directors have engaged with employees. • 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.

Commentary

This disclosure is required if the average number of employees during the year and working within the UK exceeds 250.

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

SI 2008 / 410 7 Sch 11B (as inserted by SI 2018 / 860 Reg 13)	The directors' report 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.

Commentary

These disclosures are applicable to a company that exceeds two of the following three thresholds (subject to smoothing arrangements where circumstances change):

- £36 million turnover.
- £18 million total balance sheet assets.
- 250 employees.

For groups, the thresholds are two or more of the following:

- Aggregate turnover – more than £36 million net (or £43.2 million gross).
- Aggregate balance sheet total – more than £18 million net (or £21.6 million gross).
- Aggregate number of employees – more than 250.

Branches outside the UK

SI 2008 / 410 7 Sch 7(1)(d)	• The directors' report should disclose the existence of any branches that operate outside of the UK.

Streamlined Energy and Carbon Reporting (SECR)

SI 2008/410 7 Sch 7(1)(d) **UK 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. • 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. • The consumption of fuel for the purposes of transport. • 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.
SI 2008/410 7 Sch 7(1)(d)	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.
SI 2008/410 7 Sch 7(1)(d)	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. • 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.
- 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.

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.

	Statement of corporate governance arrangements
SI 2008 / 410 7 Sch 26(1)and(2) **(as inserted by SI 2018 / 860 Reg 14)**	The directors' report must include a statement setting out: • Which corporate governance code, if any, the company applied in the financial year. • How the company applied any corporate governance code reported under (a), and. • If the company departed from any corporate governance code reported under (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 decisions 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, and 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
Water 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.
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.

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 group and the company financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom Accounting Standards, comprising FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland', 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 group and company and of the profit or loss of the group 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 102 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 group and company will continue in business.

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

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

Directors' confirmations

CA06 s418(2)

In the case of each director in office at the date the directors' report is approved:

- So far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

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.

CA06 s419(1)

By order of the board

W Jong

Company secretary 30 April 2023

Commentary

CA06 s419(1)

The directors' report must be signed by the company secretary or a director after it has been approved by the board of directors.

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.

Independent auditors' report to the members of UK GAAP group limited

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

Consolidated profit and loss account

3.2, 3.17(b)(ii), 5.7, 5.7D, 5.7E		Note	Year ended 31 December 2022			2021		
			Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Turnover	5	**277,256**	15,126	292,382	250,205	24,997	275,202
5.11(b)	Cost of sales		**(148,332)**	(9,317)	(157,649)	(147,646)	(17,778)	(165,424)
	Gross profit		**128,924**	5,809	134,733	102,559	7,219	109,778
5.11(b)	Distribution costs		**(15,167)**	(722)	(15,889)	(14,220)	(873)	(15,093)
5.11(b)	Administrative expenses		**(58,686)**	(4,837)	(63,523)	(53,258)	(5,715)	(58,973)
	Other operating income		**2,609**	–	2,609	957	–	957
DV, 5.9B	Operating profit	6	**57,680**	250	57,930	36,038	631	36,669
	Profit on disposal of operations	7	**–**	301	301	–	–	–
SI 2008 / 410 6 Sch 20	Income from interests in associated undertakings	10	**8,447**	–	8,447	5,898	–	5,898
	Profit before interest and taxation		**66,127**	551	66,678	41,936	631	42,567
	Interest receivable and similar income	11	**643**	–	643	810	–	810
	Interest payable and similar expenses	11	**(7,047)**	–	(7,047)	(6,574)	–	(6,574)
DV	Net interest expense	11	**(6,404)**	–	(6,404)	(5,764)	–	(5,764)
SI 2008 / 410 1 Sch 6	Profit before taxation		**59,723**	551	60,274	36,172	631	36,803
	Tax on profit	12	**(10,431)**	(50)	(10,481)	(7,577)	(180)	(7,757)
5.7E	Profit for the financial year		**49,292**	501	49,793	28,595	451	29,046

	Profit attributable to:						
	Owners of the parent	**45,820**	501	46,321	24,640	451	25,091
SI 2008 / 410 6 Sch 17, 9.21	Non-controlling interests	**3,472**	–	3,472	3,955	–	3,955
		49,292	501	49,793	28,595	451	29,046

Consolidated statement of comprehensive income

			Year ended 31 December	
3.2, 3.17(b)(ii)		**Note**	**2022**	**2021**
5.7C	Profit for the financial year		**49,793**	29,046
5.9B	**Other comprehensive income / (expense):**			
	Remeasurements of net defined benefit obligation	22	**(341)**	(143)
	Cash flow hedges		**–**	–
	Change in value of hedging instrument	25	**(335)**	294
	Reclassifications to profit and loss	25	**304**	513
30.25(b)	Currency translation differences		**1,429**	770
.5.5A(a)(ii)	Total tax on components of other comprehensive income / (expense)	12	**104**	(271)
	Other comprehensive income for the year, net of tax		**1,161**	1,163
5.5A(c)	Total comprehensive income for the year		**50,954**	30,209
	Total comprehensive income attributable to			
	Owners of the parent		**47,482**	26,254
9.22	Non-controlling interests		**3,472**	3,955
			50,954	30,209

	Commentary
2.52	An entity shall not offset assets and liabilities, or income and expenses, unless required or permitted by an FRS. • Measuring assets net of valuation allowances (for example, allowances for inventory obsolescence and allowances for uncollectible receivables) is not offsetting. • If an entity's normal operating activities do not include buying and selling fixed assets, including investments and operating assets, then the entity reports gains and losses on disposal of such assets by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.
5.2	An entity can present total comprehensive income under a single-statement or two statement approach: • Under the single-statement approach, it presents a single statement of comprehensive income, including all its income and expense for the period. • Under the two-statement approach, it presents an 'income statement' (alternatively known as a 'profit and loss account'), presenting all items of profit or loss, and a separate 'statement of comprehensive income', that begins with total profit or loss for the period and also presents all items of other comprehensive income.
5.5, 5.7	Under both approaches, the profit and loss section should be presented in accordance with the formats in SI 2008 / 410.
5.9B	FRS 102 does not require the disclosure of ‘operating profit’, but it emphasises that where an entity chooses to present the amount, it should ensure that all operating-type items are appropriately included and it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs, profits or losses on the sale of property, plant and equipment, investment property and intangible assets, and restructuring and relocation expenses).
5.5A(a)	Components of other comprehensive income can be presented either: • Net of related tax effects, or. • Gross of the related tax effects, with one amount showing the aggregate income tax relating to those components.

Consolidated and company balance sheet

for the year ended 31 December 2022

			Group		Company	
			As at 31 December		As at 31 December	
3.2, 3.17(a), 4.2		Note	2022	2021	2022	2021
	Fixed assets					
	Intangible assets	13	**56,873**	30,023	–	–
	Tangible assets	14	**80,548**	67,229	–	–
	Subsidiary undertakings	15	**–**	–	38,023	34,510
SI 2008 / 410 6 Sch 20	Associated undertaking	10	**8,710**	6,414	–	–
			146,131	103,666	38,023	34,510
4.2D	Current assets					
	Inventories	16	**31,512**	24,556	–	–
4.4A	Debtors	17	**23,590**	18,969	14,027	21,451
	Investments	18	**8,662**	9,052	–	–
	Cash at bank and in hand		**9,891**	8,209	497	917
			73,655	60,786	14,524	22,368
4.7	Creditors: amounts falling due within one year	19	**(45,346)**	(27,374)	(1,276)	(1,788)
4.3	**Net current assets**		**28,309**	33,412	13,248	20,580
	Total assets less current liabilities		**174,440**	137,078	51,271	55,090
	Creditors: amounts falling due after more than one year	20	**(80,896)**	(77,074)	(8,884)	(8,758)
	Post-employment benefits	22	**(9,635)**	(9,147)	–	–
	Provision for other liabilities	23	**(11,404)**	(8,708)	–	–
4.3	**Net assets**		**72,505**	42,149	42,387	46,332
	Capital and reserves					
4.12(a)	Called-up share capital	25	**9,013**	8,695	9,013	8,695
	Share premium account	25	**16,670**	13,711	16,670	13,711
	Other reserves	25	**(1,262)**	(1,142)	1,116	1,242

			Group		Company	
			As at 31 December		As at 31 December	
3.2, 3.17(a), 4.2		Note	2022	2021	2022	2021
4.12(b)	Retained earnings	25				
	At 1 January		**17,526**	9,286	22,684	19,158
	Profit for the year attributable to the owners		**46,321**	25,091	17,935	18,448
	Other changes in retained earnings		**(24,464)**	(16,851)	(25,031)	(14,922)
			39,383	17,526	15,588	22,684
	Equity attributable to owners of the parent		**63,804**	38,790	42,387	46,332
SI 2008 / 41 6 Sch 17, 9.21	Non-controlling interests		**8,701**	3,359	–	–
4.3	**Total equity**		**72,505**	42,149	42,387	46,332

3.17(e)	The notes on pages 30 to 76 are an integral part of these financial statements.
32.9	The financial statements on pages 20 to 76 were authorised for issue by the board of directors on 30 April 2023 and were signed on its behalf.

H Miggs

Chief Executive

Commentary

UK GAAP Limited

Registered no. xxyyzz

SI 2008 / 410 1 Sch 1A

Commentary

An entity is permitted to 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 that the presentation is in accordance with generally accepted accounting principles or practice (for an FRS 102 reporter, in accordance with FRS 102). Under FRS 102, a company can choose to present under the detailed company law formats contained in SI 2008/410 or 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 definition 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.
- These illustrative financial statements are presented under the detailed company law formats.

SI 2008 / 410 1 Sch 4

- In the illustrative balance sheet above, certain items which are preceded by Arabic numbers in the Companies Act formats have been combined (for example, 'Tangible assets' or 'Creditors: amounts falling due within one year' lines), as doing so facilitates the assessment of the group's financial position and the individual amounts are disclosed in the notes. 'Post-employment benefits' and 'Provision for other liabilities' have not been combined, although they may be combined.

CA06 s408

- The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. A company that takes the exemption from presenting the parent company profit and loss account is required to show the company's profit or loss for the year in its individual balance sheet. The law does not prescribe the way in which this information should be shown. A company could present the profit and loss for the year within the balance sheet itself by, for example, presenting as line items within the balance sheet both the brought– forward profit and loss reserve and the profit for the year, as illustrated here.
- Alternatively, a company could show the profit for the year as a footnote to the balance sheet. Whichever method is used, the profit and loss for the year must be shown on the face of the balance sheet. It is not acceptable to give the disclosure in the notes only.

Consolidated statement of changes in equity

3.17(c)		Note	called-up share capital	share premium	Other reserves	Retained earnings	Equity attributable to the owners of the parent	Non-controlling interest	Total equity
	Balance as at 1 January 2021		7,680	3,803	(2,215)	9,286	18,554	4,572	23,126
6.3(c)(i)	Profit for the year		–	–	–	25,091	25,091	3,955	29,046
6.3(c)(ii)	Other comprehensive income for the year		–	–	589	574	1,163	–	1,161
6.3(a)	Total comprehensive income for the year		–	–	589	25,665	26,254	3,955	30,209
6.3(c)(iii)	Credit relating to equity-settled share-based payments	9	–	–	–	360	360	–	360
6.3(c)(iii)	Settlement of employee share schemes	25	15	5	602	(602)	20	–	20
6.3(c)(iii)	Rights issue	25	1,000	9,903	–	–	10,903	–	10,903
6.3(c)(iii)	Transfer	25	–	–	(118)	118	–	–	–
SI 2008 / 410 1 Sch 43(c)	Dividends	25	–	–	–	(15,400)	(15,400)	(2,634)	(18,034)
	Total transactions with owners, recognised directly in equity		1,015	9,908	484	(15,524)	(4,117)	(2,634)	(6,751)
6.3(c)(iii)	Acquisition of non-controlling interest	33	–	–	–	(1,901)	(1,901)	(2,534)	(4,435)
	Total changes in ownership interests in subsidiaries that do not result in a loss of control		–	–	–	(1,901)	(1,901)	(2,534)	(4,435)
	Balance as at 31 December 2021 and 1 January 2022		8,695	13,711	(1,142)	17,526	38,790	3,359	42,149
6.3(c)(i)	Profit for the year		–	–	–	46,321	46,321	3,472	49,793
6.3(c)(ii)	Other comprehensive income for the year		–	–	(25)	1,186	1,161	–	1,161
6.3(a)	Total comprehensive income for the year		–	–	(25)	47,507	47,482	3,472	50,954
6.3(c)(iii)	Credit relating to equity-settled share-based payments	9	–	–	–	263	263	–	263
6.3(c)(iii)	Acquisition of treasury shares by EBT	25	–	–	(588)	–	(588)	–	(588)
6.3(c)(iii)	Settlement of employee share schemes	25	18	9	619	(619)	27	–	27
6.3(c)(iii)	Shares issued in business Combination	32	300	2,950	–	–	3,250	–	3,250
6.3(c)(iii)	Transfer	25	–	–	(126)	126	–	–	–
SI 2008 / 410 1 Sch 43(c)	Dividends	25	–	–	–	(25,420)	(25,420)	(2,298)	(27,718)
	Total transactions with owners, recognised directly in equity		318	2,959	(95)	(25,650)	(22,468)	(2,298)	(24,766)
6.3(c)(iii)	Non-controlling interest arising on business combination	33	–	–	–	–	–	4,168	4,168
	Total changes in ownership interests in subsidiaries that do not result in a loss of control		–	–	–	–	–	4,168	4,168
	Balance as at 31 December 2022		**9,013**	**16,670**	**(1,262)**	**39,383**	**63,804**	**8,701**	**72,505**

Company statement of changes in equity

3.17(c)		Note	Called-up share capital	Share premium	Other reserves	Retained earnings	Total equity
	Balance as at 1 January 2021		7,680	3,803	1,360	19,158	32,001
6.3(c)(i)	Profit for the year		–	–	–	18,448	18,448
6.3(a)	Total comprehensive income for the year		–	–	–	18,448	18,448
6.3(c)(iii)	Credit relating to equity-settled share– based payments	9	–	–	–	360	360
6.3(c)(iii)	Settlement of employee share schemes	25	15	5	–	–	20
6.3(c)(iii)	Rights issue	25	1,000	9,903	–	–	10,903
6.3(c)(iii)	Transfer	25	–	–	(118)	118	–
SI 2008 / 410 1 Sch 43(c)	Dividends	25	–	–	–	(15,400)	(15,400)
	Total transactions with owners, recognised directly in equity		1,015	9,908	(118)	(14,922)	(4,117)
	Balance as at 31 December 2021 and 1 January 2022		8,695	13,711	1,242	22,684	46,332
6.3(c)(i)	Profit for the year		–	–	–	17,935	17,935
6.3(a)	Total comprehensive income for the year		–	–	–	17,935	17,935
6.3(c)(iii)	Credit relating to equity-settled share– based payments	9	–	–	–	263	263
6.3(c)(iii)	Settlement of employee share schemes	25	18	9	–	–	27
6.3(c)(iii)	Shares issued in business combination	32	300	2,950	–	–	3,250
6.3(c)(iii)	Transfer	25	–	–	(126)	126	–
SI 2008 / 410 1 Sch 43(c)	Dividends	25	–	–	–	(25,420)	(25,420)
	Total transactions with owners, recognised directly in equity		318	2,959	(126)	(25,031)	(21,880)
	Balance as at 31 December 2022		**9,013**	**16,670**	**1,116**	**15,588**	**42,387**

Consolidated statement of cash flows

3.17(d)		Note	2022	2021
7.3	Net cash from operating activities	26	**59,318**	50,726
7.17	Taxation paid		**(13,129)**	(6,954)
7.4, 7.7	**Net cash generated from operating activities**		**46,189**	43,772
7.3	Cash flow from investing activities			
7.5(c)	Purchase of subsidiary (net of cash acquired)	32	**(15,663)**	–
7.5(d)	Disposal of subsidiary (net of cash disposed)		**9,061**	–
7.5(a)	Purchase of intangible assets		**(4,971)**	(4,243)
7.5(a)	Purchase of tangible assets		**(14,822)**	(20,671)
7.5(b)	Proceeds from disposals of tangible assets		**370**	666
7.5(e)	Purchases of commercial paper		**(2,623)**	(3,817)
7.5(f)	Proceeds from disposals of commercial paper		**2,856**	6,969
7.15	Interest received		**68**	74
7.15	Dividends received from associate		**6,151**	11,573
	Net cash used in investing activities		**(19,573)**	(9,449)
7.3	Cash flow from financing activities			
7.6(e)	Repayment of obligations under finance leases		**(2,608)**	(2,748)
7.6(d)	Repayment of Chain Store loan		**(2,168)**	–
7.6(c)	Receipts from revolver loan facility		**12,633**	2,837
7.6(d)	Repayment of revolver loan facility		**–**	(8,355)
7.16	Dividends paid to non-controlling interests		**(2,298)**	(2,634)
	Acquisition of non-controlling interest		**–**	(4,435)
7.16	Dividends paid to owners of the parent		**(25,420)**	(15,400)
7.15	Interest paid		**(4,642)**	(5,070)
7.6(a)	Proceeds from issue of ordinary share capital (net of costs of issue)		**–**	10,903
7.6(a)	Exercise proceeds from share-based payments		**27**	20

7.6(a)	Treasury shares acquired	**(588)**	–
	Net cash used in financing activities	**(25,064)**	(24,882)
7.20	Net increase in cash and cash equivalents	**1,552**	9,441
7.20	Cash and cash equivalents at the beginning of the year	**11,339**	2,723
7.20	Exchange losses on cash and cash equivalents	**(562)**	(825)
7.20	Cash and cash equivalents at the end of the year	**12,329**	11,339
7.20	Cash and cash equivalents consist of:		
	Cash at bank and in hand	**9,891**	8,209
	Short term deposits (included in current asset investments)	**2,438**	3,130
	Cash and cash equivalents	**12,329**	11,339

1.12(b) The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the company statement of cash flows.

Commentary

7.7, 7.8 An entity can present cash flows from operating activities using either:

- The indirect method, where profit or loss is adjusted for the effects of changes during the period to working capital balances, non-cash transactions and items of income or expense associated with investing or financing cash flows, or.
- The direct method, where major classes of gross cash receipts and payments are disclosed.

7.20 FRS 102 requires the statement of cash flows should include information about the changes in 'Cash and cash equivalents', whereas the balance sheet includes an item for 'Cash at bank and in hand'. Where these amounts differ, an entity should present the components of cash and cash equivalents and a reconciliation of the amounts to the equivalent items presented in the balance sheet.

Notes to the consolidated financial statements

	Commentary
SI 2008 / 410 1 sch 42(2)	SI 2008 / 410 requires that notes are 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.
	1. General information
3.24	UK GAAP Group Limited ('the company') and its subsidiaries (together 'the group') operate a number of large department stores throughout the UK and in several major European cities. The group operates with a number of recognised brand names and also has a number of branded e-commerce operations.
3.24(a)	The company is a private company limited by shares and is incorporated in England. The address of its registered office is Higgs Mews, Moseley Way, Howtown.
	2. Statement of compliance
3.3	The group and individual financial statements of UK GAAP Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.
	3. Summary of significant accounting policies
2.11, 8.5, 9.23(a), 10.7	The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
	a. Basis of preparation
2.5, 3.8	These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.
8.7	The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company 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 4.
CA06 s408(4)	The company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

	Commentary
9.1, 9.24	• See the glossary to FRS 102 for definitions of consolidated and separate financial statements. Consolidated financial statements are referred to as 'group accounts' in the Companies Act 2006 and separate financial statements are included within the meaning of 'individual financial statements'.
3.10	• FRS 102 requires financial statements to be prepared annually. Where the reporting period changes and annual financial statements are presented for a period longer or shorter than one year the entity shall disclose (a) that fact. (b) the reason for using a.
	• Longer or shorter period, and (c) the fact that the comparative amounts presented in the financial statements are not directly comparable. • FRS 102 requires the entity to retain the presentation and classification of items from one period to the next unless (a) it is apparent, following a significant change in the entity's operations, that another presentation or classification would be more appropriate or (b) FRS 102, or another applicable FRS or FRC Abstract, requires a change in presentation.
3.11–3.13	• When presentation or classification is changed comparative amounts shall be reclassified unless impracticable. When amounts are reclassified the entity shall disclose (a) the nature of the reclassification, (b) the amount of each item or class of items that is reclassified. and (c) the reason for the reclassification. If reclassification is impracticable the entity shall disclose the reason why.
3.14	FRS 102 requires comparative information for all amounts in the financial statements unless the standard permits or requires otherwise. Comparative information for narrative and descriptive information should be included when it is relevant for an understanding of the current period's financial performance.

Commentary – Rising inflation and interest rates

Disclosing material information:

An entity is required to disclose information explaining:

- All material accounting policy and other information (that is, information that, if omitted, misstated or obscured, could reasonably be expected to influence 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 sections of FRS 102. However, in light of rising inflation, an entity needs to assess whether any additional disclosures beyond those required by other sections in FRS 102 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 FRS 102. 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 / 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.

Commentary (continued)

2. Disclosure to provide users with an insight into the future cash flow position of the borrowing entity such as:
   i. Debt covenants triggers.
   ii. The proximity of the issuer breaching debt covenant triggers.
   iii. 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 FRS 102, 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 interest income and interest expense have previously been aggregated as 'net interest income', 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 creditors: amounts falling due after more than one year to Creditors: amounts falling due within one year in the absence of a formal waiver as at reporting date.

b. Going concern

3.9, 32.7A, 32.7B The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the group's products, and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of a severe but plausible change in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Commentary

3.8 FRS 102 paragraph 3.8 requires financial statements to be prepared on a going concern basis but does not require an explicit statement. The Companies Act 2006 presumes that a group or company is carrying on business as a going concern.

