



December 2020

Amendments to UK and Republic of Ireland accounting standards UK exit from the European Union

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Financial Reporting Council

December 2020

Amendments to UK and Republic of Ireland accounting standards

UK exit from the European Union

Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union amends five accounting standards, the FRC's pronouncement on interim reporting and the implementation guidance accompanying FRS 103 *Insurance Contracts*. It is issued by the Financial Reporting Council, as a prescribed body, for application in the United Kingdom and Republic of Ireland.

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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.

Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union

- (ii) In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. Some of these changes also lead to consequential amendments to accounting standards so that the standards remain in line with the law.
- (iii) The effective date for these amendments is accounting periods beginning on or after 1 January 2021. Early application is permitted in some circumstances to provide UK entities with the option to use IAS that are adopted for use within the UK after 31 December 2020, in addition to IFRS that have been adopted in the EU as at this date. This is consistent with the transitional arrangements provided in UK company law for entities preparing 'IAS accounts'.
- (iv) As these amendments reflect changes in UK company law, they are not expected to introduce changes in financial reporting other than when required by law. There should be no practical impact on entities in the Republic of Ireland.

Amendments to FRS 100 *Application of Financial Reporting Requirements*

Amendments to FRS 100 *Application of Financial Reporting Requirements*

- 1 The following paragraphs set out the amendments to FRS 100 *Application of Financial Reporting Requirements* (deleted text is struck through, inserted text is underlined).

Overview

- 2 Paragraph (ii)(b) is amended as follows (footnote 1 is not amended, and is not reproduced here):
 - (ii) (b) If the financial statements are those of an entity that is not eligible to apply FRS 105, or of an entity that is eligible to apply FRS 105 but chooses not to do so, they must be prepared in accordance with FRS 102, ~~EU~~-adopted IFRS or, if the financial statements are the individual financial statements of a qualifying entity, FRS 101¹.
- 3 Paragraph (iii) is amended as follows:
 - (iii) FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of ~~EU~~-adopted IFRS.
- 4 Paragraph (iv) is amended as follows:
 - (iv) FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying ~~EU~~-adopted IFRS, FRS 101 or FRS 105.

FRS 100 *Application of Financial Reporting Requirements*

- 5 Paragraph 4 and footnotes 4 and 5 are amended as follows (footnotes 2 and 3 are not amended, and are not reproduced here):
 - 4 Financial statements (whether consolidated financial statements or **individual financial statements**) that are within the scope of this FRS, and that are not required by the ~~Act/IAS Regulation~~ or other legislation or regulation to be prepared in accordance with ~~EU-adopted IFRS~~, must be prepared in accordance with the following requirements:
 - (a) If the financial statements are those of an entity that is eligible to apply **FRS 105**², they may be prepared in accordance with that standard;
 - (b) If the financial statements are those of an entity that is not eligible to apply FRS 105, or of an entity that is eligible to apply FRS 105 but chooses not to do so, they must³ be prepared in accordance with **FRS 102**, ~~EU~~-adopted IFRS⁴ or, if the financial statements are the individual financial statements of a **qualifying entity**, **FRS 101**.⁵
 - 4 Some entities are prohibited by law from applying ~~EU~~-adopted IFRS; ~~For example~~, section 395(2) of the Act states that ‘the individual accounts of a company that is a charity must be Companies Act individual accounts’, and section 403(3) of the Act mirrors this for the group accounts of a parent company that is a charity.
 - 5 Individual accounts that are prepared by a company in accordance with FRS 101, FRS 102 or FRS 105 are Companies Act individual accounts (in the UK, in accordance with section 395(1)(a) of the Act, and in Ireland, in accordance with sections 290(3)(a) and 290(4)(a) of the Companies Act 2014), whereas individual accounts that are prepared by a company in accordance with ~~EU~~-adopted IFRS are IAS individual

accounts (in the UK, in accordance with section 395(1)(b) of the Act, and in Ireland, in accordance with sections 290(3)(b) and 290(4)(b) of the Companies Act 2014).

6 Paragraph 10C is inserted as follows:

10C In December 2020 amendments were made to this FRS to reflect changes in UK company law following the UK exit from the European Union. An entity shall apply these amendments for accounting periods beginning on or after 1 January 2021.

Similar amendments were made to FRS 101, FRS 102, **FRS 103, FRS 104** and FRS 105. If an entity applies the amendments to these FRSs early, these amendments to FRS 100 shall be applied at the same time, other than the amendments to the *Application Guidance: The Interpretation of Equivalence* and paragraph A2.4. The amendments made to the *Application Guidance* and paragraph A2.4 are effective for accounting periods beginning on or after 1 January 2021.

7 Paragraph 11 is amended as follows:

11 On first-time application ...

(a) An entity transitioning to ~~EU~~-adopted IFRS shall apply the transitional arrangements set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards* as adopted in the ~~EU~~ relevant jurisdiction, when applicable.

(b) A qualifying entity transitioning to FRS 101 shall, unless it is applying ~~EU~~-adopted IFRS prior to the **date of transition** (see paragraph 12), apply the requirements of paragraphs 6 to 33 of IFRS 1 as adopted in the ~~EU~~ relevant jurisdiction including the relevant appendices except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition; references to IFRSs in IFRS 1 are interpreted to mean ~~EU~~-adopted IFRS as amended in accordance with paragraph 5(b) of FRS 101.

...

8 Paragraph 12 is amended (footnote 8 is not amended, and is not reproduced here) and three sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) as follows:

12 A qualifying entity applying ~~EU~~-adopted IFRS^[*footnote1] prior to the date of transition to FRS 101 will then be preparing Companies Act individual accounts^[*footnote2] ~~in accordance with section 395(1)(a) of the Act and thus will no longer be preparing IAS individual accounts^[*footnote3] in accordance with section 395(1)(b) of the Act.~~⁸ It shall consider whether amendments are required to comply with paragraph 5(b) of FRS 101, but it does not reapply the provisions of IFRS 1. Where amendments to the recognition, measurement and disclosure requirements of ~~EU~~-adopted IFRS in accordance with paragraph 5(b) of FRS 101 are required, the entity shall determine whether the amendments have a material effect on the first financial statements presented. Where there is:

(a) no material effect ...

(b) a material effect, the qualifying entity's first financial statements shall include:

(i) ...

(ii) reconciliations of its equity determined in accordance with ~~EU~~-adopted IFRS to its equity determined in accordance with FRS 101 for both the date of transition to FRS 101 and for the end of the latest period presented in the entity's most recent annual financial statements prepared in accordance with ~~EU~~-adopted IFRS; and

(iii) a reconciliation of the profit or loss determined in accordance with ~~EU~~-adopted IFRS to its profit or loss determined in accordance with

FRS 101 for the latest period presented in the entity's most recent annual financial statements prepared in accordance with EU-adopted IFRS.

[*footnote 1] In the UK, for the purposes of paragraph 12, adopted IFRS refers to EU-adopted IFRS for accounting periods beginning before 1 January 2021.

[*footnote 2] In the UK, in accordance with section 395(1)(a) of the Act. In Ireland, in accordance with sections 290(3)(a) and 290(4)(a) of the Companies Act 2014.

[*footnote 3] In the UK, in accordance with section 395(1)(b) of the Act. In Ireland, in accordance with sections 290(3)(b) and 290(4)(b) of the Companies Act 2014.

Application Guidance *The Interpretation of Equivalence*

- 9 *Application Guidance: The Interpretation of Equivalence* will be updated for changes to UK company law and decisions on equivalence. This will be made available on the FRC website.

Appendix I Glossary

- 10 The glossary is amended as follows (new defined terms are inserted alphabetically):

<u>adopted IFRS</u>	<u>IFRS</u> that have been adopted in the relevant jurisdiction. <u>In the UK, this refers to UK-adopted international accounting standards.</u> <u>In the Republic of Ireland, this refers to EU-adopted IFRS.</u>
<u>FRS 103</u>	<u>FRS 103 <i>Insurance Contracts</i></u>
<u>FRS 104</u>	<u>FRS 104 <i>Interim Financial Reporting</i></u>
<u>IAS (International Accounting Standards)/ IFRS (International Financial Reporting Standards)</u>	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).
<u>UK-adopted international accounting standards</u>	<u>IAS</u> that have been adopted for use within the UK in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685).

Appendix II Note on legal requirements

- 11 Paragraph A2.4 is amended as follows:

A2.4 Group accounts of certain parent entities (those with securities admitted for trading on a UK regulated market in an EU Member State on their balance sheet date) are required by ~~Article 4 of EU Regulation 1606/2002 (IAS Regulation)~~ section 403(1) of the Act to be prepared in accordance with ~~EU-adopted IFRS~~ UK-adopted international accounting standards^[*footnote].

[*footnote] Group accounts of Irish parent entities, with securities admitted for trading on a regulated market in an EU Member State on their balance sheet date, are

required by Article 4 of EU Regulation 1606/2002 (IAS Regulation) to be prepared in accordance with EU-adopted IFRS.

- 12 Paragraph A2.5 is amended as follows (footnote 13 is not amended, and is not reproduced here):

A2.5 All other entities, except those that are eligible and choose to apply FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, must apply either FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, ~~EU-adopted IFRS~~ UK-adopted international accounting standards or, for financial statements that are the individual financial statements of a qualifying entity, FRS 101 *Reduced Disclosure Framework*¹³.

