March 2018

FRS 101
Reduced Disclosure Framework
Disclosure exemptions from EU-adopted IFRS for qualifying entities

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FRS 101
Reduced Disclosure Framework
Disclosure exemptions from EU-adopted IFRS for qualifying entities
FRS 101 Reduced Disclosure Framework is an accounting standard. It is issued by the Financial Reporting Council, as a prescribed body, in respect of its application in the United Kingdom and the 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.

FRS 101 Reduced Disclosure Framework

(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.

(iii) Disclosure exemptions are available to a qualifying entity, as defined in the glossary to this FRS, in its individual financial statements (but not in consolidated financial statements which it is required or voluntarily chooses to prepare). However, a qualifying entity which is a financial institution is not exempt from the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, IFRS 13 Fair Value Measurement to the extent that they apply to financial instruments, and paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements.

(iv) A qualifying entity may apply the reduced disclosure framework regardless of the financial reporting framework applied in the consolidated financial statements of the group.

(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).

Organisation of FRS 101

(vi) Terms defined in the Glossary (Appendix I) are in bold type the first time they appear in FRS 101.

(vii) This edition of FRS 101 issued in March 2018 updates the edition of FRS 101 issued in September 2015 for the following amendments:

(a) Amendments to FRS 101 Reduced Disclosure Framework – 2015/16 cycle issued in July 2016;

(b) Amendments to FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Notification of shareholders issued in December 2016;

(c) Amendments to FRS 101 Reduced Disclosure Framework – 2016/17 cycle issued in July 2017;

(d) Triennial review 2017 amendments issued in December 2017; and

(e) some minor typographical or presentational corrections.
FRS 101
Reduced Disclosure Framework

Disclosure exemptions from EU-adopted IFRS for qualifying entities

Objective

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.

Scope

2 This FRS may be applied to the individual financial statements of a qualifying entity, as defined in the glossary, that are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss for a period.

3 A qualifying entity which is required to prepare consolidated financial statements (for example, if the entity is required by section 399 of the Act to prepare group accounts, and is not entitled to any of the exemptions in sections 400 to 402 of the Act), or which voluntarily chooses to do so, may not apply this FRS in its consolidated financial statements.

4 [Deleted]

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).

Reduced disclosures for subsidiaries and ultimate parents

5 A qualifying entity applying this FRS to its individual financial statements may take advantage of the disclosure exemptions in paragraphs 7A to 9, subject to paragraph 7, provided that:

(a) [Deleted]

(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.

(c) It discloses in the notes to its financial statements:

(i) a brief narrative summary of the disclosure exemptions adopted; and
(ii) the name of the parent\(^1\) of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained.

6 [Deleted]

7 A qualifying entity which is a **financial institution** may take advantage in its individual financial statements of the disclosure exemptions set out in paragraphs 7A to 9 of this FRS, except for:

(a) the disclosure exemptions from IFRS 7 *Financial Instruments: Disclosures* (see paragraph 8(d));

(b) the disclosure exemptions from IFRS 13 *Fair Value Measurement* (see paragraph 8(e)) to the extent that they apply to financial instruments\(^2\); and

(c) the disclosure exemptions from paragraphs 134 to 136 of IAS 1 *Presentation of Financial Statements* (see paragraph 8(g)).

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 to EU-adopted IFRS as amended in accordance with paragraph 5(b) of this FRS.

8 A qualifying entity may take advantage of the following disclosure exemptions, from when the relevant standard is applied:

(a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*, provided that for a qualifying entity that is:

(i) a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity;

(ii) an ultimate parent, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group;

and, in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(c) The requirements of paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(d) The requirements of IFRS 7 *Financial Instruments: Disclosures*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated\(^3\).

---

\(^1\) The parent identified in the definition of the term ‘qualifying entity’ (see Appendix I Glossary).

\(^2\) A qualifying entity that is a financial institution may take advantage in its individual financial statements of the disclosure exemptions from IFRS 13 (see paragraph 8(e)) to the extent that they apply to assets and liabilities other than financial instruments.

\(^3\) It should be noted that companies which are subject to the requirements of the Act and Regulations are legally required to provide disclosures related to financial instruments and assets and liabilities measured at fair value, including financial instruments. Further guidance in relation to financial instruments measured at fair value is provided in Appendix II *Note on legal requirements*.

6 FRS 101 (March 2018)
(e) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated⁴.

(eA) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

(eB) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.

The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

(f) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
(iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
(iv) paragraphs 76 and 79(d) of IAS 40 *Investment Property*; and
(v) paragraph 50 of IAS 41 *Agriculture*.

(g) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.

For accounting periods beginning before 1 January 2013, paragraphs 38A, 38B, 38C, 38D, 40A, 40B, 40C and 40D of IAS 1 (effective 1 January 2013) should be replaced with paragraphs 39 and 40 of IAS 1 (effective 1 January 2009).

(h) The requirements of IAS 7 *Statement of Cash Flows*.

(i) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(j) The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*.

(k) The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(l) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

8A When a qualifying entity applies an 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.

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.

⁴ It should be noted that companies which are subject to the requirements of the Act and Regulations are legally required to provide disclosures related to financial instruments and assets and liabilities measured at fair value, including financial instruments. Further guidance in relation to financial instruments measured at fair value is provided in Appendix II *Note on legal requirements*.  

Financial Reporting Council  7
Statement of compliance

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.

Date from which effective and transitional arrangements

11 A qualifying entity may apply this FRS for accounting periods beginning on or after 1 January 2015. Early application of this FRS is permitted. If an entity applies this FRS before 1 January 2015 it shall disclose that fact.

12 In July 2015 amendments were made to this FRS as a consequence of changes made to EU-adopted IFRS and to maintain consistency with company law. In relation to the amendments set out in Amendments to FRS 101 – 2014/15 cycle and other minor amendments a qualifying entity shall apply:

(a) the amendments to paragraphs 5, 7A and 8(j) arising from the 2014/15 cycle for accounting periods beginning on or after 1 January 2015 (subject also to the effective date of the relevant EU-adopted IFRS). Early application is permitted; and

(b) the amendments arising for consistency with company law for accounting periods beginning on or after 1 January 2016. Early application is:

(i) permitted for accounting periods beginning on or after 1 January 2015 provided that The Companies, Partnerships, and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) are applied from the same date; and

(ii) required if a qualifying entity applies The Companies, Partnerships, and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) to a reporting period beginning before 1 January 2016.

If an entity applies these amendments early it shall disclose that fact.

13 In December 2016 an amendment was made to this FRS to delete paragraph 5(a), and therefore remove the requirement for a qualifying entity to notify its shareholders about the proposed use of disclosure exemptions. A qualifying entity shall apply this amendment for accounting periods beginning on or after 1 January 2016.

14 In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the Triennial review 2017 amendments for accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all the amendments to this FRS are applied at the same time. If an entity applies the Triennial review 2017 amendments before 1 January 2019 it shall disclose that fact.
Application Guidance

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

This application guidance is an integral part of this FRS.

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) Paragraph D16 of IFRS 1 First-time Adoption of International Financial Reporting Standards is amended as follows:

If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:

(a) the carrying amounts that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary; or

(b) the carrying amounts required by the rest of this IFRS, based on the subsidiary’s date of transition to IFRSs. These carrying amounts could differ from those described in (a):

(i) when the exemptions in this IFRS result in measurements that depend on the date of transition to IFRSs;

(ii) when the accounting policies used in the subsidiary’s financial statements differ from those in the consolidated financial statements. For example, the subsidiary may use as its accounting policy the cost model in IAS 16 Property, Plant and Equipment, whereas the group may use the revaluation model.

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with company law.

(b) Paragraph D17 of IFRS 1 First-time Adoption of International Financial Reporting Standards is amended as follows:

However, if an entity becomes a first-time adopter later than its subsidiary (or associate or joint venture) the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with company law.
(c) Paragraph 34 of IFRS 3 Business Combinations is amended as follows:

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in paragraph 32(b) exceeds the aggregate of the amounts specified in paragraph 32(a). If that excess remains after applying the requirements in paragraph 36, the acquirer shall recognise and separately disclose the resulting gain in profit or loss excess on the face of the statement of financial position on the acquisition date, immediately below goodwill, and followed by a subtotal of the net amount of goodwill and the excess. The gain excess shall be attributed to the acquirer. Subsequently, the excess up to the fair value of the non-monetary assets acquired shall be recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to be benefited.

(d) Contingent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied the amendments to company law set out in The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) shall not be adjusted as a result of the change in company law (ie generally the start of accounting periods beginning on or after 1 January 2016). Instead the entity’s previous accounting policies for contingent consideration shall continue to apply. Contingent consideration balances arising from business combinations whose acquisition dates are on or after the date an entity first applied the amendments to company law set out in The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) shall be accounted for in accordance with IFRS 3 Business Combinations (Revised 2008).

(e) [Deleted]

(f) Without amending paragraph B63(a) of IFRS 3 Business Combinations, its requirement shall be read in conjunction with paragraph A2.8 of this standard.

