

**Report of the Directors and
Financial Statements
For The Year Ended
31 December 2015
for
UK GAAP CO LIMITED**

UK GAAP CO LIMITED

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For The Year Ended 31 December 2015

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UK GAAP CO LIMITED

Company Information For The Year Ended 31 December 2015

DIRECTORS:

J Smith
Mrs J Smith

SECRETARY:

REGISTERED OFFICE:

123 High Street
Anytown
Any County
AB1 2BC

REGISTERED NUMBER:

12345678 (England and Wales)

AUDITORS:

Audit Firm LLP
Chartered (Certified) Accountants and
Statutory Auditors
113 Any Road
Town
County
XYZ 234

UK GAAP CO LIMITED

Report of the Directors For The Year Ended 31 December 2015

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a fictitious company used for training purposes.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

This business review should follow Companies Act requirements covering:

1. A fair review of the business of the company.
2. A description of the principal risks and uncertainties.
3. The review required is a balanced and comprehensive analysis, consistent with the size/complexity of the business, including
 - the development/performance of the business of the company during the financial year
 - the position of the company at the year-end.
4. Review must (to the extent necessary for an understanding of the development, performance or position of the business) include:
 - analysis using key performance indicators
 - where appropriate, analysis using other key performance indicators.
5. The review must, where appropriate, include references to, and additional explanations of, amounts included in the accounts of the company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2015.

FUTURE DEVELOPMENTS

This note may be combined with the review of business.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

J Smith
Mrs J Smith

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company

and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Audit Firm LLP, will be proposed for reappointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J Smith

.....
Mrs J Smith - Director

Date: [insert date of approval]

Report of the Independent Auditors to the Shareholders of UK GAAP Co Limited

We have audited the financial statements of UK GAAP Co Limited for the year ended 31 December 2015 on pages five to nineteen. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A N Auditor

.....
An Auditor's name (Senior Statutory Auditor)

Audit Firm LLP

Chartered (Certified) Accountants and

Statutory Auditors

113 Any Road

Town

County XZY 234

Date: [insert date of approval]

UK GAAP CO LIMITED

Profit and Loss Account For The Year Ended 31 December 2015

	Notes	31.12.15 £	31.12.14 (restated) £
TURNOVER	2	7,317,791	6,486,635
Cost of sales		<u>4,351,401</u>	<u>3,850,020</u>
GROSS PROFIT		2,966,390	2,636,615
Administrative expenses		<u>1,692,727</u>	<u>2,025,499</u>
OPERATING PROFIT	4	1,273,663	611,116
Gain (loss) on investment property	5	<u>10,000</u>	<u>(25,000)</u>
		1,263,663	636,116
Interest payable and similar charges	6	<u>114,578</u>	<u>66,215</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,149,085	569,901
Tax on profit on ordinary activities	7	<u>216,553</u>	<u>195,251</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>932,532</u></u>	<u><u>374,650</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

UK GAAP CO LIMITED

Statement of Total Recognised Gains and Losses For The Year Ended 31 December 2015

	31.12.15	31.12.14 (restated)
	£	£
PROFIT FOR THE FINANCIAL YEAR	932,532	374,650
Unrealised surplus on revaluation of properties	-	13,000
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>932,532</u>	<u>387,650</u>

UK GAAP CO LIMITED

Balance Sheet 31 December 2015

		31.12.15		31.12.14 (restated)	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	8		50,000		75,000
Tangible assets	9		322,634		354,877
Investment property	10		<u>210,000</u>		<u>100,000</u>
			582,634		529,877
CURRENT ASSETS					
Stocks	11	1,201,301		1,001,510	
Debtors	12	<u>2,096,539</u>		<u>1,501,180</u>	
			3,297,840		2,502,690
CREDITORS					
Amounts falling due within one year	13	<u>1,885,500</u>		<u>1,970,125</u>	
NET CURRENT ASSETS			<u>1,412,340</u>		<u>532,565</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,994,974</u>		<u>1,062,442</u>
CAPITAL AND RESERVES					
Called up share capital	17		20,000		20,000
Revaluation reserve	18		13,000		13,000
Profit and loss account	18		<u>1,961,974</u>		<u>1,029,442</u>
SHAREHOLDERS' FUNDS	19		<u>1,994,974</u>		<u>1,062,442</u>

