

**PHA Limited**  
**Financial statements**  
**30 September 2016**



# **PHA Limited**

## **Financial statements**

**Year ended 30 September 2016**

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# **PHA Limited**

## **Officers and professional advisers**

### **The board of directors**

Mark J Robson  
Nicholas M F Jopling  
Helen C Gordon  
Vanessa K Simms  
Adam McGhin  
Mark C Fleetwood

### **Company secretary**

Adam McGhin

### **Registered office**

Citygate  
St James' Boulevard  
Newcastle upon Tyne  
Tyne and Wear  
NE1 4JE

### **Auditor**

KPMG LLP  
Chartered accountant & statutory auditor  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

### **Bankers**

Barclays Bank Plc  
Barclays House  
5 St Ann's Street  
Quayside  
Newcastle Upon Tyne  
NE1 2BH

### **Solicitors**

Bond Dickinson LLP  
St Ann's Wharf  
112 Quayside  
Newcastle Upon Tyne  
NE1 3DX

# PHA Limited

## Directors' report

Year ended 30 September 2016

The directors present their report and the financial statements of the company for the year ended 30 September 2016.

### Principal activities

The principal activity of the company during the year was property trading and development. The directors do not recommend the payment of a dividend (2015: £nil).

### Directors

The directors who served the company during the year were as follows:

Mark J Robson	
Nicholas M F Jopling	
Helen C Gordon	(Appointed 31 December 2015)
Vanessa K Simms	(Appointed 11 February 2016)
Adam McGhin	(Appointed 30 September 2016)
Andrew R Cunningham	(Resigned 31 December 2015)
Nick P On	(Resigned 30 September 2016)
Mark Greenwood	(Resigned 22 December 2015)

### Directors' responsibilities statement

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 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), including FRS 101 *Reduced Disclosure Framework*. 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 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; 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.

# PHA Limited

## Directors' report *(continued)*

Year ended 30 September 2016

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

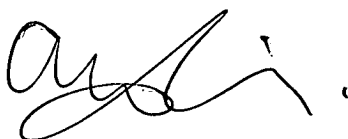
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 19 January 2017 and signed on behalf of the board by:



Adam McGhin  
Company Secretary

**Independent auditor's report to the members of  
PHA Limited**

We have audited the financial statements of PHA Limited for the year ended 30 September 2016 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 an auditor's report 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters 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.

**Independent auditor's report to the members of  
PHA Limited (continued)**

**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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Bill Holland (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

January 2017

2 February

# PHA Limited

## Statement of comprehensive income

Year ended 30 September 2016

		2016	2015
	Note	£	£
<b>Turnover</b>	<b>3</b>	<b>2,422,763</b>	2,217,999
Cost of sales		<u>(318,970)</u>	<u>(278,196)</u>
<b>Gross profit</b>		<b>2,103,793</b>	1,939,803
Administrative expenses		<u>(6,542)</u>	<u>(5,340)</u>
<b>Operating profit</b>		<b>2,097,251</b>	1,934,463
Interest receivable and similar income	5	1,055,106	452,765
Interest payable and similar charges	6	<u>(380,432)</u>	<u>(232,227)</u>
<b>Profit on ordinary activities before taxation</b>		<b>2,771,925</b>	2,155,001
Tax on profit on ordinary activities	7	<u>(660,500)</u>	<u>(439,728)</u>
<b>Profit for the financial year and total comprehensive income</b>		<b><u>2,111,425</u></b>	<b><u>1,715,273</u></b>

All the activities of the company are from continuing operations.

The notes on pages 9 to 17 form part of these financial statements.