(fA) Paragraph 14(a) of IFRS 4 Insurance Contracts is amended as follows:

(a) unless otherwise required by the regulatory framework that applies to the entity, shall not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the end of the reporting period (such as catastrophe provisions and equalisation provisions). The presentation of any such liabilities shall follow the requirements of the Regulations (or other legal framework that applies to that entity).

(g) Paragraph 33 of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is amended as follows:

An entity shall disclose:

(a) a single amount in the statement of comprehensive income comprising the total of:

(i) the post-tax profit or loss of discontinued operations and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(b) an analysis of the single amount in (a) into:

(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

(ii) the related income tax expense as required by paragraph 81(h) of IAS 12;
(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

(iv) the related income tax expense as required by paragraph 81(h) of IAS 12.

The analysis may be shall be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income it shall be presented in a section column identified as relating to discontinued operations, ie separately from continuing operations; a total column shall also be presented. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.

(h) Paragraph 53A and corresponding footnote are inserted into IAS 1 Presentation of Financial Statements as follows:

**Statement of financial position**

**Information to be presented in the statement of financial position**

53A A qualifying entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats shall apply the relevant presentation requirements of IAS 1 Presentation of Financial Statements. A qualifying entity not permitted or not choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall comply with the balance sheet format requirements of the Act* instead of paragraphs 54 to 76 of IAS 1.

[Footnote text]

* An entity shall apply, as required by company law, either Part 1 General Rules and Formats of Schedule 1 to the Regulations; Part 1 General Rules and Formats of Schedule 2 to the Regulations; Part 1 General Rules and Formats of Schedule 3 to the Regulations; or Part 1 General Rules and Formats of Schedule 1 to the LLP Regulations.

(i) Paragraph 81C and corresponding footnote are inserted into IAS 1 Presentation of Financial Statements as follows:

**Information to be presented in profit or loss**

81C A qualifying entity choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats shall apply the relevant presentation requirements of IAS 1 Presentation of Financial Statements, and in addition shall disclose ‘profit or loss before taxation’. A qualifying entity not permitted or not choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations shall present the components of profit or loss in the statement of comprehensive income (in either the single statement or two statement approach) in accordance with the profit and loss account format requirements of the Act* instead of paragraphs 82 and 85 to 86 of IAS 1.
An entity shall apply, as required by company law, either Part 1 General Rules and Formats of Schedule 1 to the Regulations; Part 1 General Rules and Formats of Schedule 2 to the Regulations; Part 1 General Rules and Formats of Schedule 3 to the Regulations; or Part 1 General Rules and Formats of Schedule 1 to the LLP Regulations.

(j) Paragraph 87 of IAS 1 Presentation of Financial Statements is amended and paragraphs 87A and 87B are inserted into IAS 1 as follows:

87 An qualifying entity applying Schedule 1 to the Regulations or Schedule 1 to the LLP Regulations shall not present or describe any items of income and expense as ‘extraordinary items’ in the statement of comprehensive income (or in the income statement, if presented) or in the notes.

A qualifying entity applying Schedule 2 or Schedule 3 to the Regulations shall apply paragraphs 87A and 87B.

87A Ordinary activities are any activities which are undertaken by a reporting entity as part of its business and such related activities in which the reporting entity engages in furtherance of, incidental to, or arising from, these activities. Ordinary activities include any effects on the reporting entity of any event in the various environments in which it operates, including the political, regulatory, economic and geographical environments, irrespective of the frequency or unusual nature of the events.

87B Extraordinary items are material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur. They do not include items occurring within the entity’s ordinary activities that are required to be disclosed by IAS 1.97, nor do they include prior period items merely because they relate to a prior period.

(k) Paragraph 88 of IAS 1 Presentation of Financial Statements is amended as follows:

An entity shall recognise all items of income and expense arising in a period in profit or loss unless an IFRS requires or permits otherwise, or unless prohibited by the Act.

(l) Paragraph 28 of IAS 16 Property, Plant and Equipment is deleted.

(m) Paragraph 24 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is amended as follows:

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

(n) Paragraph 25 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is deleted.

(o) Paragraph 26 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is amended as follows:

One method recognises the The grant is recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(p) Paragraph 27 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is deleted.
(q) Paragraph 28 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is amended as follows:

The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are often disclosed as separate items in the statement of cash flows regardless of whether or not the grant is deducted from the related asset for presentation purposes in the statement of financial position.

(r) Paragraph 29 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is amended as follows:

Grants related to income are presented as part of profit or loss, either separately or under a general heading such as 'Other income'; alternatively, they are not deducted in reporting the related expense.

(s) Paragraph 92 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended as follows:

92 In extremely rare cases, disclosure of some or all of the information required by paragraphs 84-89 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose all of the information required by those paragraphs insofar as it relates to the dispute, but shall disclose at least the following general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

In relation to provisions, the following information shall be given:

(a) a table showing the reconciliation required by paragraph 84 in aggregate, including the source and application of any amounts transferred to or from provisions during the reporting period;

(b) particulars of each provision in any case where the amount of the provision is material; and

(c) the fact that, and reason why, the information required by paragraphs 84 and 85 has not been disclosed.

In relation to contingent liabilities, the following information shall be given:

(a) particulars and the total amount of any contingent liabilities (excluding those which arise out of insurance contracts) that are not included in the statement of financial position;

(b) the total amount of contingent liabilities which are undertaken on behalf of or for the benefit of:

(i) any parent or fellow subsidiary of the entity;

(ii) any subsidiary of the entity; or

(iii) any entity in which the reporting entity has a participating interest, shall each be stated separately; and

(c) the fact that, and reason why, the information required by paragraph 86 has not been disclosed.

In relation to contingent assets, the entity shall disclose the general nature of the dispute, together with the fact that, and reason why, the information required by paragraph 89 has not been disclosed.
## Glossary

This appendix is an integral part of this FRS.

<table>
<thead>
<tr>
<th>Act</th>
<th>The Companies Act 2006</th>
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<tr>
<td>date of transition</td>
<td>The beginning of the earliest period for which an entity presents full comparative information under a given standard in its first financial statements that comply with that standard.</td>
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<tr>
<td>EU-adopted IFRS</td>
<td>IFRS that have been adopted in the European Union in accordance with EU Regulation 1606/2002</td>
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<tr>
<td>financial institution</td>
<td>Any of the following:</td>
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<tr>
<td></td>
<td>(a) a bank which is:</td>
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<td>(i) a firm with a Part 4A permission(^5) which includes accepting deposits and:</td>
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<tr>
<td></td>
<td>(a) which is a credit institution; or</td>
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<td>(b) whose Part 4A permission includes a requirement that it complies with the rules in the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms relating to banks, but which is not a building society, a friendly society or a credit union;</td>
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<td>(ii) an EEA bank which is a full credit institution;</td>
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<td>(b) a building society which is defined in section 119(1) of the Building Societies Act 1986 as a building society incorporated (or deemed to be incorporated) under that act;</td>
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<td>(c) a credit union, being a body corporate registered under the Co-operative and Community Benefit Societies Act 2014 as a credit union in accordance with the Credit Unions Act 1979, which is an authorised person;</td>
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<td>(d) custodian bank or broker-dealer;</td>
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<td>(e) an entity that undertakes the business of effecting or carrying out insurance contracts, including general and life assurance entities;</td>
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<td>(f) an incorporated friendly society incorporated under the Friendly Societies Act 1992 or a registered friendly society registered under section 7(1)(a) of the Friendly Societies Act 1974 or any enactment which it replaced, including any registered branches;</td>
</tr>
<tr>
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<td>(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); or</td>
</tr>
</tbody>
</table>

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\(^5\) As defined in section 55A of the *Financial Services and Markets Act 2000* or references to equivalent provisions of any successor legislation.
(h) [deleted]

(i) any other entity whose principal activity is similar to those listed above but is not specifically included in that list.

A parent entity whose sole activity is to hold investments in other group entities is not a financial institution.

<table>
<thead>
<tr>
<th>FRS 100</th>
<th>FRS 100 Application of Financial Reporting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS</td>
<td>Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise:</td>
</tr>
<tr>
<td></td>
<td>(a) International Financial Reporting Standards;</td>
</tr>
<tr>
<td></td>
<td>(b) International Accounting Standards; and</td>
</tr>
<tr>
<td></td>
<td>(c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>individual financial statements</th>
<th>The accounts that are required to be prepared by an entity in accordance with the Act or relevant legislation, for example:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) ‘individual accounts’, as set out in section 394 of the Act;</td>
</tr>
<tr>
<td></td>
<td>(b) ‘statement of accounts’, as set out in section 132 of the Charities Act 2011; or</td>
</tr>
<tr>
<td></td>
<td>(c) ‘individual accounts’, as set out in section 72A of the Building Societies Act 1986.</td>
</tr>
</tbody>
</table>

Separate financial statements are included in the meaning of this term.

<table>
<thead>
<tr>
<th>qualifying entity</th>
<th>A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A charity may not be a qualifying entity.</td>
</tr>
</tbody>
</table>

| Regulations | The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) |

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6 As set out in section 474(1) of the Act.
Appendix II
Note on legal requirements

Introduction

A2.1 This appendix provides an overview of how the requirements in FRS 101 address United Kingdom company law requirements. It is therefore written from the perspective of a company to which the Companies Act 2006 applies. Limited liability partnerships (LLPs) are subject to similar legal requirements and therefore may find this appendix useful (see paragraph A2.21). Appendix IV discusses Republic of Ireland legal references.