The financial statements were approved by the Board of Directors on [insert date of approval] and were signed on its behalf by:

J Smith

.....
J Smith - Director

J Smith

.....
Mrs J Smith - Director

UK GAAP CO LIMITED

Cash Flow Statement For The Year Ended 31 December 2015

	Notes	31.12.15 £	31.12.14 (restated) £
Operating Activities			
Operating profit		1,273,663	611,116
Adjustments	1	95,953	105,422
Net changes in working capital	2	(825,550)	(691,178)
Taxes paid		<u>(194,219)</u>	<u>(82,619)</u>
Net cashflow from operating activities		349,847	(57,259)
Investing Activities			
Purchase of tangible fixed assets		(56,207)	(238,406)
Purchase of investment property		(120,000)	(75,000)
Proceeds from disposal of fixed assets		<u>17,496</u>	<u>11,500</u>
Net cashflow from investing activities		(158,711)	(301,906)
Financing Activities			
Proceeds from borrowings		-	28,600
Repayment of borrowings		(77,045)	(7,671)
Interest paid		<u>(114,578)</u>	<u>(66,215)</u>
Net cashflow from financing activities		(191,623)	(45,286)
Net change in cash and cash equivalents		(487)	(404,451)
Cash and cash equivalents at 1 January		<u>(559,848)</u>	<u>(155,397)</u>
Cash and cash equivalents at 31 December		<u><u>(560,335)</u></u>	<u><u>(559,848)</u></u>

UK GAAP CO LIMITED

Notes to the Cash Flow Statement For The Year Ended 31 December 2015

1. Adjustments

	31.12.15	31.12.14 (restated)
	£	£
Depreciation charges	95,403	96,197
Loss on disposal of fixed assets	<u>550</u>	<u>9,225</u>
	<u>95,953</u>	<u>105,422</u>

2. Net changes in working capital

Increase in stocks	(199,791)	(689,288)
Increase in debtors	(595,359)	(346,984)
(Decrease)/increase in creditors	<u>(30,400)</u>	<u>345,094</u>
	<u>(825,550)</u>	<u>691,178</u>

UK GAAP CO LIMITED

Notes to the Financial Statements For The Year Ended 31 December 2015

1. ACCOUNTING POLICIES

Accounting convention and statement of compliance with FRS 102

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets. The financial statements of the company for the year ended 31 December 2015 have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council. These are the company's first set of financial statements prepared in accordance with FRS 102 (see note 20 for an explanation of the transition).

Turnover

Turnover represents sales of goods, net of trade discounts and exclusive of value added tax. A sale is recognised on despatch of the goods to the customer which is the point at which the risks and rewards of ownership of the goods pass to the customer.

Turnover in respect of service contracts is recognised when the company obtains the right to receive consideration for the services rendered to its customer

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2013, is being amortised evenly over a five-year period. The directors were unable to assess the useful economic life of goodwill and as such the rate of amortisation is in accordance with paragraph 19.23(A) to FRS 102.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Plant and machinery	- at varying rates on cost
Fixtures and fittings	- at varying rates on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- at varying rates on cost

Tangible fixed assets are stated at their cost price less accumulated depreciation. In respect of assets that have been subject to the revaluation model, the assets are stated at their latest revalued amount less accumulated depreciation charges to date. The assets' residual values, useful lives and depreciation methods are reviewed if there is an indication of a significant change since the last reporting date.

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is recognised in profit or loss.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is ascertained by the use of the weighted average cost method of cost calculation. Net realisable value is based on an estimated selling price, less further costs to be incurred to completion and disposal. Provision is also made for obsolete, slow-moving and defective items, where appropriate.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

	31.12.15 £	31.12.14 £
United Kingdom	3,001,130	3,385,803
Europe	3,787,140	2,793,000
United States of America	142,911	44,566
South America	214,367	109,713
Asia	<u>172,243</u>	<u>153,553</u>
	<u>7,317,791</u>	<u>6,486,635</u>

3. STAFF COSTS

	31.12.15 £	31.12.14 (restated) £
Wages and salaries	871,719	1,167,252
Social security costs	36,956	124,558
Other pension costs	<u>51,554</u>	<u>93,058</u>
	<u>960,229</u>	<u>1,384,868</u>

The average monthly number of employees during the year was as follows:

