



July 2019

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# Amendments to FRS 101 *Reduced Disclosure Framework*

2018/19 cycle

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Amendments to FRS 101  
*Reduced Disclosure Framework*  
2018/19 cycle

*Amendments to FRS 101 Reduced Disclosure Framework – 2018/19 cycle* amends an accounting standard. It is issued by the Financial Reporting Council, as a prescribed body, for application in the United Kingdom and the Republic of Ireland.

## Contents

	Page
<b>Overview</b>	2
<b>Amendments to FRS 101 <i>Reduced Disclosure Framework</i></b>	3
<b>Amendments to other FRSs</b>	7
FRS 100 <i>Application of Financial Reporting Requirements</i>	8
FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i>	11
<b>Approval by the FRC</b>	12
<b>Amendments to Basis for Conclusions FRS 101 <i>Reduced Disclosure Framework</i></b>	13

## Overview

- (i) The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.
- (ii) The FRC carries out an annual review of FRS 101 *Reduced Disclosure Framework* to provide additional disclosure exemptions as IFRS evolves and to respond to stakeholder feedback about other possible improvements.

### **FRS 101 *Reduced Disclosure Framework* – 2018/19 cycle**

- (iii) These amendments change the definition of a 'qualifying entity' such that entities that are both required to comply with Schedule 3 to the Regulations<sup>1</sup> (or similar) and have contracts that are within the scope of IFRS 17 *Insurance Contracts* may not be qualifying entities. This means that these entities, namely insurers, cannot apply FRS 101 from the effective date of IFRS 17.
- (iv) For entities not preparing IAS accounts, certain requirements of IFRS 17 conflict with requirements of company law that apply to non-IAS accounts. The primary conflict is in relation to the Schedule 3<sup>2</sup> formats of the primary statements; the approach and methodology that underpins IFRS 17 is so fundamentally different that presenting amounts determined in accordance with that standard, within the formats laid down in law for non-IAS accounts, is not possible. The amendment was necessary to ensure that insurance companies that are not required to, and choose not to, prepare IAS accounts, continue to comply with company law requirements by only applying FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* with FRS 103 *Insurance Contracts*.

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<sup>1</sup> Irish entities shall refer to the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (S.I. No. 262 of 2015), as amended by the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016 (S.I. No. 213 of 2016) (Insurance Undertakings Regulations 2015 (as amended)).

<sup>2</sup> Irish entities shall refer to the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (S.I. No. 262 of 2015), as amended by the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016 (S.I. No. 213 of 2016) (Insurance Undertakings Regulations 2015 (as amended)).

## Amendments to FRS 101 *Reduced Disclosure Framework*

- 1 The following paragraphs set out the amendments to FRS 101 *Reduced Disclosure Framework* (inserted text is underlined, deleted text is struck through).

### Amendments to FRS 101

- 2 Paragraph 15 is inserted as follows:

15 In July 2019 amendments were made to this FRS to change the definition of a qualifying entity to exclude entities that are both required to apply Schedule 3 to the Regulations (or similar) and have contracts that are within the scope of IFRS 17 Insurance Contracts. These amendments are effective for accounting periods beginning on or after 1 January 2021.

If an entity applies the recognition, measurement and disclosure requirements of IFRS 17 early, these amendments to FRS 101 shall be applied at the same time.

### Amendments to Appendix I *Glossary*

- 3 The glossary is amended as follows, including a sequentially numbered footnote being inserted (subsequent footnotes are renumbered sequentially) (footnote 6 is not amended and is not reproduced here):

<p><b>qualifying entity (for the purposes of this FRS)</b></p>	<p>A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation<sup>6</sup>.</p> <p><del>A charity. The following may are not be a qualifying entities:</del></p> <p>(a) <del>charities;</del></p> <p>(b) <u>entities that are both required to apply Schedule 3 to the Regulations and have contracts that are within the scope of IFRS 17 Insurance Contracts; and</u></p> <p>(c) <u>entities that are not companies but are both required to apply requirements similar to those in Schedule 3 to the Regulations<sup>[*footnote]</sup> and have contracts that are within the scope of IFRS 17.</u></p>
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<sup>[\*footnote]</sup> Requirements that are similar to those in Schedule 3 to the Regulations include:

- (a) Schedules 1 and 2 to the *The Friendly Societies (Accounts and Related Provisions) Regulations 1994* (SI 1994/1983);
- (b) Schedule 1 to the *Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008* (SI 2008/1950);
- (c) *Syndicate Accounting Byelaw No 8 of 2005*; and
- (d) *The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008* (SI 2008/565).

**Amendments to Appendix II Note on legal requirements**

- 4 Paragraph A2.5A is renumbered as paragraph A2.5B and a new paragraph A2.5A is inserted as follows:

A2.5A When a group includes insurers, the fact that some group entities are excluded from the scope of FRS 101 may be a factor that the directors take into account when considering whether there are good reasons for not preparing all subsidiary accounts using the same financial reporting framework.

