

Diageo Balkans Limited

Financial statements 30 June 2016

Registered number: 2036686

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Diageo Balkans Limited
Registered number: 2036686
Year ended 30 June 2016

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Diageo Balkans Limited
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Year ended 30 June 2016

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2016.

The directors are entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

The company provides certain marketing, promotional and brand management services to other brand holding Diageo entities through its Romanian branch.

Going concern

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future as a fellow group undertaking has agreed to provide financial support for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial

The results for the year ended 30 June 2016 are shown on page 7.

The profit for the year transferred to reserves is £2,000 (2015 - £52,000) and the other comprehensive income for the year is £69,000 (2015 - expense of £66,000).

No dividend was paid during the year (2015 - £nil).

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting. The transition to FRS 101 turned the loss of £14,000 reported in the year ended 30 June 2015 into a profit of £52,000 and increased other comprehensive loss for the year from £nil to £66,000. As a result, total comprehensive income did not change (refer to Note 12 for further details).

Directors

The directors who held office during the year were as follows:

D F Harlock (appointed 26 May 2016)

A Mahler (appointed 5 November 2015)

P D Tunnacliffe (resigned 30 June 2016)

J J Nicholls

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2015 - £nil).

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DIRECTORS' REPORT (continued)

Secretary

On 5 November 2015, V Cooper was appointed and on 23 March 2017 resigned as a joint secretary of the company. C Matthews remains as secretary of the company.

Directors' indemnity

The Articles of Association permit qualifying third-party indemnities for the directors as defined by Section 234 of the Companies Act 2006. No such indemnity was in force during the last financial year, nor is any currently in force.

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the Diageo group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2016 on pages 60 to 61 at www.diageo.com, which does not form part of this report.

Auditors

Following an audit tender conducted during last year, PricewaterhouseCoopers LLP were selected as auditors for the Diageo group. Accordingly, PricewaterhouseCoopers LLP were appointed to replace KPMG LLP as auditors for the year ended 30 June 2016.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



J J Nicholls
Director

Lakeside Drive
Park Royal
London
NW10 7HQ
UK

28 March 2017

Diageo Balkans Limited
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Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and 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 they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101).

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Diageo Balkans Limited

Report on the financial statements

Our opinion

In our opinion, Diageo Balkans Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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 the Companies Act 2006.
-

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 June 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2017

Diageo Balkans Limited
Registered number: 2036686
Year ended 30 June 2016

INCOME STATEMENT

		Year ended	(As restated)
		30 June 2016	Year ended
	Notes	£ 000	30 June 2015
			£ 000
Turnover		725	598
Operating costs	3	<u>(697)</u>	<u>(566)</u>
Operating profit		<u>28</u>	<u>32</u>
Profit before taxation on ordinary activities		28	32
Taxation on profit on ordinary activities	5	<u>(26)</u>	<u>20</u>
Profit for the year		<u>2</u>	<u>52</u>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 12 to the financial statements.

The accompanying notes are an integral part of these financial statements.

The company had no other comprehensive income or expense during the current and previous year.

Diageo Balkans Limited
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Year ended 30 June 2016

STATEMENT OF COMPREHENSIVE INCOME

		Year ended	(As restated)
		30 June 2016	Year ended
	Notes	£ 000	30 June 2015
			£ 000
Other comprehensive income/(expense)			
Items that may be recycled subsequently to the income statement			
Exchange differences on translation of foreign operation		<u>69</u>	<u>(66)</u>
Other comprehensive income/(expense) for the year, net of tax		<u>69</u>	<u>(66)</u>
Profit for the year		<u>2</u>	<u>52</u>
Total comprehensive income/(expense) for the year		<u><u>71</u></u>	<u><u>(14)</u></u>

The accompanying notes are an integral part of these financial statements.

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 12 to the financial statements.