- 13 Paragraph A2.6 is amended as follows:

A2.6 Section 395(1) of the Act states:

“A company’s individual accounts may be prepared—

- (a) in accordance with section 396 (“Companies Act individual accounts”), or
- (b) in accordance with UK-adopted international accounting standards (“IAS individual accounts”).”

Section 403(2) of the Act states:

“The group accounts of other companies may be prepared—

- (a) in accordance with section 404 (“Companies Act group accounts”), or
- (b) in accordance with UK-adopted international accounting standards (“IAS group accounts”).”

- 14 Paragraph A2.7 is amended as follows:

A2.7 Accounts prepared in accordance with ~~EU-adopted IFRS~~ UK-adopted international accounting standards are therefore ~~within the scope of the IAS Regulation~~ either IAS individual accounts or IAS group accounts. All other accounts are classified as either ‘Companies Act individual accounts’, including those of qualifying entities applying FRS 101, or ‘Companies Act group accounts’ and are therefore required to comply with the applicable provisions of Parts 15 and 16 of the Act and with the Regulations.

Appendix III Republic of Ireland legal references

- 15 Paragraph A3.2 is amended as follows:

A3.2 General references are made in this FRS to UK legislation such as the ‘Companies Act 2006’, ‘the Act’, ‘The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)’, ‘the Regulations’, ‘The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (SI 2008/409)’, ‘The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)’, ‘The Companies and Limited Liability Partnership (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (SI 2012/2301)’ and ‘The Small Companies (Micro-entities’ Accounts) Regulations 2013 (SI 2013/3008). In an Irish context reference should be made to the relevant sections and paragraphs of Irish company law and the IAS Regulation. Such general references are not dealt with in the table below. References in the text to ‘IAS accounts’ are ~~equivalent to be read as~~ ‘IFRS financial statements’ in Irish company law. IFRS financial statements are within the scope of the IAS Regulation.

...

16 Paragraph A3.6 is amended as follows:

A3.6 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) in the UK and legislation relating thereto. ~~There is no such equivalent legislation in Ireland. These references are not included in the table below,~~ however, certain Irish partnerships are required to comply with Part 6 of the Companies Act 2014 by virtue of the European Communities (Accounts) Regulations 1993 (as amended).

17 Paragraph A3.7 is amended as follows:

A3.7 The following tables are intended as a reference guide to the corresponding or similar provisions in Irish law and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted too that not all Irish legal provisions ~~are equivalent to the directly~~ corresponding to UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. For example, references to 'UK-adopted international accounting standards' in UK company law correspond to provisions in Irish law that refer to EU-adopted IFRS. It should also be noted that various sections and paragraphs referenced may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

18 The table **FRS 100 Application of Financial Reporting Requirements** is amended as follows:

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
4(b) (Footnote 5) and 12	Section 395(1)(a)	Sections 290(3)(a), 290(4)(a)	
4(b) (Footnote 5) and 12	Section 395(1)(b)	Sections 290(3)(b), 290(4)(b)	

19 The table **Appendix I 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
'UK-adopted international accounting standards'	The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019		<u>There is no corresponding legislation in Ireland.</u>

Basis for Conclusions

FRS 100 *Application of financial reporting framework*

20 A sequentially numbered footnote is inserted into paragraph 3 (subsequent footnotes are renumbered sequentially) as follows (footnote 19 is not amended, and is not reproduced here):

3 In the early stages of developing this FRS, a differential financial reporting system was proposed based on three tiers of entities using public accountability and size as differentiators. The proposals would have extended the application of EU-adopted IFRS^[*footnote] to those entities with public accountability¹⁹. Whilst there was some support for a differential financial reporting system, entities that would be required to apply EU-adopted IFRS did not support the proposal, principally on the basis of costs and benefits.

[*footnote] This reflects the requirements and options in UK company law at the time, prior to the UK exit from the European Union (see paragraph 35 of this Basis for Conclusions).

21 Paragraph 8 is amended as follows:

8 FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements for individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Disclosure exemptions are available to a qualifying entity in its individual financial statements.

22 Paragraph 12 is amended as follows:

12 FRS 102 replaced accounting standards applicable in the UK and Republic of Ireland with a single FRS developed from the IFRS for SMEs. FRS 102 applies to general-purpose financial statements and the financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented. FRS 102 applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or FRS 105.

23 Paragraph 33A is inserted as follows:

33A Amendments were made to the Application Guidance in December 2020 as a result of the changes to UK company law following the UK exit from the European Union.

24 The subheading and paragraph 35 are inserted as follows:

UK exit from the European Union

35 In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. FRS 100 was amended in December 2020 to reflect these changes. This included amending the references to 'EU-adopted IFRS' to read 'adopted IFRS', which incorporates the accounting standards referred to in both UK and Irish company law (UK-adopted international accounting standards and EU-adopted IFRS, respectively).

25 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue
<u>N/A</u>		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>

Amendments to FRS 101 *Reduced Disclosure Framework*

Amendments to FRS 101 *Reduced Disclosure Framework*

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

Title page

- 27 The subtitle of FRS 101 is amended as follows:

FRS 101 *Reduced Disclosure Framework*

Disclosure exemptions from ~~EU~~-adopted IFRS for qualifying entities

Contents

- 28 The title of the Application Guidance is amended as follows:

Application Guidance

Amendments to ~~International Financial Reporting Standards as adopted in the European Union~~ adopted IFRS for compliance with the Act and the Regulations

Overview

- 29 Paragraph (ii) is amended as follows:

- (ii) This FRS sets out an optional reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of ~~EU~~-adopted IFRS.

- 30 Paragraph (v) is amended as follows:

- (v) Financial statements prepared by a qualifying entity in accordance with this FRS are not accounts prepared in accordance with ~~EU~~-adopted IFRS. A qualifying entity must ensure it complies with any relevant legal requirements applicable to it. For example, individual financial statements prepared by companies in accordance with this FRS are Companies Act accounts and not IAS accounts as set out in section 395(1) of the Act, and therefore such accounts must comply with the requirements of the Act and any relevant regulations such as the *Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410).

FRS 101 *Reduced Disclosure Framework*

- 31 The subtitle of FRS 101 is amended as follows:

Disclosure exemptions from ~~EU~~-adopted IFRS for qualifying entities

- 32 Paragraph 1 is amended as follows:

- 1 The objective of this Financial Reporting Standard (FRS) is to set out the disclosure exemptions (a reduced disclosure framework) for the **individual financial statements** of subsidiaries, including intermediate parents, and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of **~~EU~~-adopted IFRS**.

33 Paragraph 4A is amended as follows:

4A Financial statements prepared by qualifying entities in accordance with this FRS are not accounts prepared in accordance with ~~EU~~-adopted IFRS. A qualifying entity must ensure it complies with any relevant legal requirements applicable to it. For example, individual financial statements prepared by companies in accordance with this FRS are Companies Act accounts and not IAS accounts as set out in section 395(1) of the Act, and therefore such accounts must comply with the requirements of the Act and any relevant regulations such as the *Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410).

34 Paragraph 5(b) is amended as follows:

5 (b) It otherwise applies as its financial reporting framework the recognition, measurement and disclosure requirements of ~~EU~~-adopted IFRS, but makes amendments to ~~EU~~-adopted IFRS requirements where necessary in order to comply with the Act and the **Regulations**. This is to ensure that the financial statements prepared by companies in accordance with this FRS, comply with the requirements of the Act and Regulations. The Application Guidance to this FRS sets out the amendments necessary to remove conflicts between ~~EU~~-adopted IFRS and the Act and Regulations. For the avoidance of doubt, the Application Guidance is an integral part of this FRS and is applicable to any qualifying entity applying this FRS, including those that are not companies.

35 In paragraph 7A, the term 'IFRS' is now shown in bold type and the paragraph is amended as follows:

7A On first-time adoption of this standard, a qualifying entity shall apply the requirements of paragraphs 6 to 33 of IFRS 1 *First-time adoption of International Financial Reporting Standards* (subject to the requirements of paragraph 12 of **FRS 100**) except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the **date of transition**. References to **IFRS** in IFRS 1 shall be interpreted as references ~~EU~~-adopted IFRS as amended in accordance with paragraph 5(b) of this FRS.

36 Paragraph 8A is amended as follows:

8A When a qualifying entity applies an adopted IFRS, if that IFRS cross-refers to the requirements of an exempted paragraph or standard listed in paragraph 8, the qualifying entity is nevertheless permitted to take that exemption.

37 Paragraph 9 is amended as follows:

9 Reference should be made to the Application Guidance to FRS 100 in deciding whether the consolidated financial statements of the group provide disclosures which are equivalent to the requirements of ~~EU~~-adopted IFRS, from which relief is provided in paragraph 8 of this FRS.

38 Paragraph 10 is amended as follows:

10 When a qualifying entity prepares its financial statements in accordance with this FRS, it shall state in the notes to the financial statements: '*These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.*' The financial statements of such an entity do not comply with all of the requirements of ~~EU~~-adopted IFRS and shall not therefore contain the unreserved statement of compliance referred to in paragraph 3 of IFRS 1 and otherwise required by paragraph 16 of IAS 1 *Presentation of Financial Statements*.

39 In paragraph 12, the term 'EU-adopted IFRS' is now shown in bold type.

40 Paragraph 16 is inserted as follows:

16 In December 2020 amendments were made to this FRS to reflect changes in UK company law following the UK exit from the European Union. An entity shall apply these amendments for accounting periods beginning on or after 1 January 2021. Early application, other than the amendments to paragraphs A2.6, A2.7 and A2.20, is permitted by entities in the UK for:

(a) accounting periods beginning before, and ending on or after, 31 December 2020;

(b) accounting periods ending before 31 December 2020, when the period for filing the accounts (as set out in section 442 of the Act) ends after 31 December 2020.

