



JURISDICTIONAL PROFILE: **United Kingdom**

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This Profile provides information about the application of IFRS® Standards (Standards) in United Kingdom. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

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

The purpose of the Foundation’s Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact [Licences@ifrs.org](mailto:Licences@ifrs.org).

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**RELEVANT JURISDICTIONAL AUTHORITY**

Organisation	<p>Secretary of State for the Department for Business, Energy &amp; Industrial Strategy</p> <p>Financial Conduct Authority is the regulator for financial services firms and financial markets.</p> <p>UK Endorsement Board for IFRS Standards</p> <p>Financial Reporting Council for UK GAAP and <i>IFRS for SMEs</i> Standard</p>
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Role of the organisation	<p>The Secretary of State for Business, Engineering and Industrial Strategy is empowered by law to endorse IFRS Standards for use by UK companies.</p> <p>The Financial Conduct Authority is responsible for overseeing the UK’s regulated market and for requiring the use of IFRS Standards by issuers whose securities are admitted to trading on regulated markets which it does by means of its Disclosure Guidance and Transparency Rules. The Financial Conduct Authority regulates both financial services firms and financial markets and oversees both primary and secondary markets. Its role is to ensure that</p>
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issuers of securities subject to its oversight fulfil their legal and regulatory obligations. The Financial Conduct Authority has a range of enforcement powers, including civil, criminal and regulatory sanctions.

The UK Endorsement Board is responsible for influencing international debate on standards and encouraging standard setters (including the International Accounting Standards Board) to promote high-quality global standards.

The Financial Reporting Council is empowered by law to set UK accounting standards (UK GAAP), for use by entities in the UK that are not required to apply UK-adopted international accounting standards. The Financial Reporting Council also sets accounting standards for use by entities that are not required to apply IFRS Standards as adopted by the EU in the Republic of Ireland.

Website	<a href="http://www.beis.gov.uk">www.beis.gov.uk</a> <a href="http://www.fca.org.uk">www.fca.org.uk</a> <a href="http://www.endorsement-board.uk">www.endorsement-board.uk</a> <a href="http://www.frc.org.uk">www.frc.org.uk</a>
Email contact	<a href="mailto:a.davis@endorsement-board.uk">a.davis@endorsement-board.uk</a> <a href="mailto:lee.piller@fca.org.uk">lee.piller@fca.org.uk</a> <a href="mailto:john.conway@beis.gov.uk">john.conway@beis.gov.uk</a>

## 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 are admitted to trading on a UK regulated market.
Additional comments provided on the adoption status?	<p>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 EU profile for more detailed information about the EU IAS Regulation.</p> <p>On 31 January 2020, the UK exited the EU and entered the Transition Period. During the Transition Period, entities continued to apply IFRS Standards as adopted by the EU. From the end of the Transition Period:</p> <ul style="list-style-type: none"> <li>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; and</li> <li>for financial years beginning after 31 December 2020, companies apply UK-adopted international accounting standards.</li> </ul>

On 31 December 2020, the Transition Period ended and UK's Domestic law became applicable. IFRS Standards as adopted by the EU were incorporated into 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).<sup>1</sup> The law requires application of 'UK-adopted international accounting standards'<sup>2</sup> in the consolidated financial statements of UK companies whose securities are admitted to trading on a UK regulated market. Originally powers under UK domestic law to formally endorse and adopt IFRS Standards for use by UK companies were reserved for the Secretary of State for Business, Engineering and Industrial Strategy, but in May 2021, these powers were delegated to the UK Endorsement Board<sup>3</sup>.

Domestic UK law permits optional application of UK-adopted international accounting standards for all companies (except those that are charities) whose securities do not trade on a UK regulated market.

In the UK, the following are regulated markets:

- IPSX;
- The London Metal Exchange;
- ICE Futures Europe;
- London Stock Exchange;
- NEX Exchange; and
- Cboe Europe Equities Regulated Market.

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

<sup>2</sup> 'International accounting standards' means the 'International Accounting Standards (IAS), International Financial Reporting Standards (IFRS Standards) and related Interpretations (SIC Interpretations and IFRIC Interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (Board).

<sup>3</sup> <https://www.legislation.gov.uk/ukxi/2021/609/made>

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.

## EXTENT OF IFRS APPLICATION

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

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?

The Financial Conduct Authority's Disclosure Guidance and Transparency Rules set out the disclosure rules applicable to issuers which have transferable securities admitted to trading on a UK regulated market.