Diageo Balkans Limited
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BALANCE SHEET

		30 June 2016	(As restated)
	Notes	£ 000	30 June 2015
			£ 000
Fixed assets			
Property, plant and equipment	6	9	8
Current assets: due after one year			
Deferred tax assets	9	3	2
Current assets: due within one year			
Trade and other receivables	7	574	418
Cash and cash equivalents		<u>88</u>	<u>231</u>
		665	651
Creditors: amounts falling due within one year			
Trade and other creditors	8	(3,582)	(3,639)
Corporate tax payable		<u>-</u>	<u>1</u>
		<u>(3,582)</u>	<u>(3,638)</u>
Net current liabilities		<u>(2,917)</u>	<u>(2,987)</u>
Net liabilities		<u>(2,908)</u>	<u>(2,979)</u>
Equity			
Called up share capital		90	90
Exchange reserve		(22)	(91)
Retained deficit		<u>(2,976)</u>	<u>(2,978)</u>
Total equity		<u>(2,908)</u>	<u>(2,979)</u>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 12 to the financial statements.

The accounting policies and other notes on pages 11 to 21 form part of the financial statements.

These financial statements on pages 7 to 21 were approved by the Board on 28 March 2017 and were signed on its behalf by:



J J Nicholls
 Director

Diageo Balkans Limited
Registered number: 2036686
Year ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Exchange reserve £ 000	Retained deficit £ 000	Total £ 000
Balance at 30 June 2014 as previously reported	90	-	(3,055)	(2,965)
Adoption of FRS 101 (note 12)	-	(25)	25	-
Balance at 30 June 2014 as restated	<u>90</u>	<u>(25)</u>	<u>(3,030)</u>	<u>(2,965)</u>
Profit for the year	-	-	52	52
Other comprehensive expense for the year	-	(66)	-	(66)
Balance at 30 June 2015 (restated)	90	(91)	(2,978)	(2,979)
Profit for the year	-	-	2	2
Other comprehensive income for the year	-	69	-	69
Balance at 30 June 2016	<u>90</u>	<u>(22)</u>	<u>(2,976)</u>	<u>(2,908)</u>

The accompanying notes are an integral part of these financial statements.

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 12 to the financial statements.

Diageo Balkans Limited
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Year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

Transition to FRS 101

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. The accounting policies applicable to the company from 1 July 2014 are set out below. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting.

The FRS 101 figures have been prepared in accordance with IFRS standards and interpretations as in force at 30 June 2016. In preparing the comparative information and the opening FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting under UK GAAP.

An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance is set out in note 12 to the financial statements.

The transition to FRS 101 did not change the reported figures as at 30 June 2016 and 30 June 2015, nor for the year ended 30 June 2014, but required reclassifications within the balance sheet and the statement of comprehensive income to comply with the presentation requirements.

These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are stated at their fair value.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available.

The company has taken advantage of the following exemptions from the requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Diageo plc include equivalent disclosures, the company has also utilised exemptions available under FRS 101 in respect of the following disclosures:

- the disclosures required by *IFRS 7 Financial Instruments Disclosures*.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future.

Functional and presentational currency

These financial statements are presented in sterling (£), which is the company's functional currency.

All financial information presented in sterling (£) has been rounded to the nearest thousand unless otherwise stated.

Foreign currencies

The income statement of the Romanian branch is translated into sterling at weighted average rate of exchange.

Assets and liabilities are translated at closing rates. Exchange differences arising on the retranslation at closing rates of the opening balance sheet of the branch are taken to the exchange reserve. Other exchange differences are taken to the income statement. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other property, plant and equipment are depreciated on a straight-line basis to estimated residual values over their expected useful lives, and these values and lives are reviewed each year. Subject to these reviews, the estimated useful lives fall within the following ranges:

Asset class	Depreciation method and rate
Plant and equipment	5 to 25 years

Reviews are carried out if there is an indication that assets may be impaired, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value.

Financial assets

Trade and other receivables Amounts owed by other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade receivables are stated at their nominal value.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and investments.

Diageo Balkans Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial liabilities

Trade creditors Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade creditors are stated at their nominal value.

Taxation

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, tax benefits are reviewed each year to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Tax provisions are included in current liabilities. Interests and penalties on tax liabilities are provided in the tax charge.

Full provision for deferred tax is made for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes. The amount of deferred tax reflects the expected recoverable amount of assets and liabilities, using the basis of taxation enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future.

Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of the provision of services to other Diageo companies.