For the purposes of early application, references to **UK-adopted international accounting standards** shall be interpreted as IFRS as adopted in the EU as at 31 December 2020, in addition to **IAS** that are adopted for use within the UK after this date.

If an entity applies these amendments to an accounting period beginning before 1 January 2021 it shall disclose that fact. The amendments to paragraphs A2.6, A2.7 and A2.20 are effective for accounting periods beginning on or after 1 January 2021.

Application Guidance Amendments to International Financial Reporting Standards as adopted in the European Union for compliance with the Act and the Regulations

41 The title of the Application Guidance is amended as follows:

Application Guidance

Amendments to International Financial Reporting Standards as adopted in the European Union adopted IFRS for compliance with the Act and the Regulations

42 Paragraph AG1 is amended as follows:

AG1 In accordance with the Act, an entity may prepare Companies Act accounts or IAS accounts. A qualifying entity that applies this FRS prepares Companies Act accounts. This Application Guidance sets out amendments to ~~EU~~-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations (deleted text is struck through and inserted text is underlined):

(a) ...

Appendix I Glossary

43 The glossary is amended as follows (new defined terms are inserted alphabetically):

<u>adopted IFRS</u>	<u>IFRS</u> that have been adopted in the relevant jurisdiction. <u>In the UK, this refers to UK-adopted international accounting standards.</u> <u>In the Republic of Ireland, this refers to EU-adopted IFRS.</u>
<u>IAS (International Accounting Standards)/ IFRS (International Financial Reporting Standards)</u>	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).
<u>UK-adopted international accounting standards</u>	<u>IAS</u> that have been adopted for use within the UK in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685).

Appendix II Note on legal requirements

44 Paragraph A2.2 is amended as follows:

A2.2 References to the Act in this appendix are to the Companies Act 2006. References to the Regulations are to *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410) ~~as amended by *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015* (SI 2015/980)~~. References to specific provisions are to Schedule 1 to the Regulations; entities applying Schedules 2 or 3 should read them as referring to the equivalent paragraph in those schedules.

45 Paragraph A2.3 is amended as follows:

A2.3 For companies, accounts prepared in accordance with ~~EU-adopted IFRS~~ **UK-adopted international accounting standards** are 'IAS accounts', ~~and are within the scope of EU Regulation 1606/2002 (IAS Regulation)~~. As stated in paragraph 4A of FRS 101, ~~when~~ a company prepares accounts in accordance with FRS 101, those accounts are Companies Act accounts and not IAS accounts as set out in section 395 of the Act. Therefore those accounts must comply with the applicable provisions of Parts 15 and 16 of the Act and with the Regulations.

46 Paragraph A2.6 is amended as follows:

A2.6 Paragraph 36 of Schedule 1 to the Regulations states that:

...

(4) *Financial instruments which under **UK-adopted international accounting standards** may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.*

[...]

47 Paragraph A2.7 is amended as follows (footnote 7 is not amended, and is not reproduced here):

A2.7 A qualifying entity that has financial instruments measured at fair value in accordance with the requirements of paragraph 36(4) of Schedule 1 to the Regulations (or equivalent⁷), is legally required to provide the relevant disclosures set out in ~~international accounting standards adopted by the European Commission~~ UK-adopted international accounting standards. Such disclosures should be based on extant standards.

48 Paragraph A2.9B is amended as follows (footnote 8 is not amended, and is not reproduced here):

A2.9B For a qualifying...

- (a) Differences in the definition of 'fixed assets'⁸ (the term used in the Regulations) and 'non-current assets' (the term used in ~~EU-adopted IFRS~~ UK-adopted international accounting standards).
- (b) Differences in the definition of 'current assets' as the term is used in the Regulations and ~~EU-adopted IFRS~~ UK-adopted international accounting standards.
- (c) Differences in the definition of 'creditors falling due within or after one year' (the terms used in the Regulations) and 'current and non-current liabilities' (the term used in ~~EU-adopted IFRS~~ UK-adopted international accounting standards). Under the Act a loan is treated as due for repayment on the earliest date on which a lender could require repayment, whilst under ~~EU-adopted IFRS~~ UK-adopted international accounting standards the due date is based on when the entity expects to settle the liability or has no unconditional right to defer payment.
- (d) The Act requires presentation of debtors falling due after more than one year within current assets. Under ~~EU-adopted IFRS~~ UK-adopted international accounting standards those items would be presented in non-current assets. UITF Abstract 4 *Presentation of long-term debtors in current assets* (the UITF's consensus is reproduced below in paragraph A2.10) addressed the inclusion of debtors due after more than one year within 'current assets'.

49 Paragraph A2.12 is amended and footnote 9 is deleted (subsequent footnotes are renumbered) as follows:

A2.12 Paragraph 13(a) of Schedule 1 to the Regulations requires that only profits realised at the balance sheet date are included in the profit and loss account, ~~a requirement modified from that in Article 6.1(c)(i) of the EU Accounting Directive⁹ which refers to profits 'made' at the balance sheet date.~~

⁹ ~~Directive 2013/34/EU of the European Parliament and of the Council~~

50 Paragraph A2.20 is amended as follows:

A2.20 Paragraph 36(4) of Schedule 1 to the Regulations permits investments in subsidiaries to be measured at fair value provided that ~~international accounting standards adopted in the EU~~ UK-adopted international accounting standards allow such measurement, and that an entity makes the disclosures required by such standards:

- (a) IAS 39 *Financial Instruments: Recognition and Measurement* ~~which was endorsed by the EU in November 2004 and was applicable to accounting periods beginning on or after 1 January 2005,~~ permits the designation of financial instruments at fair value through profit or loss on initial recognition; and
- (b) IFRS 9 ~~which was endorsed by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018,~~ permits or requires measurement of such financial assets at fair value through profit or loss.

As noted in paragraph A2.7, the required disclosures should be based on extant standards.

51 Table I is amended as follows:

IFRS	Explanation/potential issues	Amendment to EU-adopted IFRS <u>UK-adopted international accounting standards</u>
IFRS 1	<p><i>Assets and liabilities of a parent or subsidiaries</i></p> <p>...</p> <p>Entities preparing their financial statements in accordance with FRS 101 must comply with the measurement requirements of the Act, which may be inconsistent with those of EU-adopted IFRS <u>UK-adopted international accounting standards</u> applied in the consolidated financial statements.</p>	<p>Restricted the application of the first-time adoption options in IFRS 1 D16 and D17 to situations where the measurement of assets and liabilities in the subsidiary's or parent's individual financial statements based on the consolidated financial statements would comply with FRS 101.</p>
IFRS 3	<p><i>Negative goodwill</i></p> <p>IFRS 3 requires that negative goodwill is recognised as a gain in profit or loss at the acquisition date (IFRS 3.34). The Act permits negative goodwill to be transferred to the profit and loss account in accordance with certain principles and rules, which may be inconsistent with the recognition requirements for negative goodwill under EU-adopted IFRS <u>UK-adopted international accounting standards</u>.</p>	<p>Amended IFRS 3.34 to align with FRS 102, Section 19 <i>Business Combinations and Goodwill</i>, paragraph 19.24.</p>

IFRS	Explanation/potential issues	<u>Amendment to EU-adopted IFRS UK-adopted international accounting standards</u>
IAS 16	<p><i>Government grants</i></p> <p>IAS 16.28 permits the carrying amount of property, plant and equipment to be reduced by government grants in accordance with IAS 20. Off-setting of items that represent assets against items that represent liabilities is prohibited under the Regulations, unless specifically permitted or required. This option in EU-adopted IFRS <u>UK-adopted international accounting standards</u> is not compliant with the Regulations.</p>	Deleted IAS 16.28.
IAS 20	<p><i>Balance sheet off-setting</i></p> <p>IAS 20.24 contains an option that permits government grants related to assets to be deducted in arriving at the carrying amount of the asset. Off-setting of items that represent assets against items that represent liabilities is prohibited under the Regulations, unless specifically permitted or required. This option EU-adopted IFRS <u>UK-adopted international accounting standards</u> is not compliant with the Regulations.</p> <p><i>Profit and loss account off-setting</i></p> <p>IAS 20.29 contains an option that permits grants related to income to be deducted in reporting the related expense. Off-setting of items that represent income against items that represent expenditure is prohibited under the Regulations, unless specifically permitted or required. This option in EU-adopted IFRS <u>UK-adopted international accounting standards</u> is not compliant with the Regulations.</p>	<p>Amended IAS 20.24, IAS 20.26, IAS 20.28 and deleted IAS 20.25 and IAS 20.27 to remove the off-set option.</p> <p>Amended IAS 20.29 to remove the off-set option.</p>

Appendix III

Republic of Ireland legal references

52 Paragraph A3.2 is amended as follows:

- A3.2 General references are made in this FRS to UK legislation such as the 'Companies Act 2006', 'the Act', 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', 'the Regulations' and 'The Companies, Partnerships and Groups (Accounts and

Reports) Regulations 2015 (SI 2015/980)’. In an Irish context reference should be made to the relevant sections and paragraphs of Irish company law. Such general references are not dealt with in the table below. References in the text to ‘IAS accounts’ are equivalent to be read as ‘IFRS financial statements’ in Irish company law. IFRS financial statements are within the scope of the IAS Regulation.

