UK GAAP Limited

Illustrative annual report and FRS 101 financial statements for the year ended 31 December 2023

Example annual report under UK GAAP (FRS 101)

Introduction

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

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

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

The illustrative annual report is for the year ended 31 December 2023.

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

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

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

UK Corporate Reporting Services
PricewaterhouseCoopers LLP

Guidance and information

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

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

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

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

New disclosure requirements and changes in accounting policies

Except for the OECD Pillar Two amendments (see separate section below), there were no changes to the financial reporting requirements this year that affected the disclosures in our illustrative financial statements. While the International Accounting Standards Board (IASB) has made a few amendments to accounting standards that apply from 1 January 2023 (see Appendix 3), these are largely clarifications and we have assumed that none of them required a change in UK GAAP Limited's accounting policies. However, this assumption will not necessarily apply to all entities. If an entity did change its accounting policies as a result of the amendments and the change had a material impact on the reported amounts, it would need to disclose this in an appropriate manner.

In particular, all entities, including those that are not insurers, will also need to consider whether they have entered into any contracts that meet the definition of insurance contracts and hence could be affected by the adoption of IFRS 17 *Insurance Contracts*. Where this is the case, users may expect to see some information about the entity's assessments, even if the entity has concluded that the impact was not material. We have issued guidance to help non-insurance companies to identify whether they have any contracts within the scope of IFRS 17 – see our In depth INT2022-14 *IFRS 17 affects more than just insurance companies.*

Insurance companies can refer to our separate Insurance webpage on Viewpoint for guidance that will help with the adoption of the new rules. Viewpoint is our global digital platform which provides the latest information on accounting standards and financial and sustainability reporting. Access to Viewpoint is complimentary. Register here where you can indicate your preferences.

Entities will also need to consider whether there were any recent IFRS Interpretations Committee (IFRIC®) agenda decisions that may require changes to their accounting policies. A list of agenda decisions from the last 12 months is in Appendix 3.

Early adoption of standards

There are no new standards which UK GAAP Limited early adopted. There are also no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023 that have a material impact on the company's financial statements.

A summary of all pronouncements relevant for annual reporting periods ending on or after 31 December 2023 is included in Appendix 3. For updates after the cut-off date for our publication, see www.viewpoint.pwc.com.

Entities with supplier finance arrangements should consider the additional disclosures that will be required from 1 January 2024 and ensure that their processes and systems are updated to collect the necessary information. For further details, see our In brief INT2022-03 *It's time to get ready: new IFRS disclosures on supplier finance arrangements effective in 2024.*

Impacts of rising inflation and interest rates

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 when preparing the financial statements in 2023.

Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area.

We have added commentary to some of the notes or areas that are likely to be most affected, and we have added references to this commentary as part of the disclosures. We have also adapted some disclosures relating to the fair value measurement of financial instruments to reflect the impact of rising inflation and interest rates.

For guidance, see our In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates.*

Disclosing climate-related risks in the financial statements

The impact of climate change on financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence that the entity has incorporated environmental, social and governance (ESG) matters and, in particular, climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risks could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

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 to comply with IFRS.

Global implementation of OECD Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development ('OECD') published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the 'OECD Pillar Two model rules' or 'the rules'. The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The rules need to be passed into national legislation based on each country's approach. Based on the OECD's recommendation, a number of territories have already enacted the legislation and we expect that further territories will follow during 2023. For further information, please refer to our *Pillar Two Country tracker.* The rules will impact current income tax when the legislation comes into effect.

Applying the OECD Pillar Two model rules and determining their impact on the IFRS financial statements is complex and poses a number of practical challenges. It is not immediately apparent how entities would apply the principles and requirements in IAS 12 *Income Taxes* in accounting for top-up tax arising from the Pillar Two model rules – specifically, whether the recognition and measurement of deferred tax assets and liabilities would be impacted. If deferred tax assets and liabilities would be impacted by the rules, this would be from the date when the relevant national legislation is enacted or substantively enacted.

Having considered all of the potential challenges, the IASB made narrow-scope amendments to IAS 12 in May 2023. The amendments (a) provide a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules, and (b) introduce additional disclosure requirements.

The amendments related to deferred tax must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Entities must further disclose the fact that they have applied the exception. Disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.

For more details, see our In brief INT2023-12 *Global implementation of Pillar Two: proposed amendments to IAS 12.*

FRS 101 provides an exemption from the disclosure requirements of paragraphs 88C and 88D of IAS 12 Income taxes provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

For illustrative purposes, we have assumed that:

- Pillar Two legislation has been enacted in England., UK GAAP Limited's jurisdiction, but
- the legislation is not yet effective.
- UK GAAP Limited is not within the scope of the OECD Pillar Two model rules since the entity has no overseas subsidiaries or branches and has not met the threshold that would trigger any UK qualifying minimum domestic taxes. The entity's investment in subsidiary and associated undertakings as disclosed in Note 14 are both incorporated in the United Kingdom.

For entities that are in scope for Pillar Two, we have included new disclosures in note 10 to show what an entity might disclose in circumstances.

However, the rules for Pillar Two are complex and companies should seek advice on whether they are caught based on their circumstances.

Russian invasion of Ukraine and Russian sanctions

The Russian invasion of Ukraine and the imposition of international sanctions continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This continues to necessitate careful consideration of the resulting accounting implications by entities that are affected by these developments.

We have not updated the illustrative disclosures to reflect potential implications, 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 in our In depth INT2022-05 *Accounting implications of the Russian invasion of Ukraine.*

Additional resources

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

101p3.2	=	FRS 101, paragraph number
1p81	=	International Accounting Standard [number], paragraph number (that is, all accounting standard references other than '101' refer to IASs)
CA06 s992	=	Companies Act 2006, section number
DV	=	Disclosure Voluntary. Disclosure is encouraged but not required and therefore represents best practice
IFRS1p37	=	International Financial Reporting Standard [number], paragraph number
SI 2008/410 8 Sch 4	=	Statutory instrument [year/number], schedule number, paragraph number
SIC-15p5	=	Standing Interpretations Committee [number], paragraph number
FRC	=	Financial Reporting Council
GSR	=	FRC Guidance on Strategic Report
Tech 01/22	=	ICAEW Technical Release [number]

Contents

Strategic report

CA06 s414A	The directors present their strategic report for the year ended 31 December 2023.
	Commentary A small company is entitled to exemption from preparing a strategic report if it is entitled to prepare accounts in accordance with the small companies regime or it would be so entitled, but for being, or having been, a member of an ineligible group [CA06 s414B]. A summary of the FRC Guidance on the strategic report (2022) is included as an appendix to this section.

Review of the business

CA06 s414C(2)	The report should include a review of the business containing: ● a fair review of the business of the company; and ● a description of the principal risks and uncertainties facing the company.
	Commentary
FRC Press Notice 108	Where non-GAAP numbers are disclosed, it should be clear that these differ from the GAAP numbers; the equivalent GAAP number should be disclosed; and there should be a reconciliation between the GAAP and non-GAAP numbers, together with relevant commentary. This disclosure might be necessary to ensure that the annual report is fair, balanced and understandable.
CA06 s414C(3)	The review should be a balanced and comprehensive analysis of: ● the development and performance of the business of the company during the financial year; and ● the position of the company at the end of the year, consistent with the size and complexity of the business.
CA06 s414C(4)	The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include: ● analysis using financial key performance indicators; and ● where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
	Commentary
[CA06 s414C(6)]	For medium-sized companies, where these indicators relate to non-financial information, disclosure is not required. In the year of transition to FRS 101, it would be appropriate to identify the fact of the transition and to give explanations of the effect of the change on the entity's financial position and financial performance.

General

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

Section 172(1) statement

CA06 s414CZA

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

Commentary

The Section 172(1) statement applies to large companies and does not apply if the company qualifies as small (small companies are exempt from the strategic report anyway) or medium-sized in relation to that financial year (see sections 465 to 467 of Companies Act 2006). For companies, the large 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.

Non-financial and sustainability information statement (NFSIS)

Commentary

For periods beginning prior to 6 April 2022, section 414CB on the 'non-financial information statement' was applicable to companies with more than 500 employees (or companies that head a group that has over 500 employees) where the company was:

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

The reporting requirements for these companies prior to 6 April 2022 were as follows:

The strategic report must contain information, to the extent necessary for an understanding of the entity's development, performance and position and the impact of its activity, relating to, as a minimum:

a) environmental matters (including the impact of the entity's business on the environment);
b) the entity's employees;
c) social matters;
d) respect for human rights; and
e) anti-corruption and anti-bribery matters

Commentary

Most companies reporting under FRS 101 do not meet the above criteria so they are not required to comply with these elements of section 414CB, and the related disclosures are therefore omitted from this illustrative report.

However, for periods beginning on or after 6 April 2022, section 414CB has been expanded to include climate-related disclosures and these additional disclosures are applicable to a wider range of companies, including the following:

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

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

Because these climate-related disclosures are applicable for more companies they have been included in the illustrative report below.