# PHA Limited

## Statement of financial position

30 September 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investments	8	–	3
<b>Current assets</b>			
Stocks	9	2,178,346	2,217,440
Debtors	10	25,452,560	13,047,242
Cash at bank and in hand		1,234,689	2,858,571
		<u>28,865,595</u>	<u>18,123,253</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(830,172)</u>	<u>(7,067,248)</u>
<b>Net current assets</b>		<u>28,035,423</u>	<u>11,056,005</u>
<b>Total assets less current liabilities</b>		<u>28,035,423</u>	<u>11,056,008</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(14,867,990)</u>	<u>–</u>
<b>Net assets</b>		<u><u>13,167,433</u></u>	<u><u>11,056,008</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	600	600
Profit and loss account	15	13,166,833	11,055,408
<b>Shareholders' funds</b>		<u><u>13,167,433</u></u>	<u><u>11,056,008</u></u>

These financial statements were approved by the board of directors and authorised for issue on 19 January 2017, and are signed on behalf of the board by:



Adam McGhin  
Director

Company registration number: 06734419

The notes on pages 9 to 17 form part of these financial statements.

# PHA Limited

## Statement of changes in equity

Year ended 30 September 2016

	Called up share capital £	Profit and loss account £	Total £
<b>At 1 October 2014</b>	600	9,340,135	9,340,735
Profit for the year	—	1,715,273	1,715,273
<b>Total comprehensive income for the year</b>	—	1,715,273	1,715,273
<b>At 30 September 2015</b>	600	11,055,408	11,056,008
Profit for the year	—	2,111,425	2,111,425
<b>Total comprehensive income for the year</b>	—	2,111,425	2,111,425
<b>At 30 September 2016</b>	600	13,166,833	13,167,433

The notes on pages 9 to 17 form part of these financial statements.

# PHA Limited

## Notes to the financial statements

Year ended 30 September 2016

### 1. Statement of compliance

The financial statements of PHA Limited ("the Company") for the year ended 30 September 2016 were authorised for issue by the board of directors on 19 January 2017 and the statement of financial position was signed on the board's behalf by Adam McGhin.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The entity is a limited company incorporated and domiciled in the UK. The registered office is:

Citygate  
St James' Boulevard  
Newcastle Upon Tyne  
NE1 4JE

The Company's ultimate parent undertaking, Grainger plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Grainger plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

### 2. Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year.

#### Transition to FRS 101

The entity transitioned from previous UK GAAP to FRS 101 as at 1 October 2014. Details of how FRS 101 has affected the reported financial position and financial performance is given in note 19.

#### Disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) Cash flow statement and related notes;
- (b) Comparative period reconciliations for share capital;
- (c) Disclosures in respect of transactions with wholly owned subsidiaries;
- (d) Disclosures in respect of capital management;
- (e) The effects of new but not yet effective IFRSs;
- (f) Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Grainger plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures.

# PHA Limited

## Notes to the financial statements *(continued)*

Year ended 30 September 2016

### 2. Accounting policies *(continued)*

#### Revenue recognition

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income, exclusive of VAT. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding contract. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis. Sundry other income is recognised when it becomes receivable.

#### Income tax

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will give rise to a future tax liability against which the deferred tax assets can be recovered.

Deferred income 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 deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### Investments

Fixed asset investments are stated at cost less any provisions for diminution in value. An impairment loss is recognised for the amount by which the carrying value of the investment exceeds its recoverable amount.

#### Stocks

Trading properties are shown in the financial statements at the lower of cost and net realisable value. Cost includes legal and surveying charges incurred during the acquisition plus improvement costs. Net realisable value is the net sale proceeds which the company expects on sale of a property with vacant possession.

Repairs are expensed in the income statement as incurred. Improvement costs are capitalised.

# PHA Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 2. Accounting policies (continued)

#### Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### Group accounts

The financial statements contain information about PHA Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of the ultimate parent company, Grainger plc, a company registered in England and Wales.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported. The directors have considered whether there are any such sources of estimation or critical accounting judgements in preparing the financial statements and do not consider there to be any for the purposes of disclosure.

### 3. Turnover

Turnover arises from:

	2016	2015
	£	£
Rental income	788,313	830,999
Proceeds from sale of trading properties	1,634,450	1,387,000
	<u>2,422,763</u>	<u>2,217,999</u>

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

### 4. Operating profit

Audit fees of £2,600 (2015: £1,500) are statutory audit fees only and are borne by another Group company.

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year, or in the previous year, in respect of their services to the company.