3.9 FRS 102 requires management to make an assessment of the entity's ability to continue as a going concern taking into account all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue. If there are material uncertainties that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose these uncertainties.

3.10 When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

These illustrative financial statements include disclosures explaining that management consider the entity to be a going concern but this disclosure is not required by FRS 102 or the law.

3.11 **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 Section 32.

	c. Exemptions for qualifying entities under FRS 102
1.11	• FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.
	• The company has taken advantage of the following exemptions in its individual financial statements:
1.12(b)	• From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.
1.12(c)	• From the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.
1.12(d)(ii)	• From disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein, and.
1.12(e)	• From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

	d. Basis of consolidation
9.2, 9.16, 9.23(a),(c)	The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates made up to 31 December.
9.4, 9.5, 9.23(b)	A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.
9.17	Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.
14.2–14.4, 14.8, 14.12(a)	An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.
9.18, 14.8(i)	Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.
9.18A, 9.18B	Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.
9.19B–9.19D, 22.19	Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.
9.10, 9.11, 9.33–9.37	Where the group has established employee benefit trusts ('EBT') or employee share ownership plans ('ESOP') and is the sponsoring entity, notwithstanding the legal duties of the trustees, the group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The company's equity instruments held by the EBT or ESOP are accounted for as if they were the company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the company's own equity held by either the EBT or ESOP.
9.15, 14.8(e)	All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

	Commentary
9.2	Unless exempted under FRS 102 paragraph 9.3, a parent entity shall present consolidated financial statements in which it consolidates all its investments in subsidiaries in accordance with FRS 102. A parent entity need only prepare consolidated financial statements if it is a parent at the year-end.
9.5, 9.6, 9.6A	Control is presumed to exist when an entity owns, directly or indirectly through subsidiaries, more than half of the voting power. This presumption may be overcome, in exceptional circumstances, if it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns less than half of the voting power and certain circumstances apply. In addition control can be achieved by having, currently exercisable, options or convertible instruments or through dominant influence.
9.8–9.9B	FRS 102 paragraphs 9.8 to 9.9B deal with subsidiaries excluded from consolidation. Where subsidiaries are excluded from consolidation these should be disclosed together with the reason for exclusion. These financial statements do not deal with these circumstances.
9.19A, 9.31, 9.32	FRS 102 paragraph 9.19A deals with the disposal of subsidiaries where control is retained. This circumstance is not included in these illustrative financial statements. FRS 102 paragraphs 9.31 to 9.32 deal with the exchange of businesses or other non-monetary assets for an interest in a subsidiary, jointly controlled entity or associate. These financial statements do not deal with these types of transactions.
	e. Foreign currency
	i. Functional and presentation currency
3.23(d)	The group financial statements are presented in pound sterling and rounded to thousands.
30.2, 30.26	The company's functional and presentation currency is the pound sterling.
	Commentary
30.3, 30.26	The functional currency is the currency of the primary economic environment in which the entity operates. When the presentation currency is different from the functional currency, an entity shall state that fact and disclose the functional currency and the reason for using a different presentation currency.
	ii. Transactions and balances
30.7, 30.8	Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.
30.9	At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.
30.10, 30.11, 12.23	Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating (losses) / gains'.
	iii. Translation
30.18–30.20	The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year-end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Commentary

Paragraph 30.18(b) of FRS 102 requires income and expenses to be translated at the dates of the transactions. Paragraph 30.19 states 'For practical reasons an entity may use a rate that approximates the exchange rates at the dates of transactions, for example an average rate for the period to translate income and expense items. However if exchange rates fluctuate significantly, the use of the average rate for the period may not be appropriate'.

Paragraph 30.25 of FRS 102 requires disclosure of the amount of exchange differences recognised in profit or loss and those classified in equity arising in the period. It does not require the separate disclosure of cumulative amounts arising on translation and, when a foreign subsidiary is disposed of, paragraph 9.18B does not require the cumulative exchange differences to be included in the calculation of gain or loss on disposal but they are transferred to retained earnings.

	f. Revenue recognition
23.3, 23.4, 29.20, 23.30(a)	Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the group and value added taxes. The group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
23.5	Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.
23.10	The group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the group retains no continuing involvement or control over the goods. (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the group's sales channels have been met, as described below.
	i. Sale of goods – retail
23.11	The group operates retail shops for the sale of a range of branded and own branded products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.
23.13, 23A.10	Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.
23.9, 23A.16, 23A.17	The group operates a number of country-based loyalty programmes based on an award of points at the time of individual transactions. On initial recognition the group treats this as two transactions and allocates the consideration received between the award and the other sale components.
	ii. Sale of goods – internet based transactions
23.10	The group sells goods via its websites for delivery to the customer or 'click and collect' at its retail shops. Revenue is recognised when the risks and rewards of the inventory are passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for 'click and collect' this is the time of collection. Transactions are settled by credit or payment card.
23.13	Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.
	iii. Income from 'concession arrangements'
23.14–23.16, 23.30(a)	Certain brands have 'concession arrangements' in the group's stores whereby the group receives a fixed percentage payment based on the concessionaires' revenue. This revenue is recognised on an accruals basis.
	iv. Income from franchise fees
23.30(a)	In certain locations the group has franchised its brand to third parties. Fees charged for the use of the rights granted by the agreement and related services are recognised as revenue as the rights are used and the services are provided.
	v. Interest income
23.28, 23.29(a)	Interest income is recognised using the effective interest rate method.

	vi. Dividend income
23.28, 23.29(c)	Dividend income is recognised when the right to receive payment is established.
	Commentary
23.1–23.2A	Section 23 of FRS 102 provides guidance on accounting for revenue for (a) the sale of goods, (b) the rendering of services, (c) construction contracts and (d) the use by others of assets of the entity yielding interest, royalties or dividends. Revenue or other income arising from some transactions is dealt with in other sections. Section 23 excludes revenue or other income under insurance contracts which are dealt with in FRS 103. The appendix to Section 23 provides examples of revenue recognition under the principles in Section 23.
23.17–23.37	These illustrative financial statements do not include revenue under construction contracts. Guidance on such contracts is given in paragraphs 23.17 to 23.27 of FRS 102.
	g. Exceptional items
5.9, 5.9A	The group classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the group. [Disclosure should be expanded and tailored to describe exceptional items that have been separately identified by the group.]
	Commentary
5.9-5–10A	FRS 102 does not specifically define exceptional items, although extraordinary items are defined in paragraph 5.10A. Paragraph 5.9 of FRS 102 requires an entity to present additional line items, headings and subtotals when such a presentation is relevant to an understanding of the entity's financial performance. Paragraph 5.9A requires an entity to disclose items that are material. Paragraph 5.10A notes that the additional disclosures under paragraphs 5.9 and 5.9A are not extraordinary if they arise from the ordinary activities of the company. No exceptional items are disclosed in these illustrative financial statements. The above policy is included for illustration purposes only. Guidance on presentation of alternative performance measures, including items described as 'non-recurring', is given in the FRC's Corporate Reporting Thematic Review on Alternative Performance Measures.
	h. Employee benefits
28.1	The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.
	i. Short term benefits
28.4, 28.39	Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
	ii. Defined contribution pension plans
28.10(a), 28.13	The group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.
	iii. Defined benefit pension plan
28.10(b)	The group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.
28.14, 28.15	The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.
28.17, 28.18	The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

28.15(b), 11.27–11.32	The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.
28.23(d)	Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'.
28.23(a), (c)	The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises: • The increase in pension benefit liability arising from employee service during the period. • The cost of plan introductions, benefit changes, curtailments and settlements.
28.23(b), 28.24–28.24B	The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense'.
	Commentary
28.20	FRS 102 does not require the entity to engage an independent actuary to calculate its defined benefit obligation. Nor does the standard require the valuation to be performed annually. Paragraph 28.20 of FRS 102 gives guidance where actuaries are not engaged annually. If this option is taken then we would expect appropriate disclosure in note 4 'critical accounting judgements and estimation uncertainty'. In addition, if the plan is material the assumptions used and judgements made may also require disclosure in the critical accounting judgements and estimation uncertainty note.
28.15(b)	If the pension plan asset is an insurance policy that exactly matches the amount and timing of some or all of the benefits payable under the plan, the fair value of the asset is deemed to be the present value of the related obligation.
28.22	Where, at the reporting date, the present value of defined benefit obligation is less than the fair value of the plan assets, the plan has a surplus. An entity shall recognise a surplus only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Where a surplus is restricted no additional liabilities shall be recognised in respect of an agreement with the defined benefit plan to fund a deficit (such as a schedule of contributions).
	iv. Annual bonus plan
28.8	The group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

	Commentary
28.39	FRS 102 does not require disclosure about short term employee benefits. These illustrative financial statements voluntarily disclose this information. Other employee benefits are considered in Section 28 of FRS 102 including insured benefits (paragraph 28.12), termination benefits (paragraph 28.31) and other long term benefits, including long-term paid absence, sabbatical leave, long-service benefits, long-term disability and deferred remuneration (paragraph 28.29). These are not included in these illustrative financial statements.
	v. Share-based payments
	Group
	The group provides share-based payment arrangements to certain employees.
26.7–26.11	Equity-settled arrangements are measured at fair value (excluding the effect of non– market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.
26.12, 26.13	Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.
DV	The group has no cash-settled arrangements.
	Company
26.16	The company has no employees and thus there is no charge in the income statement for share-based payments. The charge for share-based payments has been recognised as an increase in cost of investment in subsidiaries.
	Commentary
26.14	These illustrative financial statements have not illustrated cash-settled share based payment arrangements. If the group had such arrangements the accounting policy would include the following wording: 'Cash-settled share options are measured at fair value at the balance sheet date. The group recognises a liability at the balance sheet date based on the fair value, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period that has lapsed. Changes in the value of this liability are recognised in the income statement.'.
26.16	Where share-based payment awards have been granted by an entity to employees of one or more members in the group, a member may recognise and measure its share-based payment expense based on a reasonable allocation of the expense of the group.
	vi. Long term incentive plans
28.42	The group operates cash-settled long term incentive plans at an operating business level for certain members of management. The plans are based on the business's performance over a three-year period against budget on a variety of measures, including revenue growth, an adjusted operating profit measure, cash targets and an individual's personal targets in developing the business. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.
	i. Taxation
29.2, 29.22	Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.
29.17	Current or deferred taxation assets and liabilities are not discounted.

	i. Current tax
29.3–29.5	Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. 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.
	ii. Deferred tax
29.6	Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.
29.6–29.8	Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
29.12–29.14	Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.
	Commentary These illustrative financial statements do not include investment properties. There are deferred taxation requirements for this type of assets which are considered in paragraph 29.16 of FRS 102.
	j. Business combinations and goodwill
19.6	Business combinations are accounted for by applying the purchase method.
19.11, 19.11A	The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.
19.12, 19.13	Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.
18.8, 18.11, 19.14–19.18, 19.20, 19.21	On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.
19.22, 19.24	Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.
27.25	On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.
19.23, 27.7, 27.28	Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

	Commentary
19.11(b)	FRS 102 requires entities to include any costs directly attributable to the business combination in the cost of the business combination.
19.11A, 9.19C, 9.19D	Where control is achieved following a series of transactions the cost of the business combination is the aggregate of the fair values of the assets given, liabilities assumed and equity instruments issued. When a controlling interest is increased, the subsidiary's identifiable assets and liabilities (including contingent liabilities) are not revalued to fair value, and no additional goodwill is recognised. Such transactions are accounted for as transactions between equity holders.
19.23(a)	Goodwill is considered to have a finite useful life and should be amortised on a systematic basis over its life. If the useful life cannot be measured reliably the life shall not exceed ten years. Goodwill is tested for impairment in accordance with Section 27 of FRS 102.
19.24	FRS 102 requires negative goodwill to be recognised on the balance sheet. These illustrative financial statements do not include negative goodwill. If negative goodwill is recognised, the accounting policy disclosure included above would be: 'Where the cost of the business combination exceeds the fair value of the group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.'
18.8	Recognition of intangible assets separately from goodwill is only required where they meet the recognition criteria, are separable and arise from contractual or other legal rights. Entities may choose to separately recognise additional intangible assets on acquisition if they meet the recognition criteria, and are either separable or arise from contractual or other legal rights. This is an accounting policy choice which should be applied consistently to a class of intangible assets and to all business combinations.
	k. Intangible assets
18.18, 18.18A, 18.19, **18.27(a),(b)**	Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows: • Software: 3–5 years. • Acquired brands and trademarks: 5–10 years.
18.27(d)	Amortisation is included in 'administrative expenses' in the profit and loss account.
18.24	Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.
18.8E, 18.8H	Costs associated with maintaining computer software 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 group are recognised as intangible assets when the following criteria are met: • It is technically feasible to complete the software so that it will be available for use. • Management intends to complete the software and use or sell it. • There is an ability to use or sell the software. • It can be demonstrated how the software will generate probable future economic benefits. • Adequate technical, financial and other resources to complete the development and to use or sell the software are available. • The expenditure attributable to the software during its development can be reliably measured. 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.
	Commentary
	Section 18 of FRS 102 considers intangible assets other than goodwill and section 19 considers business combinations and goodwill. FRS 102 paragraph 18.23 requires an entity to assume a residual value of zero unless there is a commitment by a third party to purchase the asset or there is an active market for the asset and the residual value can be determined by reference to the market and the market will exist at the end of the asset's useful life.

	l. Tangible assets
17.15A, 17.10, 17.31(a)	Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.
	i. Land and buildings
17.8, 17.9, 17.15A	Land and buildings include freehold and leasehold retail outlets and offices. Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.
	ii. Plant and machinery and fixtures, fittings, tools and equipment
17.15A	Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.
	iii. Depreciation and residual values
17.18–17.22, 17.31(b), (c)	Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows: • Freehold buildings: over periods up to 50 years. • Long leasehold property: over the shorter of 50 years and the remaining lease period. • Short leasehold property: over the period of the lease. • Plant and machinery: 10–15 years. • Fixtures and fittings: 3–8 years.
10.16, 17.19	The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.
	iv. Subsequent additions and major components
17.4	Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.
17.6	The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.
17.12	Repairs, maintenance and minor inspection costs are expensed as incurred.
	v. Assets in the course of construction
17.20	Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use and are reviewed for impairment at each reporting date.
	vi. Derecognition
17.28–17.30	Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses) / gains'.
	Commentary
17.15, 17.15B–17.15F	FRS 102 allows for the revaluation model to be applied to all items in a class of tangible assets whose fair value can be measured reliably. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value. This is not included in these illustrative financial statements.
	m. Borrowing costs
25.2	All borrowing costs are recognised in profit or loss in the period in which they are incurred.
	Commentary
25.2–25.2D	An entity is not required to capitalise borrowing costs. This is an accounting policy choice. Capitalisation of interest is included in the PwC UK GAAP Limited illustrative entity financial statements.

	n. Leased assets
20.2, 20.3, 20.3A, 20.8	At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.
	i. Finance leased assets
20.4–20.6	Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.
20.9, 20.10	Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.
20.12	Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.
20.11	The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.
	ii. Operating leased assets
20.4, 20.7, 20.15	Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.
	iii. Lease incentives
	Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.
20.15A	Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.
	Commentary
20.1	Section 20 of FRS 102 does not address certain specific arrangements including mineral and similar arrangements, licensing agreements, investment property measurement, biological assets and leases resulting in a loss.
20.15, 20.15A	Operating leases should be expensed on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit or the payments are structured to increase in line with expected inflation to compensate for the lessor's expected cost inflationary cost increases. This similarly applies to related lease incentives.
20.32–20.34	The group has no sale and leaseback transactions. These would be required to be considered under paragraphs 20.32 to 20.34 of FRS 102.
	o. Impairment of non-financial assets
27.2–27.10, 17.24, 18.25	At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).
27.11–27.20A	The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating units) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk– free rate and the risks inherent in the asset.
27.6, 27.21–27.23	If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.
27.29–27.31	If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.
	Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

	Commentary
27.24–27.27	There are additional requirements for the impairment of goodwill. Additional requirements for the impairment of goodwill are addressed in paragraphs 27.24 to 27.27 of FRS 102, including where there are non-controlling interests and goodwill cannot be allocated to cash generating units.
	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. For goodwill and indefinite-lived intangible assets, a test for impairment might be required outside the annual cycle if their annual impairment test is not performed at the reporting date and an impairment indicator exists at this date.
	p. Investments – company
	i. Investment in subsidiary company
9.26	Investment in a subsidiary company is held at cost less accumulated impairment losses.
	ii. Investment in associate
14.4(a)	Investment in an associate is held at cost less accumulated impairment losses.
	Commentary
9.26	FRS 102 allows a parent company to select an accounting policy for accounting for its investments in subsidiaries, associates and jointly controlled entities. It may measure the investment: • At cost less impairment. • At fair value with changes recognised in other comprehensive income. • At fair value with changes recognised in profit or loss. The same accounting policy should be applied for all investments in a single class (subsidiaries, associates or jointly controlled entities), but different policies can be used for different classes.
SI 2008 / 410 1 Sch 36	The Companies Act 2006 does not permit investments in subsidiaries to be carried at fair value through profit or loss.
	q. Inventories
13.4, 13.20	Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.
13.6–13.9, 13.11, 13.18, 13.22(a)	Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.
13.19, 27.2–27.4	At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.
	Commentary
13.16	An entity may use techniques such as the standard cost method, the retail method or most recent purchase price if the result approximates cost. The group dealt with in these illustrative financial statements has no own– manufactured inventory. Disclosure of an illustrative accounting policy for such items is included in the UK GAAP Limited illustrative entity financial statements. These illustrative financial statements do not include construction contract activities.
	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.

	r. Cash and cash equivalents
7.2	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. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.
	Commentary
7.2	Bank overdrafts are normally considered financing activities similar to borrowings. However if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.
	s. Provisions and contingencies
	i. Provisions
21.4	Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.
21.7(a)	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 might be small.
21.11B–21.11D	In particular: • Restructuring provisions are recognised when the group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring. • Provision is not made for future operating losses.
21.7, 21.11	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 a finance cost.
	ii. Contingencies
21.12	Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.
21.13, 21.16	Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.
	Commentary
29.23	Provisions include deferred tax liabilities. The accounting policy for deferred taxation is included in the taxation accounting policy note.
	t. Financial instruments
11.2, 12.2(a)	The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.
	i. Financial assets
11.13, 11.40	Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.
11.14(a),11.15–11.20	Such assets are subsequently carried at amortised cost using the effective interest method.
11.14, 11.21, 11.25	At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.
11.26	If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.
11.11, 11.40, 12.7	Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

12.8	Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.
11.33	Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.
	ii. Financial liabilities
11.9, 11.10, 11.13, 11.40	Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.
11.13–11.20	Debt instruments are subsequently carried at amortised cost, using the effective interest rate 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.
4.7, 11.10, 11.13	Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.
11.11	Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.
12.7, 12.8	Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.
11.36	Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.
	iii. Compound financial instruments
22.13–22.15	Compound financial instruments issued by the group comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.
	iv. Offsetting
11.38A	Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.
	v. Hedging arrangements
	The group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.
12.23	The group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

12.23, 12.25	The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.
	Commentary
	These illustrative financial statements present examples of basic financial instruments under Section 11 of FRS 102 and examples of other financial instruments under Section 12. Entities should evaluate the contractual terms and conditions of financial instruments and consider the scope requirements of Sections 11 and 12 when evaluating such instruments. FRS 102 paragraphs 11.2 and 12.2 give an accounting policy choice for financial instruments, namely: a. Apply the provisions of FRS 102 in full. b. Apply the recognition and measurement provisions of IAS 39 (as adopted for use in the UK) and the disclosure requirements of FRS 102. c. Apply the recognition and measurement provisions of IFRS 9 and / or IAS 39 (as amended following the publication of IFRS 9) and the disclosure requirements of FRS 102. FRS 102 paragraphs 12.15 to 12.25A contain the detailed requirements for hedge accounting.
	u. Share capital
22.3, 22.7–22.10	Ordinary shares are classified as equity. 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.
	v. Distributions to equity holders
6.3(c)(iii), 32.8	Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.
	Commentary
	Directors can propose final dividends to be approved by members. Dividends become a legally binding liability when a private company's members' written resolution is passed, regardless of the date on which it is to be paid. A proposed unapproved final dividend is not a legal obligation to shareholders and is not recognised as a liability at the balance sheet date.
	w. Related party transactions
33.1A, 33.14	The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.
	4. Critical accounting judgements and estimation uncertainty
8.6, 8.7	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.
	a. Critical judgements in applying the group's accounting policies
	i. Control of Scottish Department Stores Limited ('SDS')
9.5(b)	Assessing whether the group controls SDS requires judgement. The group holds less than 50% of the voting rights but through a shareholder's agreement the group
	controls the operating and financial policies of SDS. This agreement includes the power to set the annual budget and financial plan, appoint and remove senior executives and set their remuneration, and set operating procedures and responsibilities. The group considers that these powers demonstrate that the group controls SDS.

b. Key accounting estimates and assumptions

8.7 The group 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.

i. Recoverable amount of U&U cash-generating unit (note 13a)

Annually, the group considers whether intangible assets and / or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash– generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The recoverable amount of the U&U CGU is a source of significant estimation uncertainty and determining this involves the use of significant assumptions. See note 13a for details of the key assumption and sensitivity analysis.