CA06 s414CB(2A)	A company's climate-related financial disclosures should include:

A. a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.
B. a description of how the company identifies, assesses and manages climate-related risks and opportunities.
C. a description of how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management process.
D. a description of:
   - the principal climate-related risks and opportunities arising in connection with the company's operations, and
   - the time periods by reference to which those risks and opportunities are assessed.
E. a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.
F. an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.
G. a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and performance against those targets.
H. a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

Commentary

If the company's directors reasonably believe that – having regard to the nature of the organisation's business, and the manner in which it is carried on – the whole or a part of a climate-related financial disclosure required with respect to the final four bullets (E-H) is not necessary for an understanding of the organisation's business, they may omit the whole or the relevant part of that climate-related financial disclosure. Where they do this, the strategic report must provide a clear and reasoned explanation.

The Government has released non-binding guidance to assist companies with their climate-related financial disclosures.

CA06 s414D(1)

By order of the board

G Maull
Company Secretary
30 April 2024

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 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 (xi)	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.
	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	As noted above, the extent of disclosure that is required for an entity will vary according to the type of entity. As a general principle, this Guidance encourages disclosure of material financial and non-financial information that is necessary for an understanding of the development, performance, position or future prospects of the entity in the strategic report, irrespective of whether there is an explicit statutory disclosure requirement."
	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 position and 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.
	Section 5 - The strategic report: materiality
GSR 5.1	Information is material if its omission or misrepresentation could reasonably be expected to 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.
	Conversely, 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').
	Section 6 - The strategic report – communication principles
GSR 6.3	The strategic report should be fair[1], balanced[2] and understandable.
GSR 6.8	The strategic report should be clear and concise yet comprehensive[3].
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, presentation and content of the strategic report should be reviewed annually to ensure that it continues to meet its purpose and only contains information that is relevant.
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.

[1] CA06 s414C(2)(a)

[2] CA06 s414C(3)

[3] CA06 s414C(3)

	Section 7 - The strategic report: content elements
GSR 6.11	Where appropriate, information in the strategic report should have a forward-looking orientation.
GSR 7A.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 objectives and strategy. Similarly, emphasising the relationship between an entity's principal risks and its ability to meet its objectives may provide relevant information.
GSR 7A.27	The strategic report must include a description of the principal risks and uncertainties facing the entity[4], and should include an explanation of how they are managed or mitigated.
GSR 7A.32	The descriptions of the principal risks and uncertainties facing the entity 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 7A.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 7A.59	The strategic report must provide a 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[5].
GSR 7A.66	The strategic report must, where appropriate, include references to, and additional explanations of, amounts included in the financial statements[6].
GSR 7A.68	The analysis in the strategic report must include financial and, where appropriate, non-financial key performance indicators (KPIs)[7], including information relating to environmental and employee matters[8].
GSR 7A.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.
GSR 7A.85	To the extent that they are matters that are considered to be of strategic importance to the entity, the strategic report should also include information that would otherwise be disclosed in the directors' report[9].

[4] CA06 s414C(2)(b)
[5] CA06 s414C(2)(a),(3)
[6] CA06 s414C(12)
[7] CA06 s414C(4)(b). This requirement does not apply to medium-sized entities.
[8] CA06 s414C(4)
[9] CA06 s414C(11)

Directors' report

	Directors' report for the year ended 31 December 2023
CA06 s415(1)	The directors present their report and the audited financial statements of the company for the year ended 31 December 2023.
	Commentary A small company is entitled to some disclosure exemptions in preparing a directors' report if it is entitled to prepare accounts in accordance with the small companies' regime or it would be so entitled, but for being, or having been, a member of an ineligible group [CA06 s415A].
	Future developments
SI 2008/410 7 Sch 7(1)(d)	The directors' report should contain an indication of the likely future developments in the company's business.
	Commentary A company might elect to provide this disclosure in the strategic report. If so, the directors' report should include a cross-reference to the strategic report.
	Dividends
CA06 s416(3)	Details of dividends paid and recommended should be included.
	Political donations and political expenditure
SI 2008/410 7 Sch 3 as amended by SI 2019/145	If the company has made any donations to a registered political party, other political organisation in the UK or any independent election candidate, or if it incurred UK political expenditure exceeding £2,000 in the financial year, the directors' report should disclose: ● UK donations – the name of the political party and total amount given per party by the entity; and ● UK political expenditure – total amount incurred in the financial year by the company.
SI 2008/410 7 Sch 4	Total contributions to non-UK political parties should be disclosed in aggregate. There is no threshold for this disclosure.
	Commentary Wholly owned subsidiaries of companies incorporated in the UK are exempt from these disclosures.
	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; and ● the exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk.
	Commentary This disclosure is not required where such information is not material for the assessment of the entity's assets, liabilities, financial position and profit or loss. In addition, an exemption from making these disclosures is available to small companies.

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 could be provided.

DV — Information regarding the retirement of the directors at the AGM, and whether they offer themselves for election, could 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)(c) — The directors' report should provide an indication of the company's research and development activities.

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

Post balance sheet events

SI 2008/410 7 Sch 7(1)(1) — The directors' report should include particulars of any important events affecting the company since the year end.

Commentary

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

Employees

SI 2008/410 7 Sch 10(1), (3) — A statement should be included as to the UK policy for giving full and fair consideration to applications for employment that disabled people make to the company, the policy for employment, training, career development and promotion of disabled people, and for the continuing employment and training of employees who have become disabled while employed by the company.

Commentary

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

SI 2008/410 7 Sch 11	The directors' report for a financial year must contain a statement:
(As amended by SI 2018/860 Regulation 13)	● Describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at: – Providing employees systematically with information on matters of concern to them as employees; – Consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests; – Encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means; and – Achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.
SI 2008/410 7 Sch 11	● Summarising:
(as amended by SI 2018/860 Regulation 13)	– How the directors have engaged with employees, and – How the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

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

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

SI 2008/410 7 Sch11B (as inserted by SI 2018/860 Regulation 13)	The directors' report for the financial year must contain a statement summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

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 the UK.

Streamlined Energy and Carbon Reporting (SECR)

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

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

The figures reported in accordance with sub-paragraphs above —

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

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

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

Commentary

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

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

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 do not need to report;
- A 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.

SECR information is required '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. Additionally, 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.

Statement of corporate governance arrangements

SI 2008/410 7 Sch 26(1)&(2)

(As inserted by SI 2018/860 Regulation 14)

The directors' report must include a statement which states:

a) which corporate governance code, if any, the company applied in the financial year,

b) how the company applied any corporate governance code reported under sub-paragraph (a), and

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

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

Commentary

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

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

A set of principles has been published by the FRC for corporate governance reporting by large private companies (the '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 (2018)

Wates Principles – Introduction

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

Wates Principle 1

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

Wates Principle 2

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

Wates Principle 3

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

Wates Principle 4

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

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 101 ‘Reduced Disclosure Framework’, and applicable law).

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

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

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

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

Disclosure of information to auditors

CA06 s418(2)

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

- As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the steps that he/she 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 auditor is 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.

By order of the board

G Maull

CA06 s419(1)

Company secretary

30 April 2024

Commentary

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.

For private UK companies, there is no requirement under the Companies Act for a directors' responsibility statement. However, a statement is normally still made, and it is helpful to confirm that the responsibilities of management have been carried out as the basis for the report of the auditors under ISA (UK) 700.

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

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

Independent auditors' report to the members of UK GAAP Limited

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

Form and content of audit report

ISA700

1. Standards and guidance on the preparation of reports on audits conducted in accordance with international auditing standards are given in International Standard on Auditing ISA 700 (revised) *Forming an Opinion and Reporting on Financial Statements*.

Income statement

		Note	2023	2022
SI 2008/410 1 Sch format 1		**Year ended 31 December**		
101pAG(i)		**Note**	**2023**	**2022**
1p82(a)	Revenue	5	26,675	22,010
1p99, 1p103	Cost of sales		(19,622)	(15,232)
1p103	**Gross profit**		**7,053**	**6,778**
1p99, 1p103	Distribution costs		(1,234)	(1,090)
1p99, 1p103	Administrative expenses		(2,968)	(2,279)
1p82(ba)	Net impairment losses on financial and contract assets	6	(123)	(165)
1p99, 1p103	Other expense		(137)	11
	Other income		100	100
1p85	**Operating profit**	7	**2,691**	**3,355**
	Income from subsidiary		60	50
	Income from associated undertakings		17	9
	Profit before interest and taxation		**2,768**	**3,414**
1p85	Finance income	9	122	113
1p82(b)	Finance costs	9	(321)	(209)
	Finance costs – net	9	**(199)**	**(96)**
SI 2008/410 1 Sch 6	**Profit before income tax**		**2,569**	**3,318**
1p82(d), 12p77	Income tax expense	10	(665)	(828)
1p81 A(a)	**Profit for the financial year**		**1,904**	**2,490**

Commentary

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

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

Commentary

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

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

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

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

Commentary

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

Commentary

1p32 An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.