53 Paragraph A3.8 is amended as follows:

A3.8 A financial institution is defined in the Glossary to this FRS. With regard to the UK legal references included in the definition, the table below is intended as a reference guide to the corresponding or similar provisions in Irish law and does not purport to be complete. It should be noted that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements.

Glossary to FRS 101	UK references	Rol references
‘financial institution’ and footnote 5	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000	There is no equivalent <u>corresponding</u> legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971.

...

54 Paragraph A3.9 is amended as follows:

A3.9 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) in the UK and legislation relating thereto. ~~There is no such equivalent legislation in Ireland. These references are not included in the table below,~~ however, certain Irish partnerships are required to comply with Part 6 of the Companies Act 2014 by virtue of the European Communities (Accounts) Regulations 1993 (as amended).

55 Paragraph A3.10 is amended as follows:

A3.10 The following tables are intended as a reference guide to the corresponding or similar provisions in Irish law and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted too that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. For example, references to ‘UK-adopted international accounting standards’ in UK company law correspond to provisions in Irish law that refer to EU-adopted IFRS. It should also be noted that various sections and paragraphs referenced may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

- 56 The title of the table **Application Guidance Amendments to International Financial Reporting Standards as adopted in the European Union for compliance with the Act and the Regulations** is amended as follows:

Application Guidance Amendments to International Financial Reporting Standards as adopted in the European Union adopted IFRS for compliance with the Act and the Regulations

- 57 The table **Appendix I 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
'financial institution' and footnote 5	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000		There is no equivalent <u>corresponding</u> legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971. Refer also to A3.8 in the Introduction to this Appendix.
'UK-adopted international accounting standards'	The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019		<u>There is no corresponding legislation in Ireland.</u>

Basis for Conclusions

FRS 101 Reduced Disclosure Framework

- 58 Paragraph 1 is amended as follows:

- FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements for individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Disclosure exemptions are available to a qualifying entity in its individual financial statements.

- 59 A sequentially numbered footnote is inserted into paragraph 5 (subsequent footnotes are renumbered sequentially) as follows:

- FRS 101 was developed in response to concerns that arose during earlier consultations that a move to FRS 102 for subsidiaries of entities that apply EU-adopted IFRS^[footnote] would require recognition and measurement differences to be monitored and maintained at group level, and yet the alternative of a move to EU-adopted IFRS would increase disclosure in comparison to current accounting standards. Therefore a reduced disclosure framework was developed, based on the application of EU-adopted IFRS with disclosure exemptions.

[*footnote] This reflects the standards referenced in UK company law at the time, prior to the UK exit from the European Union (see paragraph 81 of this Basis for Conclusions).

60 Paragraph 7 is amended as follows:

7 In developing the reduced disclosure framework the following principles, for determining which of the disclosure requirements in ~~EU~~-adopted IFRS should be required by qualifying entities, have been followed. The principles are specific to qualifying entities, so the impact on preparers and users of qualifying entity individual financial statements is a common theme to be considered in applying the principles.

...

(3) Avoid gold plating:

Does the disclosure requirement override an existing exemption provided by company law ~~in the UK~~?

61 Paragraph 10 is amended as follows:

10 The FRC will review FRS 101 annually to ensure that the reduced disclosure framework continues to be effective in providing disclosure reductions for qualifying entities when compared with ~~EU~~-adopted IFRS.

62 Paragraph 11(b) is amended as follows:

11 (b) were inconsistent with ~~UK~~ legal requirements for consideration as to whether changes to the Application Guidance: *Amendments to ~~International Financial Reporting Standards as adopted in the European Union~~ adopted IFRS for compliance with the Act and the Regulations* to FRS 101 were necessary.

63 Paragraph 26(b) is amended as follows:

26 (b) The shareholders in an ultimate parent entity will receive the consolidated financial statements of the group as well as the parent entity's individual financial statements. These consolidated financial statements will include full disclosure in accordance with the relevant accounting framework (often ~~EU~~-adopted IFRS).

64 The subheading and paragraphs 81 and 82 are inserted as follows:

UK exit from the European Union

81 In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. FRS 101 was amended in December 2020 to reflect these changes. This included amending the references to 'EU-adopted IFRS' to read 'adopted IFRS', which incorporates the accounting standards referred to in both UK and Irish company law (UK-adopted international accounting standards and EU-adopted IFRS, respectively).

82 Early application is permitted by entities in the UK, which is consistent with the transitional arrangements provided in UK company law for entities preparing 'IAS accounts'. Application of the amendments to an accounting period beginning before 1 January 2021 allows entities to use IAS that are adopted for use within the UK after 31 December 2020, in addition to IFRS as adopted in the EU as at this date.

65 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue
<u>N/A</u>		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>

66 Table 2 *IASB publications* is amended as follows:

IFRS or amendment	Date issued by IASB	Date effective	Date endorsed by the EU	<u>Date adopted by the UK</u>
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67 In the column 'Date adopted by the UK' in Table 2 *IASB publications*, 'Jan 2021' is inserted in all rows except rows numbered 23, 32, 37, 47 and 56.

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

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

68 The following paragraphs set out the amendments to FRS 102 *The Financial Reporting Framework applicable in the UK and Republic of Ireland* (deleted text is struck through, inserted text is underlined).

Section 1 Scope

69 Paragraph 1.3 and footnote 4 are amended as follows (footnotes 2 and 3 are not amended, and are not reproduced here):

1.3 As stated in **FRS 100**, an entity that is required by the ~~Act~~**IAS Regulation** (or other legislation or regulation) to prepare **consolidated financial statements** in accordance with **EU-adopted IFRS** must do so. The **individual financial statements** of such an entity, or the individual financial statements or consolidated financial statements of any other entity within the scope of FRS 100, must be prepared in accordance with the following requirements:

- (a) If the financial statements are the individual financial statements of an entity that is eligible to apply **FRS 105**², they may be prepared in accordance with that standard.
- (b) If the financial statements are those of an entity that is not eligible to apply FRS 105, or of an entity that is eligible to apply FRS 105 but chooses not to do so, they must³ be prepared in accordance with this FRS, ~~EU-adopted IFRS~~ or **FRS 101**⁴.

⁴ Individual financial statements that are prepared by a company in accordance with FRS 101 or FRS 102 are Companies Act individual accounts (in the UK, in accordance with section 395(1)(a) of the Act, and in Ireland, in accordance with sections 290(3)(a) and 290(4)(a) of the Companies Act 2014), whereas those prepared in accordance with ~~EU-adopted IFRS~~ are IAS individual accounts (in the UK, in accordance with section 395(1)(b) of the Act, and in Ireland, in accordance with sections 290(3)(b) and 290(4)(b) of the Companies Act 2014).

70 Paragraph 1.4 is amended as follows:

1.4 An entity whose **ordinary shares** or **potential ordinary shares** are **publicly traded**, or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market, or an entity that chooses to disclose earnings per share, shall apply IAS 33 *Earnings per Share* (as adopted in the ~~EU~~ relevant jurisdiction).

71 Paragraph 1.5 is amended as follows:

1.5 An entity whose debt or equity instruments are publicly traded, or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, or an entity that chooses to provide information described as segment information, shall apply IFRS 8 *Operating Segments* (as adopted in the ~~EU~~ relevant jurisdiction). If an entity discloses disaggregated information, but the information does not comply with the requirements of IFRS 8, it shall not describe the information as segment information.

72 In paragraph 1.10, the term 'Act' is no longer shown in bold type.

73 The subheading and paragraph 1.32 are inserted as follows:

UK exit from the European Union

1.32 In December 2020 amendments were made to this FRS to reflect changes in UK company law following the UK exit from the European Union. An entity shall apply these amendments for accounting periods beginning on or after 1 January 2021. Early application, other than the amendments to paragraphs 1AC.26, 9.3, A3.4, A3.12, A3.12A and A3.33, is permitted by entities in the UK for:

(a) accounting periods beginning before, and ending on or after, 31 December 2020;

(b) accounting periods ending before 31 December 2020, when the period for filing the accounts (as set out in section 442 of the Act) ends after 31 December 2020.

For the purposes of early application, references to **UK-adopted international accounting standards** shall be interpreted as **IFRS** as adopted in the EU as at 31 December 2020, in addition to **IAS** that are adopted for use within the UK after this date.

If an entity applies these amendments to an accounting period beginning before 1 January 2021 it shall disclose that fact, unless it is a small entity, in which case it is encouraged to disclose that fact. The amendments to paragraphs 1AC.26, 9.3, A3.12, A3.12A and A3.33 are effective for accounting periods beginning on or after 1 January 2021.

Section 1A **Small Entities**

74 Paragraph 1A.2 is amended as follows:

1A.2 Unless a small entity chooses to apply **EU-adopted IFRS**, or if eligible, **FRS 101**, a small entity that chooses not to apply the small entities regime shall apply this FRS excluding Section 1A.

75 Paragraph 1AC.26 is amended as follows:

1AC.26 *Financial instruments which under UK-adopted international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made. (Schedule 1, paragraph 36(4))*

...

Section 2 **Concepts and Pervasive Principles**

76 Paragraph 2.35 is amended as follows (footnote 28 is not amended, and is not reproduced here):

2.35 The requirements for recognising and measuring assets, liabilities, income and expenses in this FRS are based on pervasive principles that are derived from the IASB *Framework for the Preparation and Presentation of Financial Statements*²⁸ and from **EU-adopted IFRS**. In the absence of a requirement in this FRS that applies specifically to a transaction or other event or condition, paragraph 10.4 provides guidance for making a judgement and paragraph 10.5 establishes a hierarchy for an entity to follow in deciding on the appropriate accounting policy in the circumstances. The third level of that hierarchy requires an entity to look to the definitions, recognition criteria and measurement concepts for assets,

liabilities, income and expenses and the pervasive principles set out in this section.