	31.12.15	31.12.14
Directors	4	4
Administration	21	20
Warehouse	<u>4</u>	<u>4</u>
	<u>29</u>	<u>28</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

4. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.15	31.12.14 (restated)
	£	£
Hire of plant and machinery	1,995	2,276
Other operating leases	17,363	14,546
Depreciation - owned assets	38,580	29,951
Depreciation - assets on hire purchase contracts	31,824	41,245
Loss on disposal of fixed assets	550	9,225
Goodwill amortisation	25,000	25,000
Auditors' remuneration	<u>6,000</u>	<u>6,000</u>

4. OPERATING PROFIT - continued

Directors' emoluments	261,200	686,200
Directors' pension contributions to money purchase schemes	<u>48,000</u>	<u>90,780</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	31.12.15	31.12.14
	£	£
Emoluments etc	130,600	343,100
Pension contributions to money purchase schemes	<u>24,000</u>	<u>45,390</u>

5. GAIN (LOSS) ON INVESTMENT PROPERTY

	31.12.15	31.12.14 (restated)
	£	£
Fair value gain (loss) during the year	<u>10,000</u>	<u>(25,000)</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.15	31.12.14
	£	£
Bank interest	92,125	52,586
Bank loan interest	14,897	8,370
Hire purchase	<u>7,556</u>	<u>5,259</u>
	<u>114,578</u>	<u>66,215</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.15	31.12.14 (restated)
	£	£
Current tax:		
UK corporation tax	<u>216,553</u>	<u>195,251</u>
Tax on profit on ordinary activities	<u>216,553</u>	<u>195,251</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.15	31.12.14 (restated)
	£	£
Profit on ordinary activities before tax	<u>1,149,085</u>	<u>569,901</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22% (2007 - 22%)	252,799	125,378
Effects of:		
Expenses not deductible for tax purposes	8,494	7,127
Depreciation for the period in excess of capital allowances	3,847	1,505
Adjustment to tax charge in respect of prior years	-	(5,221)
Transitional effects of FRS 102	<u>(48,587)</u>	<u>66,462</u>
Current tax charge	<u>216,553</u>	<u>195,251</u>

8. INTANGIBLE FIXED ASSETS

COST

At 1 January 2015
and 31 December 2015

Goodwill
(restated)
£

125,000

AMORTISATION

At 1 January 2015
Amortisation for year

50,000
25,000

At 31 December 2015

75,000

NET BOOK VALUE

At 31 December 2015

50,000

At 31 December 2014

75,000

UK GAAP CO LIMITED
Notes to the Financial Statements - continued
For The Year Ended 31 December 2015

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £
COST OR VALUATION			
At 1 January 2015	138,000	103,491	100,819
Additions	-	3,900	1,284
At 31 December 2015	<u>138,000</u>	<u>107,391</u>	<u>102,103</u>
DEPRECIATION			
At 1 January 2015	1,960	49,037	58,807
Charge for year	1,960	11,110	6,865
Eliminated on disposal	-	-	-
At 31 December 2015	<u>3,920</u>	<u>60,147</u>	<u>65,672</u>
NET BOOK VALUE			
At 31 December 2015	<u>134,080</u>	<u>47,244</u>	<u>36,431</u>
At 31 December 2014	<u>136,040</u>	<u>54,454</u>	<u>42,012</u>
	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION			
At 1 January 2015	120,095	83,356	545,761
Additions	44,902	6,121	56,207
Disposals	(30,400)	-	(30,400)
At 31 December 2015	<u>134,597</u>	<u>89,477</u>	<u>571,568</u>
DEPRECIATION			
At 1 January 2015	34,955	46,125	190,884
Charge for year	22,207	28,262	70,404
Eliminated on disposal	(12,354)	-	(12,354)
At 31 December 2015	<u>44,808</u>	<u>74,387</u>	<u>248,934</u>
NET BOOK VALUE			
At 31 December 2015	<u>89,789</u>	<u>15,090</u>	<u>322,634</u>
At 31 December 2014	<u>85,140</u>	<u>37,231</u>	<u>354,877</u>
Cost or valuation at 31 December 2015 is represented by:			
	Freehold property £	Plant and machinery £	Fixtures and fittings £
Valuation in 2014	138,000	103,491	100,819
Valuation in 2015	-	3,900	1,284
	<u>138,000</u>	<u>107,391</u>	<u>102,103</u>

