



Mind the GAAP

New UK GAAP is here

How will this impact your financials?

PwC Advisory

PwC has unrivalled expertise and knowledge of New UK GAAP.

Our experts provide support to businesses on all current accounting issues and on resolving the complex issues involved in the transition to New UK GAAP.

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Expected changes in 2015

For accounting periods commencing 1 January 2015, current UK Accounting Standards will become obsolete and be replaced by a new set of standards; referred to as New UK GAAP. At present Gibraltar Accounting Standards is essentially a mirror image of 'current' UK Accounting Standards. Therefore as from 2015, Gibraltar Accounting Standards will no longer mirror a live reputable accounting framework. At present the Gibraltar Society of Accountants (GSA), is finalising a project that will see current Gibraltar Accounting Standards being replaced to mirror New UK Accounting Standards.

New UK GAAP

New UK GAAP currently consists of four standards; FRS 100, FRS 101, FRS 102 and FRS 103.

FRS101 is eligible for qualifying entities that meet specific criteria. Companies that already apply IFRS or indeed IFRS for SME's might not identify too many changes.

FRS 102 is the standard which all of the old FRS's and SSAP's have been transferred into and in some cases updated. We refer to some significant changes below:

Some significant differences between Old and New UK GAAP

a) Financial instruments – fair value rules do not apply to derivatives when adopting FRS 4. Under FRS102 basic instruments are measured at amortised cost and complex instruments, including equity and derivative instruments, at fair value through profit or loss.

b) Deferred tax – Under FRS 102 there is expected to be an increase in deferred tax due to its recognition on asset revaluations and on assets and liabilities arising on a business combination (except goodwill).

c) Goodwill – Under FRS 102 this needs to be amortised. If a reliable estimate cannot be made then this should not exceed 5 years. FRS10 previously specified 20 years.

d) Investment properties – Under FRS102 fair value movements are taken to the profit and loss account instead of the statement of recognised gains and losses.

Cost model allowed under FRS102 if fair value cannot be obtained due to undue cost or effort.

e) Employee benefits – This area is wider in scope than current UK GAAP. Under FRS 102 all short term employee benefits, including paid annual leave, should be recognised. Furthermore, at least one entity in the group defined benefit scheme needs to apply defined benefit accounting in its individual financial statements

Transition rules

FRS102 requires retrospective application with some exceptions. Meaning that companies applying FRS 102 for accounting periods commencing 1 January 2015 will have to restate their 2014 comparatives to comply with New UK GAAP requirements.

Making the right choice

Once the GSA has finalised their conversion project, companies currently applying Gibraltar GAAP can apply the following subject to eligibility:

- 1) IFRS as adopted by the EU;
- 2) Gibraltar Accounting Standards -FRS 101
- 3) Gibraltar Accounting Standards - FRS 102; or
- 4) FRSSE

When making this decision you will need to consider the consequences on tax, your ability to pay dividends, your data and systems requirements, your corporate structures, disclosure requirements and the timing of conversion.

How can we help?

As the largest accounting firm in Gibraltar, PwC can provide assistance in a number of ways in order to help you with the transition. We have developed tools identifying the major changes and differences between the frameworks.

We believe that the earlier entities start considering their options the easier it will be to set out an action plan and the easier the eventual conversion exercise will be.

Let us know what we can do for you.

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