UK GAAP UPDATE

SUMMARY OF NEW AND REVISED STANDARDS,

INTERPRETATIONS AND EXPOSURE DRAFTS

AS AT 31 JANUARY 2019

Financial reporting standards and amendments to financial reporting standards

Effective for periods beginning on or after:	Pronouncement	Brief summary of requirements
1 January 2019 (can be adopted early)	Amendments to FRS 102 - Triennial Review 2017	In December 2017 the FRC published amendments to FRS 102 arising from the triennial review and taking into account stakeholder feedback on the implementation of FRS 102 through FRED 67 and FRED 68. The principal amendments proposed are simplifications designed to make it more cost-effective to apply and easier to use FRS 102. The most significant changes to FRS 102 are: • Simplification of the measurement of directors' loans to small entities, following the interim relief granted earlier in 2017: • Expansion of the circumstances in which a financial instrument may be measured at amortised cost, rather than fair value; • Amendments to the rules on separate measurement of intangible assets in a business combination meaning fewer intangible assets will need to be separated from goodwill; • Relaxation of the rules on investment property which will permit investment property rented to another group entity to be measured by reference to cost, rather than fair value; • Simplification of the definition of a financial institution; • Relief from recognising tax payable when a trading subsidiary expects to make a distribution of a gift aid payment to its charitable parent; • Requirement to disclose a net debt reconciliation; and • Amendments to incorporate the new small entities regimes in the Republic of Ireland. The FRC has issued March 2018 editions of all UK and Ireland accounting standards. These editions reflect the triennial review amendments issued in December 2017, and other amendments made since the previous editions were issued. They can be found here: https://www.frc.org.uk/news/march-2018/march-2018-editions-of-accounting-standards-reflec
1 January 2019 (can be adopted early)	Statement of Recommended Practice - Accounting by Limited Liability Partnerships	In December 2018 the CCAB released an updated version of the LLPs SORP. This version has been updated to tie in with the changes to FRS 102 triennial review described above. There have been changes to the guidance for cashflows and, for small LLPs, certain loans. Additional guidance has been added for intangible assets acquired in business combinations. The guidance on merger accounting has updated to reflect the extended definition of group reconstructions. The full SORP can be found here: https://www.ccab.org.uk/documents/2018LLPsFinalSORP.pdf

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N/A	Amendments to the Basis for Conclusions FRS 101 Reduced Disclosure Framework	In May 2018 the FRC published an amendment to the basis for conclusions of FRS 101 to state that there would be no changes to FRS 101 as a result of the 2017/18 review. The FRC concluded that a more detailed assessment of IFRS 17 Insurance Contracts was necessary and this would be deferred until a clearer picture of the progress of endorsement is known. They can be found here: https://www.frc.org.uk/news/may-2018/publication-of-amendments-to-frs-101-and-feedback

Exposure drafts issued by the Financial Reporting Council

Status	Pronouncement	Brief summary of requirements
Proposed effective 1 January 2020 (will be available for early adoption)	Exposure Draft: FRED 71 Draft amendments to FRS 102 – Multi-employer defined benefit plans	The exposure draft proposes amendments to FRS 102 for multi-employer defined benefit plans where sufficient information becomes available to account for them as a defined benefit plan. Typically, multi-employer plans do not have enough information and instead are accounted for as if the plan were a defined contribution plan. This may be relevant for participating employers in the Social Housing Pension Scheme where The Pensions Trust are now proposing to provide sufficient information to the employers. The exposure draft is open for comments until 31 March 2019.
Proposed effective 1 January 2021 (will be available for early adoption)	Exposure Draft: FRED 70 Draft amendments to FRS 101 – 2018/19 cycle	The exposure draft proposes amendments to FRS 101 which change the definition of a qualifying entity within FRS 101 therefore excluding certain types of entities from applying FRS 101. The change excludes companies which must apply Schedule 3 of the Regulation (that is insurance companies under the Companies Act) and have contracts which are within scope of IFRS 17 Insurance Contracts. It also excludes non-companies which must follow similar requirements to Schedule 3 and have contracts within scope of IFRS 17. The exposure draft is open for comments until 30 April 2019.

Other requirements, Guidance and Discussion Papers

Effective for periods beginning on or after:	Pronouncement	Brief summary of requirements
Not applicable	Annual review of corporate reporting	In October 2018, the FRC published a report on their assessment of corporate governance and reporting in the UK based on its Corporate Reporting Review team's monitoring work on cases opened in the year to 31 March 2018, and more recently performed thematic reviews. The report gives an overview of the current state of corporate reporting in the UK. This report also summarises on corporate governance and stewardship through research performed by external parties. The report aims to help stakeholders improve the quality of their reporting and governance. Although this focusses on IFRS reporters, there are useful comments on new UK GAAP. The full report can be found here: https://www.frc.org.uk/getattachment/f70e56b9-7daf-4248-a1ae-a46bad67c85e/Annual-Review-of-CG-R-241018.pdf.

