

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **United Kingdom**



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This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

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| Organisation | Secretary of State for the Department for Business, Energy & Industrial Strategy (BEIS) Financial Reporting Council (FRC) |
| Role of the organisation | The Secretary of State for BEIS is to be empowered by law to endorse IFRS Standards for use by UK companies and, during the Transition Period, will be charging the FRC with influencing the international debate and standard setters (including the Board) to promote high quality global standards. The FRC is empowered by law to set UK accounting standards. The FRC also sets the accounting standards for the Republic of Ireland. |
| Website | www.beis.gov.uk www.frc.org.uk |
| Email contact | a.miller@frc.org.uk |

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?

Yes.

What is the jurisdiction's status of adoption?

The United Kingdom (UK) has already adopted IFRS Standards for the consolidated financial statements of all companies whose securities trade in a regulated market.

Additional comments provided on the adoption status?

Until 31 January 2020, the UK was a member state of the EU and was subject to the [IAS Regulation adopted by the European Union in 2002](#). See the Profile for the European Union (EU) for more detailed information about the EU IAS Regulation.

On 31 January 2020, the UK exited the EU and entered the Transition Period (TP). At the end of the TP, 31 December 2020, existing IFRS Standards as adopted by the EU will be incorporated into Domestic UK law with effect from that date by way of the “International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019” No 685 (IAS EU Exit Regulation).¹ The Domestic UK law requires application of IFRS Standards as adopted by the UK for the consolidated financial statements of UK companies whose securities trade in a regulated securities market, which on the date the TP ends, will be the same as IFRS Standards as adopted by the EU.

During the Transition Period, entities will continue to apply IFRS Standards as adopted by the EU. For the end of the Transition period:

- For financial years beginning on or before 31 December 2020 but ending after that date, companies continue to apply IFRS Standards as adopted by the EU.
- For financial years beginning after 31 December 2020, companies apply IFRS Standards as adopted by the UK.

In the UK, the following are regulated markets:

- IPSX
- The London Metal Exchange
- ICE Futures Europe
- London Stock Exchange
- Euronext - Euronext London
- NEX Exchange (ICAP Securities & Derivatives Exchange Limited)
- Cboe Europe Equities Regulated Market

Issuers on the AIM (a UK market for trading securities that is not a ‘regulated market’) that are incorporated in the UK or are incorporated in the European Economic Area (EEA) and that are parent companies, are required by the AIM Rules to apply IFRS Standards as adopted by the EU.

After the end of the TP, issuers on the AIM market that that are incorporated in the UK and that are parent companies are required by the AIM Rules to apply IFRS Standards as adopted by the UK.

After the end of the TP, the Domestic UK law will permit optional application of IFRS Standards as adopted by the UK for all companies (except those that are charities) whose securities do not trade in a regulated market.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

¹ <http://www.legislation.gov.uk/uksi/2019/685/contents/made>

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

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| Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements? | <p>On 31 January 2020, the UK exited the EU and entered the Transition Period (TP).</p> <p>During the Transition Period, all UK companies whose debt or equity securities trade in a regulated exchange in the UK, will continue to be required for the consolidated financial statements to apply IFRS Standards as adopted by the EU.</p> <p>For the end of the Transition period, all UK companies whose debt or equity securities trade in a regulated exchange in the UK, apply:</p> <ul style="list-style-type: none">• For financial years beginning on or before 31 December 2020 but ending after that date, companies continue to apply IFRS Standards as adopted by the EU.• For financial years beginning after 31 December 2020, companies apply IFRS Standards as adopted by the UK. <p>IFRS Standards as adopted by the UK are IFRS Standards as issued by the Board with some limited modifications.</p> |
| If YES, are IFRS Standards REQUIRED or PERMITTED? | Required for some companies and permitted for others, as described above. |
| Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? | The requirement applies to the consolidated financial statements of all UK companies whose debt or equity securities trade in a regulated exchange in the UK. |

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| Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? | Yes. |
| For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? | Permitted. Separate company financial statements may comply with either IFRS Standards as adopted by the UK or with UK GAAP consistent with standards issued by the Financial Reporting Council (FRC). |
| For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market? | Permitted. |
| If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? | Not applicable. |

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

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| Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? | Yes. |
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If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required for some and permitted for others.