Section 9 **Consolidated and Separate Financial Statements**

77 Paragraph 9.3 is amended and seven sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) as follows:

9.3 A parent is exempt from the requirement to prepare consolidated financial statements on any one of the following grounds:

For an entity reporting under the Act, when its immediate parent is established under the law of any part of the UK^[*footnote1] or for an entity reporting under the Companies Act 2014, when its immediate parent is established under the law of an EEA State^[*footnote2] (Section 400 of the Act):

- (a) The parent is a wholly-owned subsidiary. Exemption is conditional on compliance with certain further conditions set out in ~~section 400(2) of the Act~~ company law.
- (b) The immediate parent holds 90% or more of the allotted shares in the entity and the remaining shareholders have approved the exemption. Exemption is conditional on compliance with certain further conditions set out in ~~section 400(2) of the Act~~ company law.
- (bA) The immediate parent holds more than 50% (but less than 90%) of the allotted shares in the entity, and notice requesting the preparation of consolidated financial statements has not been served on the entity by shareholders holding in aggregate at least 5% of the allotted shares in the entity. Exemption is conditional on compliance with certain further conditions set out in ~~section 400(2) of the Act~~ company law.

For an entity reporting under the Act, when its parent is not established under the law of any part of the UK^[*footnote3] or for an entity reporting under the Companies Act 2014, when its parent is not established under the law of an EEA State^[*footnote4] (Section 401 of the Act):

- (c) The parent is a wholly-owned subsidiary. Exemption is conditional on compliance with certain further conditions set out in ~~section 401(2) of the Act~~ company law.
- (d) The parent holds 90% or more of the allotted shares in the entity and the remaining shareholders have approved the exemption. Exemption is conditional on compliance with certain further conditions set out in ~~section 401(2) of the Act~~ company law.
- (dA) The parent holds more than 50% (but less than 90%) of the allotted shares in the entity, and notice requesting the preparation of consolidated financial statements has not been served on the entity by shareholders holding in aggregate at least 5% of the allotted shares in the entity. Exemption is conditional on compliance with certain further conditions set out in ~~section 401(2) of the Act~~ company law.

Other situations

- (e) The parent, and the group headed by it, qualify as small^[*footnote5] ~~as set out in section 383 of the Act~~ and the parent and the group are considered eligible for the exemption^[*footnote6] ~~as determined by reference to sections 384 and 399(2A) of the Act~~.
- (f) All of the parent's subsidiaries are required to be excluded from consolidation by paragraph 9.9^[*footnote7] ~~(Section 402 of the Act)~~.

- (g) For a parent not reporting under the Act, if its statutory framework does not require the preparation of consolidated financial statements.

In sub-paragraphs (a) to (dA), for an entity reporting under the Act, the parent is not exempt if any of its transferable securities are admitted to trading on a UK regulated market and for an entity reporting under the Companies Act 2014, the parent is not exempt if any of its transferable securities are admitted to trading on a regulated market of any EEA State within the meaning of Directive 2004/39/EC.

[*footnote1] Section 400 of the Act.

[*footnote2] Section 299 of the Companies Act 2014.

[*footnote3] Section 401 of the Act.

[*footnote4] Section 300 of the Companies Act 2014.

[*footnote5] UK entities shall refer to section 383 of the Act. Irish entities shall refer to section 280B of the Companies Act 2014.

[*footnote6] UK entities shall refer to sections 384 and 399(2A) of the Act. Irish entities shall refer to sections 280B and 293(1A) of the Companies Act 2014.

[*footnote7] UK entities shall refer to section 402 of the Act. Irish entities shall refer to section 301 of the Companies Act 2014.

Section 10

Accounting Policies, Estimates and Errors

- 78 Paragraph 10.6 is amended as follows:

10.6 In making the judgement described in paragraph 10.4, management may also consider the requirements and guidance in **EU-adopted IFRS** dealing with similar and related issues. Paragraphs 1.4 to 1.7 require certain entities to apply IAS 33 *Earnings per Share* (as adopted in the EU relevant jurisdiction), IFRS 8 *Operating Segments* (as adopted in the EU relevant jurisdiction) or IFRS 6 *Exploration for and Evaluation of Mineral Resources* (as adopted in the EU relevant jurisdiction).

Section 11

Basic Financial Instruments

- 79 Paragraph 11.2 is amended as follows (footnote 34 is not amended, and is not reproduced here):

11.2 An entity shall choose to apply either:

- (a) the provisions of both Section 11 and Section 12 in full; or
- (b) the **recognition** and **measurement** provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted in the EU relevant jurisdiction)³⁴, the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B; or
- (c) the recognition and measurement provisions of IFRS 9 *Financial Instruments* (as adopted in the EU relevant jurisdiction) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B;

...

80 Example 10 of the 'Examples – Debt instruments' that follow paragraph 11.9A is amended as follows:

10 **A loan with interest equal to a percentage of the profits of the issuer**

The contractual return is neither a fixed rate or amount, nor a variable rate linked to a single observable interest rate or index of general price inflation. Therefore, the return breaches the conditions in paragraphs 11.9(a).

In addition, the loan is inconsistent with the description in paragraph 11.9A because the linkage to the profits of the issuer introduces exposure to a risk that is not consistent with a basic lending arrangement.

The instrument is within the scope of Section 12 and will be measured at fair value by the holder. However, the issuer will need to consider whether measurement at fair value is permitted by the Small Companies Regulations, the Regulations, the Small LLP Regulations or the LLP Regulations (see paragraph A3.12A). These regulations prohibit the measurement of financial liabilities at fair value, except for those held as part of a trading portfolio, those that are derivatives and when permitted by IFRS as adopted in the EU relevant jurisdiction. An example of the latter category is financial liabilities with embedded derivatives that meet certain conditions. However this would exclude instruments with 'a non-financial variable specific to a party to a contract'.

Therefore, if the issuer concludes that the issuer's profits are 'a non-financial variable specific to a party to a contract' and that the instrument could not otherwise be measured at fair value under IFRS as adopted in the EU relevant jurisdiction, then it must measure the instrument at amortised cost, rather than at fair value, in accordance with paragraph 12.8(c).

Section 12

Other Financial Instruments Issues

81 Paragraph 12.2 is amended as follows (footnote 39 is not amended, and is not reproduced here):

12.2 An entity shall choose to apply either:

- (a) the provisions of both Section 11 and Section 12 in full; or
- (b) the **recognition** and **measurement** provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted in the EU relevant jurisdiction)³⁹, the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B; or
- (c) the recognition and measurement provisions of IFRS 9 *Financial Instruments* (as adopted in the EU relevant jurisdiction) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraph 11.38A and 12.25B;

...

Section 34

Specialised Activities

82 Paragraph 34.11 is amended as follows:

34.11 An entity that is engaged in the exploration for and/or evaluation of mineral resources (extractive activities) shall apply the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources* (as adopted in the EU relevant jurisdiction).

83 Paragraph 34.21 is amended as follows:

34.21 Unless a financial institution has made the **accounting policy** choice in paragraphs 11.2(c) and 12.2(c) to apply the **recognition** and **measurement** provisions of IFRS 9 *Financial Instruments* (as adopted in the ~~EU relevant jurisdiction~~), when it uses a separate allowance account to record impairments, it shall disclose a reconciliation of changes in that account during the period for each class of **financial asset**.

Section 35

Transition to this FRS

84 Paragraph 35.1 is amended as follows:

35.1 This section applies to a **first-time adopter of this FRS**, regardless of whether its previous financial reporting framework was **EU-adopted IFRS** or another set of generally accepted accounting principles (GAAP) such as its national accounting standards, or another framework such as the local **income tax** basis.

85 Paragraph 35.4(c) is amended as follows:

35.4 (c) presented its most recent previous financial statements in conformity with ~~EU-adopted~~ IFRS.

Appendix I Glossary

86 The glossary is amended as follows (new defined terms are inserted alphabetically):

<u>adopted IFRS</u>	<u>IFRS</u> that have been adopted in the relevant jurisdiction. <u>In the UK, this refers to UK-adopted international accounting standards.</u> <u>In the Republic of Ireland, this refers to EU-adopted IFRS.</u>
first-time adopter of this FRS	An entity that presents its first annual financial statements that conform to this FRS, regardless of whether its previous financial reporting framework was EU-adopted IFRS or another set of accounting standards.
<u>IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards)</u>	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).
<u>UK-adopted international accounting standards</u>	<u>IAS</u> that have been adopted for use within the UK in accordance with the <u>International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685)</u> .

Appendix II Table of equivalence for company law terminology

87 The following amendments are made to the table:

Company law terminology	FRS 102 terminology
IAS / IFRS	EU-adopted IFRS

Appendix III Note on legal requirements

88 Paragraph A3.3 is amended as follows:

A3.3 References to the Act in this appendix are to the *Companies Act 2006*. References to the Regulations are to *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410) ~~as amended by *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015* (SI 2015/980) following the implementation of the EU Accounting Directive~~. References to specific provisions are to Schedule 1 to the Regulations; entities applying Schedules 2, 3 or 6 should read them as referring to the equivalent paragraph in those schedules; and small entities applying the Small Companies Regulations should read them as referring to the equivalent paragraph in Schedule 1 to the Small Companies Regulations. Similar provisions generally also apply to limited liability partnerships applying the Small LLP Regulations or the LLP Regulations.