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

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

Commentary

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

Statement of comprehensive income

		Year ended 31 December	
		2023	2022
	Profit for the financial year	**1,904**	**2,490**
1p82A	**Other comprehensive expense: items that will not be reclassified to profit or loss**		
	Remeasurements on post-employment benefits	(80)	(24)
	Current tax deductions allocated to actuarial losses	13	5
	Movement on deferred tax relating to pension deficit	(1)	(1)
	Movement on deferred tax relating to revaluation reserve	6	4
	Other comprehensive expense for the year, net of tax	**(62)**	**(16)**
1p81A(c)	**Total comprehensive income for the year**	**1,842**	**2,474**

Commentary

Other categories of other comprehensive income might require the inclusion of a subheading for 'Items that may be subsequently reclassified to profit or loss'.

Statement of financial position

For the year ended 31 December 2023

		As at 31 December		
SI 2008/410 1 Sch format 1				
101pAG(i)		Note	2023	2022
1p60, 1p66	**Fixed assets**			
1p54(c)	Intangible assets	11	1,075	705
1p54(a)	Property, plant and equipment	12	3,706	3,037
IFRS16p47(a)	Right-of-use assets	13	550	535
1p54(e)	Investments in subsidiaries	14	676	676
1p54(e)	Investments in associated undertakings	14	755	738
	Current assets			
1p54(g)	Inventories	15	2,158	2,279
1p54(h)	Trade and other receivables	16	2,873	2,220
1p54(i)	Cash and cash equivalents		330	153
	Creditors – amounts falling due within one year	17	**(2,811)**	**(2,627)**
	Net current assets		2,550	2,025
	Total assets less current liabilities		**9,312**	**7,716**
	Creditors – amounts falling due after more than one year	18	(1,431)	(1,952)
	Provisions for liabilities	20	(671)	(287)
	Net assets		**7,210**	**5,477**
1p78(e)	Equity			
1p54(r)	Ordinary shares	23	508	505
1p78(e), 1p55	Share premium		144	120
1p78(e), 1p55	Revaluation reserve		138	136
1p78(e), 1p55	Retained earnings		6,420	4,716
	Total shareholders' funds		**7,210**	**5,477**

The notes on pages 18 to 56 are an integral part of these financial statements.

10p17

The financial statements on pages 11 to 56 were authorised for issue by the board of directors on 30 April 2024 and were signed on its behalf.

L Jampert
Chief Executive

H Miggs
Finance Director

UK GAAP Limited
Registered no. xxyyzz

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

Statement of changes in equity

		Note	Called-up share capital	Share premium	Revaluation reserve[1]	Retained earnings	Total
	Balance as at 1 January 2022		**500**	**75**	**136**	**2,136**	**2,847**
1p106(d)(i)	Profit for the financial year		-	-	-	2,490	2,490
1p106(d)(ii)	Other comprehensive expense for the year: Items that will not be reclassified to profit or loss						
	Actuarial losses on pensions scheme		-	-	-	(24)	(24)
	Current tax deductions allocated to actuarial losses		-	-	-	5	5
	Movement on deferred tax relating to pension deficit		-	-	-	(1)	(1)
	Movement on deferred tax relating to revaluation reserve		-	-	4	-	4
	Total comprehensive income for the year		**-**	**-**	**4**	**2,470**	**2,474**
	Transactions with owners in their capacity as owners:						
	Credit relating to equity-settled share-based payments		-	-	-	126	126
1p106(d)(iii)	Charge from parent for equity-settled share-based payments		-	-	-	(52)	(52)
1 Sch 43(c)	Tax credit relating to share option scheme	10	-	-	-	12	12
I 2008/410	Proceeds from shares issued	23	5	45	-	-	50
	Dividends		-	-	-	(52)	(52)
	Transfer to retained earnings		-	-	(4)	4	-
	Total transactions with owners, recognised directly in equity		**5**	**45**	**(4)**	**38**	**84**
	Balance as at 31 December 2022		**505**	**120**	**136**	**4,716**	**5,477**

	Profit for the year		-	-	-	1,904	1,904
	Other comprehensive income for the year: Items that will not be reclassified to profit or loss						
	Actuarial losses on pensions scheme		-	-	-	(80)	(80)
	Movement on deferred tax relating to pension deficit		-	-	-	12	12
	Movement on deferred tax relating to revaluation reserve		-	-	6	-	6
	Total comprehensive income for the year		**-**	**-**	**6**	**1,836**	**1,842**
	Transactions with owners in their capacity as owners:						
	Share-based payments charge		-	-	-	134	134
	Recharge paid to parent for share-based payment		-	-	-	(86)	(86)
	Tax credit relating to share option scheme	10	-	-	-	15	15
1p106(d)(iii) SI 2008/410 1 Sch 43(c)	Proceeds from shares issued	23	3	24	-	-	27
	Dividends		-	-	-	(199)	(199)
	Transfer to retained earnings		-	-	(4)	4	-
	Total transactions with owners, recognised directly in equity		**3**	**24**	**(4)**	**(132)**	**(109)**
	Balance as at 31 December 2023		**508**	**144**	**138**	**6,420**	**7,210**

1p79(b) [1] The revaluation reserve arose on the revaluation of certain fixed assets (see note 12). Amounts representing the equivalent depreciation on the revalued element are transferred to retained earnings each year.

Commentary

SI 2008/410 1 Sch 43 (a)–(c) In relation to dividends and reserves, the following must be stated: a) any amount set aside or proposed to be set aside to, or withdrawn or proposed to be withdrawn from, reserves; b) the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date); and c) the aggregate amount of dividends that are proposed before the date of approval of the accounts, and are not otherwise disclosed under a) or b).

Notes to the financial statements

1. General information

1p138(b), 1p51(a), (b)

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

1p138(a)

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

Commentary

101p11

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

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

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

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

2. Material accounting policies

1p112(a), 1p117(b), 1p119

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

101p10, 1p116, 1p117(a)
CA06 s395(1)(a), s396

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

Commentary

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

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

1p125

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

Commentary – Rising inflation and interest rates

Disclosing material information:

1p30, 31 An entity is required to disclose information explaining:

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

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

Possible examples may include, but are not limited to:

1. Disclosure of the expected replacement costs of key operational assets where their replacement cost is significantly higher than their previous purchase cost. This will give a user of the financial statements an insight into the anticipated impact on future cash flows and profits/losses as a result of higher purchase costs and depreciation or amortisation respectively. This may also be of particular relevance to users if the replacement cost exceeds the amount previously budgeted by management and affects the entity's ability to pursue other planned investments.

2. Disclosure to provide users with an insight into the future cash flow position of the borrowing entity such as:
   a. debt covenants triggers;
   b. the proximity of the issuer breaching debt covenant triggers; and
   c. the board's view of debt levels and how any potential breach of debt covenant triggers can be addressed.

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

Line item disaggregation

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

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

Current/non-current distinction

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

101p5 The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

101p8(a)

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

101p8(d)	● IFRS 7, ‘Financial instruments: Disclosures’.
101p8(e)	● Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
101p8(f)	● Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of: – paragraph 79(a)(iv) of IAS 1; – paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and – paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
101p8(g)	● The following paragraphs of IAS 1, ‘Presentation of financial statements’: – 10(d) (statement of cash flows); – 16 (statement of compliance with all IFRS); – 38A (requirement for minimum of two primary statements, including cash flow statements); – 38B-D (additional comparative information); – 111 (statement of cash flows information); and – 134-136 (capital management disclosures).
101p8(h)	● IAS 7, ‘Statement of cash flows’.
101p8(i)	● Paragraphs 30 and 31 of IAS 8, ‘Accounting policies, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
101p8(j)	● Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation).
101p8(k)	● The requirements in IAS 24, ‘Related party disclosures’, to disclose related party transactions entered into between two or more members of a group.
	Commentary Refer to paragraphs 7–8 of FRS 101 for a complete list of exemptions from IFRS requirements.
	Commentary The following exemptions are available but are not relevant for UK GAAP Limited:
101p7A	● The requirement of IFRS 1, ‘First-time adoption of International Financial Reporting Standards’, to present a statement of financial position at the date of transition.
101p8(b)	● The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 ‘Business Combinations’, can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
101p8(c)	● The requirements of paragraph 33(c) of IFRS 5 ‘Non-current assets held for sale and discontinued operations’ can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

101p8(g)	• The following paragraphs of IAS 1, 'Presentation of financial statements': – 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and – 40A–D (requirements for a third statement of financial position).
101p8(j)	• Paragraph 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.
101p8(l)	• Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

2.1.1. Going concern

DV

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

Commentary – Rising inflation and interest rates

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

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

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

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023 that have a material impact on the company's financial statements.

Commentary

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

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.

If not already adopted last year, the list should also include:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

Entities that could be expected to be significantly impacted by the adoption of IFRS 17, 'Insurance Contracts', should consider whether there is any information that they should provide about the impact in their annual report

2.2. Consolidation

CA06 s400(2)

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

27p16(a)

These financial statements are separate financial statements.