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.

Companies Act accounts

A2.3 For companies, accounts prepared in accordance with EU-adopted IFRS are 'IAS accounts', and are within the scope of EU Regulation 1606/2002 (IAS Regulation). As stated in paragraph 4A of FRS 101, where 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.

Applicable accounting framework

Consistency of financial reporting within groups

A2.4 Section 407 of the Act requires that the directors of the parent company secure that individual accounts of a parent company and each of its subsidiaries are prepared using the same financial reporting framework, except to the extent that in the directors’ opinion there are good reasons for not doing so.

In addition, consistency is not required in the following situations:

(a) when the parent company does not prepare consolidated accounts; or
(b) when some subsidiaries are charities (consistency is not needed between the framework used for these and for other subsidiaries).

Where the directors of a parent company prepare IAS group accounts and IAS individual accounts, there only has to be consistency across the individual financial statements of the subsidiaries.

A2.5 All companies, other than those which elect or are required to prepare IAS individual accounts in accordance with the Act, prepare Companies Act individual accounts.

Financial instruments measured at fair value

A2.5A Paragraph 8 of FRS 101 permits qualifying entities that are not financial institutions to take advantage of exemptions from the disclosure requirements of IFRS 7 Financial
Instruments: Disclosures and IFRS 13 Fair Value Measurement. However, as noted in paragraph 4A of FRS 101 a qualifying entity must comply with any relevant legal requirements that are applicable to it.

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

1. Subject to sub-paragraphs (2) to (5), financial instruments (including derivatives) may be included at fair value.

2. Sub-paragraph (1) does not apply to financial instruments that constitute liabilities unless—
   (a) they are held as part of a trading portfolio,
   (b) they are derivatives, or
   (c) they are financial instruments falling within sub-paragraph (4).

3. Unless they are financial instruments falling within sub-paragraph (4), sub-paragraph (1) does not apply to—
   (a) financial instruments (other than derivatives) held to maturity,
   (b) loans and receivables originated by the company and not held for trading purposes,
   (c) interests in subsidiary undertakings, associated undertakings and joint ventures,
   (d) equity instruments issued by the company,
   (e) contracts for contingent consideration in a business combination, or
   (f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

4. Financial instruments which under 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.

[...]

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. Such disclosures should be based on extant standards.

A2.7A [Not used]
A2.7B [Not used]
A2.7C [Not used]
A2.7D In addition, qualifying entities that are preparing Companies Act accounts must provide the disclosures required by paragraph 55 of Schedule 1 to the Regulations which sets out requirements relating to financial instruments measured at fair value.

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**Equity method in separate financial statements**

A2.7E Paragraph 29A of Schedule 1 to the Regulations permits participating interests to be accounted for using the equity method. However, Schedules 2 and 3 to the Regulations do not include an equivalent paragraph. Therefore entities applying either Schedule 2 or Schedule 3 to the Regulations may not take advantage of the option in paragraph 10(c) of IAS 27 *Separate Financial Statements* to account for investments in subsidiaries, joint ventures and associates using the equity method.

**Presentation of fair value gains and losses in other comprehensive income**

A2.7F IFRS 9 *Financial instruments* requires qualifying entities to present fair value gains or losses attributable to changes in own credit risk in other comprehensive income. This will usually be a departure from the requirement of paragraph 40 of Schedule 1 to the Regulations, for the overriding purpose of giving a true and fair view. As a result, when applicable, disclosure will need to be given in the notes to the accounts of ‘particulars of the departure, the reasons for it and its effect’ (paragraph 10(2) of Schedule 1 to the Regulations).

**Non-amortisation of goodwill**

A2.8 A qualifying entity preparing accounts in accordance with FRS 101 may have recognised goodwill which, in accordance with IFRS 3 *Business Combinations*, is not amortised. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to the Regulations, which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill will usually be a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. In this circumstance there will need to be given in the notes to the accounts ‘particulars of the departure, the reasons for it and its effect’ (paragraph 10(2) of Schedule 1 to the Regulations). This is not a new instance of the use of the ‘true and fair override’ as paragraph 18 of FRS 10 *Goodwill and intangible assets* noted that it would have been required by companies applying paragraph 17 of FRS 10 which states ‘Where goodwill and intangible assets are regarded as having indefinite useful economic lives, they should not be amortised.’

A2.8A In addition, similar considerations may apply to intangible assets that are not amortised because they have an indefinite life and intangible assets that have a residual value that is not zero.

**Presentation and formats**

A2.9 A qualifying entity preparing accounts in accordance with FRS 101 must comply with the company law format requirements applicable to the statement of financial position and the statement of comprehensive income.

A2.9A A qualifying entity choosing to apply paragraphs 1A(1) and 1A(2) of Schedule 1 to the Regulations, which permit a company to adapt the formats providing that the information given is at least equivalent to that which would have been required by the formats set out in the Regulations, shall apply the relevant presentation requirements of IAS 1, subject to:

(a) the disclosure of profit or loss before taxation and the amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* set out in paragraph AG1(g) of this FRS; and

(b) any further disaggregation of the statement of financial position, for example in relation to trade and other receivables and trade and other payables, (which may
be provided in the notes to the financial statements) that is necessary to meet the requirement to give equivalent information.

This option is not available to a qualifying entity applying Schedule 2 or Schedule 3 to the Regulations.

A2.9B For a qualifying entity not permitted or not choosing to apply paragraphs 1A(1) and 1A(2) of Schedule 1 to the Regulations the format and presentation requirements of IAS 1 Presentation of Financial Statements may conflict with those in company law because of the following:

(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).

(b) Differences in the definition of ‘current assets’ as the term is used in the Regulations and EU-adopted IFRS.

(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). 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 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 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’.

A2.10 In relation to paragraph A2.9B(d), in most cases it will be satisfactory to disclose the size of debtors due after more than one year in the notes to the accounts. There will be some instances, however, where the amount is so material in the context of the total net current assets that in the absence of disclosure of the debtors due after more than one year on the face of the balance sheet readers may misinterpret the accounts. In such circumstances, the amount should be disclosed on the face of the balance sheet within current assets.

A2.10A A qualifying entity that has a disposal group must ensure that its presentation of the disposal group, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, meets company law requirements. A single line presentation of non-current assets (or liabilities) held for sale will usually not meet company law requirements. Therefore additional disaggregation shall be provided either in the statement of financial position or in the notes. When the items are material this shall be on the face of the statement of financial position.

A2.11 Schedule 2 and Schedule 3 to the Regulations require the separate disclosure of extraordinary items in the profit and loss account. A qualifying entity applying Schedule 2 or Schedule 3 and preparing financial statements in accordance with FRS 101 must therefore disclose items that are deemed to be extraordinary items separately in the statement of comprehensive income. Entities should note that extraordinary items are extremely rare as they relate to highly abnormal events or transactions.

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8 Assets of an entity which are intended for use on a continuing basis in the entity’s activities.
Notes to the financial statements

A2.11A Paragraph 42(2) of Schedule 1 to the Regulations requires the notes to the financial statements to be presented in the order in which, where relevant, the items to which they relate are presented in the statement of financial position and the income statement. A qualifying entity preparing financial statements in accordance with FRS 101 shall have regard to this requirement when determining a systematic manner for the presentation of its notes to the financial statements in accordance with paragraphs 113 and 114 of IAS 1.

A2.11B Paragraph 68 of Schedule 1 to the Regulations requires particulars of turnover to be disclosed, including the amount of turnover attributable to each class of business carried on by the company. When relevant, turnover attributable to different geographical markets must also be disclosed. Although this FRS provides an exemption from paragraph 114 of IFRS 15 Revenue from Contracts with Customers, the requirements of the Regulations shall still be complied with.

Realised profits

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 Directive

A2.13 Paragraph 39 of Schedule 1 to the Regulations allows stocks, investment property and living animals and plants to be held at fair value in Companies Act accounts.

A2.14 Paragraph 40(2) of Schedule 1 to the Regulations then requires that movements in the value of financial instruments, investment properties or living animals or plants are recognised in the profit and loss account, notwithstanding the usual restrictions allowing only realised profits and losses to be included in the profit and loss account. Paragraph 40 of Schedule 1 to the Regulations thereby overrides the requirements of Paragraph 13(a) of Schedule 1.

A2.15 Entities measuring investment properties, living animals or plants, or financial instruments at fair value should note that they may transfer such amounts to a separate non-distributable reserve instead of carrying them forward in retained earnings but are not required to do so. Presenting fair value movements that are not distributable profits in a separate reserve may assist with the identification of profits available for that purpose.

A2.16 Entities should also continue to note that whether profits are available for distribution must be determined in accordance with applicable law. Entities may also refer to the Technical Release 02/17BL Guidance on Realised and Distributable Profits under the Companies Act 2006 issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland or any successor document, to determine profits available for distribution.