Until 31 January 2020, the UK was a member state of the EU and until the end of the TP continues to be subject to the EU Regulation whereby foreign companies whose securities trade in a regulated market in the UK (and generally in the EU) are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless they use standards which the European Commission has deemed to be equivalent to IFRS Standards, in which case they may use those standards.

After the end of the TP, the UK will cease to apply EU law. From that date, the existing decisions on standards deemed to be equivalent to IFRS Standards as adopted by the EU will be incorporated into Domestic UK law as equivalent to IFRS Standards as adopted by the UK. This is provided for by virtue of the domestic retained law versions of European Commission Regulation 1569/2007 and European Commission Decision 2008/961/EC, as amended by the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019².

IFRS Standards as adopted by the EU will also be immediately recognised as equivalent to IFRS Standards as adopted by the UK from the end of the TP. Future equivalence decisions can also be made by the UK assessing whether other accounting standards are equivalent to those adopted by the UK.

From the end of the TP, the following standards will be considered as equivalent to IFRS Standards as adopted by the UK:

- IFRS Standards as issued by the Board, provided that the notes to the audited financial statements contain an explicit and unreserved statement that those financial statements comply with IFRS Standards.
- IFRS Standards as adopted by the EU.
- Generally Accepted Accounting Principles of Japan.
- Generally Accepted Accounting Principles of the United States of America.
- Generally Accepted Accounting Principles of the People's Republic of China.
- Generally Accepted Accounting Principles of Canada.
- Generally Accepted Accounting Principles of the Republic of Korea.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

Until 31 January 2020, the UK was a member state of the EU and until the end of the TP continues to be subject to the EU Regulation whereby the standards applied are IFRS Standards as adopted by the EU, which are IFRS Standards as issued by the Board with some limited modifications.

After the end of the TP, the existing IFRS Standards as adopted by the EU will be incorporated into Domestic UK law with effect from that date, including the limited modifications. The limited modifications are described in the answer below. However, the resulting financial statements of the majority of companies would still be in full compliance with IFRS Standards as issued by the Board.

²

Respectively:

<http://www.legislation.gov.uk/eur/2007/1569/2020-01-31#>

<http://www.legislation.gov.uk/eudn/2008/961/2020-01-31>

<https://www.legislation.gov.uk/ukxi/2019/707/contents/made>, see regulations 67 and 68.

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| <p>The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:</p> | <ul style="list-style-type: none"> • IFRS Standards as adopted by the EU, for financial years beginning on or before 31 December 2020 but ending after that date. • IFRS Standards as adopted by the UK, for financial years beginning after 31 December 2020. |
| <p>Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?</p> | <p>Yes. It is possible for an entity to assert compliance with IFRS Standards as adopted by the UK and, additionally, to assert compliance with IFRS Standards, provided compliance with IFRS Standards as adopted by the UK would also result in compliance with IFRS Standards as issued by the Board. The same applies to IFRS Standards as adopted by the EU.</p> |
| <p>Are IFRS Standards incorporated into law or regulations?</p> | <p>Yes.</p> |
| <p>If yes, how does that process work?</p> | <p>Until 31 January 2020, the UK was a member state of the EU and until the end of the Transition Period (TP) continues to be subject to the EU Regulation. For IFRS Standards as adopted by the EU, the process is described in the Profile of the European Union.</p> |
| <p>If no, how do IFRS Standards become a requirement in the jurisdiction?</p> | <p>Not applicable.</p> |
| <p>Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS (including Interpretations) in place?</p> | <p>Yes.</p> |
| <p>If yes, what is the process?</p> | <p>The process is described in answer above about incorporating IFRS Standards into law.</p> |
| <p>If no, how do new or amended IFRS become a requirement in the jurisdiction?</p> | <p>Not applicable.</p> |
| <p>Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?</p> | <p>Yes.</p> |

If yes, what are the changes?

At the end of the TP, the existing IFRS Standards as adopted by the EU will be brought into Domestic UK law, including the following modifications or exclusions:

- 'Carve-out' concerning fair value hedge accounting for portfolio hedges of interest rate risk in IAS 39.
- A change to the scope of applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* allowing a deferral of the application of IFRS 9 for some insurers. The scope extension increases the population of companies eligible for such a deferral in accordance with IFRS Standards as adopted by the EU until annual reporting periods beginning on or after 1 January 2021.
- IFRS 14 *Regulatory Deferral Accounts* (issued by the Board on 30 January 2014) has not been endorsed.

