After preparing a draft statement of profit or loss for the year ended 30 September 20X5 and adding the current year's draft profit (before any adjustments required by notes (1) to (3) below) to retained earnings, the summarised trial balance of Kandy Co as at 30 September 20X5 is:

	$'000	$'000
Equity shares of $1 each		20,000
Retained earnings as at 30 September 20X5		15,500
Proceeds of 6% loan note (note (1))		30,000
Investment properties at fair value (note (2))	20,000	
Land ($5 million) and buildings – at cost (note (2))	35,000	
Plant and equipment – at cost (note (2))	58,500	
Accumulated depreciation at 1 October 20X4:		
buildings		20,000
plant and equipment		34,500
Current assets	68,700	
Current liabilities		43,400
Deferred tax (notes (2) and (3))		2,500
Interest paid (note (1))	1,800	
Current tax (note (3))		1,100
Suspense account (note 2)		17,000
	184,000	184,000

The following notes are relevant:

(1) The loan note was issued on 1 October 20X4 and incurred issue costs of $1 million which were charged to profit or loss. Interest of $1·8 million ($30 million at 6%) was paid on 30 September 20X5.

The loan is redeemable on 30 September 20X9 at a substantial premium which gives an effective interest rate of 9% per annum. No other repayments are due until 30 September 20X9.

(2) Non-current assets:

On 1 October 20X4, Kandy Co owned two investment properties. The first property had a carrying amount of $15 million and was sold on 1 December 20X4 for $17 million.

The disposal proceeds have been credited to a suspense account in the trial balance above. On 31 December 20X4, the second property became owner occupied and so was transferred to land and buildings at its fair value of $6 million.

Its remaining useful life on 31 December 20X4 was considered to be 20 years. Ignore any deferred tax implications of this fair value.

The price of property has increased significantly in recent years and so the directors decided to revalue the land and buildings.

The directors accepted the report of an independent surveyor who, on 1 October 20X4, valued the land at $8 million and the buildings at $39 million on that date.

This revaluation specifically excludes the transferred investment property described above. The remaining life of these buildings at 1 October 20X4 was 15 years.

Kandy Co does not make an annual transfer to retained profits to reflect the realisation of the revaluation gain; however, the revaluation will give rise to a deferred tax liability. The income tax rate applicable to Kandy Co is 20%.

Plant and equipment is depreciated at 12.5% per annum using the reducing balance method. No depreciation has yet been charged on any non-current asset for the year ended 30 September 20X5.

(3) A provision of $2·4 million is required for income tax on the profit for the year to 30 September 20X5. The balance on current tax in the trial balance is the under/over provision of tax for the previous year.

In addition to the temporary differences relating to the information in note (2), Kandy Co has further taxable temporary differences of $10 million as at 30 September 20X5.

Task 2

Required:
(b) Prepare the statement of financial position of Kandy Co as at 30 September 20X5.

Note: The notes to the statement of financial position are not required (9 marks)