**Amendments to Appendix III Republic of Ireland legal references**

- 5 The table **FRS 101 Reduced Disclosure Framework** is amended as follows (new paragraph references are inserted in numerical order):

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
15	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> Refer also to A3.2 in the <u>Introduction to this Appendix.</u>

- 6 The table **Appendix 1 Glossary** is amended as follows (new references are inserted in alphabetical order):

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
<u>'qualifying entity (for the purposes of this FRS)' and footnote *footnote</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> Refer also to A3.2 in the <u>Introduction to this Appendix.</u>
<u>'qualifying entity' (Footnote *footnote)</u>	<u>Schedules 1 and 2 to the The Friendly Societies (Accounts and Related Provisions) Regulations 1994</u>		<u>There is no equivalent legislation in Ireland.</u>

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
'qualifying entity' (Footnote *footnote)	<u>Schedule 1 to the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008</u>		<u>There is no equivalent legislation in Ireland.</u>
'qualifying entity' (Footnote *footnote)	<u>Syndicate Accounting Byelaw No 8 of 2005</u>		<u>There is no equivalent legislation in Ireland.</u>
'qualifying entity' (Footnote *footnote)	<u>The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008</u>		<u>There is no equivalent legislation in Ireland.</u>

7 The table **Basis for Conclusions** is amended as follows (new references are inserted in numerical order):

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
<u>61C</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> <u>Refer also to A3.2 in the Introduction to this Appendix.</u>
<u>61C</u>	<u>Schedule 1 to the Regulations</u>	<u>Schedule 3</u> <u>Refer also to A3.2 in the Introduction to this Appendix.</u>	
<u>61C</u> (Footnote *footnote)	<u>Paragraphs 1A(1) and 1A(2) of Schedule 1 to the Regulations</u>	<u>Paragraphs 2(2) and 2(3) in Section A of Part II of Schedule 3</u>	
<u>61D</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> <u>Refer also to A3.2 in the Introduction to this Appendix.</u>

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
<u>61E</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> Refer also to A3.2 in the Introduction to this Appendix.
<u>61F</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> Refer also to A3.2 in the Introduction to this Appendix.
<u>61G</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> Refer also to A3.2 in the Introduction to this Appendix.

## **Amendments to other FRSs**

- 8 The following paragraphs set out the consequential amendments to the following standards (inserted text is underlined, deleted text is struck through):
- (a) FRS 100 *Application of Financial Reporting Requirements*; and
  - (b) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

# Amendments to FRS 100 *Application of Financial Reporting Requirements*

## FRS 100 *Application of Financial Reporting Requirements*

9 Paragraph 10B is inserted as follows:

10B In July 2019 amendments were made to this FRS as a result of the 2018/19 cycle of amendments to FRS 101 to change the definition of a qualifying entity for the purposes of FRS 100 and FRS 101 to exclude entities that are both required to apply Schedule 3 to the Regulations (or similar) and have contracts that are within the scope of IFRS 17 *Insurance Contracts*. These amendments are effective for accounting periods beginning on or after 1 January 2021.

If an entity applies the July 2019 amendments to FRS 101 early, these amendments to FRS 100 shall be applied at the same time.

## Appendix I *Glossary*

10 The glossary is amended as follows, including a sequentially numbered footnote being inserted (subsequent footnotes are renumbered sequentially) (footnote 10 is not amended and is not reproduced here):

<p><b>qualifying entity (for the purposes of FRS 100 and FRS 101)</b></p>	<p>A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation<sup>10</sup>.</p> <p><del>A charity. The following may are not be a qualifying entities:</del></p> <p>(a) <u>charities;</u></p> <p>(b) <u>entities that are both required to apply Schedule 3 to the <b>Regulations</b> and have contracts that are within the scope of IFRS 17 <i>Insurance Contracts</i>; and</u></p> <p>(c) <u>entities that are not companies but are both required to apply requirements similar to those in Schedule 3 to the Regulations<sup>[*footnote]</sup> and have contracts that are within the scope of IFRS 17.</u></p>
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[\*footnote] Requirements that are similar to those in Schedule 3 to the Regulations include:

- (a) Schedules 1 and 2 to the *The Friendly Societies (Accounts and Related Provisions) Regulations 1994* (SI 1994/1983);
- (b) Schedule 1 to the *Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008* (SI 2008/1950);
- (c) *Syndicate Accounting Byelaw No 8 of 2005*; and
- (d) *The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008* (SI 2008/565).