In May 2022, the FRC issued a thematic review on Discount rates with key observations as follows:

- The assumptions used for discount rates and cash flows should be internally consistent.
- An encouragement for companies to consider whether specialist third party advice may be required (in respect of material items where there is no internal expertise).
- Stressing the importance of high quality disclosures.

ii. Defined benefit pension scheme (note 22)

The group has obligations 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. For details of assumptions adopted, see note 22.

Commentary – Rising inflation and interest rates

There are a number of financial estimates in the measurement of a defined benefit obligation, for example future increases in salaries and medical costs.

When these estimates are affected by rising inflation, the impact on the measurement of the defined benefit obligation should be considered. For example, if management estimates future increases in salaries based on historical average figures, management needs to consider whether this assumption should be adjusted to reflect the expected future salary increases in a relatively higher inflationary environment, as well as how long the higher inflationary environment should be assumed to continue. Some plans also explicitly link ongoing payments for retirees to inflation and such indexation can have an impact on the actuarial obligation for inactive members.

Furthermore, discount rates will likely be affected by higher interest rates (in a high-inflation environment you would expect higher yields on bonds). This would impact the measurement of the net defined benefit obligations (assets) including the present value of the defined benefit obligation (due to changes in yield on high-quality bonds), the fair value of plan assets and the resulting impact on net interest on the net defined liability (asset) recognised in the income statement and remeasurement of a gain or loss in other comprehensive income.

Although the impact of the increase in the discount rate would lead to a decrease of the defined benefit obligation, this may be fully or partially offset by the increase following the changes in estimates (increase in salaries and other benefits).

Similar considerations are applicable to measurement of other long-term benefits such as disability or death-in-service benefits.

iii. Dilapidations provision (note 23)

Provision is made for dilapidations. This requires management's best estimate of the expenditure that will be incurred based on contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement. For further details and range of potential provision values, see note 23.

Commentary

Paragraphs 8.6 and 8.7 of FRS 102 require disclosure of the significant accounting policies and judgements and key sources of estimation uncertainty used in preparing the amounts recognised in the financial statements.

In relation to estimation uncertainty, we have illustrated the uncertainty for the recoverability of a CGU and dilapidations provision using sensitivities and ranges of potential outcomes as we consider this is information that would help users of the financial statements understand the judgements made by management. However, we note that these sensitivity disclosures are not explicitly required by paragraph 8.7 of FRS 102.

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 judgments 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.

5. Turnover

	Analysis of turnover by geography:		
SI 2008 / 410 1 Sch 68		2022	2021
	United Kingdom	**237,169**	221,687
	Germany	**35,743**	34,390
	Switzerland	**19,470**	19,125
		292,382	**275,202**

	Analysis by turnover by category:		
SI 2008 / 410 1 Sch 68		2022	2021
23.30(b)(i)	Sales of goods	**279,803**	260,975
23.30(b)(ii)	Franchise and related service income	**6,674**	5,251
23.30(b)(iv)	Income from concessions	**5,905**	8,976
		292,382	**275,202**

6. Operating profit

	Operating profit is stated after charging / (crediting):			
CA06 s411		Note	2022	2021
	Wages and salaries		**33,314**	31,612
	Social security costs		**4,383**	4,026
	Other pensions costs	22	**1,719**	2,135
26.23	Share-based payments	9	**263**	360
	Long term employee benefits	22	**453**	328
	Total staff costs		**40,132**	38,461
	Amounts capitalised		**(3,157)**	(2,745)
	Staff costs charged to profit and loss		**36,975**	35,716
5.9A	Reorganisation expense	23	**2,007**	–
	(Profit) / loss on disposal of tangible assets	14	**(71)**	296
11.48(c)	Impairment of trade receivables		**337**	817
27.32(a)	Impairment of intangible assets (included in 'administrative expenses')	13	**3,208**	903
27.32(a)	Impairment of tangible assets (included in 'administrative expenses')	14	**3,803**	–
13.22(c)	Inventory recognised as an expense		**116,567**	113,768

13.22(d), 27.32(a)	Impairment of inventory (included in 'cost of sales')	**3,414**	4,059
20.16(b)	Operating lease charges	**1,234**	938
30.25(a)	Foreign exchange losses / (gains)	**2,269**	(945)
SI 2008 / 489, Tech 14 / 13	Fees payable to the company's auditor and its associates for the audit of the parent company and the group's consolidated financial statements	**338**	270
	Fees payable to the company's auditor and its associates for other services:		
	• Audit of the company's subsidiaries	**239**	213
	• Audit-related assurance services	**110**	57
	• Tax advisory services	**35**	56
	• Tax compliance services	**92**	78
	Total amount payable to the company's auditor and its associates	**814**	674

CA06 s534

SI 2008/489, Part 3, Regulation 8

Example disclosure where the company and the auditor have entered into a liability limitation agreement ('LLA') in respect of the statutory audit

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

If the Company has agreed Liability Limitation Agreement ("LLA") with their auditors, then additional disclosures are required.

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.

7. Discontinued operations

Group

SI 2008 / 410 6 Sch 15

As part of the group's strategy to concentrate resources on higher margin and more profitable stores, the group sold its investment in Weak Link Limited, a chain of stores in East Anglia, on 19 August 2022. During the year the stores contributed post-tax profits of £200,000 (2021: £451,000). The group received cash consideration of £9,500,000. The net assets at the date of disposal were £9,199,000 and a profit on disposal of £301,000 was recognised in the profit and loss account.

8. Employees and directors

Employees

Group

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

CA06 s411		2022 No.	2021 No.
	Stores	**1,320**	1,074
	Warehouses and distribution	**656**	720
	Administration and central functions	**170**	154
		2,146	1,948

	Company		
	The company had no employees during 2022 or 2021.		
	Directors		
SI 2008 / 410 5 Sch 1(1)	The directors' emoluments were as follows:		
		2022	**2021**
	Aggregate remuneration	**564**	465
	Aggregate amounts (excluding shares) receivable under long– term incentive schemes	**77**	83
	Sums paid to third parties for directors' services	**2**	–
SI 2008 / 410 5 Sch 1(2)	Post-employment benefits are accruing for three directors (2021: two) under a defined benefit scheme. No directors (2021: none) were members of defined contribution schemes.		
SI 2008 / 410 5 Sch 1(3)(b)(i)	Three directors (2021: one) exercised share options in the parent's shares during the year.		
SI 2008 / 410 5 Sch 1(3)(b)(ii)	Two directors received shares under a long-term incentive scheme (2021: two).		
	Highest paid director		
	The highest paid director's emoluments were as follows:		
SI 2008 / 410 5 Sch 2(1)		**2022**	**2021**
	Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**115**	110
	Defined benefit pension scheme:		
	• Accrued pension at the end of the year	**44**	42
	• Accrued lump sum at the end of the year	**50**	45
SI 2008 / 410 5 Sch 2(3)	The highest paid director exercised share options in 2022 (2021: no shares exercised) and is accruing benefits under a long-term incentive scheme in 2022 and 2021.		
	Commentary		
SI 2008 / 410 5 Sch 1(d)(ii), 2(b)	If the entity has a defined contribution scheme, it should disclose the aggregate value of any entity contributions paid or treated as paid to a pension scheme in respect of money purchase benefits. The number of directors to whom retirement benefits are accruing under each of money purchase and defined benefit schemes must also be disclosed.		
SI 2008 / 410 5 Sch 1(3)	For unlisted companies (but not companies with equity listed on AIM), the net value of assets received or receivable under a long– term incentive scheme excludes shares and, hence, such companies must disclose the number of directors entitled to shares under a long-term incentive scheme, if applicable.		
SI 2008 / 410 5 Sch 3, 4	The aggregate amount of excess retirement benefits and the aggregate amount of compensation for loss of office, including retirement, must also be disclosed, where applicable.		
SI 2008 / 410 5 Sch 12	For the purposes of the disclosures relating to shares receivable under long term incentive plans and to the exercise of share options, 'shares' and 'share options' include shares and share options in any parent of the company or in any of its subsidiaries.		
	Key management compensation		
	Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:		
		2022	**2021**
DV	Salaries and other short-term benefits	925	870
DV	Post-employment benefits	120	114

DV	Share based payments	86	68
33.7		**1,131**	1,052

	9. Share-based payments
26.18(a)	The group operates two share-based payment schemes for its employees.
	A) All-employee share option scheme
	All employees are granted share options in the company as part of the All-employee share scheme. The options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire four years after the date of grant. Employees are not entitled to dividends until the options are exercised. Employees are required to remain in employment with the group until exercise, otherwise the awards lapse. The group makes annual grants on 30 September each year. On exercise of the options by the employees, the company issues new shares.
	B) Key-employee share option scheme
	In addition to the All-employee share option scheme, certain employees participate in the Key-employee share option scheme which provides additional remuneration for those employees who are key to the operations of the group. The options are granted with an exercise price equaling the nominal value of the shares, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the options are exercised. Vesting of the options is subject to continued employment within the group and meeting agreed revenue targets (non-market performance conditions). The group makes annual grants on 31 March each year. On exercise of the options by the employees, the group issues shares previously held as treasury shares by the Employee Benefit Trust. **All schemes**
	A reconciliation of share option movements over the year to 31 December 2022 is shown below:

			2022		**2021**
		No.	**Weighted average exercise price**	**No.**	**Weighted average exercise price**
		000	**£**	**000**	**£**
	Outstanding at 1 January	64	£1.60	60	£1.43
	Granted	36	£1.80	47	£1.52
	Forfeited	(6)	£1.42	(6)	£1.24
	Exercised	(40)	£1.54	(35)	£1.27
	Expired	(2)	£1.70	(2)	£1.57
	Outstanding at 31 December	52	£1.80	64	£1.60
	Exercisable at 31 December	22	£1.45	30	£1.51

26.19	The group is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to the All-employee and Key-employee schemes.
26.12(b), 26.21	During the year, the group modified the 2020 Key-employee share scheme as the revenue targets set at the date of grant were not sufficiently challenging and the award was not operating as intended. The modified awards had amended revenue targets and the vesting period was extended to three years from the date of modification. Due to the amended targets, the award was not beneficial to the employees at the date of modification, so no additional charge is recognised for the modification.
26.23(a)	The total charge for the year was £263,000 (2021: £360,000).
	Commentary
26.20, 26.23(b)	If the group operates cash-settled share-based payments it should disclose how the liability is measured and the carrying amount of the liability at the end of the period.

10. Associated undertaking

	The carrying value of the group's investment in an associate was as follows:		
	Group	**2022**	**2021**
	At 1 January	6,414	12,089
14.14	Share of profit	8,447	5,898
	Dividends received	(6,151)	(11,573)
14.12(b)	At 31 December	**8,710**	6,414

The group holds a 30% equity investment in Click and Deliver Limited (an unlisted entity), an online retailer. The investment is accounted for using the equity method.

Company

The company had no associates at 31 December 2022 (2021: none).

11. Net interest expense

a. Interest receivable and similar income

		Note	2022	2021
11.48(a)(iii)	Bank interest received		**42**	42
	Interest on short term deposits	18	**31**	18
11.48(a)(iii)	Interest on commercial paper	18	**535**	750
11.48(b), 23.30(b)(iii), SI 2008 / 410 1 Sch 66	Total interest income on financial assets not measured at fair value through profit or loss.		**608**	810
11.48(a)(i)	Gains on derivative financial instruments	24	**35**	–
	Total interest receivable and similar income		**643**	810

b. Interest payable and similar charges

		Note	2022	2021
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Interest expense on senior bank loans and revolving facility	21	**(5,104)**	(4,670)
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Interest expense on convertible loans	21	**(526)**	(518)
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Finance lease interest	21	**(456)**	(363)
21.14(a)(ii)	Finance charge on provisions	23	**(485)**	(427)
11.48(b), SI 2008 / 410 1 Sch 66	Total interest expense on financial liabilities not measured at fair value through profit or loss		**(6,571)**	(5,978)
11.48(a)(ii), SI 2008 / 410 1 Sch 55	Losses on derivative financial instruments	24	**–**	(168)
	Net interest expense on post-employment benefits	22	**(476)**	(428)
	Total interest payable and similar charges		**(7,047)**	(6,574)

DV	**c. Net interest expense**		
		2022	**2021**
	Interest receivable and similar income	**643**	810
	Interest payable and similar charges	**(7,047)**	(6,574)
	Net interest expense	**(6,404)**	(5,764)

12. Income tax

	a. Tax expense included in profit or loss		
		2022	**2021**
SI 2008 / 410 1 Sch 67(2)	Current tax:		
29.26(a)	• UK Corporation tax on profits for the year	8,639	7,099
	• Foreign corporation tax on profits for the year	2,997	1,188
29.26(b)	• Adjustment in respect of prior periods	(1,220)	(116)
	Total current tax	**10,416**	8,171
	Deferred tax:		
29.26(c)	• Origination and reversal of timing differences	(948)	(820)
DV	• Adjustment in respect of prior periods	998	311
29.26(d)	• Impact of change in tax rate	15	95
	Total deferred tax	**65**	(414)
	Tax on profit	**10,481**	7,757
	b. Tax (income) / expense included in other comprehensive income		
		2022	**2021**
	Deferred tax		
29.26(c)	• Origination and reversal of timing differences	489	498
29.26(d)	• Impact of change in tax rate	(385)	(227)
29.27(a)	Total tax (income) / expense included in other comprehensive income	**(104)**	271

	c. Reconciliation of tax charge		
	Tax assessed for the year is lower (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:		
		2022	**2021**
	Profit before tax	**60,274**	36,803
29.27(b)(ii)	Profit multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	**11,452**	6,993
	Effects of:		
	• Income not subject to tax	(395)	(118)
	• Unrecognised deferred tax	341	561
	• Expenses not deductible for tax purposes	121	344
	• Impact of overseas tax rates	(831)	(86)
	• Adjustments in respect of prior years	(222)	195
	• Re-measurement of deferred tax – change in UK tax rate	15	(132)
29.27(b)(i)	Tax charge for the year	**10,481**	7,757

Income not subject to tax mainly represents share of profit from associates. The group received a significant portion of its income from operations in Offshore Heaven where corporation tax is 5%.

d. Tax rate changes

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. 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. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

29.27(d) On 8 October 2021, 136 countries reached an agreement for a two-pillar approach to international tax reform (“the OECD agreement”). Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while Pillar Two seeks to apply a global minimum effective tax rate of 15%. The OECD Agreement is likely to see changes in corporate tax rates in a number of countries in the next few years. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country.

On 20 July 2022, HM Treasury released draft legislation to implement the 'Pillar Two' rules with effect for years beginning on or after 31 December 2023. Hence, the publication of the draft UK legislation with regard to the implementation of Pillar Two in the UK is an announcement of changes in tax laws for UK purposes. If the rules are announced or enacted before the financial statements are issued, entities will be required to disclose the significant effect of the change on current and deferred tax assets and liabilities. For further details on the UK draft legislation see UK In brief 2022-32.

Entities that might be significantly affected by the OECD agreement, but where changes have not been substantively enacted during the year, might consider the requirements in Section 29 and whether to provide additional disclosures to enable users of financial statements to understand the impact of the expected changes on the entity’s financial position and financial performance. If an entity concludes that disclosure should be provided related to the above tax issues, we would expect that disclosure to be generally qualitative in nature.

	Commentary
32.11(h)	The effects of a change in tax rate that is substantively enacted after the balance sheet date but before the accounts are signed must be disclosed as a non-adjusting post balance sheet event if the effects of the change are significant.

13. Intangible assets

SI 2008 / 410 1 Sch 51, 18.27(e), 19.26	**Group**	**Goodwill**	**Brand names and Trademarks**	**Software**	**Total**
	At 1 January 2022				
18.27(c)	Cost	24,068	14,787	19,918	58,773
18.27(c)	Accumulated amortisation and impairment	(7,111)	(9,975)	(11,664)	(28,750)
	Net book amount	**16,957**	**4,812**	**8,254**	**30,023**
	Year ended 31 December 2022				
	Opening net book amount	16,957	4,812	8,254	30,023
18.27(e)(i)	Additions	–	–	1,944	1,944
18.27(e)(i)	Additions – Internally generated	–	–	4,509	4,509
18.27(e)(iii)	Acquisitions	26,828	1,675	614	29,117
18.27(e)(ii)	Disposals	(346)	(345)	–	(691)
18.27(e)(v)	Amortisation	(2,335)	(1,436)	(2,668)	(6,439)
18.27(e)(vi)	Impairment	(2,838)	–	(370)	(3,208)
18.27(e)(vii)	Foreign exchange translation adjustment	685	933	–	1,618
	Closing net book amount	**38,951**	**5,639**	**12,283**	**56,873**
	At 31 December 2022				
18.27(c)	Cost	49,165	16,448	26,540	92,153
18.27(c)	Accumulated amortisation and impairment	(10,214)	(10,809)	(14,257)	(35,280)
	Net book amount	**38,951**	**5,639**	**12,283**	**56,873**

18.28(a)	The individual intangible assets, excluding goodwill, which are material to the financial statements are:

		Carrying amount		Remaining amortisation period (years)	
		2022	2021	2022	2021
	Brand names and Trademarks				
	Redbrick Stores	2,122	2,401	7	8
	Unravelled and Uninspired	1,171	1,374	5	6
	Software				
	Inventory management system	3,049	3,504	4	5
	Online ordering system	2,675	2,618	3	4

The inventory management system allows the group to monitor the inventory levels in each store and warehouse to ensure the group can meet customer demands.

The online ordering system was developed by the group to allow customers to order and pay for goods online. It is integrated into the inventory and accounting systems, giving up-to-date information to customers and management. Development continues each year. Where new features are added to enhance the customer's experience, the associated costs are capitalised.

27.33A During the year customer management software with a net book value of £370,000 was impaired. The software has been superseded by more advanced software acquired by the group during the year and is no longer in use.

18.27 The useful life of the software is based on its expected utilisation by the group. The useful life of brands and trademarks is based on the expected use of those acquired brands and trademarks.

a. Impairment of U&U cash-generating unit

27.21, 27.33A One of the group's brands, Unravelled & Uninspired, has suffered adverse publicity following a number of issues over the quality and design of the products. As a result there has been a sharp decline in sales across the cash-generating unit and goodwill was impaired by £2,838,000. The remaining goodwill in the U&U cash– generating unit is £673,000.

8.7 The recoverable amount of the U&U cash-generating unit is a source of significant estimation uncertainty. The recoverable amount was determined using a value-in– use calculation which required the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. If actual cash flows are not in line with budgeted cash flows, additional impairment of the U&U cash-generating unit's total assets of £3,589,000 (including goodwill of £673,000) may result.

The key assumption in the value-in-use calculation is the budgeted gross margin. This was assumed to be 37%. If instead this had been assumed to be 3% lower (34% instead of 37%), this would have resulted in an additional impairment of £1,078,000 being recognised, causing the goodwill to be fully written down and an impairment of £405,000 to be booked against other assets in the cash-generating unit.

Commentary

19.25(g) If the useful life of goodwill cannot be reliably estimated, its life shall not exceed ten years and the supporting reasons for the period chosen should be disclosed.

18.27 The reconciliation for intangible assets need not be presented for comparative periods.

These illustrative financial statements do not include research and development activities. Disclosure is required under paragraph 18.29 of FRS 102 for such expenditure.

Company

The company had no intangible assets at 31 December 2022 (2021: £nil).

14. Tangible assets

	Group	Land and buildings	Plant, machinery, fixtures and fittings	Construction in progress	Total
SI 2008 / 410 1 Sch 51, 17.31(e)					
	At 1 January 2022				
17.31(d)	Cost	45,399	41,181	7,603	94,183
17.31(d)	Accumulated depreciation and impairment	(11,238)	(15,716)	–	(26,954)
	Net book amount	**34,161**	**25,465**	**7,603**	**67,229**
	Year ended 31 December 2022				
	Opening net book amount	34,161	25,465	7,603	67,229
17.31(e)(i)	Additions	2,305	8,076	7,897	18,278
17.31(e)(iii)	Acquisitions	6,786	1,209	1,419	9,414
17.31(e)(viii)	Transfers	4,806	3,942	(8,748)	–
17.31(e)(ii)	Disposals	(299)	–	–	(299)
17.31(e)(vii)	Depreciation	(2,553)	(8,572)	–	(11,125)
17.31(e)(vi)	Impairment	(1,421)	(2,382)	–	(3,803)
17.31(e)(viii)	Foreign exchange translation adjustment	553	301	–	854
	Closing net book amount	**44,338**	**28,039**	**8,171**	**80,548**
	At 31 December 2022				
17.31(d)	Cost	59,431	54,193	8,171	121,795
SI 2008 / 410 1 Sch 19(3), 17.31(d)	Accumulated amortisation and impairment	(15,093)	(26,154)	–	(41,247)
	Net book amount	**44,338**	**28,039**	**8,171**	**80,548**

27.33A An impairment of £3,803,000 has been recorded for the Newcastle store following the opening of a large new shopping centre in the vicinity. The assets have been written down to their estimated value-in-use.

20.13(a) The net carrying amount of assets held under finance leases included in plant, machinery, fixtures and fittings is £8,343,000 (2021: £5,215,000).