UK GAAP CO LIMITED
Notes to the Financial Statements - continued
For The Year Ended 31 December 2015

9. TANGIBLE FIXED ASSETS - continued

	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2014	120,095	83,356	545,761
Valuation in 2015	<u>14,502</u>	<u>6,121</u>	<u>25,807</u>
	<u>134,597</u>	<u>89,477</u>	<u>571,568</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST OR VALUATION			
At 1 January 2015	80,916	120,095	201,011
Additions	-	44,902	44,902
Disposals	<u>-</u>	<u>(30,400)</u>	<u>(30,400)</u>
At 31 December 2015	<u>80,916</u>	<u>134,597</u>	<u>215,513</u>
DEPRECIATION			
At 1 January 2015	31,195	34,955	66,150
Charge for year	9,617	22,207	31,824
Eliminated on disposal	<u>-</u>	<u>(12,354)</u>	<u>(12,354)</u>
At 31 December 2015	<u>40,812</u>	<u>44,808</u>	<u>85,620</u>
NET BOOK VALUE			
At 31 December 2015	<u>40,104</u>	<u>89,789</u>	<u>129,893</u>
At 31 December 2014	<u>49,721</u>	<u>85,140</u>	<u>134,861</u>

10. INVESTMENT PROPERTY

	Total (restated) £
COST	
At 1 January 2015	100,000
Additions	120,000
Impairments	<u>(10,000)</u>
At 31 December 2015	<u>210,000</u>
NET BOOK VALUE	
At 31 December 2015	<u>210,000</u>
At 31 December 2014	<u>100,000</u>

11. STOCKS

	31.12.15 £	31.12.14 (restated) £
Stocks	<u>1,201,301</u>	<u>1,001,510</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.15	31.12.14
	£	£
Trade debtors	1,935,210	1,419,036
VAT	106,851	28,934
Prepayments	54,478	53,210
	<u>2,096,539</u>	<u>1,501,180</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.15	31.12.14 (restated)
	£	£
Bank loans and overdrafts (see note 14)	567,946	574,459
Hire purchase contracts (see note 15)	75,022	145,068
Trade creditors	881,199	719,669
Tax	216,553	194,219
Social security and other taxes	26,013	268,225
Accrued expenses	118,767	68,485
	<u>1,885,500</u>	<u>1,970,125</u>

14. LOANS

An analysis of the maturity of loans is given below:

	31.12.15	31.12.14
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	560,335	559,848
Bank loans	<u>7,611</u>	<u>14,611</u>
	<u>567,946</u>	<u>574,459</u>

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	31.12.15	31.12.14
	£	£
Net obligations repayable:		
Within one year	<u>75,022</u>	<u>145,068</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other operating leases	
	31.12.15 £	31.12.14 £	31.12.15 £	31.12.14 £
Expiring:				
Within one year	50,500	50,500	5,397	2,234
Between one and five years	252,500	252,500	967	3,346
In more than five years	<u>202,000</u>	<u>252,500</u>	-	-
	<u>505,000</u>	<u>555,500</u>	<u>6,364</u>	<u>5,580</u>

16. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.15 £	31.12.14 £
Bank overdrafts	560,335	559,848
Bank loans	7,611	14,611
Hire purchase contracts	<u>75,022</u>	<u>145,068</u>
	<u>642,968</u>	<u>719,527</u>

The bank loans and bank overdraft are secured by a first charge over land at Anyplace House, Anyplace Road, Anycounty, and also a first charge over the building at Anyplace House.

The bank loans and bank overdraft are also secured by a first charge over land at Anyplace House, Anyplace Road, Anycounty, and also a first charge over the property at Anyplace House.

17. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.15 £	31.12.14 £
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</u>

18. RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 January 2015	1,029,442	13,000	1,042,442
Profit for the year	<u>932,532</u>		<u>932,532</u>
At 31 December 2015	<u>1,961,974</u>	<u>13,000</u>	<u>1,974,974</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued

For The Year Ended 31 December 2015

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.15	31.12.14 (restated)
	£	£
Profit for the financial year	932,532	374,650
Other recognised gains and losses relating to the year (net)	-	13,000
Net addition to shareholders' funds	932,532	387,650
Opening shareholders' funds	<u>1,062,442</u>	<u>674,792</u>
Closing shareholders' funds	<u>1,994,974</u>	<u>1,062,442</u>

20. TRANSITION TO FRS 102

These are the company's first financial statements prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*. Previously they were prepared in accordance with previous UK GAAP. The company has prepared its opening balance sheet at the date of transition to FRS 102, which is 1 January 2014.