Accounting for investment entities

A2.17 FRS 101 is not applicable to the preparation of consolidated financial statements as it is only applicable to the individual financial statements of a qualifying entity. However, the requirement set out in paragraph 11A of IAS 27 Separate Financial Statements which states:

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20 FRS 101 (March 2018)
“If a parent is required, in accordance with paragraph 31 of IFRS 10 to measure its investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9, it shall also account for its investment in a subsidiary in the same way in its separate financial statements.”

will be applicable to the treatment of investments in subsidiaries in the individual financial statements of a qualifying entity applying FRS 101, if the entity meets the definition of an investment entity in IFRS 10 Consolidated Financial Statements. In other words, a qualifying entity that meets the definition of an investment entity under IFRS 10 must measure its investment in subsidiaries at fair value through profit or loss in its individual financial statements.

A2.18 The Regulations permit investments in subsidiaries to be measured on three different bases as follows:
(a) at historical cost using the historical cost accounting rules; 
(b) at fair value with fair value movements recognised in reserves using the alternative accounting rules; or 
(c) at fair value with fair value movements recognised in profit or loss using the fair value accounting rules.

A2.19 The requirement to measure investments in subsidiaries at fair value through profit or loss under paragraph 11A of IAS 27 does not conflict with these requirements but merely restricts the measurement bases that an investment entity may apply to such investments.

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 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.

LLPs

A2.21 Limited liability partnerships (LLPs) applying FRS 101 will be doing so in conjunction with the LLP Regulations. In many cases these regulations are similar to the Regulations, limiting the situations in which legal matters relevant to the financial statements of LLPs are not addressed in this appendix.
Table I

Areas for consideration by a qualifying entity preparing accounts in accordance with FRS 101 Reduced Disclosure Framework, in order to ensure compliance with the Act

<table>
<thead>
<tr>
<th>IFRS</th>
<th>Explanation/potential issues</th>
<th>Amendment to EU-adopted IFRS</th>
</tr>
</thead>
</table>
| IFRS 1 | Assets and liabilities of a parent or subsidiaries  
IFRS 1 provides an option for a subsidiary that becomes a first-time adopter later than its parent, which allows the subsidiary to measure its assets and liabilities at the carrying amounts that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS (D16).  
Under IFRS 1, if a parent becomes a first-time adopter later than in its consolidated financial statements, it shall measure its assets and liabilities at the same carrying amounts as in the consolidated financial statements (D17).  
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 applied in the consolidated financial statements. | 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. |
| IFRS 3 | Negative goodwill  
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. | Amended IFRS 3.34 to align with FRS 102, Section 19 Business Combinations and Goodwill, paragraph 19.24. |
<table>
<thead>
<tr>
<th>IFRS</th>
<th>Explanation/potential issues</th>
<th>Amendment to EU-adopted IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 5</td>
<td><em>Analysis of results of discontinued operation</em></td>
<td>Removed the option in IFRS 5.33 to present the analysis in the notes to the accounts. The information must be presented on the face of the statement of comprehensive income in a columnar format.</td>
</tr>
<tr>
<td></td>
<td>IFRS 5 allows the analysis of post-tax results of discontinued operations to be presented on the face of the statement of comprehensive income or in the notes (IFRS 5.33). The Regulations require an entity to show totals for turnover, profit or loss before taxation and tax arising from ordinary activities on the face of the profit and loss account.</td>
<td></td>
</tr>
<tr>
<td>IAS 1</td>
<td><em>Formats</em></td>
<td>IAS 1.53A and IAS 1.81C are inserted to disapply IAS 1.54 to IAS 1.76, IAS 1.82 and IAS 1.84 to IAS 1.86, unless certain options in Schedule 1 to the Regulations are chosen.</td>
</tr>
<tr>
<td></td>
<td>The format requirements applicable under IAS 1 and those under the Regulations may be incompatible.</td>
<td></td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>IAS 1 does not permit the presentation of extraordinary items (IAS 1.87) however, for some companies the Regulations require it.</td>
<td>Amended IAS 1.87 and inserted IAS 1.87A and IAS 1.87B to include the definition of extraordinary items consistent with that in FRS 102, Section 5 <em>Statement of comprehensive income and income statement</em>, paragraphs 5.10A and 5.10B.</td>
</tr>
<tr>
<td>Realised profits</td>
<td>IAS 1 requires the recognition of all income and expenses in profit or loss, unless otherwise required or permitted by an IFRS (IAS 1.88). The Regulations require that, subject to specific exemptions, only profits realised at the balance sheet date are included in the profit and loss account (see paragraphs A2.12 to A2.15 above).</td>
<td>Amended IAS 1.88 to clarify the precedence of the Act.</td>
</tr>
<tr>
<td></td>
<td>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 is not compliant with the Regulations.</td>
<td></td>
</tr>
<tr>
<td>IFRS</td>
<td>Explanation/potential issues</td>
<td>Amendment to EU-adopted IFRS</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td>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 in EU-adopted IFRS is not compliant with the Regulations.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix III
Republic of Ireland legal references

Introduction

A3.1 The table below outlines the provisions in the Companies Act 2014 corresponding to the provisions of the UK Companies Act 2006 (the Act) and the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) (SI 2008/410) referred to in this FRS, unless the UK legal reference in this FRS is already footnoted with an Irish reference, or written separately in an Irish context. References to the Companies Act 2014 in this FRS, including in this appendix, are to the Companies Act 2014, as amended by the Companies (Accounting) Act 2017 and the Companies (Amendment) Act 2017.

Company law is structured differently in the two jurisdictions. The Companies Act 2014 consists of 26 ‘Parts’ such that:

- Parts 1 to 14 (along with the relevant Schedules) apply to private companies limited by shares (LTDs);
- Parts 16 to 24 cover the other types of companies under the Companies Act 2014 – eg designated activity companies (DACs), public limited companies (PLCs), and companies limited by guarantee (CLGs); and
- Parts 15, 25 and 26 cover Functions of the Registrar and of Regulatory and Advisory Bodies; Miscellaneous provisions; and reports on Payments to Governments, respectively.

The provisions of Parts 1 to 14 also apply to the other types of companies, unless disapproved or modified by the relevant Part (eg Part 16 for DACs). References in the text of this FRS, including in the table below, are to the primary source of requirements in Parts 1 to 14 of, and the relevant Schedules to, the Companies Act 2014 as pertaining to a private company limited by shares. For other company types, reference should be made to the relevant Part of the Companies Act 2014 as applicable.

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 ‘IFRS financial statements’ in Irish company law.

For the purposes of the table below, where general references are made in the text of this FRS to Schedules to the Regulations, the approach taken is that the corresponding Schedule to the Companies Act 2014 is referenced. For example, the corresponding reference used for Schedule 1 to the Regulations is Schedule 3 to the Companies Act 2014 (Accounting principles, form and content of entity financial statements). Likewise, the corresponding Irish references used for Schedule 2 and for Schedule 3 to the Regulations are the following, respectively:

- the European Union (Credit Institutions: Financial Statements) Regulations 2015 (S.I. No. 266 of 2015) (Credit Institutions Regulations 2015); and

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10 For information, the Companies (Statutory Audits) Bill 2017 proposes the insertion of a new Part 27 to Companies Act 2014 dealing with statutory audit. This Bill is due to be enacted during 2018.

Similar to the approach noted in paragraph A2.2 of Appendix II of this FRS, where reference is made in this Appendix to Schedule 3 to the Companies Act 2014, Irish entities applying the Credit Institutions Regulations 2015 or the Insurance Undertakings Regulations 2015 (as amended) should read the references as referring to the corresponding paragraphs in those regulations where applicable. The requirements of Schedule 3 to the Companies Act 2014 are not necessarily the same as those contained in the Credit Institutions Regulations 2015 or in the Insurance Undertakings Regulations 2015 (as amended) in all cases. References should be made to the specific requirement as appropriate.

A3.3 The following Irish legislation is also referenced in the table below:
• The Building Societies Act, 1989;
• The Charities Act 2009;
• The Central Bank Act, 1971;
• The Credit Union Acts 1997 to 2012; and
• The Friendly Societies Acts 1896 to 2014.

Companies Act financial statements under Irish company law

A3.4 Certain entities are permitted under Irish company law to prepare their Companies Act financial statements under a financial reporting framework based on accounting standards other than those issued by the Financial Reporting Council (FRC). Specifically, and subject to certain conditions:
• Pursuant to section 279 of the Companies Act 2014, relevant holding companies are permitted to prepare ‘Companies Act entity financial statements’ and/or ‘Companies Act group financial statements’ in accordance with US GAAP, as modified to ensure consistency with Irish company law.
• Investment companies subject to Part 24 of the Companies Act 2014 or the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) may adopt an alternative body of accounting standards, being standards which apply in the United States of America, Canada or Japan in preparing ‘Companies Act entity or group financial statements’ or ‘Companies Act entity financial statements’ respectively.

Such entities, therefore, may adopt standards other than those issued by the FRC in preparing Companies Act financial statements under Irish company law.

Other notes

Financial Instruments measured at fair value

A3.5 There are a number of UK legal references, primarily in Appendix II, to paragraph 36 of Schedule 1 to the Regulations in respect of the measurement of financial instruments at fair value. The corresponding reference in the Companies Act 2014 is paragraph 38 of Schedule 3 to the Companies Act 2014.