The net book value of land, included in land and buildings above, comprises:

		2022	2021
SI 2008 / 410 1 Sch 53	Freehold	5,838	4,960
	Long leasehold	12,001	11,813
	Short leasehold	978	463
	Carrying amount	**18,817**	**17,236**

Commentary

17.31 The reconciliation for tangible assets need not be presented for comparative periods.

Company

The company had no tangible assets at 31 December 2022 (2021: £nil)

15. Subsidiaries and related undertakings

CA06 s409	**The list of subsidiaries and other related is as follows:**			
SI 2008 / 410 4 Sch 1, 17, 19	**Name**	**Address of the registered office**	**Nature of business**	**Interest**
	New GAAP Investments Limited	5 Bonds Corner, London W13 23N, UK	Holding company	100% ordinary shares
	New GAAP Financing Limited	13 Poundway, London W5 1RT, UK	Financing company	100% ordinary shares
	Redbrick Limited	55 Dreamers Corner, Manchester, M2 7EE, UK	Retailer	100% ordinary shares
	Redbrick (Switzerland) GmbH	Rue du Mont-Blanc 26, 1210 Genève, Switzerland	Retailer	100% ordinary shares
	Redbrick (Germany) GmbH	Hauptbahnhof, Bayerstraße 15A, 80330 München, Germany	Retailer	100% ordinary shares
	Chain Stores Limited	2 Starlight Street, Leeds LS1 6AC, UK	Retailer	60% ordinary shares (2021: nil)
	Unravelled & Uninspired Holdings Limited	33 Sandals Street, London W13 1UP, UK	Retailer	100% ordinary shares
	Click & Deliver Limited	15 Other Close, Romford, RM1 4RT, UK	Retailer	100% ordinary shares
	Almost Everything Limited	52 Shandwick Avenue, Edinburgh EM2 4RT	Retailer	100% ordinary shares
	Scottish Department Stores Limited	120 Buchanan St, Glasgow G5 2JA	Retailer	45% ordinary shares

SI 2008 / 410 4 Sch 16,17,19

All the above subsidiaries are included in the consolidation. The company's investment in New GAAP Investments Limited is direct ownership, all other investments are indirect ownership.

Weak Link Limited was a 100% owned subsidiary and was disposed of on 19 August 2022.

Scottish Department Stores Limited is considered to be a subsidiary entity by virtue of a control agreement.

Commentary

Companies are required to disclose, in the notes to the financial statements, a full list of related undertakings (both direct and indirect), regardless of the length of that list or the materiality of the subsidiaries. The full list (or a list of non-principal subsidiaries and other related undertakings) could be included in a separate section of the annual report and incorporated by cross reference into the notes to the financial statements.

16. Inventories

13.22(b), SI 2008 / 410 1 Sch Formats	**Group**	**2022**	**2021**
	Goods for resale	**31,512**	24,556

SI 2008 / 410 1 Sch 28(3),(4)

There is no significant difference between the replacement cost of the inventory and its carrying amount.

DV

Inventories are stated after provisions for impairment of £120,000 (2021: £183,000).

Company

The company had no inventories at 31 December 2022 (2021: £nil).

	17. Debtors				
			Group		Company
SI 2008 / 410 1 Sch Formats		**2022**	**2021**	**2022**	**2021**
	Trade debtors	**12,631**	10,210	–	–
	Amounts owed by group undertakings	**–**	–	**13,161**	20,776
	Other debtors	**6,654**	4,198	**866**	675
SI 2008 / 410 1 Sch Formats	Prepayments	**4,305**	4,561	**–**	–
		23,590	18,969	**14,027**	21,451

4.4A, SI 2008 / 410 1 Sch Formats	Trade debtors include £206,000 (2021: £290,000) falling due after more than one year.
11.42	Trade debtors are stated after provisions for impairment of £396,000 (2021: £476,000).
11.42	Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

4.4A

Commentary

Where the amount of debtors due after more than one year is material in the context of total net current assets, it should be disclosed on the face of the balance sheet. If it is not disclosed on the face of the balance sheet it should be disclosed in the notes.

Financial instruments repayable on demand are recognised at face value.

Although it is not required, where material, an entity can show the amounts of prepayments and accrued income separately. This illustrative entity does not have any accrued income, so only prepayments are shown above.

18. Current asset investments

		2022	2021
	Commercial paper	6,224	5,922
	Short term deposits	2,438	3,130
		8,662	**9,052**

11.42	Investments in commercial paper have fixed coupon rates at 8–10% (2021: 8–10%) and mature between 1 January 2023 and 30 September 2024 (2021: 1 December 2022 and 31 March 2024). They are measured at amortised cost.
11.42	Investments in short term deposits have an original maturity of 3 months or less. At the balance sheet date the average maturity of the deposits was 1 month (2021: 2 months). The average interest rate was 0.9% (2021: 1.0%).

Company

The company had no current asset investments at 31 December 2022 (2021: £nil).

19. Creditors: amounts falling due within one year

SI 2008 / 410 1 Sch Formats			Group		Company	
		Note	2022	2021	2022	2021
	Revolver loan	21	**16,638**	4,005	–	–
	Trade creditors		**11,845**	12,915	–	–
	Amounts owed to group undertakings		**–**	–	**548**	827
	Finance leases	21	**1,174**	1,231	**–**	–
SI 2008 / 410 1 Sch Formats	Corporation tax	12	**4,994**	4,086	**–**	–
	Other taxation and social security		**936**	801	**–**	–
	Deferred consideration	32	**5,000**	–	**–**	–
SI 2008 / 410 1 Sch Formats	Other creditors		**1,386**	1,522	**728**	961
	Derivative financial instruments	24	**607**	497	**–**	–
	Accruals and deferred income		**2,766**	2,317	**–**	–
			45,346	27,374	**1,276**	1,788

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

20. Creditors: amounts falling due after more than one year

SI 2008 / 410 1 Sch Formats			Group		Company	
		Note	2022	2021	2022	2021
	Amounts falling due between one and five years					
	Senior loans	21	59,842	58,042	–	–
	Finance leases	21	3,323	3,288	–	–
	Trade creditors		1,320	2,313	–	–
	Contingent consideration	32	3,430	–	–	–
	Other creditors		792	1,747	–	–
	Derivative financial instruments	24	1,396	1,536	–	–
			70,103	66,926	**–**	**–**
SI 2008 / 410 1 Sch 61(1)	Amounts falling due after more than five years					
	Convertible loan notes	21	8,884	8,758	8,884	8,758
	Finance leases	21	1,909	1,390	–	–
			10,793	10,148	**8,884**	8,758
	Total creditors falling due after more than one year		**80,896**	77,074	**8,884**	8,758

21. Loans and other borrowings

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Senior loans	**59,842**	58,042	–	–
	Revolver loan	**16,638**	4,005	–	–
	Convertible loan notes	**8,884**	8,758	**8,884**	8,758
	Finance leases	**6,406**	5,909	**–**	–
		91,770	76,714	**8,884**	8,758

Senior loans

11.42 The group's financing facility with a syndicate of banks includes senior loans of €12,000,000 and £50,000,000. Both senior loans accrue interest on a monthly basis at EURIBOR plus 5.5% and LIBOR plus 5.0% respectively. The senior loans are due for repayment in full in 2024. They are secured by a charge over the group's trading subsidiaries in the UK and Germany.

Revolver loan

11.42 The group's financing facility also includes a revolving credit facility of £25,000,000 to cover working capital and liquidity commitments. Interest is charged at LIBOR plus 6.0% on the drawn-down amount. A commitment fee of 0.5% is charged on the undrawn amount.

Convertible loan notes

11.42 The 10 year convertible loan notes were issued on 1 January 2019. Interest accrues on the principal amount of £10,000,000 at 4.0% per annum, payable in arrears. The debt is convertible into 900,000 £1 ordinary shares in UK GAAP Group Limited from 1 January 2024 to the maturity of the debt.

Finance leases

20.13(b) The future minimum finance lease payments are as follows:

		2022	**2021**
	Not later than one year	1,203	1,268
	Later than one year and not later than five years	3,833	3,682
	Later than five years	2,670	1,928
DV	Total gross payments	7,706	6,878
DV	Less: finance charges	(1,300)	(969)
	Carrying amount of liability	**6,406**	5,909

20.13(c) The finance leases primarily relate to transportation and warehousing equipment used in the group's distribution operations. There are no contingent rental, renewal or purchase option clauses. Rents payable increase by local inflation.

22. Post-employment benefits

Group

The group operates a defined benefit pension scheme for its UK employees and a defined contribution scheme for its German employees.

DV The amount recognised in the profit and loss account is as follows:

		Note	**2022**	**2021**
	Defined benefit scheme			
	– Current service cost	22(a)	1,240	1,669
	Defined contribution scheme	22(b)	479	466
	Total charge in operating profit		1,719	2,135
	Defined benefit scheme			
	Net interest expense	22(a)	476	428
	Total charge		**2,195**	2,563

	a. Defined benefit scheme			
28.41(a)	For UK employees, the group 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. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The group has agreed a funding plan with the trustee, whereby ordinary contributions made into the scheme are equal to 12% of active employees' salary. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary.			
28.41(d)	A comprehensive actuarial valuation of the group pension scheme, using the projected unit credit method, 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:			
			2022	**2021**
28.41(k)(iii)	Expected rate of salary increases		4.0%	3.5%
28.41(k)(v)	Expected rate of increase of pensions in payment		2.9%	2.6%
28.41(k)(i)	Discount rate		5.2%	5.0%
28.41(k)(v)	Rate of inflation		2.8%	2.5%
	The mortality assumptions used were as follows:			
			2022 years	**2021 years**
28.41(k)(v)	Longevity at age 65 for current pensioners			
	Men		22.5	22.5
	Women		23.6	23.0
28.41(k)(v)	Longevity at age 65 for future pensioners			
	Men		23.6	23.0
	Women		25.2	25.1
28.41(e),(f)	**Reconciliation of scheme assets and liabilities:**			
		Assets	**Liabilities**	**Total**
	At 1 January 2022	17,316	(26,463)	(9,147)
	Benefits paid	(956)	956	–
	Employer contributions	1,569	–	1,569
	Current service cost	–	(1,240)	(1,240)
	Interest income / (expense)	900	(1,376)	(476)
	Remeasurement gains / (losses)			
	Actuarial losses	–	(739)	(739)
	Return on plan assets excluding interest income	398	–	398
	At 31 December 2022	**19,227**	**(28,862)**	**(9,635)**
	Commentary			
28.41	The reconciliation for the defined benefit obligation, the fair value of plan assets and any reimbursement right recognised as a plan asset need not be presented for comparative periods.			
28.41(g)(i)	Total cost recognised as an expense:			
			2022	**2021**
	Current service cost		1,240	1,669
	Interest cost		476	428
			1,716	2,097
28.41(g)(ii)	No amounts (2021: nil) were included in the cost of assets.			

28.41(h)	The fair value of the plan assets was:		
		2022	**2021**
	Equity instruments	12,159	10,569
	Bonds	5,097	5,408
	Property	1,971	1,339
		19,227	17,316
28.41(i)	The plan assets do not include any of the group's financial instruments nor is any property occupied by any group entity.		
	Commentary		
28.41(h)	The analysis of the fair value of plan assets by major class can be disclosed in percentages rather than numerical values.		
	The return on the plan assets was:		
		2022	**2021**
	Interest income	900	767
	Return on plan assets less interest income	398	498
28.41(j)	Total return on plan assets	**1,298**	1,265
	b. Defined contribution scheme		
	The group provides defined contribution schemes for its employees in Germany.		
28.40	The amount recognised as an expense for the defined contribution scheme was:		
		2022	**2021**
	Current year contributions	**479**	466
	Company		
	The company had no post-employment benefits at 31 December 2022 (2021: £nil).		

23. Provision for other liabilities

Group

The group had the following provisions during the year:

SI 2008 / 410 1 Sch 59, 60		Asset retirement obligations	Dilapidations provisions	Onerous lease provisions	Re–organisation provision	Long term employee benefits	Acquired contingent liabilities	Deferred tax provision	Total
21.14(a)(i)	At 1 January 2022	1,046	3,769	2,837	–	984	–	72	8,708
21.14(a)(ii)	Capitalised in cost of assets	485	–	–	–	–	–	–	485
21.14(a)(ii)	Additions dealt with in profit or loss	–	741	–	2,007	453	–	(1,900)	1,301
21.14(a)(ii)	Additions dealt with in other comprehensive income	–	–	–	–	–	–	(104)	(104)
21.14(a)(ii)	Business combinations	–	657	–	–	–	362	1,901	2,920
21.14(a)(ii)	Unwind of discount	78	223	184	–	–	–	–	485
21.14(a)(iii)	Amounts utilised	–	(366)	(547)	(756)	(823)	(123)	–	(2,615)
	Foreign exchange translation adjustment	45	55	–	109	76	–	272	557
21.14(a)(iv)	Unused amounts reversed to the profit and loss account	–	(333)	–	–	–	–	–	(333)
21.14(a)(i)	At 31 December 2022	**1,654**	**4,746**	**2,474**	**1,360**	**690**	**239**	**241**	**11,404**

Asset retirement obligations

21.14(b),(c) As part of its property leasing arrangements, the group has an obligation to return some properties to their original conditions. Where the group has conducted significant leasehold improvements, such as installing mezzanine floors or partition walls, it has an obligation to remove these improvements. The present value of the expected cost is capitalised as a part of the leasehold improvement asset. The provision is expected to be utilised at the end of the respective leases between 2023 and 2034.

Dilapidations provision

21.14(b),(c), 8.7 As part of the group’s property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between 2023 and 2034 as the leases terminate.

Due to the significant number of leased properties in the group and the difficulties in predicting expenditure that will be required on return of a property to the landlord many years into the future, the dilapidations provision is considered a source of significant estimation uncertainty. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates. The directors consider the possible range of dilapidations provision at 31 December 2022 to between £3,886,000 and £4,975,000. The most likely amount within this range, £4,746,000, has been recognised in the balance sheet.

	Onerous lease provisions
21.14(b),(c)	Where leasehold properties become vacant, the group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. This provision relates to warehouse properties in Oxford and Cambridge which were vacated in 2019 and are surplus to the group's requirements. The provision is expected to be utilised over the life of the related leases to 2024 and 2026 respectively.
	Reorganisation provision
21.14(b),(c)	On 22 October 2022, the group announced its intention to streamline its warehousing operations in the UK and Germany. Whilst all sites remain operational, the group announced its intention to make 125 employees redundant, as they were no longer required by the group. During the year, 30 employees were made redundant, utilising part of the provision. The remaining employees will be paid in 2023 as their employment is terminated.
	Long term employee benefits
21.14(b),(c), 28.42	The group provides certain employees with a cash-settled long-term incentive plan. Amounts payable under the plan are dependent on the business performance over a three year period and individual's personal targets. Employees are required to remain in employment with the group to receive the cash payment. The group does not set aside assets to fund the payments and pays the benefits out of cash resources. The amount provided is expected to be paid between 2023 and 2025.
	Acquired contingent liabilities
19.15(c), 21.14(b),(c)	As part of the acquisition of Chain Stores Limited the group has recognised the contingent liabilities of the acquired business where they can be measured reliably. The amounts relate to certain employee claims for holiday pay and equal wages, some of which the group settled following acquisition. The group will defend the remaining claims. Any settlement of the provisions will be paid in 2023, dependent upon the outcome of any arbitration, mediation or legal proceedings.
	Commentary
21.14	Comparative information is not required.
	Deferred tax
29.27(e)	The provision for deferred tax consists of the following deferred tax liabilities / (assets):

		2022	2021
	Acquired intangible assets	**2,154**	962
	Acquired tangible assets	**943**	956
	Post-employment benefits	**(1,927)**	(1,829)
	Derivative financial liabilities	**(423)**	(432)
	Share based payments	**(203)**	(276)
	Provisions	**(2,095)**	(1,530)
	Capital allowances	**1,202**	1,768
	Other timing differences	**590**	453
	Total provision	**241**	72

29.27(e),(f)	There are no unused tax losses or unused tax credits.
29.27(c)	The net deferred tax liability expected to reverse in 2023 is £78,000. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.
	Company
	The company had no deferred tax provision at 31 December 2022 (2021: £nil).

24. Financial instruments

	Group			
	The group has the following financial instruments:			
		Note	2022	2021
11.41	Financial assets at fair value through profit or loss		**–**	–
DV	Financial assets that are debt instruments measured at amortised cost			
DV	• Trade receivables.	17	**12,631**	10,210
DV	• Other receivables.	17	**6,654**	4,198
DV	• Investments in commercial paper.	18	**6,224**	5,922
DV	• Investment in short term deposits.	18	**2,438**	3,130
			27,947	23,460
11.41	Financial liabilities measured at fair value through profit or loss			
DV	• Derivative financial instruments.	19:20	**(2,003)**	(2,033)
			(2,003)	(2,033)
DV	Financial liabilities measured at amortised cost			
DV	• Senior loans.	21	**(59,842)**	(58,042)
DV	• Revolver loans.	21	**(16,638)**	(4,005)
DV	• Convertible loans.	21	**(8,884)**	(8,758)
DV	• Finance leases.	21	**(6,406)**	(5,909)
DV	• Trade creditors.	19:20	**(13,165)**	(15,228)
DV	• Accruals.	19	**(2,311)**	(1,908)
DV	• Deferred consideration.	19:32	**(5,000)**	–
DV	• Other creditors.	19:20	**(2,178)**	(3,269)
			(114,424)	(97,119)
DV	Other financial liabilities measured at fair value			
DV	• Contingent consideration.	30	**(3,430)**	–
			(3,430)	–

	Commentary
19.13	Contingent consideration is measured at fair value based on the expected amounts payable, discounted at an appropriate market rate. Changes in the fair value are added to the cost of the business combination.
1.12(c)	Qualifying entities are exempt from disclosing the requirements of FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A providing the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
11.48B	Financial institutions, as defined by the standard, should provide additional disclosures for financial instruments as specified in paragraphs 34.17–34.33 of FRS 102.
11.7(a)	Investments in subsidiaries, associates and joint ventures are excluded from the scope of section 11 and so are not included in the table above.

	Derivative financial instruments – Forward contracts
11.42	The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2022, the outstanding contracts all mature within 6 months (2021: 9 months) of the year end. The group is committed to buy US$500,000 and €450,000 and pay a fixed sterling amount (2021: US$1,000,000 and €800,000).
11.43, **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 inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The fair value of the forward-foreign currency contracts is £81,000 (2021: £156,000).
	Derivative financial instruments – Interest rate swaps
11.42	The group has entered into an interest rate swap to receive interest at SONIA and pay interest at a fixed 2.5%. The swap is based on a principal amount of £50,000,000, the principal amount of the group's sterling Senior loan facilities, and matures in 2024 on the same date as the Senior loans.
12.27	The instrument is used to hedge the group's exposure to interest rate movements on the Senior loan facility. The hedging arrangement fixes the total interest payable on the sterling Senior loan to 7.5%. The fair value of the interest rate swap is £1,922,000 (2021: £1,877,000).
12.28	Cash flows on both the loan and the interest rate swaps are paid quarterly until 2024. During 2022, a hedging loss of £335,000 (2021: £294,000 gain) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £304,000 (2021: £513,000) was reclassified from the hedge reserve to profit and loss.
	Commentary
	Paragraph 11.41 of FRS 102 requires disclosure of the fair value of financial assets and financial liabilities measured at fair value through profit or loss and paragraph 12.27(b) requires disclosure of the fair value of hedging instruments. In addition SI 2008 / 410 1 Sch 55 requires that the fair value of each category of financial instruments is disclosed and accordingly the fair value of forward currency contracts is also disclosed.

Company

The company has the following financial instruments:

		Note	2022	2021
11.41	Financial assets at fair value through profit or loss		–	–
DV	Financial assets that are debt instruments measured at amortised cost			
DV	Amounts owed by group undertakings	17	**13,161**	20,776
DV	• Other receivables.	17	**866**	675
			14,027	21,451
DV	Financial assets that are equity instruments measured at cost less impairment		–	–
11.41	Financial liabilities measured at fair value through profit or loss			
DV	Financial liabilities measured at amortised cost			
DV	• Convertible loans.	21	**(8,884)**	(8,758)
DV	• Amounts owed to group undertakings.	19	**(548)**	(827)
DV	• Other creditors.	19	**(728)**	(961)
			(10,160)	(10,546)

25. Share capital and other reserves

SI 2008 / 410 1 Sch 47, 4.12(a)(iii)	**Ordinary shares of £1 each**	**Group and company**	
4.12(a)(ii),(iv)	Allotted and fully paid	**Number 000s**	**£'000**
	At 1 January 2022	**8,695**	8,695
	Settlement of employee share schemes	**18**	18
	Issued during business combination	**300**	300
	At 31 December 2022	**9,013**	9,013

SI 2008 / 410 1 Sch 48 Throughout the year, 18,000 shares (2021: 15,000) were issued to employees as they exercised their share options under the All-employee Share Scheme. Proceeds of £27,000 (2021: £20,000) were received from the employees.

SI 2008 / 410 1 Sch 48 On 22 September 2022, 300,000 shares were issued as part of the consideration to acquire Chain Stores Limited.

4.12(a)(v) There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Commentary

CA06 s412 Where a company issues equity shares in consideration for securing a holding of at least 90% of the nominal value of each class of equity in another company, the application of merger relief is compulsory. Merger relief is a statutory relief from recognising any share premium on shares issued. Instead, a merger reserve is recorded equal to the value of share premium which would have been recorded if the provisions of section 612 of the companies act 2006 had not been applicable. The application of merger relief is not illustrated in these example accounts.