89 Paragraph A3.4 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

A3.4 Group accounts of certain parent entities (those with securities admitted to trading on a UK regulated market in an EU Member State on their balance sheet date) are required by ~~Article 4 of EU Regulation 1606/2002 (IAS Regulation)~~ section 403(1) of the Act to be prepared in accordance with ~~EU-adopted IFRS~~ UK-adopted international accounting standards^[*footnote].

[*footnote] Group accounts of Irish parent entities, with securities admitted to trading on a regulated market in an EU Member State on their balance sheet date, are required by Article 4 of EU Regulation 1606/2002 (IAS Regulation) to be prepared in accordance with EU-adopted IFRS.

90 Paragraph A3.5 is amended as follows (footnote 57 is not amended, and is not reproduced here):

A3.5 All other entities, except those that are eligible to apply FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, must apply⁵⁷ either FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, ~~EU-adopted IFRS~~ UK-adopted international accounting standards or FRS 101 *Reduced Disclosure Framework* (if the financial statements are the individual financial statements of a qualifying entity eligible to apply FRS 101).

91 Paragraph A3.12 is amended as follows:

A3.12 All preparers of Companies Act accounts must comply with the requirements of paragraph 36 of Schedule 1 to the Regulations, which provides that:

...

(4) Financial instruments which under UK-adopted international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

...

92 Paragraph A3.12A is amended as follows:

A3.12A In limited circumstances, an entity applying this FRS to its financial instruments that are classified as non-basic in accordance with Section 11 *Basic Financial Instruments* may be prohibited, by paragraph 36 of Schedule 1 to the Regulations, ~~to from measuring~~ those financial instruments at fair value through profit or loss in accordance with the requirements of this FRS. The Regulations prohibit the measurement of certain financial instruments at fair value through profit or loss, unless the instruments could be designated for such measurement under ~~EU-adopted IFRS~~ UK-adopted international accounting standards. ~~EU-adopted IFRS~~ UK-adopted international accounting standards permits designation at fair value through profit or loss upon initial recognition for financial instruments where: doing so eliminates or reduces a measurement or recognition inconsistency; or a group of financial instruments is managed and their performance evaluated on a fair value basis; or for a hybrid financial instruments which contains a component that, if recognised separately, would meet the definition of a derivative. Paragraph 12.8(c) of this FRS is applicable to the measurement of financial instruments prohibited under the Regulations ~~to from being~~ measured at fair value through profit or loss and requires them to be measured at amortised cost.

93 Paragraph A3.33 is amended as follows:

A3.33 Paragraph 36 of Schedule 1 to the Regulations sets out the fair value accounting rules and permits investments in associates and joint ventures to be measured at fair value through profit or loss only where they are permitted to be treated as financial instruments in accordance with UK-adopted international accounting standards ~~IAS Regulation~~. ~~EU-adopted IFRS~~ UK-adopted international accounting standards does allow investments in subsidiaries, associates and jointly controlled entities to be measured in accordance with ~~IAS 39 Financial Instruments Recognition and Measurement~~ IFRS 9 Financial Instruments within separate financial statements (as set out in IAS 27 Consolidated and Separate Financial Statements).

Appendix IV Republic of Ireland legal references

94 Paragraph A4.2 is amended as follows:

A4.2 General references are made in this FRS to UK legislation such as the 'Companies Act 2006', 'the Act', 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', 'the Regulations', 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)', 'The Small Companies Regulations', and 'the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409)'. In an Irish context reference should be made to the relevant sections and paragraphs of Irish company law. Such general references are not dealt with in the table below. References in the text to 'IAS accounts' are ~~equivalent to~~ be read as 'IFRS financial statements' in Irish company law.

...

95 Paragraph A4.10 is amended as follows:

A4.10 A financial institution is defined in the Glossary to this FRS. With regard to the UK legal references included in the definition, the table below is intended as a reference guide to the corresponding or similar provisions in Irish law and does not purport to be complete. It should be noted that not all Irish legal provisions

are equivalent to the directly corresponding to UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements.

Glossary to FRS 102	UK references	Rol references
'financial institution' and footnote 48	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000	There is no equivalent corresponding legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971.

...

96 Paragraph A4.11 is amended as follows:

A4.11 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) in the UK and legislation relating thereto. ~~There is no such equivalent legislation in Ireland. These references are not included in the table below,~~ however, certain Irish partnerships are required to comply with Part 6 of the Companies Act 2014 by virtue of the European Communities (Accounts) Regulations 1993 (as amended).

97 Paragraph A4.12 is amended as follows:

A4.12 The following tables are intended as a reference guide to the corresponding or similar provisions in Irish law and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted too that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. For example, references to 'UK-adopted international accounting standards' in UK company law correspond to provisions in Irish law that refer to EU-adopted IFRS. It should also be noted that various sections and paragraphs referenced below may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

98 The table **Section 1 Scope** is amended as follows:

	UK references	Rol references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
1.3(b) (Footnote 4)	Section 395(1)(a)	Sections 290(3)(a), 290(4)(a)	
1.3(b) (Footnote 4)	Section 395(1)(b)	Sections 290(3)(b), 290(4)(b)	

99 The table **Section 9 Consolidated and Separate Financial Statements** is amended as follows:

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
9.3	Section 400	Section 299	
9.3	Section 401	Section 300	
9.3 (a), (b) and (bA)	Section 400(2)	Section 299	
9.3 (c), (d) and (dA)	Section 401(2)	Section 300	
9.3(e)	Section 383	Section 280B	
9.3(e)	Section 384	Section 280B	
9.3(e)	Section 399(2A)	Section 293(1A)	
9.3(f)	Section 402	Section 301	

100 The table **Appendix I 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
'financial institution' and footnote 48	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000		There is no equivalent <u>corresponding</u> legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971. Refer also to A4.10 in the Introduction to this Appendix.
' <u>UK-adopted international accounting standards</u> '	<u>The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019</u>		<u>There is no corresponding legislation in Ireland.</u>

101 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>B11.29 (Footnote *footnote)</u>	<u>Paragraph 36(4) of Schedule 1 to the Regulations</u>	<u>Refer to A4.7 in the Introduction to this Appendix.</u>	

Basis for Conclusions

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

102 Paragraph 1 is amended as follows:

- 1 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* replaced accounting standards applicable in the UK and Republic of Ireland with a single FRS developed from the IFRS for SMEs. FRS 102 applies to general-purpose financial statements and the financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented. FRS 102 applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 *Reduced Disclosure Framework* or FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*.

103 A sequentially numbered footnote is inserted into paragraph A.5 (subsequent footnotes are renumbered sequentially) as follows:

- A.5 In the early stages of development, respondents raised some concerns, most notably about the removal of certain accounting policy options, such as revaluation of property, plant and equipment, that were available in previous accounting standards and EU-adopted IFRS^[*footnote] but not available in the IFRS for SMEs. The following points were raised:

- (a) ...

^[*footnote] This reflects the standards referenced in UK company law at the time, prior to the UK exit from the European Union (see paragraph A.63 of this Basis for Conclusions).

104 Paragraph A.59 is amended as follows:

- A.59 Appendix II *Significant differences between FRS 102 and the IFRS for SMEs* was deleted as it is likely to have been of limited use as the IFRS for SMEs is not available for use in the European Union.

105 Paragraphs A.63 and A.64 and the subheading before them are inserted as follows:

UK exit from the European Union

A.63 In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. FRS 102 was amended in December 2020 to reflect these changes. This included amending the references to 'EU-adopted IFRS' to read 'adopted IFRS', which incorporates the accounting standards referred to in both UK and Irish company

law (UK-adopted international accounting standards and EU-adopted IFRS, respectively).

A.64 Early application is permitted by entities in the UK, which is consistent with the transitional arrangement provided in UK company law for entities preparing 'IAS accounts'. Application of the amendments to an accounting period beginning before 1 January 2021 allows entities to use IAS that are adopted for use within the UK after 31 December 2020 in their individual accounts, which may be relevant when FRS 102 permits or requires the application of a specific IFRS (as adopted in the relevant jurisdiction).

106 Paragraph B1.1 is amended as follows:

B1.1 Users need additional information about entities that are listed but not on a regulated market, namely earnings per share and operating segments. These areas were not addressed in the IFRS for SMEs and therefore accounting requirements were set in this section by cross-reference to the relevant ~~EU~~-adopted IFRS to ensure that the standard remained succinct.

107 Paragraph B11.3(b) is amended as follows:

B11.3 (b) applying the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted in the ~~EU~~ relevant jurisdiction) as the standard applies prior to the application of IFRS 9 *Financial Instruments*; or

108 Paragraph B11.21 is amended as follows:

B11.21 The FRC was made aware of an issue in relation to a conflict between the Regulations and LLP Regulations and the requirements in FRS 102 (as originally issued in March 2013) regarding the measurement of some financial liabilities. The original text of FRS 102 could have resulted in the standard requiring certain financial liabilities to be measured at fair value when such measurement may be prohibited by the Regulations. The Regulations prohibit the measurement of financial liabilities at fair value, except for those held as part of a trading portfolio, that are derivatives or when permitted by ~~EU-adopted IFRS~~ UK-adopted international accounting standards.

