

**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015  
FOR  
GILES HOLDINGS LIMITED**

WEDNESDAY



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**GILES HOLDINGS LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2015**

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**GILES HOLDINGS LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

<b>DIRECTORS:</b>	T Gallagher M Pike
<b>SECRETARY:</b>	J D Wade
<b>REGISTERED OFFICE:</b>	Spectrum Building 7th Floor 55 Blythswood Street Glasgow G2 7AT
<b>REGISTERED NUMBER:</b>	SC246391 (Scotland)
<b>INDEPENDENT AUDITOR:</b>	Ernst & Young LLP Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY

**GILES HOLDINGS LIMITED**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their Strategic Report for the year ended 31 December 2015.

**REVIEW OF BUSINESS**

The principal activity of the Company in the period under review was that of an intermediate holding company, whose subsidiaries carried on the business of insurance broking. It is expected that there will be no significant change to the nature of the Company's activities in the foreseeable future.

The Company is a wholly owned subsidiary of Arthur J. Gallagher & Co., a company incorporated in the United States of America and is included in the publicly available consolidated financial statements of Arthur J. Gallagher & Co. ("the Group"). The Group's strategic focus continues to be on the organic growth of existing core business and the acquisition of businesses to enhance future turnover and profitability.

The results of the Company for the year ended 31 December 2015 are set out in the financial statements on pages 6 to 13.

For the year ended 31 December 2015 the Company has recorded a loss before tax of £351k compared to a loss before tax of £462k in 2014. The main driver of the decreased loss is a longer prior year period.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's international operations and debt profile expose it to a variety of financial risks including the effects of change in foreign currency exchange rates, counterparty credit risks, price risk, liquidity and interest rates. The Group's Board of Directors are responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the ongoing process for identifying, evaluating, managing, and reporting significant risks faced. To facilitate this, the Group maintains a risk framework, through which the key risks affecting the Group are identified, assessed and monitored.

The Company has in place a risk management programme and policies in the context of the wider Group risk framework. This risk management programme seeks to manage any adverse impact upon the Company caused by the nature of its principal activity. The approach to the significant risks is noted below:

**Borrowing facilities and liquidity risk**

Operations for the Group are financed by a mixture of shareholders' funds, external borrowing facilities, inter-group borrowings and cash reserves. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company. Forward looking cash flow projections are prepared on a regular basis to assess funding requirements.

**Interest rate risk**

Interest rates on the Company's formal intra-group loans are set in accordance with the wider Group treasury and transfer pricing policies.

**BY ORDER OF THE BOARD:**



J D Wade - Secretary

Date: 23/9/16

## **GILES HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2015. The results for the Company for the year ended 31 December 2015 and future developments are discussed in the Strategic Report.

#### **DIRECTORS OF THE COMPANY**

The Directors who have held office during the period from 1 January 2015 to the date of this report is as follows:

D Ross - resigned 9 February 2015  
M Mugge - resigned 26 January 2015  
S Dalgarno - appointed 9 February 2015 and resigned 17 March 2015  
M Pike - appointed 26 January 2015  
T Gallagher - appointed 17 March 2015

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2015 (2014:£nil).

#### **EMPLOYEES**

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability.

#### **DIRECTORS' INDEMNITY PROVISIONS**

The Directors have benefited from qualifying third party indemnity provisions during the period and to the date of this report.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**GILES HOLDINGS LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**AUDITOR**

The auditor, Ernst & Young LLP, will be proposed for re-appointment in accordance with section 487(2) of the Companies Act 2006.

**BY ORDER OF THE BOARD:**



J D Wade - Secretary

Date:

23/9/16

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GILES HOLDINGS LIMITED**

We have audited the financial statements of Giles Holdings Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 3, 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 Strategic Report, Directors' Report and financial statements 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.

### **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 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **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.

*Ernst & Young LLP*

John Headley (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London

Date:

*27 September 2016*

**GILES HOLDINGS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

		<b>Year ended 31.12.15 £'000</b>	<b>Period 1.9.13 to 31.12.14 £'000</b>
Administrative expenses		<u>(3)</u>	<u>(2)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(3)</b>	<b>(2)</b>
Interest payable and similar charges	<b>4</b>	<u>(348)</u>	<u>(460)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(351)</b>	<b>(462)</b>
Tax on loss on ordinary activities	<b>5</b>	<u>760</u>	<u>965</u>
<b>PROFIT FOR THE FINANCIAL YEAR/PERIOD</b>		<b>409</b>	<b>503</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<u><u>409</u></u>	<u><u>503</u></u>