## Appendix II Note on legal requirements

11 Paragraph A2.17A is inserted as follows:

A2.17A When a group includes insurers, the fact that some group entities are excluded from the scope of FRS 101 may be a factor that the directors take into account when considering whether there are good reasons for not preparing all subsidiary accounts using the same financial reporting framework.

## Appendix III Republic of Ireland legal references

12 Paragraph A3.2 is amended as follows:

A3.2 General references are ...

For the purposes ... The corresponding Irish reference used for Schedule 3 to the Regulations is the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (S.I. No. 262 of 2015), as amended by the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016 (SI No. 213 of 2016) (Insurance Undertakings Regulations 2015 (as amended)).

Where reference is made in this Appendix to Schedule 3 to the Companies Act 2014, Irish entities applying the Credit Institutions Regulations 2015 (the European Union (Credit Institutions: Financial Statements) Regulations 2015 (S.I. No. 266 of 2015)) or the Insurance Undertakings Regulations 2015 (as amended) (~~the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (S.I. No. 262 of 2015), as amended by the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016 (S.I. No. 213 of 2016)~~) should read the references as referring to the corresponding paragraphs in those regulations where applicable. The requirements of Schedule 3 to the Companies Act 2014 are not necessarily the same as those contained in the Credit Institutions Regulations 2015 or in the Insurance Undertakings Regulations 2015 (as amended) in all cases. References should be made to the specific requirement as appropriate.

13 The table **FRS 100 Application of Financial Reporting Requirements** is amended as follows (new paragraph references are inserted in numerical order):

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
<u>10B</u>	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> <u>Refer also to A3.2 in the Introduction to this Appendix.</u>

14 The table **Appendix 1 Glossary** is amended as follows (new references are inserted in alphabetical order):

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
'qualifying entity (for the purposes of FRS 100 and FRS 101)' and footnote *footnote	<u>Schedule 3 to the Regulations</u>		<u>Insurance Undertakings Regulations 2015 (as amended)</u> <u>Refer also to A3.2 in the Introduction to this Appendix.</u>
'qualifying entity' (Footnote *footnote)	<u>Schedules 1 and 2 to the The Friendly Societies (Accounts and Related Provisions) Regulations 1994</u>		<u>There is no equivalent legislation in Ireland.</u>
'qualifying entity' (Footnote *footnote)	<u>Schedule 1 to the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008</u>		<u>There is no equivalent legislation in Ireland.</u>
'qualifying entity' (Footnote *footnote)	<u>Syndicate Accounting Byelaw No 8 of 2005</u>		<u>There is no equivalent legislation in Ireland.</u>
'qualifying entity' (Footnote *footnote)	<u>The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008</u>		<u>There is no equivalent legislation in Ireland.</u>

# **Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland***

## **Section 1 Scope**

15 Paragraph 1.21 is inserted as follows:

1.21 In July 2019 an amendment was made to Appendix III *Note on legal requirements* of this FRS as a result of the 2018/19 cycle of amendments to FRS 101. This amendment is effective for accounting periods beginning on or after 1 January 2021.

If an entity applies the July 2019 amendments to FRS 101 early, this amendment to FRS 102 shall be applied at the same time.

## **Appendix III *Note on legal requirements***

16 Paragraph A3.9A is inserted as follows:

A3.9A When a group includes insurers, the fact that some group entities are excluded from the scope of FRS 101 may be a factor that the directors take into account when considering whether there are good reasons for not preparing all subsidiary accounts using the same financial reporting framework.

## **Approval by the FRC**

*Amendments to FRS 101 Reduced Disclosure Framework – 2018/19 cycle* was approved for issue by the Financial Reporting Council on 4 July 2019.

## **Amendments to Basis for Conclusions *FRS 101 Reduced Disclosure Framework***

- 1 The following amendments are made to the Basis for Conclusions *FRS 101 Reduced Disclosure Framework* (inserted text is underlined, deleted text is struck through).
- 2 Paragraph 61A is amended as follows:
  - 61A In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. As a result of the 2017/18 *FRS 101* review cycle, it was concluded that a more detailed consideration of this standard was required ~~but that this would~~ and it was deferred until the 2018/19 cycle ~~a clearer picture of the progress of the endorsement of the standard is known. Company law contains specific requirements for insurance companies, in terms of both the presentation and the determination of provisions. IFRS 17 will need to be considered in more detail to determine whether there are any inconsistencies with company law, and if so what options might be available for addressing them.~~
- 3 Paragraphs 61B to 61J, the associated sub-headings and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