Other reserves

Other reserves consist of the following amounts

	Group	Treasury share reserve	Hedging reserve	Convertible loan note reserve	Total
	At 1 January 2022	160	2,224	(1,242)	1,142
	Shares acquired	588	–	–	588
	Settlement of employee share schemes	(619)	–	–	(619)
6.3A	Hedging loss	–	335	–	335
6.3A	Reclassification to profit and loss	–	(304)	–	(304)
6.3A	Tax impact	–	(6)	–	(6)
	Transfer to retained earnings	–	–	126	126
	At 31 December 2022	**129**	**2,249**	**(1,116)**	**1,262**

SI 2008 / 410 4 Sch 2, 4.12(b)	The Treasury share reserve consists of shares repurchased by the group's Employee Benefit Trust. Shares are issued to employees as they exercise their options under the Key-employee Share Scheme. At 31 December 2022 5,438 (2021: 6,340) shares were held by the Employee Benefit Trust.
4.12(b)	The hedging reserve is used to record transactions arising from the group's cash flow hedging arrangements.
4.12(b)	The convertible loan note reserve represents the equity component of the loan at initial issue less transfers to retained earnings in respect of this component using the effective interest rate method.

Company

4.12(b)	The company 'other reserves' comprise the convertible loan note reserve as shown above.

Dividends

		2022	2021
	Equity – Ordinary		
DV	Interim 2022 (2021: none) paid	**7,174**	–
DV	Final 2021 (2021: Final 2020) paid	**18,246**	15,400
SI 2008 / 410 1 Sch 43(b)	Total dividends paid	**25,420**	15,400

DV	The Directors note that the dividend paid in the year exceeded brought forward profits available for distribution and thus, in accordance with sections in 836 and 838 of the Companies Act 2006, the Directors prepared interim accounts to confirm the entity had sufficient distributable reserves at that date, prior to paying the dividend.
SI 2008 / 410 1 Sch 43(a),(d)	A final dividend has been proposed for the year ended 31 December 2022. Subject to the exercise of share options this is expected to absorb £19,820,000 (2021: £18,250,000) of reserves. The dividend has not been accounted for within the current year financial statements as it has yet to be approved.

Commentary

For group cash flow purposes dividends paid include the above amounts and amounts paid by subsidiary companies to non-controlling interests.

26. Notes to the cash flow statement

		2022	2021
7.4	Profit for the financial year	**49,793**	29,046
7.8	Adjustments for:		
	Tax on profit	**10,481**	7,757
	Net interest expense	**6,404**	5,764
	Income from interests in associated undertakings	**(8,447)**	(5,898)
	Profit on disposal of operations	**(301)**	–
DV	Operating profit	**57,930**	36,669
	Amortisation of intangible assets	**6,439**	8,027
	Impairment of intangible assets	**3,208**	903
	Depreciation of tangible assets	**11,125**	7,861
	Impairment of tangible assets	**3,803**	–
	(Profit) / loss on disposal of tangible assets	**(71)**	296
	Share based payment charge	**263**	360
	Post-employment benefits less payments	**(329)**	22
	Other provisions less payments	**253**	(477)
	Working capital movements:		
	• Increase in inventories	**(8,191)**	(3,702)
	• (Increase) / decrease in debtors	**(7,362)**	2,341
	• Decrease in payables	**(7,750)**	(1,574)
	Cash flow from operating activities	**59,318**	50,726

Commentary

7.8	As part of the triennial review 2017, paragraph 7.8 of FRS 102 was amended to clarify that the starting point for the reconciliation to cash flow from operating activities could be any profit measure disclosed on the face of the statement of comprehensive income.
	Non-cash transactions
7.18	The group has acquired tangible assets under finance leases. £2,342,000 (2021: £1,645,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

Analysis of changes in net debt

		At 1 Jan 2022	Cash flows	Acquired	New finance leases	Fair value and exchange movements	Non-cash changes	At 31 Dec 2022
7.22								
	Cash at bank and in hand	8,209	1,637	607	–	(562)	–	9,891
	Short term deposits	3,130	(692)	–	–	–	–	2,438
	Cash and cash equivalents	11,339	945	607	–	(562)	–	12,329
	Commercial paper	5,922	(233)	–	–	–	535	6,224
	Revolver loan	(4,005)	(12,633)	–	–	–	–	(16,638)
	Senior loans	(58,042)	2,168	(2,168)	–	318	(2,118)	(59,842)
	Convertible loan notes	(8,758)	400	–	–	–	(526)	(8,884)
	Finance leases	(5,909)	2,608	–	(2,342)	–	(763)	(6,406)
	Derivative financial instruments	(2,033)	(330)	–	–	360	–	(2,003)
	Total	**(61,486)**	**(7,075)**	**(1,561)**	**(2,342)**	**116**	**(2,872)**	**(75,220)**

Non-cash movements represent effective interest rate adjustments which include debt issue costs.

Commentary

7.22 Comparative information is not required.

27. Contingent liabilities

Group

21.17A, SI 2008 / 410 1 Sch 63 The group has given a guarantee in respect of the bank borrowings of Click & Deliver Limited, the group's associate. At 31 December 2022, the group guaranteed £8,700,000 (2021: £8,500,000) being its share of the associate's debt to Localbank Ltd. The guarantee is secured by a charge on the group's trading subsidiaries.

Group and company

21.15, SI 2008 / 410 1 Sch 63 A claim has been made against the group for inappropriate use of personal data by a group of customers. The group believes it has acted properly and has a robust defence and accordingly no provision has been made. The matter could end up in legal proceedings and it has been estimated that should the claim be successful the liability would be between £200,000 and £300,000.

Commentary

Where a subsidiary is exempt from preparing individual financial statements under Companies Act 2006 section 394A or exempt from audit under section 479A, the parent company is required to disclose, in the notes to the consolidated financial statements, that the subsidiary company is so exempt. One of the conditions of these exemptions is that the parent company gives a guarantee under section 394C or section 479C (as appropriate).

If such guarantee is given w consider that the following disclosure, probably in the note detailing the listing of subsidiaries, would be made: 'The company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from [preparing individual financial statements / audit] under Section [394A / 479A] of the Companies Act 2006 in respect of the year ended 31 December 2022:

[insert list of the relevant subsidiaries].'

In addition we would expect that the contingent liability note would include the following disclosure: 'As disclosed in Note x, [some of] the company's subsidiaries have taken advantage of the exemption available under Section [394A / 479A] of the Companies Act 2006 in respect of the requirement [to prepare individual financial statements / for audit]. As a condition of the exemption, the company has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £x,xxx,000 (2021:£x,xxx,000).

28. Capital and other commitments

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

		2022	2021
SI 2008 / 410 1 Sch 63(2), 17.32(b)	Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment	343	628

The group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Payments due	2022	2021
20.16	Not later than one year	**843**	839
	Later than one year and not later than five years	**2,829**	2,511
	Later than five years	**9,246**	8,053
		12,918	11,403

CA06 s410A The group had no other off-balance sheet arrangements.

Company

The company had no capital or other commitments at 31 December 2022 (2021: £nil).

29. Related party transactions

Group

Transactions with associates:

33.9 During the year the group provided warehousing and distribution services to Click & Deliver Limited, the group's associate. Revenue of £540,000 (2021: £425,000) was recognised. At the year-end £35,000 (2021: £47,000) was outstanding and included within debtors. The receivable is unsecured, no guarantees have been received and is due in 30 days (2021: 30 days).

In addition, the group has guaranteed certain of its associates' borrowings, see note 27.

Transactions with key management personnel:

33.9, 33.13 During 2022 the group sold a property with a carrying value of £134,000 to Midland Canals Limited, a company owned by Mr D Waters, a director of the company, for £165,000, its fair value as determined by external valuers. No amounts were outstanding at the year-end.

See note 8 for disclosure of the directors' remuneration and key management compensation.

Company

33.1A Other than the transactions disclosed in note 8, the company's other related party transactions were with wholly owned subsidiaries.

Commentary

33.1A Transactions with an entity prior to acquisition are not disclosable where the entity was not a related party prior to the acquisition. Post-acquisition transactions are eliminated on consolidation so are not disclosed by the group. Post-acquisition transactions between the company and any non-wholly owned subsidiaries are disclosable.

Transactions with an entity disposed of are not required to be disclosed where the related party relationship ceases on disposal. Transactions with a subsidiary before its disposal are eliminated on consolidation and not disclosed in the consolidated financial statements. Pre-disposal transactions between the company and any non– wholly owned subsidiaries are disclosable.

33.13 An entity shall not state that related party transactions were made on an arm's length basis unless such terms can be substantiated.

30. Controlling party

Group and company

33.5 The company is owned by a number of private shareholders and companies, none of whom own more than 20% of the issued share capital of the company.

Accordingly there is no parent entity nor ultimate controlling party.

	Commentary
33.5, **SI 2008 / 410 4 Sch 8,9**	Under paragraph 33.5 of FRS 102, an entity should disclose the name of its parent and, if different, the ultimate controlling party. If neither the parent nor the ultimate controlling party produce consolidated financial statements for public use, the name of the next most senior parent that does so should be disclosed. SI 2008 / 410 requires the country of incorporation, if outside of the UK, to be stated. SI 2008 / 410 also requires an entity to disclose. • The names of the parents of the largest and smallest groups to include the entity, • If those parents are incorporated outside of the UK, the country of incorporation. • If those parents are unincorporated, the address of the principal place of business, and • The addresses from which the consolidated financial statements of the parents can be obtained (if available to the public).

31. Events after the reporting period

	Group
32.10	On 28 February 2023, the group acquired the entire share capital of Better Late Than Never Limited, which operates a chain of stores in the North of England. The total consideration was £8,570,000. £5,000,000 was paid immediately in cash, £3,500,000 settled through issuing 300,000 shares and expenses of £70,000 were capitalised.

32. Business combinations

	Group
19.25(a),(b), (c)	On 22 September 2022, the group acquired control of Chain Stores Limited through the purchase of 60% of the share capital for total consideration of £27,950,000. Chain Stores Limited has department stores in Bath, Birmingham, Bristol, Nottingham, Oxford and Warwick. Prior to the acquisition the group had minimal presence in these markets. As a result of the acquisition, the group expects to increase its sales to customers in these towns, both through internet and store sales. The goodwill of £21,697,000 arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations into the group.
19.25(g)	Management have estimated the useful life of the goodwill to be 10 years. The acquired stores are all established in their local markets and have a long track record of stable revenue. The amortisation period is mitigated by the growth of internet shopping which lowers the barriers to entry for new competitors and is reducing sales for traditional high street retailers. The following table summarises the consideration paid by the group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	Consideration at 22 September 2022	
19.25(d)	Cash	16,000
19.25(d)	Equity instruments (0.3m ordinary shares)	3,250
19.25(d)	Deferred consideration	5,000
19.12, 19.25(d)	Contingent consideration	3,430
19.11(b)	Directly attributable costs	270
	Total consideration	27,950
	For cash flow disclosure purposes the amounts are disclosed as follows:	
	Cash consideration	16,000
	Directly attributable costs	270
	Less	16,270

	Cash and cash equivalents acquired				(607)
	Net cash outflow				15,663
	Recognised amounts of identifiable assets acquired and liabilities assumed				
19.25(e), **SI 2008 / 410 6 Sch 13(4)**		**Note**	**Book values**	**Adjustments**	**Fair value**
	Property, plant and equipment	(a)	6,563	2,851	9,414
	Intangible assets	(b),(c)	221	2,068	2,289
	Cash and cash equivalents		607	–	607
	Inventories	(d)	1,123	177	1,300
	Trade and other receivables	(e)	2,452	(183)	2,269
	Trade and other payables		(5,501)	–	(5,501)
	Borrowings		(2,168)	–	(2,168)
	Provisions	(f)	(463)	(194)	(657)
	Contingent liability	(g)	–	(362)	(362)
	Deferred tax assets / (liabilities)	(h)	435	(2,336)	(1,901)
	Total identifiable net assets		**3,269**	**2,021**	**5,290**
	Non-controlling interest				(4,168)
	Goodwill				26,828
	Total				**27,950**

SI 2008 / 410 6 Sch 13(4)

The adjustments arising on acquisition were in respect of the following:

- The uplift in property, plant and equipment to a third party valuation on acquisition.
- The recognition of intangible assets in respect of legally protected trademarks of the Chain Stores brand.
- The recognition of the software used in the acquired business at fair value.
- An increase in the value of acquired technology.
- An impairment charge in respect of certain of the acquired accounts receivable.
- An increase in the provision for dilapidations following a third-party evaluation.
- A provision for a contingent liability in respect of employee claims for holiday pay and equal wages.
- Deferred tax adjustment arising as a result of the acquisition adjustments, including derecognition of the previously recognised deferred tax asset.

19.25(d)

The deferred consideration is payable on 22 March 2023. The amount has not been discounted, as the effect of discounting is not material.

19.25(d)

Contingent consideration is payable based on the gross profit of the individual stores for the year ended 31 December 2023. The amount payable is capped at £5,000,000. The amount recognised in the business combination is based on management's expectation for the store performance at the acquisition date.

19.25A	The revenue from Chain Stores Limited included in the consolidated income statement for 2022 was £19,123,000. Chain Stores Limited also contributed a profit of £2,762,000 over the same period.
	Commentary
18.8	The Triennial review 2017 amended the requirement for entities to recognise intangible assets acquired in a business combination. Recognition of intangible assets separately from goodwill is only required where they meet the recognition criteria, are separable and arise from contractual or other legal rights. Entities may choose to separately recognise additional intangible assets on acquisition if they meet the recognition criteria, and are either separable or arise from contractual or other legal rights. This is an accounting policy choice which should be applied consistently to a class of intangible assets and to all business combinations.
BC B18.10	The basis for conclusions to FRS 102 includes some guidance on which intangible assets are expected to meet the criteria for separate recognition in a business combination. The FRC considers that examples of intangible assets that would normally satisfy all three conditions include licences, copyrights, trademarks, internet domain names, patented technology and legally protected trade secrets. Examples of intangible assets that would not normally satisfy all three criteria include customer lists, customer relationships and unprotected trade secrets (such as secret recipes or formulas), because no contractual or legal right exists that would give rise to expected future economic benefits.

33. Non-controlling interests

Group

DV The movement in non-controlling interests was as follows:

		Note	2022	2021
	At 1 January		**3,359**	4,572
	Acquisition of remaining interest in Almost Everything Limited		**–**	(2,534)
	Acquisition of Chain Stores Limited	32	**4,168**	–
	Total comprehensive income attributable to non–controlling interests		**3,472**	3,955
	Dividends paid to non-controlling interest		**(2,298)**	(2,634)
	At 31 December		**8,701**	3,359

DV On 28 April 2021 the group acquired the remaining 25% of the issued shares of Almost Everything Limited for a purchase consideration of £4,435,000. The group now holds 100% of the equity share capital of Almost Everything Limited. At the date of acquisition the group derecognised the carrying amount of the non– controlling interest of £2,534,000 and recorded a decrease in equity attributable to owners of the parent of £1,901,000.

UK GAAP limited

Year ended 31 December 2022

Example annual report under UK GAAP (FRS 102)

Introduction

The example annual report that follows includes the financial statements of UK GAAP Limited, a wholly-owned private subsidiary company that reports under FRS 102.

UK GAAP Limited is a fictitious company. Its annual report has been prepared for illustrative purposes only and shows the disclosures and formats that might be expected for a subsidiary company 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).

These financial statements also include voluntary disclosures that illustrate certain aspects of disclosure under FRS 102. A qualifying entity under FRS 102 would be able to take advantage of the disclosure exemptions under paragraph 1.12 of FRS 102. As it is not a small company (as defined in section 382 of the Companies Act 2006), UK GAAP Limited is required to prepare a strategic report but the disclosure requirements are less onerous than those that would apply to a quoted company.

Guidance and information

References to source material are given in the left-hand margin. PwC commentary on matters of interest is in orange font. New disclosure requirements are shaded in pink.

The intention is not to show all conceivable disclosures, so this annual report should not be used as a checklist. The illustrative disclosures are not necessarily applicable for all private companies.

This illustrative annual report does not cover the following sections of FRS 102 (amongst other items):

• Consolidated financial statements (section 9).	• Foreign currency translation (section 30).
• Investment properties (section 16).	• Hyperinflation (section 31).
• Business combinations and goodwill (section 19).	• Specialised activities (section 34).
• Government grants (section 24).	• Discontinued activities.
• Impairment of assets (section 27).	• Exceptional items.
	• Long term contracts (section 23).

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 102 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.

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 UK GAAP Group Plc will not be affected by rising inflation and interest rates.

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

3.2	Financial reporting standard 102, section number and paragraph number.
CA06 s992	Companies act 2006 section number.
DV	Disclosure voluntary. Disclosure is encouraged but not required and therefore represents best practice.
FRC	Financial reporting council.
SEN 1	FRC Staff education note [number].
SI 2008 / 410 8 Sch 4	Statutory instrument [year / number], schedule number, paragraph number.
Tech 14 / 13	ICAEW technical release [number].
Wates principles	The Wates corporate governance principles for large private companies.

Strategic report

Strategic report for the year ended 31 December 2022

CA06 s414A	The directors present their strategic report on the company for the year ended 31 December 2022.
	Commentary
CA06 s414A(3), 414C(13)	A summary of the FRC Guidance on the Strategic report is included as an appendix to the strategic report section of the consolidated illustrative financial statements of UK GAAP Group Limited This section reflects the strategic report requirements contained in section 414C of the Companies Act 2006 but it does not reflect the non-financial reporting requirements contained in section 414CB. Section 414CB 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. Most companies reporting under FRS 102 will not meet the above criteria so they will not be required to comply with non-financial reporting requirements of section 414CB. FRS 102 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.
CA06 s414CB **New requirements**	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). • 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’. • A subsidiary undertaking is exempt from the new statement if it is included in a group strategic report of a parent that includes a group non-financial and sustainability information statement in respect of all the undertakings included in the consolidation. Non-financial information provided by groups other than as part of a non-financial and sustainability information statement under the UK Companies Act will therefore not make a subsidiary exempt.
	Review of the business
CA06 s414C(2)(a) **CA06 s414C(2)(b)6**	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 comments. This disclosure might be necessary to ensure that the annual report is fair, balanced and understandable. The information that is required to be included in the strategic report may be included elsewhere in the annual report and incorporated into the strategic report by cross– reference. We consider that this cross-referencing should be specific.
CA06 s414C(3)	The review is 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.
	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. (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	The strategic report 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 does not apply if the company qualifies as medium– sized or smaller in relation to that financial year (see sections 465 to 467 of the Companies Act 2006).
CA06 s414D(1)	By order of the board
CA06 s414D(1)	W Jong Company secretary 30 April 2023
	Commentary
CA06 s414D(1)	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

	Directors' report for the year ended 31 December 2022
CA06 s415(1)	The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.
	Future developments
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
	This disclosure is likely to be relevant to the strategic report. It could be included in the strategic report and incorporated into the directors' report by cross reference.
	Dividends
CA06 s416(3)	Details of dividends paid and recommended should be included.
	Political donations and political expenditure
SI 2008 / 410 7 Sch 3	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. • 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. 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.
	Financial instruments
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. • 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. **Directors**
CA06s416(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 should be provided.
DV	Information regarding the retirement of the directors at the AGM and whether they offer themselves for election should be disclosed.

	Qualifying third-party and pension scheme indemnity provisions
CA06 s236	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, the directors' report should state that fact. If the company has made such provisions for the benefit of the directors of an associated company, the directors' report should state that fact. These disclosures are required in respect of those provisions in force at any time during the financial year and those in force at the date of approval of the directors' report.
	Research and development
SI 2008 / 410 7 Sch 7(1)(a)	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).
	Post balance sheet events
SI 2008 / 410 7Sch 7(1)(c)	The directors' report should include particulars of any important events affecting the company since the year end.
	Commentary
	Similar to the disclosure on future developments, this disclosure is likely to fit well with the strategic report. It might therefore be appropriate to include therein and cross reference.
	Employees
SI 2008 / 410 7 Sch 10(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.
	Commentary
	This disclosure is required if the average number of employees during the year and working within the UK exceeds 250.
	Employee engagement statement
SI 2008 / 410 7 Sch 11 (as amended by SI 2018 / 860 Reg 13)	The directors' report must contain a statement: • Describing the action that has been taking 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. – Achieving a common awareness on the part of all employees of the financial. – Economic factors affecting the performance of the company.
SI 2008 / 410 7 Sch 11 (as amended by SI 2018 / 860 Reg 13)	• Summarising: – How the directors have engaged with employees. – 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.
	Commentary
	This disclosure is required if the average number of employees during the year and working within the UK exceeds 250.

	Statement of engagement with suppliers, customers and others in a business relationship with the company.
SI 2008 / 410 7 Sch 11B (as inserted by SI 2018 / 860 Reg 13)	The directors' report must contain a statement summarising how the directors have had regard to the need to foster the company's business relationships with suppliers,
	Commentary
	These disclosures are applicable to a company that exceeds two of the following three thresholds (subject to smoothing arrangements where circumstances change): • £36 million turnover. • £18 million total balance sheet assets. • 250 employees.
	Branches outside the UK
SI 2008 / 410 7 Sch 7(1)(d)	The directors' report should disclose the existence of any branches that operate outside of the UK.
	Streamlined Energy and Carbon Reporting (SECR)
SI 2008/410 7 Sch 7(1)(d) **UK 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. • 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. • The consumption of fuel for the purposes of transport. • 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.
SI 2008/410 7 Sch 7(1)(d)	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.
SI 2008/410 7 Sch 7(1)(d)	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. • 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.
- 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.

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.