109 Paragraph B11.22 is amended as follows:

B11.22 For example, the original text of FRS 102 would have required certain financial liabilities, where the cash outflows are linked to non-financial variables specific to one party to the contract, to be classified as other and measured at fair value. Fair value measurement is not permitted for such liabilities under ~~EU-adopted IFRS~~ UK-adopted international accounting standards and so would be prohibited by the Regulations.

110 Paragraph B11.23 is amended as follows:

B11.23 The FRC was aware that there were divergent views on what constitutes a “non-financial variable” in other cases. For example, there is no clear consensus on whether measures of performance such as turnover, profits or EBITDA are “non-financial variables...specific to a party to the contract”. The FRC was unable to resolve this divergence as to do so would involve interpreting ~~EU-adopted IFRS~~ UK-adopted international accounting standards on an issue that the IFRS Interpretations Committee had so far not reached a definitive conclusion on.

111 Paragraph B11.24 is amended as follows:

B11.24 Similarly, FRS 102 would have required financial assets that are similarly linked to non-financial variables specific to one party to the contract, to be classified as other and measured at fair value through profit or loss. Although the Regulations permit financial assets to be measured at fair value, this measurement is only available as permitted by ~~EU-adopted IFRS~~ UK-adopted international accounting standards, which in some cases is restricted to fair value through other comprehensive income.

112 Paragraph B11.25 is amended as follows:

B11.25 The FRC also noted that there may be other non-basic financial assets and liabilities that ~~EU-adopted IFRS~~ UK-adopted international accounting standards, and hence the Regulations, would not permit to be measured at fair value through profit or loss although it expected that such instruments would be rare in practice.

113 Paragraph B11.29 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

B11.29 In July 2015, as part of the implementation of the EU Accounting Directive, Section 11 was amended to reflect changes to certain requirements relating to financial instruments that are, or may be, measured at fair value. The new Accounting Directive permits measurement of certain financial instruments at fair value when it is in accordance with EU-adopted IFRS^[*footnote]; previously this was restricted to IFRS endorsed by 5 September 2006. The consequences of this change, as well as any interaction with IFRS 9 *Financial Instruments* (issued in July 2014), were considered. The amendments that were made for compliance with company law are only likely to affect a minority of entities applying FRS 102. Appendix III *Note on legal requirements* advises that entities applying IFRS 9 will need to consider an override of the Regulations for the purposes of giving a true and fair view, in order to recognise certain fair value gains or losses in other comprehensive income.

[*footnote] Following the UK exit from the EU, paragraph 36(4) of Schedule 1 to the Regulation (and the equivalent requirements of the Small Companies Regulations, the Small LLP Regulations and the LLP Regulations) permits measurement of certain financial instruments at fair value when it is in accordance with UK-adopted international accounting standards.

114 Paragraph B26.10 is amended as follows:

B26.10 Feedback from respondents was mixed. Some noted that the requirements had been in place for some 10 years, were well embedded and reflected a cost to the company, and therefore no changes should be made. Some noted sympathy with the difficulties faced by small private companies in obtaining a reliable and meaningful fair value measurement for share-based payment arrangements. Some suggested that a disclosure-only approach for small entities could be considered in the future should the legislative landscape change. ~~Currently it would not be possible to do this as additional disclosures cannot be mandated of small entities under the EU Accounting Directive.~~

115 Paragraph B34K.2 is amended as follows:

B34K.2 Accounting for concessionary loans at the amount paid or received (rather than fair value) is not consistent with the accounting requirements set out in Section 11 *Basic Financial Instruments*, ~~EU-adopted IFRS~~ or IPSAS 29 *Financial Instruments: Recognition and Measurement* which require that such arrangements are measured and recognised in the financial statements at their fair value.

116 Paragraph B34J.6 is amended as follows:

B34J.6 In July 2015, as part of the implementation of the EU Accounting Directive, this section was amended to clarify that a public benefit entity may apply merger accounting to an entity combination that is a merger provided that it is permitted by the statutory framework under which it reports. ~~The new Accounting Directive Company law~~ only permits companies to apply merger accounting for group reconstructions and this amendment to FRS 102 was made to ensure merger accounting is not applied by public benefit entities that are companies when not permitted in law. Some respondents suggested that FRS 102 should continue to require the use of merger accounting by all public benefit entity combinations meeting the definition and criteria of a merger, through requiring the use of the true and fair override. It was noted that ‘true mergers’ (other than those that might be considered group reconstructions) are not likely to be common. However, Appendix IV: *Note on legal requirements* notes that an individual public benefit entity may apply the true and fair override if it considers it appropriate to its circumstances, and provides the corresponding disclosures.

117 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue	Mandatory effective date
<u>N/A</u>		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>	<u>1 Jan 2021</u>

Amendments to FRS 103 *Insurance Contracts*

Amendments to FRS 103 *Insurance Contracts*

118 The following paragraphs set out the amendments to FRS 103 *Insurance Contracts* (deleted text is struck through, inserted text is underlined).

Section 1 Scope

119 Paragraph 1.5(b) is amended as follows:

- 1.5 (b) establish accounting policies that are based on the rules ~~under the **Solvency II Directive**~~ for the recognition and measurement of technical provisions in the **PRA** Rulebook, which transposes the **Solvency II Directive**, and any relevant requirements of this FRS, the Regulations and FRS 102. In doing so an entity shall make appropriate adjustments to the ~~Solvency II~~ rules to ensure that the accounting policies result in information that is relevant and reliable.

120 Paragraph 1.11C is inserted as follows:

- 1.11C In December 2020 amendments were made to this FRS to reflect changes in UK company law following the UK exit from the European Union. An entity shall apply these amendments for accounting periods beginning on or after 1 January 2021.
Similar amendments were made to FRS 102. If an entity applies the amendments to FRS 102 early, these amendments to FRS 103 shall be applied at the same time.

121 Paragraph 2.3A is amended as follows:

- 2.3A One basis for changing accounting policies might be to enable them to be more consistent with the rules ~~under the **Solvency II Directive**~~ for the recognition and measurement of technical provisions in the **PRA** Rulebook, which transposes the **Solvency II Directive**. In doing so an entity shall make appropriate adjustments to the ~~Solvency II~~ rules to meet the requirements of paragraph 2.3.

Appendix I *Glossary*

122 The glossary is amended as follows (new defined terms are inserted alphabetically):

<u>adopted IFRS</u>	<u>IFRS</u> that have been adopted in the relevant jurisdiction. In the UK, this refers to <u>UK-adopted international accounting standards</u> . In the Republic of Ireland, this refers to <u>EU-adopted IFRS</u> .
<u>IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards)</u>	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).

<u>UK-adopted international accounting standards</u>	<u>IAS</u> that have been adopted for use within the UK in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685).
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Appendix III Note on legal requirements

123 Paragraph A3.2A is deleted as follows:

A3.2A Paragraph 52(3) of Schedule 3 to the Regulations requires an insurance company to have 'due regard to the actuarial principles laid down in Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II)' when computing its long-term business provision. The Department for Business, Energy and Industrial Strategy (BEIS) has confirmed that this reference should not be interpreted to mean that insurance companies are now required to change their accounting basis to one consistent with Solvency II, and that Solvency II shall only be considered when it is relevant to the accounting basis applied in the company's accounts. ~~[Deleted]~~

Appendix IV Republic of Ireland legal references

124 Paragraph A4.4 is amended as follows:

A4.4 A financial institution is defined in the Glossary to this FRS. With regard to the UK legal references included in the definition, the table below is intended as a reference guide to the corresponding or similar provisions in Irish law and does not purport to be complete. It should be noted that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements.

Glossary to FRS 103	UK references	Rol references
'financial institution' and footnote 3	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000	There is no equivalent <u>corresponding</u> legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971.

...

125 Paragraph A4.5 is amended as follows:

A4.5 The following tables are intended to serve as a general reference guide to the corresponding or similar provisions in Irish legislation and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. It should also be noted that various sections and paragraphs referenced may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

126 The table **Appendix I Glossary** is amended as follows:

Paragraph	UK Reference	Rol Reference
'financial institution' and Footnote 3	Part 4A permission; Section 55A of the Financial Services and Markets Act 2000	There is no equivalent <u>corresponding</u> legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act, 1971. Refer also to A4.4 in the Introduction to this Appendix.

127 The table **Appendix III Note on legal requirements** is amended as follows:

Paragraph	UK Reference	Rol Reference
A3.2A	Paragraph 52(3) of Schedule 3 to the Regulations	Paragraph 57(4) of Part IV of Schedule 1 to the Insurance Undertakings Regulations 2015 (as amended)
A3.3	Insurance Accounts Directive (Lloyds Syndicate and Aggregate Accounts) Regulations 2008	There is no equivalent <u>corresponding</u> legislation in Ireland.

Basis for Conclusions

FRS 103 Insurance Contracts

128 A sequentially numbered footnote is inserted into paragraph 6 (subsequent footnotes are renumbered sequentially) as follows:

6 FRS 103 was developed so that it is not more restrictive than EU-adopted IFRS^[*footnote], unless this was necessary for compliance with company law.

^[*footnote] This reflects the standards referenced in UK company law at the time, prior to the UK exit from the European Union (see paragraph 58 of this Basis for Conclusions).

129 Paragraph 31 is amended as follows:

31 For financial instruments, other than insurance contracts with discretionary participation features, IFRS 4 does not contain disclosure requirements, because they are within the scope of IFRS 7 *Financial Instruments: Disclosures*. Therefore, FRS 103 requires entities to provide the relevant disclosures from Section 11 of FRS 102. This will maintain consistency with the requirements of EU-adopted IFRS for these instruments, but implemented in a proportionate manner.