1p119

2.3. Foreign currency translation

1p119

a) Functional and presentation currency

21p17, 21p9, 1p51(d)

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

1p119

b) Transactions and balances

21p21, 28, 21p32, 39p95(a), 39p102(a)

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

1p119

2.4. Property, plant and equipment

16p73(a), 16p35(b), 16p15, 16p17

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

39p98(b)	All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.
16p12	Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
16p39, 1p79(b), 16p40, p41	Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are first charged in other comprehensive income to the extent of the remaining surplus attributable to that asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost, is transferred from revaluation reserve to retained earnings. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:
16p73(b), 16p73(c)	- Buildings 25–40 years - Machinery 10–15 years - Vehicles 3–5 years - Furniture, fittings and equipment 3–8 years
16p51	The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
36p59	An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount (see note 2.6).
	Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other (expense)/income' in the income statement.
	When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

2.5. Intangible assets

1p119 Computer software

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

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

38p66	Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
38p68, 71	Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
38p97, 118(a), (b)	Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed three years.

1p119

2.6. Impairment of non-financial assets

36p9, 10

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

Commentary – Rising inflation and interest rates

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

2.7 Financial assets

IFRS9(4.1.1),(5.7.1)

The company classifies its financial assets in the following categories:

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

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

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

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

IFRS9(5.1.1)

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

IFRS9(4.1.2)

a) Financial assets at amortised cost

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

- the asset is held within a business model whose objective is to collect the contractual cash flows, and

- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

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

b) Financial assets at fair value through profit or loss

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

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

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

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

IFRS9(4.1.2A)

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

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

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

Commentary

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

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

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

2.8. Investment in subsidiaries

27p38

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

2.9 Investment in associated undertakings

27p38 Investments in associated undertakings are held at cost less accumulated impairment losses.

2.10 Impairment of financial assets

IFRS9(5.5.1) The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

1p119

2.11 Derivative financial instruments and hedging activities

IFRS9 (4.3.3) The company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

1p119

2.12 Inventories

2p36(a), 2p9, 10, 25, 26p6, 7 2p28, 30 Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Commentary – Rising inflation and interest rates

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

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

1p119

2.13 Trade and other receivables

1p117 Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

IFRS9(5.1.3),(4.1.2),(5.4.1) Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1p117 The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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

1p119	**2.14 Cash and cash equivalents**
7p46	Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.
	2.15 Share capital
32p18(a)	Ordinary shares are classified as equity. Preference shares are classified as liabilities (see note 2.17).
32p37	Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.
1p119	**2.16 Creditors**
IFRS9(5.1.1)	Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
IFRS9(5.1.1)	Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.
1p119	**2.17 Borrowings**
IFRS9(5.1.1),(4.2.1)	Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.
32p18(a), 32p35	Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.
IFRS9(3.3.1),(3.3.3)	Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.
1(69)	Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.
1p119	**2.18 Borrowing costs**
23p8	General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.
23p12	Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

1p119

2.19 Current and deferred tax

12p58, 61A

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

12p12, 46

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

12p24, 15, 47

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

12p24, 34

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12p74

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1p119

2.20 Employee benefits

The company operates various post-employment obligation schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

19Rp26-28

a) Pension obligations

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

19Rp30

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

19Rp57-60, 67-68, 83

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

19Rp57

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

19Rp123	The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.
19Rp103	Past service costs are recognised immediately in the income statement.
19Rp51	For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
19Rp7	b) Other post-employment obligations

The company is a member of a multi-employer plan. Because of the nature of the information available to the company, it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan. Accordingly, it accounts for the plan as a defined contribution plan.

Where the plan is in deficit and the company has agreed, with the plan, to participate in a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement, that relate to the deficit, and the company expenses such amounts in profit or loss. The unwinding of the discount is recognised as a finance cost.

1p119

2.21 Share-based payments

IFRS2p15(b), p19

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

IFRS2p20–21A, 15

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

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

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

1p119	**2.22 Provisions**
37p14, 72, 63	Provisions for environmental restoration, restructuring costs and legal claims are recognised where: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.
37p24	Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.
37p45	Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.
1p119	**2.23 Revenue recognition**
	Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods (furniture) or services (IT consulting) have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. a) Sales of goods – wholesale
15p119(a),(c),123(a), 125	The company manufactures and sells a range of furniture in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.
15p119(b),(d),(e) 123(b),126	The furniture is often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in creditors: amounts falling due within one year is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 20. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
	b) Sales of goods – retail
15p119(a),(c),123,125	The company operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when the company sells a product to the customer.

15p117,119(b),(d), 123(b),126	Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery in store. Retail sales are usually in cash or by debit/credit cards. It is the company's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in creditors: amounts falling due within one year) and a right to the returned goods (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 20.
15p119(e)	The company does not operate any loyalty programmes.
	c) Internet revenue
15p117,119(b),(d), 123(b),126	The company also sells furniture on the internet and revenue is recognised when control of the furniture has passed to the customer, which is at the point of receipt by customer. Internet sales are usually settled by credit or debit card. It is the company's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in creditors: amounts falling due within one year) and a right to the returned goods (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
	d) Sales of services – IT consulting
15p119(a),(c),124 **15p119(c)**	The IT consulting division provides business IT management, design, implementation and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.
15p22,73,79,119(a), 125	Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.
15p119(a),123(a)	Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
15p117	In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
15p117,B16	If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

IAS1p117	**2.24 Interest income/(expense)**
	Interest income/(expense) is recognised using the effective interest rate method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.
IFRS15(Appendix A) **Framework (4.29)** **IAS1(82)(a)**	**Commentary** The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's ordinary activities rather than an incidental benefit, the interest income should be included within the main 'revenue' heading and separately disclosed in the income statement, if material. In other cases, entities may take the view that finance income is most appropriately included as 'other income' or as a separate line item in arriving at operating profit (if disclosed). UK GAAP Limited includes finance income that arises from treasury activity (for example, income on surplus funds invested for the short term) outside operating profit whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the income statement, the presentation policy adopted should be applied consistently and disclosed if material.
1p119	**2.25 Dividend income**
	Dividend income is recognised when the right to receive payment is established.
1p119	**2.26 Leases**
IFRS16(59)(a),(c)	The company leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options.
IFRS16(15)	Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.
1p117 **IFRS16(27)**	Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: ● fixed payments (including in-substance fixed payments), less any lease incentives receivable; ● variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; ● amounts expected to be payable by the company under residual value guarantees; ● the exercise price of a purchase option if the company is reasonably certain to exercise that option; and ● payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.
IFRS16(18)	Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
IFRS16(26)	The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the

	lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
IFRS16(38)	The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
IAS1(117) **IFRS16(24)**	Right-of-use assets are measured at cost comprising the following: ● the amount of the initial measurement of lease liability; ● any lease payments made at or before the commencement date less any lease incentives received; ● any initial direct costs; and ● restoration costs.
IAS1(112)(c)	To determine the incremental borrowing rate, the company: ● where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; ● uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing, and ● makes adjustments specific to the lease, e.g. term, currency and security. If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the company uses that rate as a starting point to determine the incremental borrowing rate
IFRS16(38)	The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
IAS16(73)(b) **IFRS16(35)**	Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.
IFRS16(60)	Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.
	Information about critical accounting judgements in the application of lease accounting is disclosed in note 3.2.
1p119	**2.27 Dividend distribution**
10p12	Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.28 Financial guarantees

IFRS9(4.2.1)(c)

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

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

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

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

2.29 Rounding of amounts

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

3. Critical accounting estimates and judgements

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

1p125

3.1 Critical accounting estimates and assumptions

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

a) Useful economic lives of property, plant and equipment

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

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

b) Defined benefit pension scheme

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

3.2 Critical judgements in applying the entity's accounting policies

1p122

a) Multi-employer defined benefit pension scheme

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

IFRS16(59)(b)(ii), (B50)

b) Lease accounting

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

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

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability because the company could replace the assets without significant cost or business disruption.

As at 31 December 2023, potential future cash outflows of £65,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (2022: £100,000).

IFRS16(20)

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

Commentary

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

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

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

- Companies should explicitly state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
- Sensitivity disclosures should be provided more frequently and in the way that is most meaningful to readers.
- Companies should assess whether disclosure of climate-related significant judgements or assumptions and sources of estimation uncertainty are required by paragraphs 122 or 125 of IAS 1 (relevant if IFRS format is adopted) and consider whether information about assumptions with a longer-term effect is required.

- Where additional estimate disclosures are provided, such as those carrying lower risk, having smaller impact or crystallising over a longer timeframe, they should be clearly distinguished from those with a short-term effect.

Commentary – Impact of Russia's war on Ukraine

The Russian invasion of Ukraine and the imposition of international sanctions continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This continues to necessitate careful consideration of the resulting accounting implications by entities that are affected by these developments.

We have not updated the illustrative disclosures in this publication to reflect these developments because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the war and disclose judgements made in this area. It might also result in critical estimates being made of financial and non-financial assets. Disclosure of assumptions made for such estimates would be required in the financial statements.

For guidance see our In Depth Accounting implications of the Russian invasion of Ukraine on Viewpoint.