	Statement of corporate governance arrangements.
SI 2008 / 410 7 Sch 26(1)and(2)	The directors' report must include a statement which states: • Which corporate governance code, if any, the company applied in the financial year. • How the company applied any corporate governance code reported under (a). • If the company departed from any corporate governance code reported (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 the 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.
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.

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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 102, 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.
- 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 group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the companies act 2006.

Directors' confirmations

CA06 s418(2)

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

	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.
CA06 s419(1)	By order of the board
	W Jong Company secretary 30 April 2023
	Commentary
CA06 s419(1)	The directors' report must be signed by the company secretary or a director after it has been approved by the board of directors. 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.

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 report. As the wording of the report is likely to differ from entity to entity, we have not included an illustrative report in this publication.

Profit and loss account

			Year ended 31 December	
3.2, 3.17(b)(ii), 5.7		Note	2022	2021
	Turnover	5	**26,675**	22,010
5.11(b)	Cost of sales		**(19,734)**	(15,305)
	Gross profit		**6,941**	6,705
5.11(b)	Distribution costs		**(1,234)**	(1,090)
5.11(b)	Administrative expenses		**(2,968)**	(2,444)
	Other operating (losses) / gains		**(37)**	111
DV, 5.9B	Operating profit	6	**2,702**	3,282
	Income from shares in group undertakings	9	**60**	50
	Income from participating interests	9	**17**	9
	Profit before interest and taxation		**2,779**	3,341
	Interest receivable and similar income	10	**122**	113
	Interest payable and similar expenses	10	**(321)**	(209)
DV	Net interest expense	10	**(199)**	(96)
SI 2008 / 410 1 Sch 6	Profit before taxation		**2,580**	3,245
	Tax on profit	11	**(665)**	(827)
	Profit for the financial year		**1,915**	2,418

Statement of comprehensive income

			Year ended 31 December	
3.2, 3.17(b)(ii), 5.7B		**Note**	**2022**	**2021**
	Profit for the financial year		**1,915**	2,418
	Other comprehensive expense:			
	Remeasurements of net defined benefit obligation	20	**(80)**	(24)
DV	Current tax deductions allocated to actuarial losses		**–**	5
DV	Movement on deferred tax relating to pension deficit	21	**12**	(1)
DV	Movement on deferred tax relating to revaluation of tangible assets	21	**6**	4
5.5A(a)(ii)	Total tax on components of other comprehensive income	11	**18**	8
	Other comprehensive income for the year, net of tax		**(62)**	(16)
5.5A(c)	Total comprehensive income for the year		**1,853**	2,402

Commentary

5.2

An entity can present total comprehensive income under a single-statement or two statement approach:

- Under the single-statement approach, it presents a single statement of comprehensive income, including all of its income and expense for the period.
- Under the two-statement approach, it presents an 'income statement' (alternatively known as a 'profit and loss account'), presenting all items of profit or loss, and a separate 'statement of comprehensive income', that begins with total profit or loss for the period and also presents all items of other comprehensive income.

5.5, 5.7

Under both approaches, the profit and loss section should be presented in accordance with the formats in SI 2008 / 410.

5.9B

FRS 102 does not require the disclosure of ‘operating profit’, but it emphasises that where an entity chooses to present the amount, it should ensure that all operating-type items are appropriately included and it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs, profits or losses on the sale of property, plant and equipment, investment property and intangible assets, and restructuring and relocation expenses).

5.5A(a)

Components of other comprehensive income can be presented either:

- Net of related tax effects.
- Gross of the related tax effects, with one amount showing the aggregate income tax relating to those components.

Balance sheet

for the year ended 31 December 2022

			As at 31 December	
3.2, 3.17(a), 4.2		**Note**	**2022**	**2021**
	Fixed assets			
	Intangible assets	12	**1,075**	705
	Tangible assets	13	**3,906**	3,037
	Investments	9	**656**	676
4.3			**5,637**	4,418
	Current assets			
	Inventories	14	**2,508**	2,279
	Debtors (including £205,000 (2021: £56,000) due after one year)	15	**2,835**	2,109
	Investments	16	**775**	738
	Cash at bank and in hand		**330**	260
4.3			**6,448**	5,386
4.7	Creditors: Amounts falling due within one year	17	**(2,918)**	(2,504)
	Net current assets		**3,530**	2,882
	Total assets less current liabilities		**9,167**	7,300
	Creditors: amounts falling due after more than one year	18	**(1,214)**	(1,524)
	Post-employment benefits	20	**(336)**	(129)
	Provision for other liabilities	21	**(407)**	(242)
4.3	Net assets		**7,210**	5,405

	Capital and reserves			
4.12(a)	Called-up share capital	23	**508**	505
	Share premium account		**144**	120
4.12(b)	Revaluation reserve		**138**	136
4.12(b)	Retained earnings			
	At 1 January		**4,644**	2,208
	Profit for the year		**1,915**	2,418
	Other changes in retained earnings		**(139)**	18
			6,420	4,644
4.3	Total equity		**7,210**	5,405

3.17(e) The notes on pages 97 to 132 are an integral part of these financial statements.

32.9 The financial statements on pages 90 to 132 were authorised for issue by the board of directors on 30 April 2023 and were signed on its behalf.

H Miggs

Chief Executive

UK GAAP Ltd

Registered no. xxyyzz

Commentary

SI 2008 / 410 1 Sch 1A

An entity is permitted to 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 that the presentation is in accordance with generally accepted accounting principles or practice (for an FRS 102 reporter, in accordance with FRS 102). Under FRS 102, a company can choose to present under the detailed company law formats contained in SI 2008 / 410 or 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 definition 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.

These illustrative financial statements are presented under the detailed company law formats.

SI 2008 / 410 1 Sch 4

In the illustrative balance sheet above, items which are preceded by Arabic numbers in the detailed Companies Act formats have been combined (for example ‘Tangible assets’ or ‘Creditors: amounts falling due within one year’), as doing so facilitates the assessment of the company’s financial position and the individual amounts are disclosed in the notes. ‘Post-employment benefits’ and ‘Provision for other liabilities’ have not been combined although they may be combined.

Statement of changes in equity

3.17(c)		Note	Called-up share capital	Share premium	Re-valuation reserve	Retained earnings	Total equity
	Balance as at 1 January 2021	30	500	75	136	2,208	2,919
6.3(c)(i)	Profit for the year		–	–	–	2,418	2,418
6.3(c)(ii)	Other comprehensive expense for the year		–	–	4	(20)	(16)
6.3(a)	**Total comprehensive income for the year**		**–**	**–**	**4**	**2,398**	**2,402**
6.3(c)(iii)	Credit relating to equity-settled share-based payments	8	–	–	–	126	126
6.3(c)(iii)	Charge from parent for equity-settled share-based payments	8	–	–	–	(52)	(52)
	Tax credit relating to equity-settled share-based payments		–	–	–	12	12
6.3(c)(iii)	Proceeds from shares issued	23	5	45	–	–	50
SI 2008 / 410 1 Sch 43(c)	Dividends	23	–	–	–	(52)	(52)
	Transfer to retained earnings	13	–	–	(4)	4	–
	Total transactions with owners, recognised directly in equity		**5**	**45**	**(4)**	**38**	**84**
	Balance as at 31 December 2021 and 1 January 2022		505	120	136	4,644	5,405
6.3(c)(i)	Profit for the year		–	–	–	1,915	1,915
6.3(c)(ii)	Other comprehensive expense for the year		–	–	6	(68)	(62)
6.3(a)	**Total comprehensive income for the year**		**–**	**–**	**6**	**1,847**	**1,853**
6.3(c)(iii)	Credit relating to equity-settled share-based payments	8	–	–	–	134	134
6.3(c)(iii)	Charge from parent for equity-settled share-based payments	8	–	–	–	(86)	(86)
	Tax credit relating to equity-settled share-based payments		–	–	–	15	15
6.3(c)(iii)	Proceeds from shares issued	23	3	24	–	–	27
SI 2008 / 410 1 Sch 43(c)	Dividends	23	–	–	–	(138)	(138)
	Transfer to retained earnings	13	–	–	(4)	4	–
	Total transactions with owners, recognised directly in equity		3	24	(4)	(71)	(48)
	Balances as at 31 December 2022		508	144	138	6,420	7,210

Statement of cash flows

3.17(d)		Note	2022	2021
	Net cash from operating activities	24	**2,583**	3,541
7.17	Taxation paid		**(655)**	(715)
7.4, 7.7	Net cash generated from operating activities		**1,928**	2,826
7.5	**Cash flow from investing activities**			
7.5(a)	Purchase of intangible assets		**(553)**	(873)
7.5(a)	Purchase of tangible assets		**(1,345)**	(911)
7.5(b)	Proceeds from disposals of tangible assets		**151**	39
7.5(e)	Purchases of commercial paper		**(53)**	(124)
7.5(f)	Proceeds from disposals of commercial paper		**138**	82
7.5(b)	Proceeds from disposal of fixed asset investment		**30**	–
7.15	Interest received		**112**	94
7.15	Dividends received		**67**	59
	Net cash used in investing activities		**(1,453)**	(1,634)
7.6	**Cash flow from financing activities**			
7.6(e)	Repayment of obligations under finance leases		**(49)**	(69)
7.6(d)	Proceeds from issue of unsecured loan stock		**395**	119
7.6(d)	Repayment of bank borrowings		**(471)**	(619)
7.6(c)	Proceeds from issue of bank borrowings		**254**	–
7.6(a)	Payment to parent for share-based payments	8	**(86)**	(52)
7.6(a)	Proceeds from issue of ordinary share capital (net of costs of issue)		**27**	50
7.16	Dividends paid	23	**(138)**	(52)
7.15	Interest paid		**(225)**	(172)
	Net cash used in financing activities		**(293)**	(795)
	Net increase in cash and cash equivalents		**182**	397
	Cash and cash equivalents at the beginning of the year		**873**	476
	Cash and cash equivalents at the end of the year		**1,055**	873

7.20	**Cash and cash equivalents consists of:**		
	Cash at bank and in hand	**330**	260
	Short term deposits (included in current asset investments)	**725**	613
	Cash and cash equivalents	**1,055**	873

Commentary

7.7, 7.8	An entity can present cash flows from operating activities using either: • The indirect method, where profit or loss is adjusted for the effects of changes during the period to working capital balances, non-cash transactions and items of income or expense associated with investing or financing cash flows. • The direct method, where major classes of gross cash receipts and payments are disclosed.
7.20	FRS 102 requires that the statement of cash flows includes information about the changes in 'Cash and cash equivalents', whereas the balance sheet includes an item for 'Cash at bank and in hand'. Where these amounts differ, an entity should present the components of cash and cash equivalents and a reconciliation of the amounts to the equivalent items presented in the balance sheet.

Notes to the financial statements

	Commentary
SI 2008 / 410 1 Sch 42(2)	SI 2008 / 410 requires that notes are 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.
	1. General Information
3.24(b)	UK GAAP Limited ('the company') designs, manufactures and sells shoes through a network of independent retailers. The company has manufacturing plants in the UK and sells primarily to the UK and the rest of Europe.
3.24(a)	The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 16 Nice Walk Way, London.
	2. Statement of compliance
3.3, **SI 2008 / 410 3 Sch 45**	The financial statements of UK GAAP Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the companies act 2006.
	3. Summary of significant accounting policies
2,11, 8.5, 10.7	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. The company has adopted FRS 102 in these financial statements.
	Commentary
	These are the entity's separate financial statements. The company has not made any acquisitions of businesses so disclosures required by section 19 of FRS 102, 'business combinations and goodwill', are not included in these illustrative financial statements.
	a. Basis of preparation
3.8, 2.50	These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.
8.7	The preparation of financial statements in conformity with FRS 102 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 4.
	Commentary
3.10	FRS 102 requires financial statements to be prepared annually. Where the reporting period changes and annual financial statements are presented for a period longer or shorter than one year the entity shall disclose (a) that fact, (b) the reason for using a longer or shorter period. (c) the fact that the comparative amounts presented in the financial statements are not directly comparable.
	FRS 102 requires the entity to retain the presentation and classification of items from one period to the next unless (a) it is apparent, following a significant change in the entity's operations, that another presentation or classification would be more appropriate or (b) FRS 102, or another applicable FRS or FRC Abstract, requires a change in presentation.
3.11–3.13	When presentation or classification is changed comparative amounts shall be reclassified unless impracticable. When amounts are reclassified the entity shall disclose (a) the nature of the reclassification, (b) the amount of each item or class of items that is reclassified. (c) the reason for the reclassification. If reclassification is impracticable the entity shall disclose the reason why.
3.14	FRS 102 requires comparative information for all amounts in the financial statements unless the standard permits or requires otherwise. Comparative information for narrative and descriptive information should be included when it is relevant for an understanding of the current period's financial performance.

	b. Going concern
3.9, 32.7A, 32.7B	The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products. (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account a severe but plausible change in trading performance, show that the company should be able to operate within the level of its current facilities. 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
3.8	FRS 102 paragraph 3.8 requires financial statements to be prepared on a going concern basis but does not require an explicit statement. The Companies Act 2006 presumes that a company is carrying on business as a going concern.
3.9	FRS 102 requires management to make an assessment of the entity's ability to continue as a going concern taking into account all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue. If there are material uncertainties that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose these uncertainties.
3.9	When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. These illustrative financial statements include disclosures explaining that management consider the entity to be a going concern but this disclosure is not required by FRS 102 or by the law.
	c. Exemptions for qualifying entities under FRS 102
1.8, 1.11(c)	The company has not taken advantage of any of the FRS 102 disclosure exemptions available to qualifying entities.
	Commentary
1.12	A qualifying entity is exempt from the following disclosure requirements:
	A reconciliation of the number of shares outstanding at the beginning and end of the period. [4.12(a)(iv)].
	The requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and para 3.17(d)]. Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A]. This exemption is not available to financial institutions as defined in the FRS 102 Glossary. In addition the company law disclosures are still required. Certain disclosure requirements of Section 26 in respect of share-based payments provided that (i) for a subsidiary the share-based payment concerns equity instruments of another group entity, or (ii) for an ultimate parent the share- based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group, and in both cases the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [26.18(b), 26.19–26.21, 26.23]. Key management personnel compensation in total. [33.7].
	A qualifying entity may take advantage of the disclosure exemptions above provided that: • It otherwise applies the recognition, measurement and disclosure requirements of FRS 102. • It discloses in the notes to its financial statements a brief summary of the disclosure exemptions adopted and the name of the parent of the group in whose consolidated accounts its financial statements are adopted and from where those financial statements may be obtained.

	In these financial statements disclosure of item (b) is included in note 28. These illustrative financial statements include information in respect of the above exemptions to illustrate the required disclosures. If exemption from presenting a statement of cash flows is taken, we would expect the following wording, or similar, to be included: 'The company has taken advantage of the exemption, under paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, UK GAAP Holdings Limited, includes the company's cash flows in its consolidated financial statements.'
	d. Consolidated financial statements
9.3, 9.27A, CA06 s400	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. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is UK GAAP Holdings Limited. The address of the parent's registered office is New GAAP Towers, 3 The Square, London, WC2N 6RH.
9.27(a)	These financial statements are the company's separate financial statements.
	Commentary
9.3 **CA06 s400**	The exemption from the requirement to prepare consolidated financial statements is subject to further conditions set out in the relevant sections of the companies act 2006.
SI 2019 / 145	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 exemptions from preparing consolidated accounts in sections 400 (intermediate parent companies owned by an EEA parent) and 401 (intermediate parent companies owned by a non-EEA parent). These exemptions are amended to refer to the company being owned by a UK parent and a non-UK parent respectively. A company that previously availed of the section 400 exemption from preparing consolidated financial statements because it had, say, a French parent (that is, an EEA parent) will not be able to claim the section 400 exemption (for companies with a UK parent) because its parent is outside the UK. But it will be able to avail of the same exemption under section 401 (for companies with a non-UK parent). The section 401 'equivalence test' for the parent's financial statements is now based on equivalence to UK requirements. We have yet to see how equivalence will be determined, but we would expect that this change will have no practical impact. The changes related to financial years 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.
	e. Foreign currency
	i. Functional and presentation currency
30.2–30.5, 20.26	The company's functional and presentation currency is the pound sterling.
	Commentary
30.2, 30.3, 30.26	The functional currency is the currency of the primary economic environment in which the entity operates. If the presentation currency is different from the functional currency, the entity states that fact and discloses the functional currency and the reason for using a different presentation currency.
	ii. Transactions and balances
30.7, 30.8	Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.
30.9	At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

30.10, 30.11, 12.23	Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except where deferred in other comprehensive income as qualifying cash flow hedges.
	Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss account within 'finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating (losses) / gains'.
	f. Revenue recognition
23.3, 23,4, 29.20	Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
23.5	Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.
23.10	The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the company retains no continuing involvement or control over the goods, (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity. (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.
	i. Sale of goods – Wholesale
23.11–23.13, 23A.4, 23A.5, 23A.10, 23A.11	The company manufactures and sells a range of footwear products in the wholesale market. Sales of goods are recognised on delivery to the wholesaler, when the wholesaler has full discretion over the channel and price to sell the product and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the product. Delivery occurs when the goods have been shipped to the location specified by the wholesaler, the risks of obsolescence or loss have been transferred to the wholesaler, 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.
23.3, 23.13	Goods sold to wholesalers are often sold with volume rebates and also with the provision for the wholesale customer to return faulty goods. Sales are measured at the prices specified in the sale contract, net of estimated volume rebates and returns. Volume rebates are assessed based on anticipated annual purchases. Accumulated experience is used to estimate and provide for the discounts and returns.
23.5	Sales are normally made with a credit term of 60 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.
	ii. Sale of goods – retail
23.11	The company operates retail shops for the sale of footwear and certain related products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.
23.13, 23A.10	Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.
23.9, 23A.16	The company does not operate any loyalty programmes.
	iii. Sale of goods – internet based transactions
23.10	The company sells goods via its website for delivery to the customer or 'click and collect' to its retail shops. Revenue is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for 'click and collect' this is the time of collection. Transactions are settled by credit or payment card.
23.13	Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.
	iv. Sale of services
23.25–23.16, 23.21– 23.27	The company sells design services to other manufacturers. Revenue is recognised in the accounting period in which the services are rendered when the outcome of contract can be estimated reliably. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

	v. Royalty income
23.28, 23.29(b)	The company earns royalties from other manufacturers in relation to the sale of products designed by the company. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.
	vi. Interest income
23.28, 23.29(a)	Interest income is recognised using the effective interest rate method.
	vii. Dividend income
23.28, 23.29(c)	Dividend income is recognised when the right to receive payment is established.
	Commentary
23.1–23.2A	Section 23 of FRS 102 provides guidance on accounting for revenue for (a) the sale of goods, (b) the rendering of services, (c) construction contracts. (d) the use by others of assets of the entity yielding interest, royalties or dividends. Revenue or other income arising from some transactions is dealt with in other sections. Section 23 excludes revenue or other income under insurance contracts which are dealt with in FRS 103. The appendix to Section 23 provides examples of revenue recognition under the principles in Section 23.
23.17–23.27	The company dealt with in these illustrative financial statements does not have revenue under construction contracts. Guidance on such contracts is given in paragraphs 23.17 to 23.27.
	g. Exceptional items
5.9	Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, and are considered non-recurring. These items are presented within the line items to which they best relate and reported separately as exceptional items. [Disclosure should be expanded and tailored to describe exceptional items that have been separately identified by the company.]
	Commentary
5.9–5.10A	FRS 102 does not specifically define exceptional items, although extraordinary items are defined in paragraph 5.10A. Paragraph 5.9 requires an entity to present additional line items, headings and subtotals when such a presentation is relevant to an understanding of the entity's financial performance. Paragraph 5.9A requires an entity to disclose items that are material. Paragraph 5.10A notes that the additional disclosures under paragraphs 5.9 and 5.9A are not extraordinary if they arise from the ordinary activities of the company. No exceptional items are disclosed in these illustrative financial statements. The above policy is included for illustrative purposes only. Guidance on presentation of alternative performance measures, including items described as 'non-recurring', is given in the FRC's Corporate Reporting Thematic Review on Alternative Performance Measures.

h. Employee benefits

28.1	The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.
	i. Short term benefits
28.4, 28.39	Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
	ii. Defined contribution pension plans
28.10(a), 28.13	The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.
	iii. Multi-employer pension plan
28.11, 28.11A	The company is a member of a multi-employer plan. Where it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.
28.13A	Where the plan is in deficit and where 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. This amount is expensed in profit or loss. The unwinding of the discount is recognised as a finance cost.
	Commentary
	Preparers should note that multi-employer pension schemes are different from group schemes and the accounting treatment and disclosures might also be different.
	iv. Defined benefit pension plan
28.10(b)	The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.
28.14, 28.15	The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.
28.17, 28.18	The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').
28.15(b), 11.27–11.32	The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.
28.23(d)	Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'.
28.23(a),(c)	The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
	• The increase in pension benefit liability arising from employee service during the period. • The cost of plan introductions, benefit changes, curtailments and settlements.
28.23(b), 28.24–28.24B	The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense'.