3. OPERATING COSTS

	Year ended 30 June 2016 £ 000	(As restated) Year ended 30 June 2015 £ 000
Other operating expenses	<u>697</u>	<u>566</u>
	<u>697</u>	<u>566</u>
Comprising:		
Other external charges (a)	212	139
Staff costs	484	426
Depreciation	<u>1</u>	<u>1</u>
	<u>697</u>	<u>566</u>

Other external charges include, bank charges of £nil (2015 - 1,000), fees in respect of consultancy services of £57,000 (2015 - 51,000), maintenance and repairs of £5,000 (2015 - 3,000), operating lease rentals of £49,000 (2015 - 44,000) and net foreign exchange losses of £52,000 (2015 - net foreign exchange gain of 6,000).

The auditors' remuneration of £1,000 (2015 - £5,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services (2015 - £nil).

4. EMPLOYEES

The average number of employees on a full time basis, directors during the year was:

	Year ended 30 June 2016	Year ended 30 June 2015
Selling and distribution	<u>5</u>	<u>3</u>

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
Aggregate remuneration		
Wages and salaries	434	383
Employer's social security	<u>50</u>	<u>43</u>
	<u>484</u>	<u>426</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
(a) Analysis of taxation (charge)/credit for the year		
Current tax		
UK corporation tax	(8)	6
Double tax relief	8	-
Overseas corporation tax	(28)	(5)
Adjustments in respect of prior years	<u>2</u>	<u>19</u>
Current tax	(26)	20
Deferred tax	<u>-</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>(26)</u>	<u>20</u>
	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
(b) Factors affecting total tax (charge)/credit for the year		
Profit on ordinary activities before taxation	<u>28</u>	<u>32</u>
Taxation on profit on ordinary activities at UK corporation tax rate of 20% (2015 - 20.75%)	(5)	(7)
Items not chargeable for tax purposes	-	15
Adjustments in respect of prior periods	2	19
Expenses not deductible for tax purposes	(2)	(2)
Overseas corporation tax	<u>(21)</u>	<u>(5)</u>
Total tax (charge)/credit for the year	<u>(26)</u>	<u>20</u>

The UK tax rate reduced from 21% to 20% on 1 April 2015. In November 2015 a reduction to 19% was substantively enacted (effective from 1 April 2017), whilst a further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016. The net deferred tax assets (note 9) will reduce as a consequence of these rate changes.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment £ 000
Cost	
At 30 June 2015	13
Additions	<u>2</u>
At 30 June 2016	<u>15</u>
Depreciation	
At 30 June 2015	5
Depreciation charge	<u>1</u>
At 30 June 2016	<u>6</u>
Carrying amount	
At 30 June 2015	<u>8</u>
At 30 June 2016	<u>9</u>

7. TRADE AND OTHER RECEIVABLES

	30 June 2016 £ 000	(As restated) 30 June 2015 £ 000
Amounts owed by fellow group undertakings		
Diageo Brands B.V.	319	249
R & A Bailey & Co	136	84
Diageo Scotland Limited	48	41
Diageo North America, Inc.	28	19
Other receivables	38	18
Prepayments and accrued income	<u>5</u>	<u>7</u>
	<u>574</u>	<u>418</u>

Amounts owed by fellow group undertakings are trade receivables due within one year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER CREDITORS

	30 June 2016	(As restated) 30 June 2015
	£ 000	£ 000
Amounts owed to fellow group undertakings		
Diageo Great Britain Limited	3,474	3,469
Other creditors	108	168
Accruals and deferred income	-	2
	<u>3,582</u>	<u>3,639</u>

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

9. DEFERRED TAX ASSETS

The amounts of deferred tax accounted for in the balance sheet comprises the following net deferred tax assets:

	Property, plants and equipments £ 000
At 30 June 2015	2
Recognised in income statement	<u>1</u>
At 30 June 2016	<u>3</u>

10. SHARE CAPITAL AND RESERVES

(a) Share capital

Allotted, called up and fully paid:

	30 June 2016
	£ 000
90,000 (2015 - 90,000) ordinary shares of £1 each	<u>90</u>

11. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Diageo Great Britain Limited , a company incorporated and registered in England.

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of the Diageo group. Diageo plc is incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, Lakeside Drive, Park Royal, London, NW10 7HQ.

Diageo Balkans Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

12. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 01 July 2015 (the company's date of transition).