### 5. Interest receivable and similar income

	2016	2015
	£	£
Interest from group undertakings	<u>1,055,106</u>	<u>452,765</u>

# PHA Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 6. Interest payable and similar charges

	2016 £	2015 £
Interest on banks loans and overdrafts	<u>380,432</u>	<u>232,227</u>

### 7. Tax on profit on ordinary activities

#### Major components of tax expense

	2016 £	2015 £
<b>Current tax:</b>		
UK current tax expense	462,012	367,603
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	198,488	72,125
<b>Tax on profit on ordinary activities</b>	<u>660,500</u>	<u>439,728</u>

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.50%).

	2016 £	2015 £
Profit on ordinary activities before taxation	<u>2,771,925</u>	<u>2,155,001</u>
Profit on ordinary activities by rate of tax	554,385	441,775
Adjustment to tax charge in respect of prior periods	–	(244)
Deduction on sale of properties	(92,253)	(73,928)
Deferred tax relating to properties appropriated to stock	198,488	72,125
Other sundry items	(120)	–
<b>Tax on profit on ordinary activities</b>	<u>660,500</u>	<u>439,728</u>

#### Factors that may affect future tax expense

No provisions have been made for tax that would have become payable if the company's properties had been sold at their year end replacement values. The total unprovided deferred tax in respect of this is £2,111,297 (2015: £1,817,497).

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) have been substantively enacted. These will reduce the company's future current tax charge accordingly.

# PHA Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 8. Investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 October 2015	3
Disposals	(3)
<b>At 30 September 2016</b>	<u>-</u>
<b>Impairment</b>	
At 1 Oct 2015 and 30 Sep 2016	<u>-</u>
<b>Carrying amount</b>	
At 30 September 2016	<u>-</u>
At 30 September 2015	<u>3</u>

The company held 100% of the issued share capital of the companies listed below, which were all incorporated in England and Wales.

Company	Nature of business
PHA Housing Limited	Dissolved 12 February 2016
Gibson Gardens (Paignton) Limited	Dissolved 12 February 2016
Formation Homes Limited	Dissolved 12 February 2016

### 9. Stocks

	2016 £	2015 £
Stock	<u>2,178,346</u>	<u>2,217,440</u>

The replacement value of stock (sale at market value of the property subject to occupation by a resident) is £14,597,738 (2015: £15,307,375) based on market value at 30 September 2016.

The directors have reviewed the vacant possession valuations of the properties. They have concluded that a provision against the carrying value of stock of £nil (2015: £nil) is required.

### 10. Debtors

	2016 £	2015 £
Trade debtors	-	3,854
Amounts owed by group undertakings	24,850,560	12,237,955
Deferred tax asset	602,000	800,488
Prepayments and accrued income	-	4,945
	<u>25,452,560</u>	<u>13,047,242</u>

# PHA Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

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

	2016	2015
	£	£
Bank loans and overdrafts	–	6,600,000
Trade creditors	18,170	4,901
Amounts owed to group undertakings	752,691	375,194
Other creditors	28,853	33,807
Accruals and deferred income	30,458	53,346
	<u>830,172</u>	<u>7,067,248</u>

The amount owed to group undertakings is unsecured, is repayable on demand, and does not bear interest.

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

	2016	2015
	£	£
Bank loans and overdrafts	<u>14,867,990</u>	<u>–</u>

The bank loan bears interest at 1.70% (2015: 2.55%) above LIBOR and is repayable in October 2020. Interest payable for the year amounted to £380,432 (2015: £232,227). The loan is secured by a fixed and floating charge over the assets of the company.

### 13. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016	2015
	£	£
Included in debtors (note 10)	<u>602,000</u>	<u>800,488</u>

The deferred tax account consists of the tax effect of temporary differences in respect of:

	2016	2015
	£	£
Deferred tax relating to properties appropriated to stock	<u>602,000</u>	<u>800,488</u>

### 14. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary A shares of £0.0001 each	1,000,000	100	1,000,000	100
Ordinary B shares of £0.0001 each	1,000,000	100	1,000,000	100
Ordinary C shares of £0.0001 each	1,000,000	100	1,000,000	100
Ordinary D shares of £0.0001 each	1,000,000	100	1,000,000	100
Ordinary E shares of £0.0001 each	1,000,000	100	1,000,000	100
Ordinary F shares of £0.0001 each	1,000,000	100	1,000,000	100
	<u>6,000,000</u>	<u>600</u>	<u>6,000,000</u>	<u>600</u>

All shares rank pari passu in all respects.