	Commentary
28.20	FRS 102 does not require the entity to engage an independent actuary to calculate its defined benefit obligation. Nor does the standard require the valuation to be performed annually. Paragraph 28.20 of FRS 102 gives guidance where actuaries are not engaged annually. If this option is taken then we would expect appropriate disclosure in note 4 'critical accounting judgements and estimation uncertainty'. In addition if the plan is material the assumptions used and judgements made may also require disclosure in the critical accounting judgements and estimation uncertainty note.
28.15(b)	If the pension plan asset is an insurance policy that exactly matches the amount and timing of some or all of the benefits payable under the plan, the fair value of the asset is deemed to be the present value of the related obligation.
28.22	Where, at the reporting date, the present value of defined benefit obligation is less than the fair value of the plan assets the plan has a surplus. An entity shall recognise a surplus only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Where a surplus is restricted no additional liabilities shall be recognised in respect of an agreement with the defined benefit plan to fund a deficit (such as a schedule of contributions).
	v. Annual bonus plan
28.8	The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.
	Commentary
28.39	FRS 102 does not require disclosure about share term employee benefits. These illustrative financial statements voluntarily disclose this information. Other employee benefits are considered in Section 28 of FRS 102 including insured benefits (paragraph 28.12), termination benefits (paragraph 28.31) and other long- term benefits, including long-term paid absence, sabbatical leave, long-service benefits, long-term disability and deferred remuneration (paragraph 28.29). These are not included in these illustrative financial statements.
	vi. Share-based payment
26.16	Where the company participates in a share-based payment arrangement established by a group company, the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity. Where the company is charged for the cost of share-based payment arrangements, the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge, the company treats the excess as a notional distribution and charges this to retained earnings.
	Commentary
26.16	The company has adopted the alternative treatment permitted by paragraph 26.16 where the company is a member of a group share-based payment arrangement. Under the alternative treatment, the company's expense is based on a reasonable allocation of the group's expense.
	i Taxation
29.2, 29.22	Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.
29.17	Current or deferred taxation assets and liabilities are not discounted.
	i. Current tax
29.3–29.5	Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.
	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.

ii. Deferred tax

29.6	Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.
29.6–29.8	Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
29.12	Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.
	Commentary
	These illustrative financial statements do not include Business Combinations and Goodwill or Investment Properties. There are deferred taxation requirements for these types of transactions and related assets and liabilities which are considered in paragraphs 29.11 and 29.16 of FRS 102.
	j. Intangible assets
18.18, 18.18A, 18.19, 18.20	Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.
18.24	Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.
	Commentary
	Section 18 of FRS 102 considers intangible assets other than goodwill and Section 19 considers Business combinations and Goodwill. Paragraph 18.23 requires an entity to assume a residual value of zero unless there is a commitment by a third party to purchase the asset or there is an active market for the asset and the residual value can be determined by reference to the market and the market will exist at the end of the asset's useful life. These illustrative financial statements do not include intangible development assets or intangible assets acquired in a business combination, including goodwill.

k. Tangible assets

17.15A, 17.10	Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.
	i. Land and buildings
17.8, 17.9, 17.15A	Land and buildings include freehold and leasehold factories, retail outlets and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.
35.10(d)	Before transitioning to FRS 102, the company adopted a policy of revaluing freehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from revaluation reserve to retained earnings.
	ii. Plant and machinery and fixtures, fittings, tools and equipment
17.15A	Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.
	iii. Depreciation and residual values
17.18–17.22, **17.31(b), (c)**	Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

	• Freehold buildings.	• Over periods up to 50 years.
	• Long leasehold property.	• Over the shorter of 50 years and the remaining lease period.
	• Short leasehold property.	• Over the period of the lease.
	• Plant and machinery.	• 10 – 15 years.
	• Tools and equipment.	• 3 – 8 years.

10.16, 17.19	The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.
	iv. Subsequent additions and major components
17.4	Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.
17.6	The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.
17.12	Repairs, maintenance and minor inspection costs are expensed as incurred.
	v. Assets in the course of construction
17.20	Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use and are reviewed for impairment at each reporting date.
	vi. Derecognition
17.28–17.30	Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other operating (losses) / gains'.

	Commentary
17.15B–17.15F	FRS 102 allows for the revaluation model to be applied to all items in a class of tangible assets whose fair value can be measured reliably. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value.
	l. Borrowing costs
25.2–25.2D	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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.
	Commentary
25.2	A company is not required to capitalise borrowing costs. This is an accounting policy choice.
	m. Leased assets
20.2, 20.3, 20.3A, 20.8	At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.
	i. Finance leased assets
20.4–20.6	Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.
20.9, 20.10	Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.
20.12	Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.
20.11	The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.
	ii. Operating leased assets
20.4, 20.7, 20.15	Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.
	iii. Lease incentives
	Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.
20.15A	Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.
	Commentary
20.1	Section 20 of FRS 102 does not address certain specific arrangements including mineral and similar arrangements, licensing agreements, investment property measurement, biological assets and leases resulting in a loss.
20.15, 20.15A	Operating leases should be expensed on a straight-line basis unless another systematic basis is representative of the time pattern of the users benefit or the payments are structured to increase in line with expected inflation to compensate for the lessors expected cost inflationary cost increases. Similar considerations apply to related lease incentives.
	The company has no sale and leaseback transactions. These would be required to be considered under FRS 102 paragraphs 20.32 to 20.34.

	n. Impairment of non-financial assets
27.2–27.10, 17.24, 18.25	At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).
27.11 –27.20A	The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.
27.21–27.23, 27.6	If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.
27.28–27.31	If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.
	Commentary
27.24–27.27	There are additional requirements for the impairment of goodwill. Additional requirements for the impairment of goodwill are addressed in paragraphs 27.24 to 27.27 of FRS 102. As the company does not have goodwill, a policy is not applicable.
	o. Investments
	i. Investment in subsidiary company
9.26, 9.27(b)	Investment in subsidiary company is held at cost less accumulated impairment losses.
	ii. Investment in associate
14.4(a), 9.27(b)	Investment in associate is held at cost less accumulated impairment losses.
	Commentary
9.26	FRS 102 allows a parent entity to select an accounting policy for accounting for its investments in subsidiaries, associates and jointly controlled entities. The parent can measure the investment: • At cost less impairment. • At fair value with changes recognised in other comprehensive income. • At fair value with changes recognised in profit or loss. The same accounting policy should apply for all investments in a single class (subsidiaries, associates or jointly controlled entities), but the entity can use different policies for different classes.
SI 2008 / 410 1 Sch 36	The companies Act 2006 does not permit investments in subsidiaries to be carried at fair value through profit or loss.

	p. Inventories
13.4, 13.20	Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.
13.18, 13.6–13.9, 13.11, 13.22(a)	Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).
13.19, 27.2–27.4	At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.
	Commentary
13.16	An entity may use techniques such as the standard cost method, the retail method or most recent purchase price if the result approximates cost.
	q. Cash and cash equivalents
7.2	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. Bank overdrafts are shown within borrowings in current liabilities.
	Commentary
7.2	Bank overdrafts are normally considered financing activities similar to borrowings. However if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.
	r. Provisions and contingencies
	i. Provisions
21.4	Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.
21.7(a)	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 may be small.
	In particular:
21.11C, 21.11D	• Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.
21.11B	• Provision is not made for future operating losses.
21.7, 21.11	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 a finance cost.
	ii. Contingencies
21.12	Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.
21.13, 21.16	Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

	Commentary
29.23, 21.13	Provisions include deferred tax liabilities. The accounting policy for deferred taxation is included in the taxation accounting policy note. The recognition criteria for contingent assets are different from those for contingent liabilities.
	s. Financial instruments
11.2, 12.2(a)	The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.
	i. Financial assets
11.13, 11.40	Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.
11.14(a), 11.15–11.20	Such assets are subsequently carried at amortised cost using the effective interest method.
11.14, 11.21, 11.25	At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.
11.26	If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.
11.11, 11.40, 12.7	Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.
12.8	Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.
11.33	Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.
	ii. Financial liabilities
11.9, 11.10, 11.13, 11.40	Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.
11.13–11.20	Debt instruments are subsequently carried at amortised cost, using the effective interest rate 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.
11.8, 11.9, 11.13, 22.3, 22.3A	Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.
4.7. 11.10, 11.13	Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.
11.11	Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

12.7, 12.8	Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.
11.36	Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.
	iii. Offsetting
11.38A, 12.25B	Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.
	Commentary
	These illustrative financial statements present certain basic financial instruments under Section 11 of FRS 102 and some examples of other financial instruments under Section 12. Entities should evaluate the contractual terms and conditions of financial instruments and consider the scope requirements of Sections 11 and 12 when evaluating such instruments. Paragraphs 11.2 and 12.2 give an accounting policy choice for financial instruments namely: • Apply the provisions of FRS 102 in full. • Apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of FRS 102. • Apply the recognition and measurement provisions of IFRS 9 and / or IAS 39 (as amended following the publication of IFRS 9) and the disclosure requirements of FRS 102.
	t. Share capital
22.3, 22.7–22.10	Ordinary shares are classified as equity. 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.
	u. Distributions to equity holders
6.3(c)(iii), 32.8	Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.
	Commentary
	Directors can propose final dividends to be approved by members. Dividends become a legally binding liability when a private company's members' written resolution is passed, regardless of the date on which it is to be paid. A proposed unapproved final dividend is not a legal obligation to shareholders and is not recognised as a liability at the balance sheet date.
	v. Related party transactions
33.1A	The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.
	Commentary
1.12(e), 33.7A	These illustrative financial statements do not take advantage of the exemption from disclosing key management personnel compensation.

4. Critical accounting judgements and estimation uncertainty

8.6, 8.7	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.
	a. Critical judgements in applying the entity's accounting policies
	i. 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. Therefore, the scheme is accounted for as a defined contribution scheme, see note 20 for further details.
	ii. Share-based payments
	The company's employees have been granted share options by the ultimate parent company, UK GAAP Holdings Limited. The company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the number of participating employees in the company compared to the number of participating employees in the group.
	The company also considered an allocation based on the relative remuneration cost of the relevant employees and considered that this gave rise to no significant differences in the allocated costs.
	b. Critical accounting estimates and assumptions
8.7	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.
	i. Useful economic lives of tangible assets (note 13)
	The annual depreciation charge for tangible assets 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. The remaining useful economic life of the main production plant asset is considered a source of significant estimation uncertainty. See note 13 for the carrying amount of the asset, the useful economic life assumed, and sensitivity analysis.
	ii. Defined benefit pension scheme (note 20)
	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. For details of assumptions adopted, see note 20.
	Commentary
	Paragraphs 8.6 and 8.7 of FRS 102 require disclosure of the significant accounting policies and judgements and key sources of estimation uncertainty used in preparing the amounts recognised in the financial statements. In relation to estimation uncertainty, we have illustrated the uncertainty for the useful economic lives of tangible assets using a sensitivity as we consider this is information that would help users of the financial statements understand the judgements made by management. However, we note that these sensitivity disclosures are not explicitly required by paragraph 8.7 of FRS 102.

	Commentary – Impact of 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 IFRS 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.

5. Turnover

Analysis of turnover by geography:

SI 2008 / 410 1 Sch 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
		26,675	22,010

Analysis of turnover by category:

SI 2008 / 410 1 Sch 68		**2022**	**2021**
23.30(b)(i)	Sales of goods	**21,854**	18,352
23.30(b)(ii)	Services	**3,128**	2,482
23.30(b)(iv)	Royalty income	**1,693**	1,176
		26,675	22,010

6. Operating profit

Operating profit is stated after charging / (crediting):

		Note	2022	2021
CA06 s411		Note	**2022**	**2021**
	Wages and salaries		**3,161**	2,891
	Social security costs		**615**	536
	Other pension costs	20	**302**	168
26.23	Share-based payments	8	**134**	126
	Staff costs		**4,212**	3,721
5.9A	Reorganisation expense	21	**157**	–
	Loss on disposal of tangible assets	13	**15**	13
11.48(c)	Impairment of trade receivables		**112**	165
27.32(a)	Impairment of intangible assets (included in 'administrative expenses')	12	**122**	–
13.22(c)	Inventory recognised as an expense		**6,869**	6,102
13.22(d), 27.32(a)	Impairment of inventory (included in 'cost of sales')		**134**	112
20.16(b)	Operating lease charges		**130**	108
30.25(a)	Foreign exchange losses / (gains) on trade receivables		**22**	(124)
SI 2008 / 489, Tech 14 / 13	Audit fees payable to the company's auditors		**40**	35

SI 2008 / 489 Regs 4–6

In accordance with SI 2008 / 489 the company has not disclosed the fees payable to the company's auditors for 'Other services' as this information is included in the consolidated financial statements of UK GAAP Holdings Limited.

CA06 section 536(4)

SI 2008/489, Part 3, Regulation 8

Example disclosure where the company and the auditor have entered into a liability limitation agreement ('LLA') in respect of the statutory audit

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

If the Company has agreed Liability Limitation Agreement ("LLA") with their auditors, then additional disclosures are required.

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.

7. Employees and directors

Employees

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

		2022	2021
CA06 s411	By activity	**No.**	No.
	Production	**216**	170
	Selling and distribution	**32**	30
	Administration	**55**	55
		303	255

Directors

SI 2008 / 410 5 Sch 1(1)	The directors' emoluments were as follows:		
		2022	**2021**
	Aggregate remuneration	**210**	206
	Aggregate amounts (excluding shares) receivable under long-term incentive schemes	**5**	7
	Sums paid to third parties for directors' services	**2**	–
SI 2008 / 410 5 Sch 1(2)	Post-employment benefits are accruing for three directors (2021: two) under a defined benefit scheme. No directors (2021: none) were members of defined contribution schemes.		
SI 2008 / 410 5 Sch 1(3)(b)(i)	Two directors (2021: one) exercised share options in the parent's shares during the year.		
SI 2008 / 410 5 Sch 1(3)(b)(ii)	One director (2021: one) received shares under a long-term incentive scheme.		
	Highest paid director		
	The highest paid director's emoluments were as follows:		
SI 2008 / 410 5 Sch 2(1)		**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
	The highest paid director exercised share options in 2022 (2021: exercised options) and received shares under a long-term incentive scheme in 2022 and 2021.		
	Commentary		
SI 2008 / 410 5 Sch 1(d)(ii), 2(b)	If the entity has a defined contribution scheme, it should disclose the aggregate value of any entity contributions paid or treated as paid to a pension scheme in respect of money purchase benefits. The number of directors to whom retirement benefits are accruing under each of money purchase and defined benefit schemes must also be disclosed.		
SI 2008 / 410 5 Sch 1(3)	For unlisted companies, the net value of assets received or receivable under a long- term incentive scheme excludes shares and, hence, such companies must disclose the number of directors entitled to shares under a long-term incentive scheme, if applicable.		
SI 2008 / 410 5 Sch 3,4	The aggregate amount of excess retirement benefits and the aggregate amount of compensation for loss of office, including retirement, must also be disclosed, where applicable.		
SI 2008 / 410 5 Sch 12	For the purposes of the disclosures relating to shares receivable under long term incentive plans and to the exercise of share options, 'shares' and 'share options' include shares and share options in any parent of the company or in any of its subsidiaries.		

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

		2022	**2021**
DV	Salaries and other short-term benefits	460	434
DV	Post-employment benefits	21	18
DV	Share-based payments	18	17
33.7		**499**	**469**

8. Share-based payments

26.18(a)	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 group. The group makes annual grants on 30 April each year.
26.22	The company recognises an equity-settled share-based payment expense based on a reasonable allocation of the total charge for the group. This allocation is the total charge for the group pro-rated for the number of participating employees of the company.
26.18(a)	On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by UK GAAP Holdings Limited. Payments of £86,000 (2021: £52,000) were recognised directly in equity.

A reconciliation of share option movements over the year to 31 December 2022 is shown below:

			2022		**2021**
26.18(b)		No. (000)	Weighted average exercise price £	No.(000)	Weighted average exercise price £
	Outstanding at 1 January	113	£0.55	128	£0.49
	Granted	25	£1.05	20	£0.80
	Forfeited	(4)	£0.65	(15)	£0.63
	Exercised	(12)	£0.48	(8)	£0.45
	Expired	(7)	£0.40	(12)	£0.30
	Outstanding at 31 December	115	£0.67	113	£0.55
	Exercisable at 31 December	22	£0.52	20	£0.45

26.23	The total charge for the year was £134,000 (2021: £126,000). The amount included in amounts due to group undertakings falling due within one year is £12,000 (2021: £10,000).
	Commentary
	If the company has its own share-based payment arrangement rather than being a member of a group scheme, or decides not to apply the alternative treatment in paragraph 26.16, it shall disclose the requirements under paragraphs 26.18 to 26.21.

9. Fixed asset investments

		2022	2021
	At 1 January	**676**	676
	Disposals	**(20)**	–
	At 31 December	**656**	676
	Analysed as:		
14.12(b)	Alpha Limited	**56**	76
	Gamma Limited	**600**	600
		656	676
	Fixed asset investments comprise equity shares in Alpha Limited and Gamma Limited, neither of which are publicly traded.		

	Alpha limited
14.13, 23.30(b)(v), 23.30(b)(viii), SI 2008 / 410 4 Sch 6	The company owns 25% of the equity share capital of Alpha Limited (2021: 34%). During the year the company received dividends of £7,000 from Alpha Limited (2021: £9,000). A gain of £10,000 was recognised on the disposal of part of the company's investment. The address of the registered office of Alpha Limited is 13 Slippers Way, London, W5 1RT, UK.
	Gamma limited
23.30(b)(v), SI 2008 / 410 4 Sch 11	The company owns 100% of the ordinary share capital of its subsidiary, Gamma Limited (2021: 100%). Gamma Limited is incorporated in the UK. During the year dividends of £60,000 (2021: £50,000) were received from Gamma Limited. The address of the registered office of Gamma Limited is 2 Starlight Street, Leeds, LS1 6AC, UK.

10. Net interest expense

	a. Interest receivable and similar income			
		Note	2022	2021
11.48(a)(iii)	Bank interest received		**71**	58
	Interest on short term deposits	16	**41**	36
11.48(a)(iii)	Interest on commercial paper	16	**10**	5
11.48(b). 23.30(b)(iii), SI 2008 / 410 1 Sch 66	Total interest income on financial assets not measured at fair value through profit or loss		**122**	99
11.48(a)(i)	Gains on derivative financial instruments		**–**	14
	Total interest receivable and similar income		**122**	113
	b. Interest payable and similar charges			
		Note	2022	2021
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Interest payable on overdrafts and bank loans		**(229)**	(133)
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Interest payable on other loans		**(28)**	(23)
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Preference share dividend paid: 3.5p (2021: 3.5p) per share		**(3)**	(3)
11.48(a)(iv), SI 2008 / 410 1 Sch 66	Finance lease interest		**(36)**	(38)
21.14(a)(ii)	Finance charge on provisions	21	**(13)**	(12)
11.48(b), SI 2008 / 410 1 Sch 66	Total interest expense on financial liabilities not measured at fair value through profit or loss		**(309)**	(209)
11.48(a)(ii), SI 2008 / 410 1 Sch 5	Losses on derivative financial instruments		**(21)**	–
	Net interest expense on post-employment benefits	20	**(6)**	(6)
	Total interest payable and similar charges		**(336)**	(215)
	Interest capitalised		**15**	6
	Total interest payable and similar charges		**(321)**	(209)
DV	**c. Net interest expense**			
			2022	2021
	Interest receivable and similar income		**122**	113
	Interest payable and similar charges		**(321)**	(209)
	Net interest expense		**(199)**	(96)

11. Income tax

	Tax expense included in profit or loss		
		2022	**2021**
SI 2008 / 410 1 Sch 67(2)	Current tax:		
29.26(a)	• UK Corporation tax on profit for the year.	**637**	765
29.26(b)	• Adjustment in respect of prior periods.	**25**	36
	Total current tax	**662**	801
	Deferred tax:		
29.26(c)	• Origination and reversal of timing differences.	**(7)**	28
29.26(d)	• Impact of change in tax rate.	**10**	(2)
	Total deferred tax	**3**	26
	Total tax expense included in profit or loss	**665**	827
29.27(a)	**b. Tax income included in other comprehensive income**		
	Current tax	**–**	**(5)**
	Deferred tax		
29.26(c)	• Origination and reversal of timing differences.	**(12)**	**(1)**
29.26(d)	• Impact of change in tax rate.	**(6)**	**(2)**
	Total tax credit included in other comprehensive income	**(18)**	**(8)**
29.27(a)	**c. Tax income included in equity**	**2022**	**2021**
	Current tax	**(15)**	**(12)**
	Deferred tax	**–**	**–**
	Total tax credit included in equity	**(15)**	**(12)**
	d. Reconciliation of tax charge	**2022**	**2021**
29.27(b)	Tax assessed 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:		
	Profit before tax	**2,580**	3,245
29.27(b)(ii)	Profit multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	**490**	617
	Effects of:		
1.	Income not subject to tax	**(13)**	(9)
2.	Unrecognised deferred tax	**43**	5
3.	Expenses not deductible for tax purposes	**110**	180
4.	Adjustments to tax charge in respect of prior years	**25**	36
5.	Re-measurement of deferred tax – change in UK tax rate	**10**	(2)
29.27(b)(i)	Tax charge for the year	**665**	827

SI 2008 / 410 1 Sch 67(1), 29.27(d)	**e. Tax rate changes**
	In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. 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. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023.
32.11(h)	**Commentary**
	SI 2008 / 410 requires companies to give the amount of UK tax, the amount of foreign tax and the amount of double tax relief. This is not applicable in these illustrative financial statements.
	The effects of a change in tax rate that is substantively enacted after the balance sheet date but before the accounts are signed must be disclosed as a non-adjusting post balance sheet event if the effects of the change are significant.