Commentary – Rising inflation and interest rates

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

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

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

4. Financial instruments

SI 2008/410 1 Sch 55

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

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

SI 2008/410 1 Sch 55

	2023	2022
Derivative financial instruments	86	65

	Derivative financial instruments
SI 2008/410 1 Sch 55	The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2023, the outstanding contracts all mature within 6 months (2022: 9 months) of the year end. The company is committed to sell US$500,000 and €450,000 and received a fixed sterling amount.
SI 2008/410 1 Sch 55	The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD and GBP:EUR.

SI 2008/410 1 Sch 55

Commentary

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

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

101pA2.5A–A2.7

Commentary

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

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

5. Revenue

Analysis of revenue by geography:

SI 2008/410 1Sch 68		2023	2022
	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 revenue by category:

SI 2008/410 1 Sch 68		2023	2022
IFRS15p114	Sales of goods	21,854	18,352
IFRS15p114	Sale of services	3,128	2,482
IFRS15p114	Internet sales	1,693	1,176
		26,675	**22,010**

Assets and liabilities related to contracts with customers:

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

		31 Dec 2023	31 Dec 2022	1 Jan 2022
1p77	Current contract assets relating to IT consulting contracts	142	240	46
	Loss allowance	(15)	(11)	(9)
IFRS15p(116)(a)	**Contract assets**	**127**	**229**	**37**
	Non-current asset recognised for costs incurred to fulfil a contract	50	73	42
1p77, IFRS 15(116)a	Contract liabilities – IT consulting contracts	138	122	15

1. Significant changes in contract assets and liabilities

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

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

2. Revenue recognised in relation to contract liabilities

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

		31 Dec 2023	31 Dec 2022
IFRS15(116)(b)	Revenue recognised that was included in the contract liability balance at the beginning of the period		
	IT consulting contracts	**14**	**8**

3. Assets recognised from costs to fulfil a contract

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

		31 Dec 2023	31 Dec 2022
IFRS15(128)(a)	Asset recognised from costs incurred to fulfil a contract at 31 December	50	73
IFRS15(128)(b)	Amortisation and impairment loss recognised as cost of providing services during the year	23	17

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

Not mandatory During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

		2023	2022
	Impairment losses	(123)	(165)
IAS1(82)(ba)	Net impairment losses on financial and contract assets	(123)	(165)

IFRS15(113)(b) Of the above impairment losses, £108,000 (2022 – £154,000) relate to receivables arising from contracts with customers (see note 7).

7. Operating profit

Operating profit is stated after charging:

		2023	2022
1p104	Wages and salaries	3,161	2,891
1p104	Social security costs	615	536
1p104	Other pension costs (note 21)	302	168
DV	Share-based payments (note 21)	134	126
1p104	**Staff costs**	**4,212**	**3,721**
1p104	Reorganisation expense	157	-
1p104	Loss on disposal of property, plant and equipment	15	13
1p104	Depreciation charge on property, plant and equipment	502	401
1p104	Amortisation charge on intangible assets	270	151
1p104	Impairment of trade receivables	108	154
1p104	Impairment of contract assets	15	11
1p104	Amortisation and impairment loss recognised as cost of providing services during the period	23	17
1p104	Impairment of intangible assets (included in 'administrative expenses')	122	-
2p36(d),	Inventory recognised as an expense	6,869	6,102
2p36(e) 1p104	Impairment of inventory (included in 'cost of sales')	134	112
1p104; IFRS 16(53)(c), (d)	Lease expenses for low value assets and short-term leases (note 13)	28	29
1p104	Foreign exchange losses/(gains) on trade receivables	22	(124)
SI 2008/489	Audit fees payable to the company's auditor	140	135
ICAEW Tech 01/22, 1p104			

CA06 s534

SI 2008/489, Part 3, Regulation 8

Limited liability example disclosures

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

Scenario I - Standalone company financial statements

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 2023 will be limited to the greater of £[X] or [X] times the auditor's fees for the statutory audit, and that in any event the auditor's liability for damages will 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] liability limitation agreement, as required by the Companies Act 2006, by a resolution dated [date].

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

Scenario II - Parent company's financial statements

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 2023 [and the financial statements of its UK subsidiaries whose statutory audits are governed by the same agreement with the auditor (the 'subsidiaries')] should be limited to the greater of £[X] or [X] times the auditor's fees for the statutory audits, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the company [and the subsidiaries] as is just and equitable having regard to the extent to which the auditor, the company [and the subsidiaries] 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].

Scenario III - Subsidiary of the UK parent covered by the group LoE

The directors of the company) 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 2023 [and the financial statements of its parent, XYZ Limited (the 'parent') and its other UK subsidiary companies whose statutory audits are governed by the same agreement with the auditor (the 'subsidiaries')] will be limited to the greater of £[X] or [X] times the auditor's fees for the statutory audits, and that, in any event, the auditor's liability for damages will be limited to that part of any loss suffered by the parent company and the subsidiaries as is just and equitable having regard to the extent to which the auditor, the parent company, the subsidiaries and any third parties are responsible for the loss in question. The shareholders of the parent and its subsidiaries [approved this / waived the need for approval of this] liability limitation agreement, as required by the Companies Act 2006, by a resolution dated [date].

Commentary (To go with all disclosure)

If the Company has agreed a 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.

8. Employees and directors

Employees

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

		2023	2022
CA06 s411	**By activity**	**No.**	**No.**
	Production	166	170
	Selling and distribution	32	30
	Administration	55	55
		253	**255**

SI 2008/410 5 Sch 1

Directors

The directors' emoluments were as follows:

	2023	2022
Aggregate emoluments	210	206
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	5	7
Sums paid to third parties for directors' services	2	-

Post-employment benefits are accruing for three (2022: two) directors under a defined benefit scheme.

Highest paid director

The highest paid director's emoluments were as follows:

		2023	2022
SI 2008/410 5 Sch 2			
	Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	75	70
	Defined benefit pension scheme:		
	● accrued pension at the end of the year	38	36
	● accrued lump sum at the end of the year	50	45

9. Interest income and expense

		2023	2022
	Finance income		
	Bank interest income	71	58
	Interest income on short-term deposits	41	36
	Accrued interest on commercial paper	10	5
	Total interest income	122	99
	Gains on derivative financial instruments	-	14
SI 2008/410 1 Sch 55	**Total finance income**	**122**	**113**

	Finance expense		
SI 2008/410 1 Sch 66	Bank borrowings	(209)	(133)
SI 2008/410 1 Sch 66	Other loans	(78)	(54)
SI 2008/410 1 Sch 66	Dividend on preference shares: 3.5p (2022: 3.5p) per share	(3)	(3)
SI 2008/410 1 Sch 66	Lease liabilities	(6)	(7)
	Provisions: unwinding of discount (note 20)	(13)	(12)
SI 2008/410 1 Sch 55	Losses on derivative financial instruments	(21)	-
	Net cost on post-employment benefits	(6)	(6)
23p26(a)	Interest capitalised*	15	6
	Total finance expense	**(321)**	**(209)**
DV	**Net finance cost**		
	Interest income	122	113
	Interest expense	(321)	(209)
	Net finance cost	**(199)**	**(96)**

23p26(b) *Borrowing costs have been capitalised at a rate of 10%, in line with the unsecured loan rate.

10. Income tax

12p79 Tax expense included in profit or loss:

		2023	2022
SI 2008/410 1 Sch 67(2)	**Current tax:**		
12p80(a)	• UK corporation tax on profits for the year	619	765
12p80(b)	• Adjustment in respect of prior periods	23	33
	Total current tax	642	798
	Deferred tax:		
12p80(c)	Origination and reversal of temporary differences	21	32
12p80(d)	Impact of change in tax rate	2	(2)
	Total deferred tax	23	30
	Tax on profit	**665**	**828**

12p81(ab) Tax income included in other comprehensive income:

	2023	2022
Current tax	13	5
Deferred tax:		
Movement in relation to pension deficit	(1)	(1)
Movement in relation to revaluation reserve	6	4
Total tax income included in other comprehensive income	**18**	**8**

12p81(a)

Tax income included in equity:

	2023	2022
Current tax	(15)	(12)
Total tax income included in equity	**(15)**	**(12)**

12p81(c)

Tax expense for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 23.5% (2022: 19%). The differences are explained below:

	2023	2022
Profit before taxation	2,569	3,318
Profit multiplied by the standard rate of tax in the UK of 23.5% (2022: 19%)	604	630
Effects of:		
● Income not subject to tax	(15)	(11)
● Remeasurement of deferred tax – change in UK tax rate	2	-
● Adjustments to tax charge in respect of prior years	23	33
Expenses not deductible for tax purposes	51	176
Tax charge	**665**	**828**

12p81(d)

The tax rate for the current year is the same as the prior year.

SI 2008/410 1 Sch 67(1)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021 Income taxes in the income statement are measured at 23.5% (blended average) and deferred taxes at the balance sheet data are measured at 25%.

Commentary

The OECD Pillar Two rules apply to multinational enterprises that have consolidated revenues (which, as defined by the OECD, include any form of income and are therefore not limited to revenue recognised in accordance with IFRS 15) of €750m in at least two out of the last four years. For illustrative purposes, we have assumed that

- Pillar Two legislation has been enacted in England., UK GAAP Limited's jurisdiction, but
- the legislation is not yet effective.
- UK GAAP Limited is not within the scope of the OECD Pillar Two model rules since the entity has no overseas subsidiaries or branches and has not met the threshold that would trigger any UK qualifying minimum domestic taxes. The entity's investment in subsidiary and associated undertakings as disclosed in Note 14 are both incorporated in the United Kingdom.