The notes form part of these financial statements



**GILES HOLDINGS LIMITED (REGISTERED NUMBER: SC246391)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2015**

	Notes	£'000	2015 £'000	£'000	2014 £'000
<b>FIXED ASSETS</b>					
Investments	6		84,748		84,749
<b>CURRENT ASSETS</b>					
Debtors	7	1,680		-	
<b>CREDITORS</b>					
Amounts falling due within one year	8	<u>78,783</u>		<u>77,513</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(77,103)</u>		<u>(77,513)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>7,645</u>		<u>7,236</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		1		1
Share premium	10		5,081		5,081
Retained earnings	10		<u>2,563</u>		<u>2,154</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>7,645</u>		<u>7,236</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23/9/16 and were signed on its behalf by:



M Pike - Director

**GILES HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Called up share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 September 2013</b>	1	5,081	1,651	6,733
<b>Changes in equity</b>				
Total comprehensive income	-	-	503	503
<b>Balance at 31 December 2014</b>	<u>1</u>	<u>5,081</u>	<u>2,154</u>	<u>7,236</u>
<b>Changes in equity</b>				
Total comprehensive income	-	-	409	409
<b>Balance at 31 December 2015</b>	<u>1</u>	<u>5,081</u>	<u>2,563</u>	<u>7,645</u>

The notes form part of these financial statements

## GILES HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### 1. ACCOUNTING POLICIES

##### **Accounting convention**

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and with the Companies Act 2006. The financial statements have been prepared on a going concern basis, under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 14 for an explanation of the transition.

The financial statements for the prior period are for a 16 month period due to the reporting date being brought into line with the rest of the Group; therefore the comparative amounts presented in these financial statements are not directly comparable.

##### **Basis of preparation**

The Company has taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements on the basis that the results of the Company are included within the consolidated financial statements of Arthur J. Gallagher & Co., a company incorporated in the United States of America and for which results are publicly available from the Company's registered office.

The Company has taken advantage of the exemptions, under FRS 102 paragraph 1.12(b) & (e) respectively, from preparing a Statement of Cash Flows and disclosure of key management compensation, on the basis that it is a qualifying entity and its ultimate parent company, Arthur J. Gallagher & Co., includes such disclosures in its own consolidated financial statements.

##### **Significant judgements and estimates**

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

##### **i. Impairment of investments**

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a net asset or revenue multiple basis. Both methods are derived from the financial statements and do not include restructuring activities that the Group is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The multiple rate used is in line with recent acquisitions.

##### **Interest payable**

Interest payable is recognised in the Statement of Comprehensive Income on an accruals basis based on the terms of the underlying contracts or agreements.

##### **Taxation**

Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are not discounted.

##### **Fixed asset investments**

Fixed asset investments in the financial statements are stated at cost less provision for any impairment in value.

##### **Loans to/from group undertakings**

Loans to/from other group undertakings are initially recognised at transaction price, less any transactional costs unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. In subsequent years the loans are carried at amortised cost, using the effective interest rate method.

**GILES HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**1. ACCOUNTING POLICIES - continued**

**Loans to/from group undertakings - continues**

Where loans are repayable on demand they are classified as short term debtors/creditors and recognised at the full amount payable. The loans are derecognised when the liability is extinguished, that is when the contractual obligation is discharged or cancelled.

**Short term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

**2. DIRECTORS' EMOLUMENTS**

The Directors were remunerated during the year by a fellow subsidiary within the Group and Arthur J. Gallagher & Co., the ultimate parent undertaking. None of the Directors received any emoluments during the year in respect of their services as a Director of the Company (2014: £nil) and it would not be practicable to apportion their emoluments between their services as Directors of the Company and their services as Directors of other Group companies. The Company has not been recharged any amount for the emoluments of the Directors (2014: £nil).

**3. OPERATING LOSS**

The operating loss is stated after charging:

	Year ended 31.12.15 £'000	Period 1.9.13 to 31.12.14 £'000
Auditor's remuneration	<u>2</u>	<u>2</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 31.12.15 £'000	Period 1.9.13 to 31.12.14 £'000
Interest on loans from group undertakings	<u>348</u>	<u>460</u>

**5. TAXATION**

**Analysis of the tax charge/(credit)**

The tax charge/(credit) on the loss on ordinary activities for the year was as follows:

	Year ended 31.12.15 £'000	Period 1.9.13 to 31.12.14 £'000
Current tax:		
UK corporation tax on profits for the period	(1,043)	(965)
Adjustment in respect of previous periods	<u>283</u>	<u>-</u>
Total tax per income statement	<u>(760)</u>	<u>(965)</u>

**GILES HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**5. TAXATION - continued**

The charge for the year can be reconciled to the loss per income statement as follows:

	<b>Year Ended 31.12.15 £'000</b>	<b>Period 1.9.13 to 31.12.14 £'000</b>
Loss for the period	<u>(351)</u>	<u>(462)</u>
Tax on loss at standard UK tax rate of 20.25% (2014 - 21.87%)	(71)	(101)
Effects of:		
Transfer pricing adjustments	(972)	(864)
Adjustment from previous period	<u>283</u>	<u>-</u>
Tax credit for the period	<u>(760)</u>	<u>(965)</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 20.25% (2014 21.87%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2015 to reduce the main rate of corporation tax to 19%, applicable from 1 April 2017 with a further reduction of 1% to 18% to apply from 1 April 2020. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the date of the Statement of Financial Position.