# **PHA Limited**

## **Notes to the financial statements (continued)**

**Year ended 30 September 2016**

### **15. Reserves**

Profit and loss account - This reserve records retained earnings and accumulated losses.

### **16. Contingencies**

At 30 September 2016 the company, together with certain of its fellow subsidiaries, has guaranteed bank loans of £135,000,000 (2015: £102,150,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts. Details of the debt repayment profile are shown in the statutory financial statements of the ultimate parent undertaking, Grainger plc.

### **17. Related party transactions**

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

### **18. Ultimate controlling and parent company**

The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

BPT Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

### **19. Transition to FRS 101**

These are the first financial statements that comply with FRS 101. The company transitioned to FRS 101 on 1 October 2014.

# PHA Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 19. Transition to FRS 101 (continued)

#### Reconciliation of equity

	1 October 2014			30 September 2015		
	As previously stated £	Effect of transition £	FRS 101 (as restated) £	As previously stated £	Effect of transition £	FRS 101 (as restated) £
Fixed assets	3	–	3	3	–	3
Current assets	15,686,085	872,613	16,558,698	17,322,765	800,488	18,123,253
Creditors: amounts falling due within one year	(617,966)	–	(617,966)	(7,067,248)	–	(7,067,248)
Net current assets	15,068,119	872,613	15,940,732	10,255,517	800,488	11,056,005
Total assets less current liabilities	15,068,122	872,613	15,940,735	10,255,520	800,488	11,056,008
Creditors: amounts falling due after more than one year	(6,600,000)	–	(6,600,000)	–	–	–
Net assets	8,468,122	872,613	9,340,735	10,255,520	800,488	11,056,008
Capital and reserves	8,468,122	872,613	9,340,735	10,255,520	800,488	11,056,008

#### Reconciliation of profit or loss for the year

	Year ended 30 September 2015		
	As previously stated £	Effect of transition £	FRS 101 (as restated) £
Turnover	2,217,999	–	2,217,999
Cost of sales	(278,196)	–	(278,196)
Gross profit	1,939,803	–	1,939,803
Administrative expenses	(5,340)	–	(5,340)
Operating profit	1,934,463	–	1,934,463
Other interest receivable and similar income	452,765	–	452,765
Interest payable and similar charges	(232,227)	–	(232,227)
Tax on profit on ordinary activities	(367,603)	(72,125)	(439,728)
Profit for the financial year	1,787,398	(72,125)	1,715,273

# PHA Limited

## Notes to the financial statements *(continued)*

### Year ended 30 September 2016

#### 19. Transition to FRS 101 *(continued)*

For all periods up to and including the year ended 30 September 2015, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 September 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 October 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet at 1 October 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such this note explains the principal adjustments made by the company in restating its balance sheet as at 1 October 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 30 September 2015.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

#### **Restatement of equity from UK GAAP to FRS 101**

##### **Deferred tax**

Because FRS 101 defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise items where no deferred tax was recognised under previous UK GAAP.

In 2010, PHA Limited appropriated properties from investment properties to stock. For tax purposes, a property appropriation to stock represents a deemed sale (and reacquisition) at market value and the realisation of a chargeable gain. The company has elected to hold this gain over and it will be taxed on an actual sale to a third party. The net effect of this is that the properties' base cost for tax purposes is equal to the market value (the deemed reacquisition cost) less the held over gain. The difference between this amount and the cost shown in the financial statements represents a deferred tax asset.

The resultant deferred tax assets were not recognised under previous UK GAAP, but are recognised under FRS 101. As a result, deferred tax assets of £800,488 and £872,613 are recognised at 30 September 2015 and 30 September 2014 respectively, and a deferred tax charge of £72,125 is recognised in profit or loss for the year ended 30 September 2015.