12. Intangible assets

SI 2008 / 410 1 Sch 51, 18.27		**Software**
	At 1 January 2022	
	Cost	1,177
	Accumulated amortisation and impairment	(472)
	Net book amount	705
	Year ended 31 December 2022	
	Opening net book amount	705
	Additions	640
	Amortisation	(148)
	Impairment	(122)
	Closing net book amount	1,075
	At 31 December 2022	
	Cost	1,817
	Accumulated amortisation and impairment	(742)
	Net book amount	**1,075**

18.28(a)	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 £309,000 (2021: £240,000) and has a remaining amortisation period of 3.5 years (2021: 4.5 years). There are no other individually material intangible assets.
27.33A	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 is no longer in use. As well as having more modelling capabilities, the new software is compatible with 3D printers.
	Commentary
18.27	The reconciliation for intangible assets need not be presented for comparative periods.

13. Tangible assets

SI 2008 / 410 1 Sch 51, 17.31		Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	At 1 January 2022				
17.31(d)	Cost	862	1,342	1,854	4,058
17.31(d)	Accumulated depreciation and impairment	(143)	(457)	(421)	(1,021)
	Net book amount	719	885	1,433	3,037
	Year ended 31 December 2022				
17.31(e)	Opening net book amount	719	885	1,433	3,037
17.31(e)	Additions	198	341	998	1,537
17.31(e)	Disposals	(11)	(87)	(68)	(166)
17.31(e)	Depreciation	(33)	(122)	(347)	(502)
17.31(e)	Closing net book amount	873	1,017	2,016	3,906
	At 31 December 2022				
17.31(d)	Cost	1,047	1,496	2,779	5,322
SI 2008 / 410 1 Sch 19(3), 17.31(d)	Accumulated depreciation and impairment	(174)	(479)	(763)	(1,416)
	Net book amount	**873**	**1,017**	**2,016**	**3,906**

25.3A Included in additions to land and buildings is interest capitalised of £15,000 (2021: £6,000). Interest was capitalised at the rate of 8% (2021: 7.5%).

20.13(a) The net carrying amount of assets held under finance leases included in plant and machinery is £233,000 (2021: £264,000).

Analysis of the land and buildings valued at the date of transition to FRS 102 using the deemed cost exemption:

		2022	2021
SI 2008 / 410 1 Sch 34, 35, 17.32A(d)	Historical cost equivalent	**144**	148
	Revaluation	**172**	177
	Net book value	**316**	325

SI 2008 / 410 1 Sch 52 The properties were last revalued in 2016 by an independent valuer using market based evidence for similar properties sold in the local area.

17.32A(a)–(c) The net book value of land and buildings comprises:

		2022	2021
SI 2008 / 410 1 Sch 53	Freehold buildings	**426**	430
	Long leasehold property	**213**	196
	Short leasehold property	**234**	93
	Carrying amount	**873**	719

17.32(a) Freehold buildings with a carrying amount of £54,000 (2021: £58,000) is pledged as security for an intercompany guarantee (see note 25).

8.7 The useful economic life of the company's major manufacturing line used to produce shoes is considered to be a source of significant estimation uncertainty. The manufacturing line has carrying value of £932,000 at 31 December 2021 and the directors have determined the remaining life of the asset to be five years. However, the actual useful life might be shorter or longer than five years, depending on technical innovations and competitor actions. Based on a useful life of five years, the carrying amount is expected to be £747,000 as at 31 December 2022. If it were only three years, the carrying amount would instead be £624,000, and if the useful life were estimated to be eight years, the carrying amount would be £816,000 as at 31 December 2022.

17.31 **Commentary**

The reconciliation for tangible assets need not be presented for comparative periods.

14. Inventories

13.22(b)		2022	2021
	Raw materials and consumables	**1,173**	1,020
	Work in progress	**309**	282
	Finished goods and goods for resale	**1,026**	977
		2,508	2,279

SI 2008 / 410 1 Sch 28	The replacement cost of inventories exceeds the balance sheet carrying amounts as follows:		
		2022	**2021**
	Raw materials and consumables	**113**	162

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).

15. Debtors

		2022	2021
	Trade debtors	**2,053**	1,467
	Amounts owed by group undertakings	**589**	467
	Other debtors	**132**	121
	Prepayments and accrued income	**61**	54
		2,835	**2,109**

4.4A Trade debtors include £205,000 (2021: £56,000) falling due after more than one year.

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

11.42 Trade debtors are stated after provisions for impairment of £96,000 (2021: £76,000).

4.4A **Commentary**

Where the amount of debtors due after more than one year is material in the context of total net current assets, it should be disclosed on the face of the balance sheet. If it is not disclosed on the face of the balance sheet it should be disclosed in the notes. These illustrative financial statements include disclosure of the amount in both the balance sheet and the notes, which is beyond the requirements of FRS 102. Although it is not required, where material, an entity could show the amount of prepayments and accrued income separately.

16. Current asset investments

		2022	2021
	Commercial paper	**50**	125
	Short term deposits	**725**	613
		775	**738**

11.42 Investments in commercial paper have fixed coupon rates between 8–10% (2021: 8– 10%) and mature in 2023 (2021: 2022). They are measured at amortised cost.

11.42 Investments in short term deposits have an original maturity of 3 months or less. At the balance sheet date the average maturity of the deposits was 1 month (2021: 2 months). The average interest rate was 0.7% (2021: 0.9%).

17. Creditors: amounts falling due within one year

		Note	2022	2021
	Unsecured loan stock	19	**349**	12
	Bank loans and overdrafts	19	**668**	419
	Trade creditors		**1,106**	1,305
	Amounts owed to group undertakings		**241**	180
	Finance leases	19	**27**	31
	Corporation tax		**210**	236
	Other taxation and social security		**23**	35
	Other creditors		**145**	132
	Derivative financial instruments	22	**86**	65
	Accruals and deferred income		**63**	89
			2,918	2,504

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

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

		Note	2022	2021
	Amounts falling due between one and five years			
	Bank loans and overdrafts	19	**586**	1,052
	Finance leases	19	**283**	250
	Cumulative preference shares of £1 each – 75,000	23	**75**	75
	Other creditors		**95**	40
			1,039	1,417
SI 2008 / 410 1 Sch 61(1)	Amounts falling due after more than five years			
	Unsecured loan stock	19	**175**	107
			1,214	1,524

19. Loans and other borrowings

		2022	2021
	7% unsecured loan stock 2023 / 24	**349**	12
	10% unsecured loan stock 2027	**175**	107
	Bank loans	**1,254**	1,471
	Finance leases	**310**	281
		2,088	1,871

	The company has issued the following unsecured loan stock during the year:		
SI 2008 / 410 1 Sch 50		Amount issued	Consideration received
	7% unsecured loan stock 2023 / 24	340	330
	10% unsecured loan stock 2027	75	65

11.42	The 7% unsecured loan stock 2023 / 24 is redeemable at par between 1 January 2023 and 31 December 2024 .
11.42	The 10% unsecured loan stock 2027 is redeemable at par between 1 January 2027 and 31 December 2027 .
11.42	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 instalments commencing 1 February 2023 and carries variable interest at LIBOR plus 3%.

Finance leases

20.13(b) The future minimum finance lease payments are as follows:

		2022	2021
	Not later than one year	**31**	35
	Later than one year and not later than five years	**302**	243
	Later than five years	**25**	37
DV	Total gross payments	**358**	315
DV	Less: finance charges	**(48)**	(34)
	Carrying amount of liability	**310**	281

20.13(c) The finance leases primarily relate to two production lines which are leased from a specialist leasing company. The remaining lease terms are 4 and 6 years. At the end of the lease terms the company has the option to purchase the assets at the scrap value of the machinery plus 50%.

20. Post-employment benefits

DV The company operates a number of pension schemes for its employees. The amount recognised in the Balance sheet is as follows:

		Note	2022	2021
	Defined benefit scheme liability	20(a)	**208**	129
	Multi-employer scheme liability	20(b)	**128**	–
			336	129

DV	The amount recognised in the profit and loss account is as follows:			
		Note	**2022**	**2021**
	Defined benefit scheme	20(a)		
	– Current service cost		**84**	90
	– Past service cost		**5**	–
	Multi-employer scheme	20(b)		
	– Charge for the year		**60**	55
	– Additional funding charge		**128**	–
	Defined contribution scheme	20(c)	**25**	23
	Total charge in operating profit	6	**302**	168
	Defined benefit scheme			
	– Net interest expense		**6**	6
	Total charge		**308**	174
28.40	The total charge for defined contribution plans was £213,000 (2021: £78,000).			

a. Defined benefit scheme

DV 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. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The company has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary.

On 1 January 2012 , 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.

28.41(d) A comprehensive actuarial valuation of the company pension scheme, using the projected unit credit method, 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:

		2022	**2021**
28.41(k)(iii)	Expected rate of salary increases	**4.3%**	4.0%
28.41(k)(v)	Expected rate of increase of pensions in payment	**3.0%**	4.0%
28.41(k)(i)	Discount rate	**5.2%**	5.0%
28.41(k)(v)	Rate of inflation	**2.8%**	2.5%
	The mortality assumptions used were as follows:		
		2022 years	**2021 years**
28.31(k)(v)	Longevity at age 65 for current pensioners		
	– Men	**22.5**	22.5
	– Women	**23.6**	23.0
28.31(k)(v)	Longevity at age 65 for future pensioners		
	– Men	**23.6**	23.0
	– Women	**25.2**	25.1

28.41(e), (f)	Reconciliation of scheme assets and liabilities:			
		Assets	**Liabilities**	**Total**
	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)			
	– Actuarial losses	–	(290)	(290)
	– Return on plan assets excluding interest income	210	–	210
	At 31 December 2022	7,452	(7,660)	(208)

Commentary

28.41	The reconciliation for the defined benefit obligation, the fair value of plan assets and any reimbursement right recognised as a plan asset need not be presented for comparative periods.

28.41(g)(i)	Total cost recognised as an expense:		
		2022	**2021**
	Current service cost	**(84)**	(90)
	Past service cost	**(5)**	–
	Interest cost	**(6)**	(6)
		(95)	(96)

28.41(g)(ii)	No amounts (2021: nil) were included in the cost of assets.

28.41(h)	The fair value of the plan assets was:		
		2022	2021
	Equity instruments	**5,343**	4,936
	Bonds	**1,612**	1,484
	Property	**497**	421
	Total	**7,452**	6,841

28.41(i)(ii)	Included in property is £124,000 of assets which are leased to the company (2021: £117,000).

Commentary

28.41(h)	The analysis of the fair value of plan assets by major class can be disclosed in percentages rather than numerical values.

	The return on the plan assets was:		
		2022	**2021**
	Interest income	**356**	310
	Return on plan assets less interest income	**210**	288
28.41(j)	Total return on plan assets	**566**	598

b. Multi-employer scheme

28.40A(a)	Certain employees in the company's Blackpool factory participate in the BJ & Son Retirement Fund, 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.

28.40A(b)	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.
28.40A(b)	The company and the other employers are jointly and severally liable for the scheme's deficit. At 30 September 2022 , the date of the latest available information, the funding liability was £3,500,000 representing the present value of the additional contributions payable into the scheme between 2023 and 2026 . The proportionate share of the deficit amounting to £128,000 was calculated by multiplying the plan deficit by the company's participation percentage in that plan which is estimated at 3.7% (2021: 3.5%). This proportional share of deficit is an indication of the company's share of deficit based on the best available information. The company's 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 during the year.
DV	The movements in the liability during the year were as follows:

		2022	2021
28.40	Balance at 1 January	**–**	–
	Charge for the year	**60**	55
	Contributions paid	**(60)**	(55)
28.40	Additional funding charge	**128**	–
	Balance at 31 December	**128**	–

28.40A(c)	The multi-employer scheme is currently in deficit and in December 2022 the company has agreed to participate in a funding plan to reduce the deficit. A liability of £128,000 (2021: £nil) has been recognised, representing the present value of the additional contributions payable between 2023 and 2026 , with the resulting expense recognised in the profit and loss account.
	c. Defined contribution scheme
	Following the closure of the defined benefit scheme to new entrants, the company provides a defined contribution scheme for its employees.
28.40	The amount recognised as an expense for the defined contribution scheme was:

		2022	2021
	Current year contributions	**25**	23

21. Provisions for other liabilities

The company had the following provisions during the year:

SI 2008 / 410 1 Sch 59, 60		Pending litigation	Reorgani-sation provision	Environ-mental provision	Deferred tax provision	Total
21.14(a)(i)	At 1 January 2022	19	–	176	47	242
21.14(a)(ii)	Additions dealt with in profit or loss	15	157	72	21	265
21.14(a)(ii)	Additions dealt with in other comprehensive income	–	–	–	(18)	(18)
21.14(a)(ii)	Unwind of discount	–	–	13	–	13
21.14(a)(iii)	Amounts utilised	–	(42)	(34)	–	(76)
21.14(a)(iv)	Unused amounts reversed to the profit and loss account	(19)	–	–	–	(19)
21.14(a)(i)	At 31 December 2022	15	115	227	50	407

	Pending litigation
21.14(b), (c)	In December 2021 , the company received a claim from Customer Limited regarding the quality of the stitching in a batch of shoes. 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 2022.

	Re-organisation
21.14(b), (c)	A rationalisation of production processes at the company's factories in Reading and Nottingham was announced on 11 December 2022. This rationalisation involves the introduction of new technology and will result in the loss of 15 jobs in total over the next few months. The provision for redundancy costs is expected to be fully utilised by 31 December 2023 .
	Environmental
21.14(b), (c)	In April 2018 a spillage of cleaning chemicals contaminated land surrounding the Burnley factory. The company has published a policy of environmental protection and considers that this has established a constructive obligation. 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 £72,000 has been recognised during the year, as the extent of the spill was larger than initially thought.
	Commentary
	For disclosures under paragraph 21.14 comparative information is not required.
	Deferred tax
29.27(e)	The provision for deferred tax consists of the following deferred tax liabilities (assets):

		2022	2021
	Accelerated capital allowances	**65**	40
	Revaluation of tangible assets	**35**	41
	Post-employment benefits	**(42)**	(30)
	Derivative financial liabilities	**(17)**	(15)
	Share-based payments	**(27)**	(12)
	Other timing differences	**36**	23
	Total provision	**50**	47

29.27(e), (f)	There are no unused tax losses or unused tax credits.
28.27(c)	The net deferred tax liability expected to reverse in 2023 is £13,000. This primarily relates to the reversal of timing differences on capital allowances offset by expected tax deductions on the share-based payment arrangements.

22. Financial instruments

The company has the following financial instruments:

		Note	2022	2021
11.41	Financial assets at fair value through profit or loss			
DV	Financial assets that are debt instruments measured at amortised cost			
DV	– Trade receivables.	15	**2,053**	1,467
DV	– Amounts owed by group undertakings.	15	**589**	467
DV	– Other receivables.	15	**132**	121
DV	– Investments in commercial paper.	16	**50**	125
DV	– Investment in short term deposits.	16	**725**	613
			3,549	2,793
11.41	Financial assets that are equity instruments measured at cost less impairment		**–**	–

11.41	Financial liabilities measured at fair value through profit or loss			
DV	– Derivative financial instruments.		**86**	65
DV	Financial liabilities measured at amortised cost			
DV	– Unsecured loan stock.	19	**524**	119
DV	– Bank loans and overdrafts.	19	**1,254**	1,471
DV	– Trade creditors.	17	**1,106**	1,305
DV	– Amounts owed to group undertakings.	17	**241**	180
DV	– Other creditors.	17, 18	**240**	172
DV	– Finance leases.	19	**310**	281
DV	– Preference shares.	23	**75**	75
			3,750	3,603

	Derivative financial instruments
11.42	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.
11.43, 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 forward exchange rates for GBP:USD and GBP:EUR. The company has no interest rate derivative financial instruments (2021: none).
	Commentary
1.12(c)	Qualifying entities are exempt from disclosing the requirements of FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A providing the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
11.48B	Financial institutions, as defined by the standard, should provide additional disclosures for financial instruments as specified in paragraphs 34.17–34.33 of FRS 102.
11.7(a)	Investments in subsidiaries, associates and joint ventures are excluded from the scope of section 11 and so are not included in the table above.

23. Share capital

SI 2008 / 410 1 Sch 47, 4.12(a)(iii)	**Ordinary shares of £0.25 each**	**2022**	**2021**
4.12(a)	Allotted and fully paid	**No.**	£'000
	At 1 January 2022	**2,020,000**	505
	Issued during the year	**12,000**	3
	At 31 December 2022	**2,032,000**	508

SI 2008 / 410 1 Sch 47, 4.12(a)(iii)	On 12 May 2022 12,000 ordinary shares were issued for £28,000. Expenses on issue of the shares were £1,000.
4.12(a)(v)	There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

SI 2008 / 410 1 Sch 47, 4.12(a)(iii)	**Preference shares of £1 each**		
	Allotted and fully paid	**No.**	£'000
	At 1 January 2022	**75,000**	75
	Issued during the year	**–**	–
	At 31 December 2022	**75,000**	75
	The preference shares are classified as liabilities in the balance sheet.		
11.42, 4.12(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 dividend. The holders have no voting rights unless the dividend is in arrears by six months or more.		
	Dividend	**2022**	**2021**
	Equity – Ordinary		
DV	Final 2021 (2021: final 2020) paid	**138**	52
SI 2008 / 410 1 Sch 43(b)	Total dividends paid	**138**	52
SI 2008 / 410 1 Sch 43(a), (d)	A final dividend has been proposed for the year ended 31 December 2022. This is expected to absorb £150,000 (2021: £138,000) of reserves. The dividend has not been accounted for within the current year financial statements as it has yet to be approved by the members.		

24. Notes to the statement of cash flows

		2022	2021
7.4	Profit for the financial year	**1,915**	2,418
	Tax on profit	**665**	827
	Net interest expenses	**199**	96
	Income from shares in group undertakings	**(60)**	(50)
	Income from participating interests	**(17)**	(9)
DV	Operating profit	**2,702**	3,282
	Amortisation of intangible assets	**148**	76
	Impairment of intangible assets	**122**	–
	Depreciation of tangible assets	**502**	306
	Loss on disposal of tangible assets	**15**	13
	Share-based payment charge	**134**	126
	Post-employment benefits less payments	**121**	25
	Other provisions less payments	**149**	96
	Working capital movements:		
	• (Increase) / decrease in inventories.	**(229)**	110
	• Increase in debtors.	**(726)**	(508)
	• (Decrease) / increase in payables.	**(355)**	15
	Cash flow from operating activities	**2,583**	3,541

Commentary

7.8 As part of the Triennial review 2017, paragraph 7.8 of FRS 102 was amended to clarify that the starting point for the reconciliation to cash flow from operating activities could be any profit measure disclosed on the face of the statement of comprehensive income.

Non-cash transactions

7.18 The company has acquired tangible assets under finance leases. £42,000 (2021: £18,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

Analysis of changes in net debt:

7.22		At 1 Jan 2022	Cash flows	New finance leases	Fair value and exchange movements	Non-cash changes	At 31 Dec 2022
	Cash at bank and in hand	260	70	–	–	–	330
	Short term deposits	613	112	–	–	–	725
	Cash and cash equivalents	873	182	–	–	–	1,055
	Commercial paper	125	(85)	–	–	10	50
	Unsecured loan stock	(119)	(395)	–	–	(10)	(524)
	Bank loans	(1,471)	217	–	–	–	(1,254)
	Finance leases	(281)	49	(42)	–	(36)	(310)
	Preference shares	(75)	–	–	–	–	(75)
	Derivative financial instruments	(65)	(8)	–	(13)	–	(86)
	Total	(1,013)	(40)	(42)	(13)	(36)	(1,144)

Non-cash movements represent effective interest rate adjustments.

7.22 **Commentary**

Comparative information is not required.

25. Contingent liabilities

21.17A, 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.

21.15, 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, therefore 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, the action will succeed, accordingly no provision for any liability has been made in these financial statements. It has been estimated that should the claim be successful the liability would be £20,000.

26. Capital and other commitments

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

		2022	2021
SI 2008 / 410 1 Sch 63, 17.32(b)	Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment	63	98

The company had the following future minimum lease payments under non- cancellable operating leases for each of the following periods:

20.16	Payment due	2022	2021
	Not later than one year	**118**	120
	Later than one year and not later than five years	**155**	165
	Later than five years	**15**	12
		288	**297**

CA06 Sec 410A The company had no other off-balance sheet arrangements

27. Related party transactions

33.9 During the year the company sold £340,000 (2021: £250,000) of goods to SisterCo Limited, another group company. SisterCo 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, due in 45 days and no guarantees have been received.

33.9 During 2022 the company purchased £65,000 (2021: £10,000) of IT services from Beta Limited, a company owned by Mr Rinter a director of the company. No amounts were outstanding at the year-end (2021: £10,000).
See note 7 for disclosure of the directors' remuneration and key management compensation.

DV, 33.1A The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the UK GAAP Holdings limited group.

28. Controlling parties

33.5 The immediate parent undertaking is UK GAAP Intermediate holdings limited.

33.5, SI 2008 / 410 4 Sch 8,9 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.

33.5 The ultimate controlling party is Mr M Soseley.

29. Events after the end of the reporting period

32.10 On 28 March 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.

Appendix: UK GAAP standards

Standards
FRS 100 Application of financial reporting standards
FRS 101 Reduced disclosure framework – disclosure exemptions from UK-adopted IFRS for qualifying entities
FRS 102 The financial reporting standard applicable in the UK and Republic of Ireland
FRS 103 Insurance contracts
FRS 104 Interim financial reporting
FRS 105 The financial reporting standard applicable to the micro-entities regime

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