### **Conflicts with company law – Companies Act accounts only**

#### **Presentation – primary statements**

- 61B As noted in paragraph 4A of *FRS 101*, individual financial statements prepared by companies in accordance with *FRS 101* are Companies Act accounts and not IAS accounts and therefore must comply with the requirements of the Act and any relevant regulations, such as SI 2008/410, the *Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (the Regulations).
- 61C For Companies Act accounts (but not IAS accounts), the form and content of individual accounts of insurance companies are required to comply with Schedule 3 to the Regulations. Unlike companies preparing accounts under Schedule 1 to the Regulations, the formats and content of accounts under Schedule 3 cannot be adapted<sup>[\*footnote]</sup>.  
<sup>[\*footnote]</sup> Paragraphs 1A(1) and 1A(2) of Schedule 1 to the Regulations.
- 61D The approaches to accounting for insurance contracts that underpin IFRS 17 and Schedule 3 are fundamentally different. For example, IFRS 17 requires the presentation of revenue, which is measured by reference to the profit earned in respect of insurance services provided during the period and released from the contractual service margin. Income and expenditure relating to reinsurance is separately measured and presented. Schedule 3, however, requires the presentation of earned premiums net of reinsurance, which is measured by reference to the gross premiums written in the period (irrespective of the period of insurance cover) less reinsurance premiums paid, adjusted for changes in the provision for unearned premiums, net of insurance.
- 61E The FRC explored the possibility of developing formats (for example by inserting additional line items, sub-totals or columns) that would be compliant with Schedule 3 whilst also being compatible with the reporting requirements of IFRS 17. However, it concluded that the approach and methodology that underpins IFRS 17 is so fundamentally different to the one that underpins the formats of Schedule 3 that for Companies Act accounts (but not IAS accounts) it is not possible to apply IFRS 17 whilst continuing to maintain compliance with company law. This was supported by feedback from respondents.

## **Measurement**

61F Other conflicts between IFRS 17 and company law exist in respect of measurement. The most notable is the IFRS 17 requirement to apply discounting techniques to all fulfilment cash flows arising from insurance contracts, whilst Schedule 3 to the Regulations only permits discounting of provisions for general business claims outstanding under specific circumstances.

## **Definition of qualifying entity – insurers**

61G In July 2019 amendments were made to the definition of a ‘qualifying entity’ such that:

- (a) entities that are both required to comply with Schedule 3 to the Regulations and have contracts that are within the scope of IFRS 17; and
- (b) entities that are not companies but are both required to apply requirements that are similar to those in Schedule 3 to the Regulations and have contracts that are within the scope of IFRS 17.

may not be qualifying entities. This means that these entities, namely insurers, cannot apply FRS 101.

61H The amendments were necessary to ensure that insurance companies that are not required to, and choose not to, prepare IAS accounts, continue to comply with company law by only applying FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* with FRS 103 *Insurance Contracts*.

## **Effective date and early adoption of IFRS 17**

61I The amendment will be effective for accounting periods beginning on or after 1 January 2021. This date aligns with the effective date of IFRS 17. This will enable insurance companies that currently apply FRS 101 to continue to do so until IFRS 17 becomes effective. The IASB is considering changes to IFRS 17, including a change to its effective date. If the effective date of IFRS 17 changes a further amendment will be made to this FRS to maintain alignment of effective dates.

61J If an entity applying FRS 101 chooses to early adopt IFRS 17, it must adopt these amendments to FRS 101 at the same time.

- 4 Table 1 *Exposure drafts and consultation documents* is amended as follows (new exposure drafts are inserted in numerical order):

<b>Exposure draft</b>		<b>Date of issue</b>	<b>Finalised as</b>	<b>Date of issue</b>
<u>FRED 70</u>	<u><i>Draft Amendments to FRS 101 Reduced Disclosure Framework – 2018/19 cycle</i></u>	<u>Jan 2019</u>	<u><i>Amendments to FRS 101 Reduced Disclosure Framework – 2018/19 cycle</i></u>	<u>Jul 2019</u>

5 The following amendments are made to Table 2 *IASB publications*:

IFRS or amendment		Date issued by IASB	Date effective	Date endorsed
44	<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i>	Dec 2016	1 Jan 2018	Expected Q1-Mar 2018
48	<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	Jun 2017	1 Jan 2019	Expected Q3-Oct 2018
<b><u>2018/19 cycle (July 2019)</u></b>				
<u>49</u>	<u><i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i></u>	<u>Oct 2017</u>	<u>1 Jan 2019</u>	<u>Mar 2018</u>
<u>50</u>	<u><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i></u>	<u>Oct 2017</u>	<u>1 Jan 2019</u>	<u>Feb 2019</u>
<u>51</u>	<u><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i></u>	<u>Dec 2017</u>	<u>1 Jan 2019</u>	<u>Mar 2019</u>
<u>52</u>	<u><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i></u>	<u>Feb 2018</u>	<u>1 Jan 2019</u>	<u>Mar 2019</u>
<u>53</u>	<u><i>Amendments to References to the Conceptual Framework in IFRS Standards</i></u>	<u>Mar 2018</u>	<u>1 Jan 2020</u>	<u>Expected 2019</u>







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