130 Paragraph 53(b) is amended as follows:

53 (b) to establish policies that are consistent with the relevant requirements of the Solvency II Directive, as transposed into UK regulations through the PRA Rulebook, subject to any appropriate adjustments.

131 The subheading and paragraph 58 are inserted as follows:

UK exit from the European Union

58 In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. FRS 103 was amended in December 2020 to reflect these changes. This included amending the references to the Solvency II Directive to refer to the requirements that implemented the relevant aspects of the Directive in the UK.

132 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue
<u>N/A</u>		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>

Amendments to Implementation Guidance to accompany FRS 103
Insurance Contracts

Amendments to Implementation Guidance to accompany FRS 103 *Insurance Contracts*

133 The following paragraphs set out the amendments to Implementation Guidance to accompany FRS 103 *Insurance Contracts* (deleted text is struck through, inserted text is underlined).

Appendix to Implementation Guidance Section 2 *Republic of Ireland legal references*

134 The table is amended as follows:

Paragraph	UK Reference	RoI Reference
IG2.33	Sections 731 to 734 of the Income Tax (Trading and Other Income) Act 2005	There is no equivalent <u>corresponding</u> Irish legislation.

Amendments to FRS 104 *Interim Financial Reporting*

Amendments to FRS 104 *Interim Financial Reporting*

135 The following paragraphs set out the amendments to FRS 104 *Interim Financial Reporting* (deleted text is struck through, inserted text is underlined).

Inside cover

136 The boxed statement before the contents page is amended as follows:

FRS 104 is issued by the Financial Reporting Council (FRC). It is the FRC's pronouncement on interim reporting that UK and Irish issuers not using ~~EU~~-adopted IFRS may apply under the Disclosure and Transparency Rules and the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) respectively.

Overview

137 Paragraph (iii) is amended as follows:

(iii) When an entity prepares an interim financial report, FRS 104 does not, in itself, require such reports to be prepared in accordance with FRS 104. However, laws or regulations may contain such a requirement. Paragraph 4.2.10R of the DTRs sets out that UK issuers within the scope of that rule which do not apply ~~EU-adopted IFRS~~ UK-adopted international accounting standards in their annual financial statements can prepare their condensed interim financial statements in accordance with IAS 34 or FRS 104 issued by the FRC.

FRS 104 *Interim Financial Reporting*

138 Paragraph 2A is amended as follows:

2A This FRS is intended for use by entities that prepare annual **financial statements** in accordance with **FRS 102**. If entities that prepare the annual financial statements in accordance with **FRS 101** apply this FRS, references made in this FRS to FRS 102 shall be read as references to the equivalent requirements in ~~EU-adopted IFRS~~ **as amended by paragraph AG1 of FRS 101**.

139 Paragraph 3A is amended, footnote 2 is deleted and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

3A ~~UK~~ issuers not using ~~EU-adopted IFRS~~ that, ~~as provided for in DTR 4.2.10(4)R²~~, include a statement in their half-yearly financial report that the condensed set of financial statements has been prepared in accordance with FRS 104 *Interim Financial Reporting* issued by the FRC^[*footnote], shall apply this FRS.

~~² Irish issuers should read references to the UK DTRs as references to the Irish Transparency (Directive 2004/109/EC) Regulations 2007, including any subsequent amendments thereto.~~

^[*footnote] UK issuers shall refer to DTR 4.2.10(4)R. Irish issuers shall refer to the Irish Transparency (Directive 2004/109/EC) Regulations 2007, Regulation 8(5)(d).

140 Paragraph 11 is amended as follows:

11 An entity shall present basic and diluted earnings per share for an interim period when the entity has presented earnings per share information in accordance with IAS 33 *Earnings per Share* (as adopted in the ~~EU~~ relevant jurisdiction) in its most recent annual financial statements.

141 Paragraph 16A(g) is amended as follows:

16A (g) The following segment information (disclosure of segment information is required in an entity's interim financial report only if the entity has presented segment information in accordance with IFRS 8 *Operating Segments* (as adopted in the ~~EU relevant jurisdiction~~) in its most recent annual financial statements):

(i) ...

142 Paragraph 56C is inserted as follows:

56C In December 2020 amendments were made to this FRS to reflect changes in UK company law following the UK exit from the European Union. An entity shall apply these amendments for interim periods beginning on or after 1 January 2021.

Similar amendments were made to FRS 101 and FRS 102.

Appendix I Glossary

143 The glossary is amended as follows (new defined terms are inserted alphabetically):

<u>adopted IFRS</u>	<u>IFRS that have been adopted in the relevant jurisdiction.</u> <u>In the UK, this refers to UK-adopted international accounting standards.</u> <u>In the Republic of Ireland, this refers to EU-adopted IFRS.</u>
<u>IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards)</u>	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).
<u>UK-adopted international accounting standards</u>	<u>IAS that have been adopted for use within the UK in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685).</u>

Appendix IV Note on UK regulatory requirements

144 Paragraph A4.3 is amended as follows:

A4.3 Issuers that are required to publish half-yearly financial reports in accordance with the DTRs must include a responsibility statement in the report. In accordance with paragraph 4.2.10R of the DTRs, a person making the responsibility statement will satisfy the requirement to confirm that the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer (or the undertakings included in the consolidation as a whole) by including a statement that the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*, or, for UK issuers not using ~~EU-adopted IFRS~~ UK-adopted international accounting standards, FRS 104 issued by the FRC.

Appendix V Republic of Ireland legal references

145 The table **FRS 104 Interim Financial Reporting** is deleted.

146 The table **Appendix I Glossary** is amended as follows:

'DTRs'	Equivalent <u>Corresponding</u> aspects of the EU Transparency Directive are implemented in the Republic of Ireland through the Transparency (Directive 2004/109/EC) Regulations 2007, including any subsequent amendments thereto.
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Basis for Conclusions

FRS 104 Interim Financial Reporting

147 Paragraph 9 is amended as follows:

- 9 As only a small minority of entities that apply FRS 101 will also produce interim financial reports, it was concluded that it was not an effective solution to develop a separate set of interim reporting requirements solely for entities that apply FRS 101. Instead, as set out in FRS 104, these entities should apply the requirements applicable to entities that use FRS 102, except that any reference to a specific requirement in FRS 102 is read as a reference to the equivalent requirement in EU-adopted IFRS, as amended by paragraph AG1 of FRS 101.

148 A sequentially numbered footnote is inserted into paragraph 18 as follows:

- 18 The FRC was made aware of an unintentional difference between the requirements for assessing and reporting on the going concern basis of accounting when preparing interim financial reports in accordance with EU-adopted IFRS^[*footnote] and FRS 104. EU-adopted IFRS requires management to assess an entity's ability to continue as a going concern and disclose any related material uncertainties when preparing interim financial statements.

[*footnote] This reflects the standards referenced in UK company law at the time, prior to the UK exit from the European Union (see paragraph 20 of this Basis for Conclusions).

149 Paragraph 20 is inserted as follows:

UK exit from the European Union

- 20 In January 2020 the UK exited the European Union. As a result, changes were required to UK company law to ensure that it continues to operate effectively. FRS 104 was amended in December 2020 to reflect these changes. This included amending the references to 'EU-adopted IFRS' to read 'adopted IFRS', which incorporates the accounting standards referred to in both UK and Irish company law (UK-adopted international accounting standards and EU-adopted IFRS, respectively).

150 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue
N/A		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>

Amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

Amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

151 The following paragraphs set out the amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* (deleted text is struck through, inserted text is underlined).

Section 1 Scope

152 The subheading and paragraph 1.8 are inserted as follows:

UK exit from the European Union

1.8 In December 2020 amendments were made to this FRS as a consequence of changes made to FRS 102 to reflect changes in UK company law following the UK exit from the European Union. These amendments are effective for accounting periods beginning on or after 1 January 2021.

Appendix IV Republic of Ireland legal references

153 Paragraph A4.3 is amended as follows:

A4.3 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) in the UK and legislation relating thereto. ~~There is no such equivalent legislation in Ireland (and these references, therefore, are not included in the table below), however, certain Irish partnerships are required to comply with Part 6 of the Companies Act 2014 by virtue of the European Communities (Accounts) Regulations 1993 (as amended).~~

154 Paragraph A4.9 is amended as follows:

A4.9 The following tables are intended as a reference guide to the corresponding or similar provisions in Irish law and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted too that not all Irish legal provisions ~~are equivalent to the directly corresponding to~~ UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. It should also be noted that various sections and paragraphs referenced may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

Basis for Conclusions

FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

155 The subheading and paragraph 53 are inserted as follows:

Amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* – UK exit from the European Union

53 In December 2020, FRS 105 was amended as a consequence of changes to FRS 102 to reflect changes in UK legislation. The amendments were required to ensure FRS 105 maintained consistency with FRS 102 and relate to the use of the term equivalence. FRS 100 includes guidance on interpreting the meaning of the term equivalence in particular circumstances. Amendments were necessary to restrict the use of the term to only these circumstances.

156 The following row is inserted at the bottom of Table 1 *Exposure drafts and consultation documents* as follows:

Exposure draft	Date of issue	Finalised as	Date of issue
<u>N/A</u>		<u>Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union</u>	<u>Dec 2020</u>

Approval by the FRC

Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union was approved for issue by the Financial Reporting Council on 2 December 2020.

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