Details relevant for the UK during the TP can be found in the Profile of the European Union.

Other comments regarding the use of IFRS Standards in the jurisdiction?

None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?

Not applicable. English is the local language.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?

Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

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| Has the jurisdiction adopted the <i>IFRS for SMEs</i> Standard for at least some SMEs? | <p>The UK has adopted the <i>IFRS for SMEs</i> Standard as FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> -- but with significant modifications described below.</p> <p>The financial reporting standards under UK and Ireland GAAP, as issued by the Financial Reporting Council are:</p> <p>FRS 101 <i>Reduced Disclosure Framework</i>. This requires the application of IFRS Standards as adopted by the EU during the TP and IFRS Standards as adopted by the UK after the TP but with reduced disclosures and is intended for the individual company financial statements of entities within a group that has applied IFRS Standards in its consolidated financial statements.</p> <p>FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i>. The main Standard applicable in the UK and Republic of Ireland. FRS 102 is based on the <i>IFRS for SMEs</i> Standard, but with significant modifications described below. It permits reduced disclosures for the individual company financial statements of entities within a group. It also contains separate, more limited, disclosure requirements for small entities.</p> <p>FRS 103 <i>Insurance Contracts</i> sets out the accounting and reporting requirements in respect of insurance contracts issued and reinsurance contracts held. FRS 103 applies to entities applying FRS 102 and is based on IFRS 4 <i>Insurance Contracts</i> and the previous UK standard on life assurance.</p> <p>FRS 104 <i>Interim Financial Reporting</i>. FRS 104 is intended for use in preparing interim financial reports by (a) those entities that apply FRS 102 and (b) those entities applying FRS 101. FRS 104 is based on IAS 34 <i>Interim Financial Reporting</i>, with certain modifications.</p> <p>FRS 105 <i>The Financial Reporting Standard applicable to the Micro-entities Regime</i>. Micro-entities are defined in The UK Companies Act 2006. FRS 105 supplements the legal reporting requirements for micro-entities.</p> <p>The FRC also issues FRS 100 <i>Application of Financial Reporting Requirements</i>. FRS 100 sets out the overall framework for financial reporting in the UK and Ireland, explaining:</p> <ul style="list-style-type: none">• which standards apply to which types of entity;• when an entity can apply the reduced disclosure framework;• when an entity should follow a Statement of Recommended Practice (SORP); and• transition arrangements. |
| If no, is the adoption of the <i>IFRS for SMEs</i> Standard under consideration? | Not applicable. |
| Did the jurisdiction make any modifications to the <i>IFRS for SMEs</i> Standard? | Yes. |

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| If the jurisdiction has made any modifications, what are those modifications? | In issuing FRS 102, the following modifications were made to the <i>IFRS for SMEs</i> Standard, among others: |
| | <ul style="list-style-type: none"> • Amended some of the conditions for classifying a financial instrument as basic and provided illustrative examples. • Permitted an accounting policy choice to apply the recognition and measurement requirements of IFRS 9 <i>Financial Instruments</i>. • Replaced the hedge accounting requirements with ones based on IFRS 9. • Added an option to Section 18 to revalue certain intangible assets. • Added an option to Section 18 to capitalise development costs when specified criteria are met. • Added an option in Section 25 to capitalise borrowing costs on qualifying assets. • Required merger accounting (pooling) for combinations of entities under common control. • Added an accrual accounting option for government grants. • Required a timing difference approach to deferred income taxes, rather than a temporary difference approach. • Permitted the historical cost model for all biological assets. • Included requirements applicable to public benefit entities. • Amended requirements for consistency with UK and Ireland company law. • Removed undue cost or effort exemptions and, when relevant, provided alternative simplifications. |
| Which SMEs use the <i>IFRS for SMEs</i> Standard in the jurisdiction, and are they required or permitted to do so? | FRS 102 is available to all entities not required to apply IFRS Standards as adopted by the EU during the TP and IFRS Standards adopted by the UK after the TP. |
| For those SMEs that are not required to use the <i>IFRS for SMEs</i> Standard, what other accounting framework do they use? | See above. |
| Other comments regarding use of the <i>IFRS for SMEs</i> Standard? | None. |