Illustrative statement of cash flows

This factsheet has been prepared to illustrate the format of the statement of cash flows prepared in accordance with Section 7 Statement of Cash Flows, however in a full set of financial statements, comparatives would be provided.

Statement of cash flows

A statement of cash flows prepared under FRS 102:
- reconciles the movement in cash and cash equivalents (not just cash) year on year;
- groups cash flows into three headings - cash flows from operating, investing and financing activities;
- requires the reconciliation of a measure of profit to cash flows from operating activities; and
- requires the preparation of two main supporting notes – a breakdown of the components that make up cash and cash equivalents, and an analysis of changes in net debt.

Exemptions from presenting a statement of cash flows

Certain entities applying FRS 102 can take an exemption from preparing a statement of cash flows:

- Paragraph 3.1B allows an entity that qualifies as small (regardless of the reporting regime it applies) to take an exemption unless a relevant SORP, law or other relevant regulation prevents it from doing so.
- Paragraphs 1.11 and 1.12(b) allow a qualifying entity to take an exemption provided that it otherwise applies the recognition, measurement and disclosure requirements of FRS 102 and makes certain disclosures in its financial statements including a brief explanation of the exemptions adopted.

Reporting cash flows from operating activities

Paragraph 7.7 requires cash flows from operating activities to be presented using either the indirect or direct method. The illustrative statement of cash flows uses the indirect method, which is the method most commonly applied in the UK. The reconciliation of profit or loss to cash from operations can be shown either on the face of the statement of cash flows or in the notes.

Under the indirect method, paragraph 7.8 now allows the reconciliation to start with ‘a measure of profit or loss disclosed in the statement of comprehensive income’; this means that entities are now permitted to use any profit figure (including operating profit) as a starting point for the reconciliation, if that profit figure appears as a subtotal in their statement of comprehensive income. The reconciling items required will vary depending on which profit figure is used. The illustrative statement of cash flows uses operating profit.

Disclosures

Components of cash and cash equivalents

Paragraph 7.20 requires an entity to present the components that make up the cash and cash equivalents balance, and a reconciliation of this amount to the amounts shown in the statement of financial position if they are different. Paragraph 7.21 of FRS 102 requires the disclosure of cash held by the entity but which is not available for use. It has been assumed that this is not the case in this illustration.

Analysis of changes in net debt

The Triennial Review 2017 Amendments introduced a requirement to present a net debt reconciliation that was previously required by FRS 1 (revised 1996) Cash flow statements. This analysis does not need to be presented for prior periods.
## Illustrative statement of cash flows

### Statement of cash flows
for the year ended 31 December 20X1

<table>
<thead>
<tr>
<th>Note</th>
<th>20X1 CU'000</th>
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</thead>
</table>

### Cash flows from operating activities

- Operating profit for the financial year: 6,022

**Adjustments for:**

- Depreciation of property, plant and equipment: 869
- Amortisation of intangible assets: 50
- Profit on disposal of property, plant and equipment: (20)
- Decrease/(increase) in trade and other receivables: (72)
- Decrease/(increase) in inventories: (194)
- Increase/(decrease) in trade payables: 234

**Cash from operations:** 6,889

**Income taxes paid:** (2,922)

**Net cash from operating activities:** 3,967

### Cash flows from investing activities

- Proceeds from sale of equipment: 42
- Purchases of property, plant and equipment: (1,496)
- Purchases of intangible assets: (71)
- Interest received: 15

**Net cash from investing activities:** (1,510)

### Cash flows from financing activities

- Interest paid: (12)
- Issue of ordinary share capital: 320
- Purchase of non-controlling interest: (114)
- Repayment of borrowings: (149)
- Dividends paid: (2,417)

**Net cash used in financing activities:** (2,372)

**Net increase/(decrease) in cash and cash equivalents:** 85

<table>
<thead>
<tr>
<th>Note</th>
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</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Cash and cash equivalents at beginning of year: 530</td>
</tr>
<tr>
<td>(i)</td>
<td>Cash and cash equivalents at end of year: 615</td>
</tr>
</tbody>
</table>

1 Paragraph 7.15 gives a choice for interest paid and received to be included in operating cash flows or in financing and investing activities respectively.

2 Paragraph 7.16 gives a choice for dividends paid to be included either in operating activities or financing activities.
(i) Analysis of changes in net debt

<table>
<thead>
<tr>
<th></th>
<th>At 1 Jan 20X1</th>
<th>Cash flows</th>
<th>Other non-cash changes</th>
<th>At 31 Dec 20X1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CU'000</td>
<td>CU'000</td>
<td>CU'000</td>
<td>CU'000</td>
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<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
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<tr>
<td>Cash</td>
<td>536</td>
<td>(124)</td>
<td></td>
<td>412</td>
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<tr>
<td>Overdrafts</td>
<td>(256)</td>
<td>44</td>
<td></td>
<td>(212)</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>250</td>
<td>165</td>
<td></td>
<td>415</td>
</tr>
<tr>
<td></td>
<td>530</td>
<td>85</td>
<td></td>
<td>615</td>
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<tr>
<td><strong>Borrowings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt due within one year</td>
<td>(149)</td>
<td>149</td>
<td>(230)</td>
<td>(230)</td>
</tr>
<tr>
<td>Debt due after one year</td>
<td>(1,262)</td>
<td>230</td>
<td>(1,032)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,411)</td>
<td>149</td>
<td>-</td>
<td>(1,262)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(881)</td>
<td>234</td>
<td>-</td>
<td>(647)</td>
</tr>
</tbody>
</table>