However, the rules for Pillar Two are complex and companies should seek advice on whether they are caught based on their particular circumstances.

We have included new disclosures below show what an entity might disclose in circumstances where they are in scope for Pillar Two.

New requirements	OECD Pillar Two model rules
IAS12R(88A)	The entity is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom the jurisdiction in which the entity is incorporated and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the entity has no related current tax exposure. The entity applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.
IAS12R(98M)	Commentary The illustrative disclosures above are based on the amendments to IAS 12 that were made by the IASB in May 2023. The amendments related to deferred tax are required to be applied immediately (subject to any local endorsement processes) and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, including the requirement to disclose the fact that the exception has been applied. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.
	FRS 101 provides exemption from the disclosure requirements of paragraphs 88C and 88D of IAS 12 Income taxes provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

SI 2008/410 1Sch 51,

11. Intangible assets

38p118(e)

		Software
	Cost	
	At 1 January 2023	1,177
	Additions	640
	As at 31 December 2023	**1,817**
	Accumulated amortisation and impairment	
	At 1 January 2023	(472)
	Amortisation	(148)
36p126(a)	Impairment	(122)
	As at 31 December 2023	**(742)**
	Net book amount	**1,075**
	Net book amount	
	As at 31 December 2022	705
	Movement during the year	370
	As at 31 December 2023	**1,075**

38p122(b)	The software intangible assets include the company's inventory management system, which was created by an external development firm for the company's specific requirements. The asset is carried at £109,000 (2022: £140,000) and has a remaining amortisation period of 3.5 years (2022: 4.5 years) on a straight-line basis. There are no other individually material intangible assets.
38p118(d)	Intangible assets amortisation is recorded in administrative expenses in the income statement.

36p130(a)–(c), (e), (g), 36p126(a)	During the year, design software with a net book value of £122,000 was impaired. The software has been superseded by more advanced software acquired by the company during the year, and so it has a £nil value in use. As well as having more modelling capabilities, the new software is compatible with 3D printers.
SI 2008/410 1 Sch 21	**Commentary** If the company has capitalised development costs, it should disclose the reasons for capitalising the costs and the period over which the costs are being written off.

12. Property, plant and equipment

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

		Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	At 31 December 2022				
16p73(d)	Cost or valuation	862	1,342	1,854	4,058
16p73(d)	Accumulated depreciation and impairment	(143)	(457)	(421)	(1,021)
	Net book amount	**719**	**885**	**1,433**	**3,037**
	Year ended 31 December 2023				
16p73(e)(i)	Additions	198	341	998	1,537
16p73(e)(ix)	Disposals	(11)	(87)	(268)	(366)
16p73(e)(vii)	Depreciation	(33)	(122)	(347)	(502)
	Closing net book amount	**873**	**1,017**	**1,816**	**3,706**
	At 31 December 2023				
16p73(d)	Cost or valuation	1,047	1,496	2,579	5,122
16p73(d)	Accumulated depreciation and impairment	(174)	(479)	(763)	(1,416)
	Net book amount	**873**	**1,017**	**1,816**	**3,706**

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

	2023	2022
Historical cost equivalent	144	148
Amount of revaluation reserve	173	177
Net book value	**317**	**325**

SI 2008/410 1 Sch 52, 16p77(a)–(c)	The properties were last revalued in 2019 by an independent valuer, using arm's length market transactions for similar properties sold in the local area.		
		2023	**2022**
	Freehold	447	436
	Long leasehold	213	196
	Short leasehold	213	87
	Carrying amount	**873**	**719**

16p74(a) Freehold property with a carrying value of £54,000 (2022: £58,000) is pledged as security for an intercompany guarantee (see note 24).

16p74(c) See note 25 for contractual commitments on capital expenditure.

13. Leases

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

1. Amounts recognised in the statement of financial position

IFRS16(54) The balance sheet shows the following amounts relating to leases:

		31-Dec 2023	31-Dec 2022
IFRS16(47)(a)	**Right-of-use assets**		
IFRS16(53)(j)	Buildings	220	155
IFRS16(53)(j)	Equipment	230	255
IFRS16(53)(j)	Vehicles	100	125
		550	**535**
IFRS16(47)b)	**Lease liabilities**		
	Current	55	31
	Non-current	500	785
		555	**816**

IFRS16(53)(h) Additions to the right-of-use assets during the financial year were £57,000 (2022: £49,900).

	2. Amounts recognised in the income statement			
IFRS16(54)	The income statement shows the following amounts relating to leases:			
		Note	2023	2022
IFRS16(53)(a)	**Depreciation charge of right-of-use assets**			
	Buildings		(15)	(12)
	Equipment		(18)	(19)
	Vehicles		(9)	(8)
			(42)	**(39)**
IFRS16(53)(b)	Interest expense (included in finance cost)	9	(6)	(7)
IFRS16(53)(c)	Expense relating to short-term leases (included in administrative expenses)	7	(13)	(16)
IFRS16(53)(d)	Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	7	(15)	(13)
IFRS16(53)(e)	Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		-	-
IFRS16(53)(g)	The total cash outflow for leases was £37,000 (2022: £39,500).			

14. Investments

	2023			2022		
	Shares in group undertakings	Associated undertakings	Total	Shares in group undertakings	Associated undertakings	Total
At 1 January	676	738	1,414	676	738	1,414
Additions	-	17	17	-	-	-
At 31 December	**676**	**755**	**1,431**	**676**	**738**	**1,414**

SI 2008/410 4 Sch

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

SI 2008/410 4 Sch 1

The company owns 100% of the ordinary shares of Gamma Limited (2022: 100%).

SI 2008/410 4 Sch 19

The company owns 35% of the ordinary shares of Alpha Limited (2022: 34%)

18p35(b)(v)

During the year, the company received dividends of £17,000 from Alpha Limited (2022: £9,000), and dividends of £60,000 (2022: £50,000) from Gamma Limited.

Commentary

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

Commentary

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

15. Inventories

2p36(b), 1p78(c)

	2023	2022
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**

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

SI 2008/410 1 Sch 28(3)

	2023	2022
Raw materials and consumables	40	19

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

Inventories are stated after provisions for impairment of £12,000 (2022: £18,000).

16. Trade and other receivables

1p78(b)

	2023	2022
Trade receivables	1,913	1,238
Amounts owed by group undertakings	589	467
Other receivables	130	129
Prepayments and accrued income	24	54
Contract assets	127	229
Right of return assets	40	30
Asset recognised for costs incurred to fulfil a contract	50	73
	2,873	**2,220**

1p61 Trade receivables of £205,000 (2022: £56,000) fall due after more than one year.

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

1p54 Trade receivables are stated after provisions for impairment of £162,000 (2022: £54,000).

101pA2.9(d), A2.10

Commentary

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

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

101pA2.9B(b)

Commentary

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

17. Creditors: amounts falling due within one year

1p69

	2023	2022
Debenture loans (note 19)	349	12
Bank loans and overdrafts (note 19)	668	419
Creditors	711	1,183
Amounts owed to group undertakings	241	180
Lease liabilities (note 13)	55	31
Taxation and social security	233	272
Other creditors	217	214
Derivative financial instruments	86	65
Accruals and deferred income	63	89
Refund liabilities	50	40
Contract liabilities	138	122
	2,811	**2,627**

DV

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

Where trade payables are settled via electronic cash transfer, they are derecognised when the group has no ability to withdraw, stop or cancel the payment, has lost the practical ability to access the cash as a result of the electronic payment instruction, and the risk of a settlement not occurring is insignificant.

Commentary

SI 2008/410 1 Sch 43

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

Commentary

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

IAS1R(69)(d),(75A),(17)(c),(76)(d)	An entity must classify a liability as non-current if it has a right to defer settlement of the liability for at least 12 months after the reporting period. This applies regardless of whether the entity intends to settle the liability within the next 12 months, and even if it settles the liability before the financial statements are authorised for issue. However, in these cases, the entity may need to disclose information about the timing of the settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position.

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

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

1p69		2023	2022
	Bank loans (note 19)	586	945
	Lease liabilities (note 13)	500	785
	Cumulative preference shares of £1 each – 75,000 (note 23)	75	75
	Other creditors	95	40
		1,256	**1,845**

SI 2008/410 1 Sch 61(1)

Amounts falling due after more than five years:

	2023	2022
Debenture loans (note 19)	175	107
Total	**1,431**	**1,952**

Commentary

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

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

19. Loans and other borrowing

	2023	2022
7% unsecured loan stock 2024	349	12
10% unsecured loan stock 2029	175	107
Bank loans	1,254	1,364
	1,778	**1,483**

SI 2008/410 1 Sch 50

The company has issued the following debentures during the year:

	2023	2022
7% unsecured loan stock 2024	337	337
10% unsecured loan stock 2029	68	68

SI 2008/410 1 Sch 61

The 7% unsecured loan stock 2024 is redeemable at par between 1 January and 31 December 2024. The 10% loan stock 2029 is redeemable at par between 1 January and 31 December 2029.