It should also be noted, however, that the wording in paragraphs 51 and 52 of Schedule 1 to the Credit Institutions Regulations 2015 and in paragraphs 46 and 47 of Schedule 1 to the Insurance Undertakings Regulations 2015 (as amended) differ to that
used in Schedule 3 to the Companies Act 2014, and reference should be made to these paragraphs where applicable.

**Accounting for changes in fair value of financial instruments**

A3.6 Paragraph A2.7F in Appendix II to this FRS discusses a potential departure from UK law for the overriding purpose of giving a true and fair view (also discussed in paragraph 39 of the Basis for Conclusions). Paragraph 41(3) of Schedule 3 to the Companies Act 2014, as distinct from UK law, cross references the rules in respect of the accounting for changes in the fair value of financial instruments to IFRS, thereby allowing any changes in the fair value of financial instruments to be accounted for under any approach permitted under IFRS. Consequently, presenting fair value gains or losses attributable to changes in own credit risk in other comprehensive income in accordance with IFRS 9 will not require a true and fair override.

It should also be noted, however, that the wording in paragraph 56 of Schedule 1 to the Credit Institutions Regulations 2015 and in paragraph 51 of Schedule 1 to the Insurance Undertakings Regulations 2015 (as amended) differ to that used in Schedule 3 to the Companies Act 2014, and reference should be made to these paragraphs where applicable. Consequently, for entities applying those regulations, presenting fair value gains or losses attributable to changes in own credit risk in other comprehensive income in accordance with IFRS 9 will usually require a true and fair override.

**Stock at fair value**

A3.7 Paragraph 39 of Schedule 1 to the Regulations permits stocks to be included at their fair value, when applying fair value accounting. Irish company law does not permit stock to be included in the financial statements at fair value.

**Financial Institution**

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

<table>
<thead>
<tr>
<th>Glossary to FRS 101</th>
<th>UK references</th>
<th>RoI references</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘financial institution’ and footnote 5</td>
<td>Part 4A permission; Section 55A of the Financial Services and Markets Act 2000</td>
<td>There is no equivalent 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.</td>
</tr>
<tr>
<td>‘financial institution’</td>
<td>Section 119(1) of the Building Societies Act 1986</td>
<td>Section 2(1) of the Building Societies Act, 1989</td>
</tr>
</tbody>
</table>
**Limited Liability Partnerships**

A3.9 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) and legislation relating thereto. There is no such equivalent legislation in Ireland, 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).

**Other**

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 corresponding 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.

**Overview**

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>UK references</th>
<th>RoI references</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Act and the Regulations (unless otherwise stated)</td>
<td>Companies Act 2014</td>
</tr>
<tr>
<td>(v)</td>
<td>Section 395(1)</td>
<td>Sections 290(3), 290(4)</td>
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**FRS 101 Reduced Disclosure Framework**

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# Appendix I Glossary

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<tr>
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<tr>
<td>'financial institution' and footnote 5</td>
<td>Part 4A permission; Section 55A of the Financial Services and Markets Act 2000</td>
<td></td>
<td>There is no equivalent 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.</td>
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<tr>
<td>'financial institution'</td>
<td>Section 119(1) of the Building Societies Act 1986</td>
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<td>Section 2(1) of the Building Societies Act, 1989 Refer also to A3.8 in the introduction to this Appendix.</td>
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<tr>
<td>'financial institution'</td>
<td>Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979</td>
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<td>Credit Union Acts 1997 to 2012 Refer also to A3.8 in the introduction to this Appendix.</td>
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<td>'financial institution'</td>
<td>Friendly Societies Act 1992; section 7(1)(a) of the Friendly Societies Act 1974</td>
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<td>Friendly Societies Acts 1896 to 2014 Refer also to A3.8 in the introduction to this Appendix.</td>
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<td>'individual financial statements'</td>
<td>Section 394</td>
<td>Section 290</td>
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</table>
| 'individual financial statements' | Section 132 of the Charities Act 2011 | | Section 48 of the Charities Act 2009 provides that certain charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by Regulations of the Minister. At the date of publication of this FRS, no Regulations regarding the form and content of charities’ annual statements of accounts have been published. Charity companies are required to prepare financial statements, which give a true and fair view in accordance with the Companies Act. Section 290(5) of the Companies Act 2014 requires that a company ‘not trading for the acquisition of gain by its
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<td><strong>Paragraph</strong></td>
<td><strong>Act and the Regulations (unless otherwise stated)</strong></td>
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<td>members’ must prepare Companies Act financial statements (ie not IFRS financial statements), and this provision may apply to many Irish charity companies.</td>
</tr>
<tr>
<td>‘individual financial statements’</td>
<td>Section 72A of the Building Societies Act 1986</td>
</tr>
<tr>
<td>‘qualifying entity’ (Footnote 6)</td>
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## Appendix II  Note on legal requirements

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<td>A2.7</td>
<td>Paragraph 36(4) of Schedule 1 to the Regulations</td>
<td>Refer to A3.5 in the Introduction to this Appendix.</td>
</tr>
<tr>
<td>A2.7</td>
<td>(Footnote 7) 'The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (SI 2008/409) contain an identical provision for companies subject to the small companies regime,’</td>
<td>'Schedule 3A to the Companies Act 2014 contains an identical provision for companies subject to the small companies regime’</td>
</tr>
<tr>
<td>A2.7</td>
<td>(Footnote 7) The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913)</td>
<td>Refer to A3.9 in the Introduction to this Appendix.</td>
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<tr>
<td>Paragraph</td>
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<tr>
<td>A2.7 (Footnote 7)</td>
<td>The Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912)</td>
<td>Refer to A3.9 in the Introduction to this Appendix.</td>
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<td>A2.7D</td>
<td>Paragraph 55 of Schedule 1 to the Regulations</td>
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<td>A2.7E</td>
<td>Paragraph 29A of Schedule 1 to the Regulations</td>
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<td>A2.7F</td>
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<td>A2.9A</td>
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**Table I**

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### Basis for Conclusions

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<td>24</td>
<td>The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (SI 2016/575)</td>
<td>Refer to A3.9 in the Introduction to this Appendix.</td>
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FRS 101 (March 2018)
Approval by the FRC

FRS 101 Reduced Disclosure Framework was approved for issue by the Financial Reporting Council on 1 November 2012.

Amendments to FRS 101 Reduced Disclosure Framework (2013/14 Cycle) was approved for issue by the Financial Reporting Council on 2 July 2014.

Amendments to FRS 101 Reduced Disclosure Framework – 2014/15 cycle and other minor amendments was approved for issue by the Financial Reporting Council on 1 July 2015.

Amendments to FRS 101 Reduced Disclosure Framework – 2015/16 cycle was approved for issue by the Financial Reporting Council on 28 June 2016.

Amendments to FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Notification of shareholders was approved for issue by the Financial Reporting Council on 7 December 2016.


Basis for Conclusions
FRS 101 Reduced Disclosure Framework

This Basis for Conclusions\textsuperscript{11} accompanies, but is not part of, FRS 101 Reduced Disclosure Framework and summarises the main issues considered by the Financial Reporting Council (FRC) in developing FRS 101.

Feedback from a number of exposure drafts and consultation documents has been considered in the development of FRS 101 (see Table 1 at the end of this Basis for Conclusions). Unless otherwise stated, respondents to the consultations supported the proposals made; detailed feedback statements to all consultations are available on the FRC website.

The effective dates and any transitional arrangements for FRS 101, and any amendments to it, are set out in the FRS.

1 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.

2 When applying FRS 101 and deciding which disclosure exemptions to take advantage of, entities should bear in mind the need to ensure that disclosures are relevant and targeted to meet the needs of users.

Objective

3 In developing financial reporting standards, the overriding objective of the FRC 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.

4 In achieving this objective, the FRC aims to provide succinct financial reporting standards that:
   (a) have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
   (b) balance improvement, through reflecting up-to-date thinking and developments in the way businesses operate and the transactions they undertake, with stability;
   (c) balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users’ information needs;
   (d) promote efficiency within groups; and
   (e) are cost-effective to apply.

FRS 101 principles

5 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 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.

6 A qualifying entity may apply the reduced disclosure framework regardless of the financial reporting framework applied in the consolidated financial statements of the group.

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.

(1) Relevance:
   Does the disclosure requirement provide information that is capable of making a difference to the decisions made by the users of the financial statements of a qualifying entity?

(2) Cost constraint on useful financial reporting:
   Does the disclosure requirement impose costs on the preparers of the financial statements of a qualifying entity that are not justified by the benefits to the users of those financial statements?

(3) Avoid gold plating:
   Does the disclosure requirement override an existing exemption provided by company law in the UK?

8 In the 2015/16 cycle, further consideration was given to how the principle of ‘relevance’ should be applied in the context of disclosure by qualifying entities. It was noted that qualifying entities usually have few users of their financial statements, and particularly few users that would be external to the group that the qualifying entity is part of. Any external users are likely to be providers of credit to the qualifying entity whose interest is generally likely to be focused on information about the liquidity and solvency of the qualifying entity. This is because that information might be relevant to the ability of the qualifying entity to pay (or repay) any credit advanced.

9 Respondents to the 2015/16 cycle continued to support these principles.

Annual reviews of FRS 101

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.