Further legislation has been announced to reduce the corporation tax rate to 17% from 1 April 2020. The impact of this change is not quantifiable at this time.

A deferred tax asset of £93 has not been recognised on the basis that there is insufficient evidence that the asset would become recoverable of the Company had sufficient non-trade income in the future.

**6. FIXED ASSET INVESTMENTS**

	<b>Shares in group undertakings £'000</b>
<b>COST</b>	
At 1 January 2015	84,749
Disposals	<u>(1)</u>
At 31 December 2015	<u>84,748</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>84,748</u>
At 31 December 2014	<u>84,749</u>

A full listing of the Company's investments at the year end is detailed within note 13.

The Company's investment in Giles Project Risks Limited has been disposed of during the year, as the Company was dissolved in May 2015.

**GILES HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £'000	2014 £'000
Amounts owed by group undertakings	637	-
Corporation tax	<u>1,043</u>	<u>-</u>
	<u>1,680</u>	<u>-</u>

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis.

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £'000	2014 £'000
Amounts owed to group undertakings	78,783	77,511
Accruals and deferred income	<u>-</u>	<u>2</u>
	<u>78,783</u>	<u>77,513</u>

Amounts owed to group undertakings are unsecured and repayable on demand. All loans are interest free with the exception of:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£13,917k	2% above bank base rate.	Non - compounding	Can be recalled on demand of the Lender.	£14,265k

**9. CALLED UP SHARE CAPITAL**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2015 £'000	2014 £'000
1,000,000	Ordinary shares	£0.001	<u>1</u>	<u>1</u>

All shares rank equally in terms of voting rights – one vote for each share and rights to participate in all approved dividend distribution for that class of share.

**10. RESERVES**

Called up share capital - represents the nominal value of shares that have been issued.

Retained earnings - includes all current and prior period retained profits and losses.

Share premium - this reserve records the amount above the nominal value received for shares issued, less transaction costs.

**11. ULTIMATE PARENT UNDERTAKING**

The immediate parent company is Quilco 227 Limited, a company registered in Scotland. The largest group of undertakings of which the Company is a member and for which financial statements are prepared is headed up by Arthur J. Gallagher & Co. a company incorporated in the United States of America, which is the ultimate parent undertaking. A copy of these consolidated financial statements is available from the registered office of the Company.

**12. EVENTS AFTER THE REPORTING PERIOD**

The Directors confirm that there are no events after the reporting period that are required to be disclosed.

## GILES HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

#### 13. INVESTMENTS

The Company's investments at the Statement of Financial Position date, in the share capital of group undertakings, comprised the following:

<b>Name of Company</b>	<b>Country of registration</b>	<b>Holding</b>	<b>Proportion of shares held</b>
Rossborough (Cayman Islands) Ltd	Cayman Islands	Ordinary shares	100.00%
R. A. Rossborough Limited	Jersey	Ordinary shares	100.00%
R. A. Rossborough (Guernsey) Limited*	Guernsey	Ordinary shares	100.00%
R. A. Rossborough (Insurance Brokers) Ltd*	Jersey	Ordinary shares	100.00%
Rossborough Healthcare International Limited*	Guernsey	Ordinary shares	100.00%
Rossborough Insurance (IOM) Ltd*	Isle of Man	Ordinary shares	100.00%
Rossborough Insurance Services Ltd*	Jersey	Ordinary shares	100.00%
Rossborough Insurance Brokers Limited*	England & Wales	Ordinary shares	100.00%
Arthur J. Gallagher Insurance Brokers Limited*	Scotland	Ordinary Shares	48.78%
Carrick Neill & Co. Limited*	Scotland	Ordinary Shares	48.78%
Dickson Insurance Brokers Limited*	England & Wales	Ordinary Shares	48.78%
Crosbie & Jack Insurance Services Limited*	Scotland	Ordinary Shares & C Shares	48.78%
Robinson Leslie Limited*	England & Wales	Ordinary Shares	48.78%
CBG Group Limited*	England & Wales	Ordinary Shares	48.78%
CBG Insurance Brokers Limited*	England & Wales	Ordinary Shares	48.78%
Flysure Limited*	England & Wales	Ordinary Shares	48.78%
Marcus Hearn & Co (Travel & Aviation) Limited*	England & Wales	Ordinary Shares	48.78%

\* Held indirectly

#### 14. TRANSITION TO FRS 102

The Company transitioned to FRS 102 from previously extant UK Accounting Standards as at 1 September 2013. There is no material financial impact from the transition to FRS 102 in the financial statements. There were no changes in accounting policies arising from the transition to FRS 102.