DV

Included in the bank loans is an amount of £1,000,000, which is payable in two annual instalments commencing 1 January 2024 and carries fixed interest at 11%. The balance of £254,000 is repayable in six quarterly instalment commencing 1 February 2024 and carries variable interest at LIBOR plus 3%.

20. Provisions for liabilities

The company had the following provisions during the year:

		Pending litigation	Reorganisation provision	Environsmental provision	Service warranties/ refund obligation	Deferred tax provision	Post-employment benefits	Total
37p84(a)	At 31 December 2022	19	-	46	46	47	129	287
37p84(b)	Additions/ (credit) to the income statement	15	157	22	50	21	(1)	264
37p84(b)	Additions to the statement of other comprehensive income	-	-	-	-	(18)	80	62
37p84(e)	Unwind of discount	-	-	13	-	-	-	13
37p84(c)	Amount utilised	-	(42)	(20)	(14)	-	-	(76)
37p84(d)	Unused amounts reversed to the income statement	(7)	-	-	-	-	-	(7)
37p84(b)	Additional liability recognised under the multi-employer scheme	-	-	-	-	-	128	128
	At 31 December 2023	**27**	**115**	**61**	**82**	**50**	**336**	**671**

Pending litigation

37p85 In December 2023, the company received a claim from Customer Limited regarding a defect in a line of chairs produced by the company. A provision of £15,000 has been made for the costs of product recall and loss of profit claim from Customer Limited. The claim is expected to be fully resolved in early 2024.

Reorganisation

37p85 A rationalisation of product processes at the company’s two factories in Reading and Nottingham was announced on 11 December 2023. This rationalisation, involving the introduction of new technology, will result in the loss of 15 jobs in total over the following six months. The provision is expected to be fully utilised by 30 June 2024.

Environment

37p85 In April 2020, a spillage of cleaning chemicals contaminated land surrounding the Burnley factory. The company is committed to a policy of environmental protection, and immediate action was taken to deal with the contamination. A provision was recognised for the ongoing containment, clearing and monitoring of the land, which is expected to be incurred over the period until 2025. A further provision of £22,000 has been recognised during the year, as the extent of the spill was larger than initially thought.

37p85

Service warranties

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

15p119(e) The company generally offers 12 months warranties for its wholesale furniture sales. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year.

Deferred tax

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

	2023	2022
Deferred tax assets due within 12 months	(54)	(45)
Deferred tax liabilities due within 12 months	61	57
Carrying amount at year end	**7**	**12**

	2023	2022
Deferred tax assets due in more than 12 months	(32)	(12)
Deferred tax liabilities due in more than 12 months	75	47
Carrying amount at year end	**43**	**35**

	2023	2022
Total carrying amount at year end	**50**	**47**

	Deferred tax liabilities	Accelerated capital allowances	Revaluation of PPE	Other	Total
	At 1 January 2022	28	45	9	82
12p81(g)(ii)	Charged to the income statement	12	-	14	26
12p81(e)	Credited directly to other comprehensive income	-	(4)	-	(4)
	At 31 December 2022	**40**	**41**	**23**	**104**
12p81(g)(ii)	Charged to the income statement	25	-	13	38
12p81(e)	Credited directly to other comprehensive income	-	(6)	-	(6)
	At 31 December 2023	**65**	**35**	**36**	**136**

	Deferred tax assets	Relating to the pension deficit	Revaluation of derivative financial liabilities	Share-based payments	Total
	At 1 January 2022	31	21	-	52
12p81(g)(ii)	Charged to the income statement	-	(6)	-	(6)
	Credited directly to equity	-	-	12	12
12p81(e)	Charged directly to other comprehensive income	(1)	-	-	(1)
	At 31 December 2022	**30**	**15**	**12**	**57**
12p81(g)(ii)	Credited to the income statement	-	15	-	15
	Credited directly to equity	-	-	15	15

12p81(e)	Charged directly to other comprehensive income	(1)	-	-	(1)
	At 31 December 2023	**29**	**30**	**27**	**86**

12p81(e) There are no unused tax losses or unused tax credits.

21. Post-employment benefits

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

Defined benefit scheme

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

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

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

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

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

(a) Asset volatility

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

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

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

(b) Changes in bond yields

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

(c) Life expectancy

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

(d) Inflation risk

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

DV

A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 31 March 2022 by Actuary and Actuary LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

19Rp144

	2023	2022
Expected rate of salary increases	4.3%	4.0%
Expected rate of increase of pensions in payment	3.0%	4.0%
Discount rate	5.2%	4.0%
Rate of inflation	2.8%	2.5%

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

19Rp144

	2023 Years	2022 Years
Longevity at age 65 for current pensioners		
– Men	22.5	22.5
– Women	23.6	23.0
Longevity at age 65 for future pensioners		
– Men	23.6	23.0
– Women	25.2	25.1

19Rp140(a)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Carrying amount
At 1 January 2023	6,841	(6,970)	(129)
Benefits paid	(51)	51	-
Employer contributions	96	-	96
Current service cost	-	(84)	(84)
Past service cost	-	(5)	(5)
Interest income/(expense)	356	(362)	(6)
Remeasurement gains/(losses)	210	(290)	(80)
At 31 December 2023	**7,452**	**(7,660)**	**(208)**

19Rp145(a) The sensitivity of the defined benefit obligation to reasonably possible changes in the following principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.50%	Decrease by 20.2%	Increase by 25.0%
Salary growth rate	0.50%	Increase by 1.8%	Decrease by 1.7%
Pension growth rate	0.50%	Increase by 4.7%	Decrease by 4.4%
Life expectancy	1 year	Increase by 2.8%	Decrease by 2.9%

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

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

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

	2023 Years	2022 Years
Current service cost	(84)	(90)
Past service cost	(5)	-
Interest cost	(6)	(6)
	(95)	**(96)**

19Rp142 The fair value of the plan assets was:

	2023	2022
Equity instruments	3,343	3,936
Bonds	3,612	2,484
Property	497	421
	7,452	**6,841**

19Rp143 Included in properties are £124,000 of assets which are leased to the company (2022: £117,000).

19Rp141 The return on the plan assets was:

	2023	2022
Interest income	356	310
Remeasurements	210	288
Total return on plan assets	**566**	**598**

	Multi-employer scheme
19Rp32, 34, 36	Certain employees in one of the company's factories participate in a multi-employer defined benefit scheme with other companies in the region. The employers share the actuarial risks associated with all employees and former employees. The company is not legally responsible for the plan and does not have sufficient information to use defined benefit accounting. In particular, the plan was not yet able to provide the participation data for the former employees with vested rights and the pensioners relating to the company that would have allowed estimating the defined benefit obligation. Accordingly, the scheme is accounted for as if it is a defined contribution scheme.
19Rp148	The company can be liable to the plan for other entities' obligations under the terms and conditions as the minimum funding requirements may lead to higher contributions. This is the case if another affiliated company gets insolvent. If the affiliation contract to the plan is terminated, the company must pay a withdrawal liability. The withdrawal liability is calculated based on the total contributions of the affiliated employers and the employer contributions of the company to the plan.
	Upon the wind-up of the scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the participants in line with their contribution schedule.
19Rp147	The multi-employer scheme is currently in deficit and, in 2022, the company has agreed to participate in a funding plan to reduce the deficit. The participation percentage is an indication based on the relevant amount of its contributions during the year in relation to the total amount of contributions made to the plan which during the year is estimated at 5% (2022: 4.9%). A liability of £128,000 has been recognised, representing present value of the additional contributions payable between 2023 and 2026, with the resulting expense recognised in the income statement. The proportionate share of deficit was calculated by multiplying the deficit plan deficit by the company's participation percentage in that plan. This proportional share of deficit is an indication of our share of deficit based on the best available information.
19Rp53, 148	The employer contribution to this plan is calculated based on the working hours of the active employees. For each hour a fixed contribution is paid to the plan. This fixed amount is determined based on a collective agreement with the relevant unions. The amount recognised as an expense for the multi-employer scheme was:

	2023	2022
Current year contributions	60	55
Additional liability recognised	128	-
	188	**55**

The company currently pays total contributions of £60,000 (2022: £55,000) per annum and this amount will increase by 10% per annum from September 2023. Based on the actuarial valuation assumptions, this will be sufficient to pay off the deficit by 30 October 2027.

19Rp148 As of 31 December 2023, the present value of the company's outstanding contributions (i.e. its future liability) is £128,000 (2022: £nil). This amounts to £7,000 (2022: £nil) due within one year and £121,000 (2022: £nil) due after more than one year and is included within other payables

Defined contribution scheme

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

19Rp53 The amount recognised as an expense for the defined contribution scheme was:

	2023	2022
Current year contributions	25	23

22. Share-based payments

IFRS2(45)(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 company until the options become exercisable. The company makes annual grants on 30 April each year.