The effects of the transition to FRS 102 on total equity, profit and cash flows are presented in this section and further explained in the accompanying notes.

20.1 Exemptions from full retrospective application

The company's accounting policies presented in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information and the opening balance sheet as at the date of transition. The resulting adjustments have been recognised in profit and loss account reserves at the date of transition. However, upon transition, the company has applied all the mandatory exceptions from full retrospective application and the following optional exemptions:

Revaluation as deemed cost

The company has elected to use an FRS 102 revaluation of land and buildings included in fixed assets at the date of transition (1 January 2014) as deemed cost of those assets at that date.

Deferred income tax

The company has elected to use the exemption in paragraph 35.10(h) which permits a first-time adopter not to recognise, at the date of transition to FRS 102, deferred tax assets or deferred tax liabilities relating to the differences between the tax basis and the carrying amount of any assets or liabilities for which recognition of those deferred tax assets or liabilities would involve undue cost or effort.

20.2 Reconciliation of equity

Equity at the date of transition and 31 December 2014 can be reconciled to the amount reported previously under the previous UK GAAP as follows:

		31.12.14	1.1.14
	Notes	£	£
Equity under previous UK GAAP	(a)	1,529,818	828,069
Amortisation of goodwill	(b)	(50,000)	(25,000)
Stock valuation adjustment	(c)	(443,992)	(143,275)
Accrued holiday pay	(d)	(6,124)	(5,002)
Increase in fair value of freehold property	(e)	13,000	-
Increase in depreciation of freehold property	(e)	(260)	-
Total equity under FRS 102		<u>1,042,442</u>	<u>654,792</u>

UK GAAP CO LIMITED

Notes to the Financial Statements - continued For The Year Ended 31 December 2015

20.3 Reconciliation of profit or loss

Profit or loss for the year ended 31 December 2014 can be reconciled to the amount reported previously under previous UK GAAP as follows:

	Notes	31.12.14 £
Profit for the year under previous UK GAAP		676,749
Goodwill amortisation	(a)	(25,000)
Opening stock valuation adjustment	(b)	143,275
Closing stock valuation adjustment	(b)	(443,992)
Holiday pay accrual	(c)	(6,124)
Reversal of 2013 holiday pay accrual	(c)	5,002
Uplift in freehold property depreciation	(d) and (e)	(260)
Fair value gain on investment property	(f)	25,000
Profit for the year under FRS 102		<u>374,650</u>

20.4 Notes to the reconciliations

(a) *Goodwill*

Goodwill is amortised in accordance with paragraph 19.23(a) to FRS 102 and as management are unable to determine a reliable estimate of the useful economic life of the goodwill, it is amortised over a period of five years.

(b) *Stock*

The company previously valued its stock using the last-in first-out method of valuation. This valuation methodology is prohibited in paragraph 13.18 of FRS 102 and the company has therefore applied the use of the weighted average cost method of valuation.

(c) *Holiday pay accrual*

Paragraph 28.4 to FRS 102 requires the entity to make a provision for unclaimed holiday pay entitlement to employees which are expected to occur within twelve months after the end of the reporting period. Such provisions were not made under previous UK GAAP.

(d) *Freehold property*

The company has elected to use a previous valuation of its freehold property which resulted in an increase in fair value of £13,000 from the valuation previously carried out under previous UK GAAP. The £13,000 gain has been recognised in the revaluation reserve account within equity and is permissible on first-time adoption of FRS 102 under paragraph 35.10.

(e) *Depreciation*

The consequential uplift in the freehold property valuation has resulted in an increase in the annual depreciation charge from £1,700 to £1,960.

(f) *Fair value gain on investment property*

The investment property was previously accounted for under SSAP 19 *Accounting for Investment Properties* which required all fair value gains to be recognised within the revaluation reserve account within the equity section of the balance sheet. Paragraph 16.7 of FRS 102 requires all such fair value adjustments to be recognised within profit or loss.