11 Table 2 to this Basis for Conclusions sets out the IASB publications considered in the development of FRS 101 to date. These publications were reviewed in the context of the reduced disclosure framework for any amendments that:

(a) altered disclosure requirements for consideration as to whether changes to the disclosure exemptions included in FRS 101 were necessary; and / or

(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 for compliance with the Act and the Regulations to FRS 101 were necessary.
Scope

12 During the development of FRS 101, early exposure drafts proposed that only qualifying subsidiaries could apply the reduced disclosure framework; however, this was extended in later proposals so that the ultimate parent of a group may take advantage of the reduced disclosure framework in its individual financial statements.

13 In clarifying the scope of FRS 101, a qualifying entity which is required to prepare consolidated financial statements (for example, if the entity is required by section 399 of the Act to prepare group accounts, and is not entitled to any of the exemptions in sections 400 to 402 of the Act), or a qualifying entity which voluntarily chooses to prepare consolidated financial statements, should not be permitted to apply the reduced disclosure framework in its consolidated financial statements. It was recognised that entities which are required or voluntarily choose to prepare consolidated financial statements generally have users with greater information requirements than the users of entities which only prepare individual financial statements. Some respondents questioned the proposal not to extend the reduced disclosure framework to consolidated financial statements, however it was noted that the concerns raised were industry-specific and the users of those financial statements had greater information requirements.

Financial institutions

14 With the elimination of ‘public accountability’ as a differentiator for the financial reporting framework (see the Basis of Conclusions to FRS 100 Application of Financial Reporting Requirements), it was necessary to reconsider which entities should be eligible to apply the reduced disclosure framework.

15 It was proposed that disclosure requirements for financial institutions should be consistent between those institutions required to provide additional disclosures in accordance with FRS 102 and those that are a qualifying entity applying FRS 101. Views were sought on whether qualifying entities which are financial institutions should:

(a) provide the disclosures required by IFRS 7 Financial Instrument: Disclosures and IFRS 13 Fair Value Measurement; or

(b) be allowed some exemptions from the disclosure requirements of IFRS 7 and IFRS 13 to provide consistency with FRS 102.

16 Respondents had mixed views. Some held the view that financial institutions should be permitted some exemptions from financial instrument disclosures because those in FRS 102 are less extensive than IFRS, but others disagreed on the basis that financial instruments are a significant part of the business for financial institutions and that these entities should provide an appropriate level of disclosure. It was concluded that there should be no exemptions from IFRS 7 for financial institutions to ensure they provide appropriate disclosure about their financial instruments.

17 Some respondents noted that there was an inconsistency in the application of the disclosure requirements in IFRS 13 between financial institutions and other entities. The inconsistency arises because financial institutions would be required to provide disclosures for assets and liabilities held at fair value that are not financial instruments whereas other entities would be exempt. Therefore a qualifying entity that is a financial institution is restricted from taking advantage of the disclosure exemptions from IFRS 13 only to the extent that they apply to financial instruments.

18 Financial institutions are not permitted to take advantage of the exemption from applying the capital disclosure requirements in IAS 1 Presentation of Financial Statements as these disclosures provide information relevant to financial institutions.
Amendments to the definition of a financial institution (December 2017)

19 In December 2017 as part of the Triennial review 2017 amendments the definition of a financial institution was amended, following stakeholder feedback about how the definition was being applied in practice. After considering a number of options, the principle included in the financial institution definition was amended to remove references to ‘generate wealth’ and ‘manage risk’. This change should help to reduce the interpretational difficulties and should reduce the number of entities meeting the definition of a financial institution.

20 Respondents noted that judgement will still need to be applied in determining whether an entity meets the definition of a financial institution, and that the inclusion of stockbrokers on the list will give rise to particular difficulties as they are generally dissimilar from the other entities, in that they do not hold financial instruments on behalf of others. Consequently, stockbrokers have been removed from the list.

21 Respondents also noted the difficulties in applying the previous definition to group treasury companies. Some of these issues will have been alleviated by the change in the definition, but whether or not a group treasury company is a financial institution will depend on the individual facts and circumstances. Judgement will need to be applied in determining whether a group treasury company is similar to the other entities listed in the definition of a financial institution.

Implementation of the EU Accounting Directive

22 The EU Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013) was implemented in the UK in 2015. In doing so, changes to company law to reflect new requirements and, when considered appropriate, to take advantage of new options that are available, were made. Accounting standards are developed within the context of company law and consequently amendments were required to accounting standards.

23 A small number of amendments, principally to the Application Guidance to FRS 101, were necessary to maintain consistency between FRS 101 and company law. The details of these amendments are included in the discussion under the relevant IFRS below.

Changes to the LLP Regulations

24 Paragraph A2.21 was amended following the issue of The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (SI 2016/575) in May 2016, as the LLP Regulations had been amended to reflect the changes made to company law on implementation of the EU Accounting Directive.

Notification of shareholders

25 Respondents to the 2015/16 cycle raised concerns about the cost-effectiveness of the requirement to notify shareholders about the intention to take advantage of the reduced disclosure framework. The requirement was intended to protect minority shareholders by giving them the opportunity to object to the use of reduced disclosures. Respondents also raised concerns about there being insufficient guidance available on how to apply the requirement in practice, which was leading to uncertainty and diversity in practice. One area of uncertainty relates to the frequency with which notification is required.

26 The requirement to notify shareholders of the intention to take advantage of reduced disclosures was removed from FRS 101 and FRS 102 in December 2016 for the following reasons:
(a) The overall level of disclosure required by FRS 101 is not less than that required by previous UK accounting standards, taking into account exemptions that were available for subsidiaries. Indeed, disclosure may be greater in some areas. In addition, the overall level of disclosure may be greater than that required by FRS 102, which will also be an option available to qualifying entities applying FRS 101.

(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).

(c) Notifying all shareholders of an ultimate parent entity in writing could lead to a significant cost being incurred.

(d) A shareholder that controls a qualifying entity can exercise that control in relation to the financial reporting of its subsidiary without the need for an additional opportunity to object.

(e) A qualifying entity is required to disclose a summary of the disclosure exemptions adopted. Therefore, although there may be some qualifying entities that adopt FRS 101 from a later date, many will now have adopted FRS 101 for the first time and any prospective shareholders will be aware of the use of the reduced disclosure framework from the prior period financial statements.

(f) Company law does not generally require shareholder agreement, or provide an opportunity to object, to disclosure exemptions. However, company law does provide shareholders with other rights to influence the company’s actions and protections for minority shareholders.

27 In conclusion, the requirement was removed in December 2016 because complying with the requirement was no longer considered cost-effective in practice and sufficient information would continue to exist for minority shareholders to understand the effects of the reduced disclosure framework.

28 Some respondents suggested further consideration be given to retaining the right to object for shareholders holding a specified proportion of the voting rights. However, this was not considered necessary given the information available to shareholders and their existing rights.

**IFRS 1 First-time Adoption of International Financial Reporting Standards**

**Presentation of an opening statement of financial position on transition**

29 In the 2014/15 cycle, a query originally raised by a respondent to the 2013/14 cycle was revisited. The respondent highlighted that although FRS 101 provides an explicit exemption from paragraph 10(f) of IAS 1 *Presentation of Financial Statements* there is no explicit exemption from a similar requirement set out in paragraph 21 (and paragraph 6) of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to present a third statement of financial position:

(a) Paragraph 10(f) of IAS 1 requires the presentation of a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of its financial statements.

(b) Paragraph 6 of IFRS 1 requires an entity to prepare and present an opening statement of financial position at the date of transition, and paragraph 21 of IFRS 1 requires that an entity’s first IFRS financial statements should include at least three statements of financial position.
It was also noted that paragraph 35.7 of the IFRS for SMEs was amended in developing FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland to require the preparation of, but not the presentation of, an opening statement of financial position in the first set of financial statements prepared under FRS 102. Therefore FRS 101 was both internally inconsistent and inconsistent with FRS 102. As a result, an exemption from the requirement in IFRS 1 to present an opening statement of financial position on transition to FRS 101 was introduced. Paragraph 11(b) of FRS 100 was also amended for consistency.

**IFRS 3 Business Combinations**

**Contingent consideration**

In December 2013, the IASB issued its Annual Improvements to IFRSs (2010–2012 Cycle) that, inter alia, amended the requirements in relation to contingent consideration set out in paragraphs 40 and 58 of IFRS 3 Business Combinations. Consequently, an editorial amendment to the Application Guidance to FRS 101 was proposed in the 2014/15 cycle.

At the time, the Application Guidance already amended paragraphs 39 and 40 and deleted paragraph 58 of IFRS 3 for compliance with company law that, prior to the implementation of the EU Accounting Directive, did not permit contingent consideration to be measured at fair value. Following the implementation of the EU Accounting Directive in 2015 these requirements of IFRS 3 were no longer inconsistent with company law, therefore paragraphs AG1(d) and (e) were deleted and replaced with a new paragraph AG1(d) that sets out transitional provisions arising from the change in company law.