IFRS2p43A, B53, 2pBC268 The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

IFRS2p45(a) On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by UK GAAP Holdings Limited. This amount is treated as a reduction of the capital contribution, and it is recognised directly in equity.

IFRS2p45(e) Out of the 4,833,000 outstanding options (2022: 4,744,000 options), 1,875,000 options (2022: 1,400,000) were exercisable. Options exercised in 2023 resulted in 750,000 shares (2022: 1,000,000 shares) being issued at a weighted average price of £1.28 each (2022: £1.08 each). The related weighted average share price at the time of exercise was £2.85 (2022: £2.65) per share. The related transaction costs amounting to £10 (2022: £10) have been netted off against the proceeds received.

IFRS2p45(d) Share options outstanding at the end of the year have the following expiry date and exercise prices:

			Share options (thousands)	
Grant–vest	Expiry date: 1 July	Exercise price in £ per share option	2023	2022
20W0–X2	2023	1.1	-	500
20W1–X3	2024	1.2	800	900
20X2–X4	2025	1.35	1,075	1,250

Commentary

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

(i) a subsidiary where the share-based payment arrangement concerns equity instruments of another group entity; or

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

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

23. Share capital

SI 2008/410 1 Sch 47, 1p79

Ordinary shares of £0.25 each:

Allotted and fully paid	No.	Amount
At 1 January 2023	2,020,000	505
Issued during the year	12,000	3
At 31 December 2023	**2,032,000**	**508**

SI 2008/410 1 Sch 48

On 12 May 2022, 12,000 ordinary shares were issued for £27,000 (after deducting expenses of £1,000).

1p79(a)(v)

All shares rank pari passu in all respects.

SI 2008/410 1 Sch 47

Preference shares of £1 each:

Allotted and fully paid	No.	Amount
At 1 January 2023	75,000	75
Issued during the year	-	-
At 31 December 2023	**75,000**	**75**

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

1p79(a)(v)

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

SI 2008/410 1 Sch 47

Commentary

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

SI 2008/410 1 Sch 62

Commentary

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

SI 2008/410 1 Sch 75

Commentary

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

24. Contingent liabilities

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

The company has given a guarantee in respect of the bank borrowings of a fellow subsidiary, which amounted to £25,000 at 31 December 2023 (2022: £35,000). The guarantee is secured by a charge on the company's freehold property – see note 12. The amount of any liability to be recognised under the company's accounting policy is immaterial.

37p85, SI 2008/410 1 Sch 63

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

25. Commitments

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

SI 2008/410 1 Sch 63 — Contracts for future capital expenditure not provided in the financial statements:

		2023	2022
IAS16(74)(c)	Property, plant and equipment	63	98
IAS38(122)(e)	Intangible assets	16	9
		79	**107**

26. Related party transactions

24p18, 101p8(j), (k) During the year, the company sold £340,000 (2022: £250,000) of goods to SisterCo Limited, another group company. SisterCo Limited is 80% owned by UK GAAP Intermediate Holdings Limited. At the year-end, £65,000 (2022: £47,000) was outstanding and included within debtors. The receivable is unsecured and no guarantees have been received.

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

See note 8 for disclosure of the directors' remuneration.

27. Controlling parties

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

24p13

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

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

28. Events after the end of the reporting period

On 2 February 2024, 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.

Appendices

Appendix 1 – Companies Act requirements

	In addition to the requirements of FRS 101, company law requires FRS 101 reporters to make the following disclosures:
SI 2008/410 1 Sch 21	If the company has capitalised development costs, it should disclose the reasons for capitalising the costs and the period over which the costs are being written off.
SI 2008/410 1 Sch 28(3)	The amount of the difference between the carrying amount of the inventory and the replacement cost must be disclosed in a note to the accounts.
SI 2008/410 1 Sch 43	The aggregate amount of dividends that the company is liable to pay must be disclosed.
SI 2008/410 1 Sch 47	The number and nominal value of treasury shares must be disclosed
SI 2008/410 1 Sch 50	If the company has issued any debentures during the year, the class, the amounts issued, and the consideration received must be disclosed.
SI 2008/410 1 Sch 51	There should be a reconciliation of the movements in the goodwill balance. Note: paragraph 8(b) of FRS 101 removes the IFRS requirement to provide a goodwill reconciliation, but it is still required under company law, because goodwill is part of fixed assets.
SI 2008/410 1 Sch 51	These requirements relate to the presentation of property, plant and equipment that are covered by paragraph 73 of IAS 16. Note: paragraph 8(f)(ii) of FRS 101 provides an exemption from requirements under paragraph 73(e) of IAS 16, but disclosure is still required by company law.
SI 2008/410 1 Sch 53	For amounts included as 'land and buildings', the accounts must disclose the amount of freehold land, long leasehold land and short leasehold land.
SI 2008/410 1 Sch 54	For amounts included as 'investments', the accounts must disclose the amount of listed investments and, if different, the market value.
SI 2008/410 1 Sch 55(2)(a)	The significant assumptions underlying the valuation models and techniques used, where the fair value of the instruments has been determined in accordance with paragraph 37(4) of schedule 1 to SI 2008/410.
SI 2008/410 1 Sch 55(2)(b)	For each category of financial instrument, the fair value of the instruments in that category and the changes in value –
SI 2008/410 1 Sch 55(2)(c)	● included in the profit and loss account, or ● credited to or (as the case might be) debited from the fair value reserve for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that might affect the amount, timing and certainty of future cash flows.
SI 2008/410 1 Sch 55(3)	Where any amount is transferred to or from the fair value reserve during the financial year, there must be stated in tabular form:
SI 2008/410 1 Sch 55(3)(a)	the amount of the reserve as at the date of the beginning of the financial year and as at the balance sheet date respectively;
SI 2008/410 1 Sch 55(3)(b)	the amount transferred to or from the reserve during that year; and
SI 2008/410 1 Sch 55(3)(c)	the source and application respectively of the amounts so transferred.

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

Appendix 2 – Financial Institution definition

101 Glossary

A financial institution is any of the following:

(a) a bank which is:

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

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

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

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

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

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

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

(h) a retirement benefit plan; or

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

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

Appendix 3: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (b) IFRS Interpretations Committee agenda decisions issued in the last 12 months, and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

Title	Key requirements	Effective date * and further guidance
IFRS 17 *Insurance Contracts*	IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.	1 January 2023 (deferred from 1 January 2021) For further information see our Viewpoint website and In brief INT2021-5

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 *Presentation of Financial Statements* to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023 For further information see In brief INT2021-02
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023 For further information see In brief INT2021-02
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023 For further information, see In brief INT2021-10
OECD Pillar Two Rules	In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose:	Immediately, except for certain disclosures as noted on the left ** For further information, see our In brief INT2023-12 and our OECD Pillar Two tracker

	• the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes • their current tax expense (if any) related to the Pillar Two income taxes, and • during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure. ** The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.	

* Applicable to reporting periods commencing on or after the given date.

(b) IFRS Interpretations Committee agenda decisions issued in the last 12 months

As at 31 December 2023, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2023. The date issued refers to the date of approval by the IASB as per the IASB's website. For more recent information, refer to our website at viewpoint.pwc.com.

Date issued	Topic
April 2023	Definition of a Lease – Substitution Rights (IFRS 16)
October 2023	Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)
October 2023	Homes and Home Loans Provided to Employees (IAS 19)
October 2023	Guarantee over a Derivative Contract (IFRS 9)

(c) Forthcoming requirements

As at 31 December 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at www.viewpoint.pwc.com

Title	Key requirements	Effective date * and further guidance
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Non-current Liabilities with Covenants – Amendments to IAS 1*	Amendments made to IAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability • information about the covenants, and • facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024 For further information, see In brief INT2022-16
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024 For further information, see In brief INT2022-12

<table>
<tr><th>Title</th><th>Key requirements</th><th>Effective date * and further guidance</th></tr>
<tr><td>Supplier finance arrangements – Amendments to IAS 7 and IFRS 7</td><td>The IASB has issued new disclosure requirements about supplier financing arrangements (‘SFAs’), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity’s liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:
(a) The terms and conditions of SFAs.
(b) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
(c) The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
(d) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
(e) Non-cash changes in the carrying amounts of financial liabilities in (b).
(f) Access to SFA facilities and concentration of liquidity risk with finance providers.
The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.</td><td>1 January 2024

For further information, see In brief INT2023-03

In depth INT2023-01</td></tr>
<tr><td>Lack of Exchangeability - Amendments to IAS 21 -</td><td>In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. These new requirements will apply from 2025, with early application permitted.

The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date using:
(a) an observable exchange rate without adjustment, for example:
i) a spot exchange rate for a purpose other than that for which an entity assesses exchangeability; or
ii) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored.
(b) another estimation technique, for example, that could be any observable exchange rate adjusted as necessary to meet the objective of the new requirements.
The amendments include accompanying new disclosures to help investors to understand the effects, risks and estimated rates and techniques used when a currency is not exchangeable.</td><td>1 January 2025</td></tr>
</table>

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

* Applicable to reporting periods commencing on or after the given date.