

- 4 Mr Echo is an investor considering whether to invest in either public company Privilege Ltd or Lucky Ltd. You have obtained the statement of profit or loss, and the statement of financial position, for each of these companies for the year ended 31 December 2014:

<b>Privilege Ltd</b>	
<b>Statement of profit or loss</b>	
	£000
Revenue	25 550
Cost of sales	<u>(17 250)</u>
Gross profit	8 300
Operating expenses	<u>(3 500)</u>
Operating profit	4 800
Finance cost	<u>(1 205)</u>
Profit before tax	3 595
Income tax expense	<u>(863)</u>
Profit for the year	<u>2 732</u>

<b>Lucky Ltd</b>	
<b>Statement of profit or loss</b>	
	£000
Revenue	12 200
Cost of sales	<u>(7 320)</u>
Gross profit	4 880
Operating expenses	<u>(1 520)</u>
Operating profit	3 360
Finance cost	<u>(10)</u>
Profit before tax	3 350
Income tax expense	<u>(804)</u>
Profit for the year	<u>2 546</u>

### Statement of financial position as at 31 December 2014

	Privilege Ltd		Lucky Ltd	
	£000	£000	£000	£000
<b>Non-current Assets</b>				
Property, plant and equipment		2 330		2 220
<b>Current assets</b>				
Inventory	1 422		255	
Trade receivables	3 145		1 005	
Bank	<u>205</u>		<u>103</u>	
		<u>4 772</u>		<u>1 363</u>
<b>Total Assets</b>		<b><u>7 102</u></b>		<b><u>3 583</u></b>
<b>Equity</b>				
Ordinary share capital		200		200
Retained profits		<u>3 485</u>		<u>2 582</u>
<b>Total Equity</b>		<b>3 685</b>		<b>2 782</b>
<b>Non-current Liabilities</b>				
Borrowings		2 000		200
<b>Current liabilities</b>				
Trade payables		1 417		601
<b>Total Equity and Liabilities</b>		<b><u>7 102</u></b>		<b><u>3 583</u></b>