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

In July 2012, the IASB issued a set of editorial amendments which included the deletion of paragraph 33(b)(iv) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Therefore an editorial amendment to the underlying text included in paragraph AG1(g) of the Application Guidance to FRS 101 was proposed in the 2014/15 cycle. However, in September 2014 (after the cut-off period for that review cycle) the IASB retracted this editorial amendment. The proposed amendment of paragraph AG1(g) of the Application Guidance to FRS 101 was no longer necessary and was not made.

**IFRS 7 Financial Instruments: Disclosures**

Prior to its deletion in the 2013/14 cycle, the intention of paragraph 6 of FRS 101 was to highlight, for qualifying entities that are companies, that even though the standard includes exemptions from IFRS 7 and IFRS 13, company law requires certain disclosures in relation to financial instruments measured at fair value. Feedback from stakeholders was received indicating that it was not clear if this paragraph applied to qualifying entities that were not companies, and it was potentially confusing.

All entities applying FRS 101 (regardless of whether they are companies or not) may take advantage of any disclosure exemptions permitted in the standard unless the law or other relevant legislation requires otherwise.

Consequently, paragraph 6 was deleted from FRS 101 and replaced with a general reminder in paragraph 4A highlighting that financial statements prepared in accordance with FRS 101 are Companies Act accounts, not IAS accounts, and therefore must comply with the requirements of company law and any other relevant legislation.
Paragraph 5(b) was also amended to clarify that the Application Guidance to FRS 101 is an integral part of the standard and is applicable to all qualifying entities, not just those that are companies.

**IFRS 9 Financial instruments**

38 In July 2014, the IASB issued IFRS 9 *Financial Instruments* combining the outputs from the classification and measurement, hedge accounting and impairment projects to date, and amended the requirements of IFRS 7.

39 One aspect of the recognition and measurement requirements of IFRS 9 is inconsistent with company law – that which relates to where changes in fair value are presented. For entities applying FRS 101, recording fair value gains and losses attributable to changes in credit risk in other comprehensive income in accordance with IFRS 9 will usually be a departure from the requirement of paragraph 40 of Schedule 1 to the Regulations, for the overriding purpose of giving a true and fair view. Consequently, paragraph A2.20 was amended in FRS 101 in the 2014/15 cycle.

**IFRS 10 Consolidated Financial Statements**

*Investment Entities*

40 In October 2012, the IASB introduced into IFRS 10 *Consolidated Financial Statements* an exception to consolidation in respect of subsidiaries for parents that are investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. These amendments were considered in the 2013/14 cycle.

41 FRS 101 is not applicable to the preparation of consolidated financial statements, however the amendments to IFRS 10 in respect of investment entities have a knock-on effect on the preparation of individual financial statements as paragraph 11A of IAS 27 *Separate Financial Statements* states that "if a parent is required, in accordance with paragraph 31 of IFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9, it shall also account for those investments in the same way in its separate financial statements". Therefore paragraphs A2.17 to A2.20 were inserted into Appendix II *Note on legal requirements* to clarify that a qualifying entity that meets the definition of an investment entity under IFRS 10 must measure its investments in subsidiaries at fair value through profit or loss in its individual financial statements.

**IFRS 12 Disclosure of Interests in Other Entities**

42 The amendments to IFRS 10 issued in October 2012 introduced new disclosure requirements for investment entities into IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27. The new disclosure requirements are considered relevant to a user’s understanding of the qualifying entity’s financial statements, particularly as no consolidated financial statements would be prepared in respect of the exempt subsidiaries. Further, the qualifying entity would also be a financial institution and these disclosures relate to its financial instruments. Therefore no exemption was introduced for these new disclosure requirements.

43 One respondent questioned whether paragraphs 24 to 31 of IFRS 12 had been considered in relation to unconsolidated structured entities as paragraph 6(b) of

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12 As set out in the Appendix I *Glossary*, separate financial statements are included in the meaning of individual financial statements.
IFRS 12 states that “this IFRS does not apply to ... an entity’s separate financial statements to which IAS 27 Separate Financial Statements applies. However, if an entity has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply the requirements in paragraphs 24–31 when preparing those financial statements.”.

On further consideration, the disclosures required by that paragraph provide relevant information and no exemption was introduced. For the avoidance of doubt, the other requirements of IFRS 12 do not apply to the preparation of individual financial statements and therefore are not relevant to financial statements prepared by qualifying entities applying FRS 101.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers superseding IAS 18 Revenue and IAS 11 Construction Contracts. The disclosure requirements of IFRS 15 are significantly more detailed than those required by the previous standards, with the majority of the additional requirements being qualitative in nature around judgements exercised in the recognition and measurement of revenue.

Paragraph 111 of IFRS 15 calls for entities to consider the level of detail necessary to satisfy the disclosure objective to provide sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, and how much emphasis to place on each of the various requirements, requiring that entities aggregate/disaggregate as appropriate. So although the disclosure requirements are extensive, there is scope for entities to apply judgement in their preparation.

In the 2014/15 cycle, it was proposed that a more detailed review of IFRS 15 be deferred until the 2015/16 cycle, given that the effective date was not until 1 January 2018 and the EU endorsement was still incomplete.

In the 2015/16 cycle, it was noted that there would be greater interest from the users of the financial statements of a qualifying entity in information supporting the statement of financial position, rather than the income statement, and as a result disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 were introduced.

It was noted that qualifying entities are still required to provide the following disclosure requirements:

(a) company law requirements relating to disaggregation of turnover (which are reflected in paragraph A2.11B); and

(b) IAS 1 contains requirements relating to judgements having a significant effect on the amounts recognised in an entity’s financial statements.

For the avoidance of doubt, paragraph 117 (from which a qualifying entity is not exempt) cross-refers to paragraph 119. It is not necessary to comply with paragraph 119 in order to meet the requirements of paragraph 117.

**IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16 Leases superseding IAS 17 Leases. This standard was considered in the 2016/17 cycle.
**Single lease disclosure note**

52 Paragraph 52 of IFRS 16 requires a lessee to provide all lease disclosures in a single note or separate section in the financial statements, although information already presented elsewhere need not be duplicated, and may be cross-referenced instead.

53 Paragraph 42(2) of Schedule 1 to the Regulations requires entities to present the notes to the accounts in the order in which, where relevant, the items to which they relate are presented in the balance sheet and in the profit and loss account.

54 Although the requirement of IFRS 16 does not conflict with the Regulations, it would result in unnecessary additional work that would provide minimal additional benefits to the users of the financial statements. Therefore a disclosure exemption from paragraph 52 of IFRS 16 was introduced.

**Maturity analyses**

55 Paragraph 58 of IFRS 16 requires lessees to disclose “a maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 separately from the maturity analysis of other financial liabilities.” In addition, paragraphs 94 and 97 of IFRS 16 require lessors to disclose a maturity analysis of lease payments receivable from finance and operating leases respectively, without a cross-reference to IFRS 7.

56 FRS 101 provides an exemption from the requirements of IFRS 7 for non-financial institutions, provided equivalent disclosures are included in the consolidated financial statements of the group. Therefore, a lessee could take an exemption from paragraph 58 of IFRS 16 by virtue of its cross-reference to IFRS 7, whereas lessors could not, as no similar cross-reference to IFRS 7 exists.

57 It was proposed that no exemption should be introduced for lessees with respect to the maturity analysis of lease liabilities; however, respondents queried the extensive disclosures proposed for lease liabilities, when exemptions were available for other financial liabilities, particularly when company law requires an aggregate maturity analysis of details of indebtedness.

58 It was concluded that consistency is important and qualifying entities should not have different reporting burdens for economically similar transactions. Given that no feedback was received to suggest that the exemption from IFRS 7 was causing problems and therefore should be removed, this exemption was retained.

59 Further, it was considered that users would find separate disclosure of lease liabilities useful and consequently an exemption from paragraph 58 of IFRS 16 was introduced provided that the company law disclosure about details of indebtedness is separately presented for lease liabilities and other liabilities, and in total.

60 An exemption from paragraphs 94 and 97 of IFRS 16 was not introduced as no equivalent disclosure requirements exist under company law and these maturity analyses of lease receivables provide useful information to users about the lessor’s liquidity and solvency.

**Other disclosures for lessors**

61 Feedback was received from respondents, querying whether any additional disclosure exemptions should be given for lessors. The respondents highlighted that a number of detailed disclosure exemptions were introduced in the 2015/16 cycle in relation to IFRS 15 and exemptions should be introduced for similar disclosures for lessors in IFRS 16. Consequently, additional exemptions were introduced from paragraphs 89 (second sentence only), 90, 91 and 93 of IFRS 16.
IAS 1 Presentation of Financial Information

Comparatives for preceding periods

62 In May 2012, the IASB amended IAS 1 in its Annual Improvements to IFRSs 2009–2011 Cycle. Paragraphs 38A, 38B, 38C and 38D are concerned with comparative information in respect of the preceding period, and paragraphs 40A, 40B, 40C and 40D are concerned with a statement of financial position as at the beginning of the preceding period. Disclosure exemptions from all the above paragraphs are provided.