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of balance sheet as at 30 June 2014

Please see Appendix 1

Reconciliation of balance sheet as at 30 June 2015

Please see Appendix 2

Reconciliation of comprehensive income for the year ended 30 June 2015

Please see Appendix 3

Notes to the reconciliation from old UK GAAP to FRS 101

(a) Re-assessment of functional currency of foreign branch

Under UK GAAP the functional currency of the branch in Romania was GBP. On transition to FRS101, the functional currency of the branch has been reassessed and changed to RON. The reassessment turned the loss reported in the year ended 30 June 2015 into a profit of £52,000 and increased other comprehensive loss from £nil to £66,000. As a result, total comprehensive income did not change.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Appendix 1

Reconciliation of shareholders' equity as at 30 June 2014

	Under UK GAAP £ 000	Total impact of transition to FRS 101 £ 000	Under FRS 101 £ 000
Fixed assets			
Property, plant and equipment	9	-	9
	<u>9</u>	<u>-</u>	<u>9</u>
Current assets: due after one year			
Deferred tax assets	2	-	2
	<u>2</u>	<u>-</u>	<u>2</u>
Current assets: due within one year			
Trade and other receivables	323	-	323
Cash and cash equivalents	240	-	240
	<u>565</u>	<u>-</u>	<u>565</u>
Creditors: amounts falling due within one year			
Trade and other payables	(3,539)	-	(3,539)
	<u>(2,974)</u>	<u>-</u>	<u>(2,974)</u>
Net current liabilities			
	<u>(2,965)</u>	<u>-</u>	<u>(2,965)</u>
Total assets less current liabilities			
	<u>(2,965)</u>	<u>-</u>	<u>(2,965)</u>
Net liabilities			
	<u>(2,965)</u>	<u>-</u>	<u>(2,965)</u>
Equity			
Called up share capital	(90)	-	(90)
Exchange reserve	-	25	25
Retained earnings	3,055	(25)	3,030
	<u>2,965</u>	<u>-</u>	<u>2,965</u>
Total equity			
	<u>2,965</u>	<u>-</u>	<u>2,965</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Appendix 2

Reconciliation of shareholders' equity as at 30 June 2015

	Under UK GAAP £ 000	Total impact of transition to FRS 101 £ 000	Under FRS 101 £ 000
Fixed assets			
Property, plant and equipment	<u>8</u>	<u>-</u>	<u>8</u>
Current assets: due after one year			
Deferred tax assets	<u>2</u>	<u>-</u>	<u>2</u>
Current assets: due within one year			
Trade and other receivables	<u>418</u>	<u>-</u>	<u>418</u>
Cash and cash equivalents	<u>231</u>	<u>-</u>	<u>231</u>
Creditors: Amounts falling due within one year			
Trade and other creditors	<u>(3,638)</u>	<u>-</u>	<u>(3,638)</u>
Net current liabilities	<u>(2,989)</u>	<u>-</u>	<u>(2,989)</u>
Total assets less current liabilities	<u>(2,981)</u>	<u>-</u>	<u>(2,981)</u>
Net liabilities	<u>(2,979)</u>	<u>-</u>	<u>(2,979)</u>
Capital and reserves			
Called up share capital	(90)	-	(90)
Exchange reserve	-	91	91
Retained earnings	<u>3,069</u>	<u>(91)</u>	<u>2,978</u>
Total equity	<u>2,979</u>	<u>-</u>	<u>2,979</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Appendix 3

Reconciliation of comprehensive income for the year ended 30 June 2015

	Under UK GAAP £ 000	Total impact of transition to FRS 101 £ 000	Under FRS 101 £ 000
Turnover	591	7	598
Other operating expenses	<u>(625)</u>	<u>59</u>	<u>(566)</u>
(Loss)/profit before taxation on ordinary activities	(34)	66	32
Taxation	<u>20</u>	<u>-</u>	<u>20</u>
Profit/(loss) for continuing operations	<u>(14)</u>	<u>66</u>	<u>52</u>
Exchange differences on translation of foreign operations	<u>-</u>	<u>(66)</u>	<u>(66)</u>
Other comprehensive expense for the year, net of tax	<u>-</u>	<u>(66)</u>	<u>(66)</u>
Total comprehensive expense for the year	<u>(14)</u>	<u>-</u>	<u>(14)</u>