Other requirements, Guidance and Discussion Papers

Effective for periods beginning on or after:	Pronouncement	Brief summary of requirements
Not applicable	UK Corporate Governance reform: evolution rather than revolution	In July 2018, the UK Government Department for Business, Energy and Industrial Strategy published The Companies (Miscellaneous Reporting) Regulations 2018 which amends and adds new reporting requirements for large* companies, those with over 250 employees and those in very large global groups for periods beginning 1 January 2019. The regulation sets out disclosures which can be summarised into 6 categories; section 172(1) statement, UK employee engagement, engagement with suppliers, customers & others, corporate governance statement, CEO pay ratio remuneration disclosures and additional directors' remuneration disclosures. The new legislation can be found here: http://www.legislation.gov.uk/uksi/2018/860/pdfs/uksi_20180860_en.pdf In July 2018, the FRC issued Revised Guidance on the Strategic Report which includes extra emphasis on non-financial reporting areas such as those required by the Miscellaneous Reporting legislation. A copy of the revised guidance can be found here: https://www.frc.org.uk/news/july-2018/revised-guidance-on-the-strategic-report In July 2018, the FRC released the 2018 UK Corporate Governance Code. The new code aims to reflect the changing business environment and help UK companies achieve the highest levels of governance. The Code is shorter and sharper and builds on the findings from the FRC's Culture Report published in 2016. See the code here: https://www.frc.org.uk/news/july-2018/a-uk-corporate-governance-code-that-is-fit-for-the In December 2018, the FRC launched a new code called the Wates Corporate Governance Principles for Large Private Companies**. Large private companies are encouraged to follow six principles to inform and develop their corporate governance practices and adopt them on an 'apply and explain' basis. Mandatory reporting against these or another appropriate set of corporate governance principles for large companies** will take effect on 1 January 2019. See the consultation documents here: https://www.frc.org.uk/news/december-2018-(1)/wates-principles-to-improve-corporate-governance-s *For this purpose "large" refers to all public and ineligible companies and private companies with two of three of more than 250 employees, turnover over £36m and total assets over £18m for periods beginning 1 January 2019. **For this purpose "large" refers to companies with either more than 2,000 employees or turnover over £200m and total assets over £2bn for periods beginning 1 January 2019.

Other requirements, Guidance and Discussion Papers

Effective for periods beginning on or after:	Pronouncement	Brief summary of requirements
Not applicable	FRC Financial Reporting Lab project report: Business model reporting; Risk and viability reporting	In October 2018, the FRC's Financial Reporting Lab published a report covering the implementation of the recommendations from their reports on business model reporting and risk and viability reporting, both of which were published in 2017. The new report covers how companies have responded to the good practice disclosure and includes extracts of those companies' disclosures. The FRC Lab report is available here: https://www.frc.org.uk/news/october-2018/implementation-study-business-model-reporting;-ri
Not applicable	QCA Corporate Governance Review	The QCA have issued their 2018/19 Corporate Governance review which reviews AIM listed companies in light of the new regulatory requirement to state the corporate governance code they choose to follow. The review analyses companies' disclosures against the QCA Code after the instigation of the new AIM rule on 28 September. Institutional investors examined the results of the QCA's analysis and their reflections have led to five recommendations for companies to improve their corporate governance disclosures. The review can be used as a resource for companies to judge their own disclosures against a market benchmark and can be found here: https://www.theqca.com/article_assets/articledir_348/174461/Corporate%20Governance%20Behaviour%20Review%202018.pdf

Other requirements, Guidance and Discussion Papers

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1 April 2019	The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018	The Government has approved The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which introduces new reporting requirements for UK large sized companies and LLPs. In the company's Directors' Report it must state various figures relating to carbon emissions such as the tonnes of CO2 equivalent resulting from the purchase of electricity by the company for its own use including for the provision of transport. Exemptions are available if total energy usage is under 40,000 kWh. Quoted companies are already required to make disclosures regarding emissions of CO2. The disclosures regarding energy consumed are new for quoted companies. Large LLPs have to produce a new report titled the energy and carbon report in their financial statements. The same disclosures as unquoted large companies are required in this new report and in addition they must state the names of all persons who have been members during the year. To read the new legislation itself please go here: http://www.legislation.gov.uk/uksi/2018/1155/contents/made
Not applicable	FRC issues a suite of staff factsheets on aspects of FRS 102	In December 2018 the FRC issued a suite of staff factsheets on aspects of FRS 102 which are intended to assist stakeholders by highlighting certain requirements of FRS 102. The factsheets cover the 2017 triennial review, an illustrative statement of cash flows, financial instruments, property: fair value measurement, business combinations and transition to FRS 102. The factsheets can be found here: https://www.frc.org.uk/news/december-2018-(1)/frc-issues-a-suite-of-staff-factsheets-on-aspects
Not applicable	FRC Financial Reporting Lab projects on digital reporting: Artificial Intelligence – How does it measure up?	In January 2019, the FRC's Financial Reporting Lab published a report covering artificial intelligence (AI) and corporate reporting. The reports aims to explore both the ways in which AI can, and is, being used for corporate reporting. The FRC Lab report is available here: https://www.frc.org.uk/news/january-2019-(1)/artificial-intelligence-and-corporate-reporting