Financial statement formats

63 In the initial development of the standard, paragraph AG1(h) of FRS 101 clarified that a qualifying entity must comply with the company law format requirements. However, company law was changed in implementing the EU Accounting Directive in 2015, and now includes an option to adapt the formats. To ensure FRS 101 maintained consistency with company law, an amendment to paragraph AG1(h) of FRS 101 was made that introduced greater flexibility in relation to the format of the profit and loss account and balance sheet, which allows entities choosing this option to adopt a presentation that is closer to that applied by entities preparing ‘IAS accounts’.

Disclosure initiative

64 In December 2014, the IASB amended IAS 1 as part of its disclosure initiative project. The project clarified existing requirements and gave greater guidance, particularly on the application of materiality to disclosures, the levels of aggregation (or disaggregation) permitted and the order in which notes might be presented. No changes to disclosure requirements were made.

65 However, one area where additional guidance was included related to the systematic manner in which the notes to the financial statements are presented. Company law requires the notes to the financial statements to be presented in a certain order. The amendments to paragraphs 113 and 114 of IAS 1 do not require entities to present notes to the financial statements in an order that would conflict with this legal requirement; however, some of the examples of how to present notes in a systematic manner are unlikely to comply with company law. An additional paragraph (paragraph A2.11A) in Appendix II Note on legal requirements was inserted.

IAS 7 Statements of Cash Flows

Disclosure Initiative

66 In January 2016, the IASB amended IAS 7 Statement of Cash Flows inserting paragraphs 44A to 44E. The new paragraphs require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments were considered in the 2015/16 cycle.

67 It was concluded that an exemption from this new requirement should be available. FRS 101 already included an exemption from the requirements of IAS 7, and therefore no further amendments to FRS 101 were required.
IAS 24 Related Party Disclosures

Transactions with wholly owned subsidiaries

68 In the development of FRS 101, an exemption from disclosing a related party transaction in accordance with IAS 24 Related Party Disclosures was proposed when the related party transaction was entered into between two or more members of a group, provided that any subsidiary which is a party to a transaction is wholly owned by such a member. This exemption is consistent with company law and was well received by respondents. The exemption set out in paragraph 8(k) of FRS 101 should only be applied when all subsidiaries which are a party to the transaction are wholly-owned by a member of the group.

69 In December 2017 amendments were made to Appendix II Note on legal requirements to FRS 102 to clarify the FRC’s view that:

(a) This exemption may be applied to transactions between entities within a sub-group when the transacting subsidiary is wholly-owned by the intermediate parent of that sub-group, even if that intermediate parent is not wholly-owned by the ultimate controlling parent.

(b) This exemption may not be applied to transactions between entities in an intermediate parent’s sub-group (including the intermediate parent itself) and the entities in the larger group if the intermediate parent is not wholly-owned by the parent of that larger group.

Key management personnel services from management entities

70 In December 2013, the IASB amended IAS 24 in its Annual Improvements to IFRSs (2010–2012 Cycle) in respect of key management services as follows:

(a) Insertion of paragraph 9(b)(viii) changing the definition of a related party to clarify that a management entity that provides key management personnel services to the reporting entity is a related party.

(b) Insertion of paragraph 17A, which states that where an entity obtains key management personnel services from a management entity, it is not required to apply paragraph 17 which requires disclosure of key management personnel compensation.

(c) Insertion of paragraph 18A, which requires an entity that obtains key management personnel services from a management entity to disclose amounts incurred for the provision of those services.

71 FRS 101 already allowed an exemption from paragraph 17 of IAS 24 (which requires disclosure of key management personnel compensation) on the basis that company law requires disclosure of directors’ emoluments, and further information about key management personnel compensation is unlikely to be relevant to the users of a qualifying entity’s financial statements. Therefore, an exemption from paragraph 18A was introduced.

IAS 27 Separate Financial Statements

Equity method in separate financial statements

72 In August 2014, the IASB amended IAS 27 permitting the use of the equity method in separate financial statements. In 2015, company law was changed as a result of the implementation of the EU Accounting Directive. The use of the equity method in an entity’s individual financial statements is now permitted for entities applying Schedule 1 to the
Regulations. This is not the case for entities applying Schedule 2 or Schedule 3 to the Regulations. As a result, no amendments to FRS 101 itself were necessary; however, an additional paragraph (paragraph A2.7E) was included in Appendix II Note on legal requirements.

**IAS 36 Impairment of assets**

**Disclosure exemptions for cash-generating units**

73 In May 2013, the IASB amended IAS 36 *Impairment of Assets*. At the time, FRS 101 already allowed disclosure exemptions for qualifying entities from paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36. These disclosures relate to cash-generating units that, either individually or in combination, have a significant amount of goodwill or intangible assets with indefinite useful lives allocated to them. These exemptions were only permitted if equivalent disclosures were included in the consolidated financial statements of the group.

74 The IASB amended the disclosure requirements of paragraph 130(f) in relation to fair value, when fair value less costs of disposal is the recoverable amount of an individual asset or cash-generating unit.

75 On balance, it was considered that the additional detailed disclosure requirements of paragraph 130(f) of IAS 36 are unlikely to provide relevant information to users of the financial statements of qualifying entities, given that general information on impairments will be disclosed through the requirements of paragraphs 130(a) to (e).

76 In addition, this detailed information would be available in the consolidated financial statements, and if no disclosure is made in the consolidated financial statements on the grounds of materiality, the relevant disclosures would need to be made at subsidiary level.\(^{13}\)

77 However, it was noted that should an exemption be introduced for paragraph 130(f) in its entirety, basic information about the basis of measurement of the fair value would be lost, and an imbalance between the disclosure requirements relating to fair value less costs of disposal and value in use would exist. Therefore in conclusion:

(a) an exemption was not introduced from the requirements of subparagraph 130(f)(i) and entities should provide disclosure of the level of the fair value hierarchy used in measuring fair value; and

(b) an exemption was introduced from subparagraphs 130(f)(ii) and 130(f)(iii), provided that equivalent disclosures are included in the consolidated financial statements of the group.

**Reversal of impairment losses for goodwill**

78 The EU Accounting Directive (implemented in the UK in 2015) introduced into company law a prohibition on the reversal of impairment losses arising from goodwill. Consequently, to ensure consistency with company law, paragraph AG1(s) of FRS 101 was amended to reflect this change.

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\(^{13}\) As required by paragraph AG10 of the Application Guidance to FRS 100 *Application of Financial Reporting Requirements.*
IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Seriously prejudicial disclosure

79 Following amendments proposed to the ‘seriously prejudicial’ disclosure exemption in FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, some respondents to the 2014/15 cycle suggested that FRS 101 should include an amendment to paragraph 92 of IAS 37 to note that the exemption does not apply to disclosures that are required by company law (for example, by paragraphs 59 and 63 of Schedule 1 to the Regulations). Although this was already covered by paragraph 4A of FRS 101, which notes that the requirements of the Regulations must be complied with, this constraint on the exemption in IAS 37 was specifically highlighted in FRS 101 and paragraph AG1(s) of FRS 101 was amended.

Effective date

80 FRS 101 is effective for accounting periods beginning on or after 1 January 2015. Any amendments made to FRS 101 after this date have the same effective date unless otherwise stated and early adoption is permitted to the extent that a qualifying entity can apply the amendments of the underlying IFRS.
### Table 1

**Exposure drafts and consultation documents**

The feedback from the following FRC exposure drafts and consultations has been considered in the development of FRS 101.

More detailed information on the early development of the new UK and Republic of Ireland accounting standards can be found on the FRC website.

<table>
<thead>
<tr>
<th>Exposure draft</th>
<th>Date of issue</th>
<th>Finalised as</th>
<th>Date of issue</th>
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<tr>
<td>FRED 43</td>
<td>Oct 2010</td>
<td>FRS 101 Reduced Disclosure Framework</td>
<td>Nov 2012</td>
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<td>FRED 47</td>
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<td>FRED 66</td>
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<td>Amendments to FRS 101 Reduced Disclosure Framework – 2016/17 cycle</td>
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<td>FRED 67</td>
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### Table 2

#### IASB publications

The following IASB publications have been considered in the development of FRS 101:

<table>
<thead>
<tr>
<th>IFRS or amendment</th>
<th>Date issued by IASB</th>
<th>Date effective</th>
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<td><strong>Development of FRS 101 (Nov 2012)</strong></td>
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<tr>
<td>All IFRSs issued (or adopted) prior to 2011 and the following new standards and amendments to standards:</td>
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<td>1 IFRS 9 <em>Financial Instruments</em></td>
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<tr>
<td>2 IFRS 10 <em>Consolidated Financial Statements</em></td>
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<td>3 IFRS 11 <em>Joint Arrangements</em></td>
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<td>4 IFRS 12 <em>Disclosure of Interests in Other Entities</em></td>
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<td>9 IAS 28 <em>Investments in Associates and Joint Ventures</em></td>
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<td>10 Annual Improvements to IFRSs 2009-2011 Cycle</td>
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<td>32 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</td>
<td>Sept 2014</td>
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<td>34 Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)</td>
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<td>42 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2</td>
<td>Jun 2016</td>
<td>1 Jan 2018</td>
<td>Expected Q1 2018</td>
</tr>
</tbody>
</table>

14 This document amended the effective date of IFRS 15 Revenue from Contracts with Customers by one year to 1 January 2018. IFRS 15 has already been considered in the 2015/16 review of FRS 101.
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