Since the end of the Transition Period, both domestic UK law and the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules require application of UK-adopted international accounting standards in the consolidated financial statements of UK companies whose securities are admitted to trading on a UK regulated market.

For accounting periods that commenced before the end of the Transition Period, the Disclosure Guidance and Transparency Rules require that for UK companies producing consolidated financial statements, financial statements are required to be produced using EU endorsed IFRS Standards. Detail is at: <https://www.handbook.fca.org.uk/handbook/DTR/4/?view=chapter>

UK-adopted international accounting standards are IFRS Standards as issued by the Board with some limited modifications, described in subsequent entries to this web site.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Required for all UK companies which produce consolidated financial statements and whose transferable securities are admitted to trading on a UK regulated market. Permitted for all others.

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

The requirement to use UK-adopted international accounting standards applies to the consolidated financial statements of all UK companies whose debt or equity securities are admitted to trading on a UK regulated market.

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 UK-adopted international accounting standards or with UK GAAP consistent with standards issued by the Financial Reporting Council.

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:*

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.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Required for some and permitted for others.

On 31 December 2020, the UK exited the EU. At that date standards deemed to be equivalent to IFRS Standards as adopted by the EU were incorporated into Domestic UK law as equivalent to UK-adopted international accounting standards. This adoption means that third country issuers can also use certain standards deemed equivalent to UK-adopted international accounting standards to satisfy their transparency requirements when they seek

admission to or already have securities admitted to trading on a UK-regulated market.

IFRS Standards as adopted by the EU are also recognised as equivalent to UK-adopted international accounting standards for third country issuers seeking admission to, or who already have their securities admitted to trading on, a UK regulated market. Future equivalence decisions can also be made by the UK assessing whether other accounting standards are equivalent to those adopted by the UK.

This provision is enabled 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 2019<sup>4</sup>.

In accordance with the provisions described above, the following standards are considered as equivalent to UK-adopted international accounting standards:

- 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; and
- Generally Accepted Accounting Principles of the Republic of Korea.

<sup>4</sup> 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.

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

All foreign issuers whose securities are admitted to trading on a UK public market have the option to use IFRS Standards in their financial statements.

## IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

UK domestic law permits optional application of UK-adopted international accounting standards for all companies (except those that are charities) whose securities do not trade in a regulated market.

UK-adopted international accounting standards are IFRS Standards as issued by the Board with some limited modifications.

The Standards and their limited modifications are described in the answer below. However, even with the modifications, the resulting financial statements of the majority of companies would still be in full compliance with IFRS Standards as issued by the Board.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

- IFRS Standards as adopted by the EU, for financial years beginning on or before 31 December 2020 but ending after that date; and

- UK-adopted international accounting standards, for financial years beginning after 31 December 2020.

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)?	Yes. It is possible for an entity to assert compliance with UK-adopted international accounting standards and, additionally, to assert compliance with IFRS Standards, provided compliance with UK-adopted international accounting standards would also result in compliance with IFRS Standards as issued by the Board.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	<p>On 31 December 2020, the UK exited the EU. IFRS Standards as adopted by the EU were incorporated into UK domestic 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). Originally powers under UK domestic law to formally endorse and adopt IFRS Standards was reserved to the Secretary of State for BEIS but these powers were delegated to the UK Endorsement Board in May 2021 which now performs the role.</p> <p>New and amended IFRS Standards and IFRIC Interpretations are each subject to endorsement. Endorsement includes public consultation, assessment against adoption criteria and publication of final decisions. Information on new and amended Standards and Interpretations adopted into UK domestic law can be found here: <a href="https://www.endorsement-board.uk/uk-adopted-international-accounting-standards">https://www.endorsement-board.uk/uk-adopted-international-accounting-standards</a></p>
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	The process is described in discussion of incorporating IFRS Standards into law.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	<p>On 31 December 2020, the UK exited the EU. At that date IFRS Standards as adopted by the EU were incorporated into Domestic UK law, including the following modifications or exclusions:</p> <ul style="list-style-type: none"> <li>• a 'carve-out' concerning fair value hedge accounting for portfolio hedges of interest rate risk in IAS 39.</li> <li>• a change to the scope of applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> allowing some insurers to defer the application of IFRS 9. The change in scope increases the number 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.</li> </ul>

- IFRS 14 *Regulatory Deferral Accounts* (issued by the Board on 30 January 2014) has not been endorsed.

Details relevant for the UK during the Transition Period can be found in the EU profile.

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

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs? The UK has adopted the *IFRS for SMEs Standard* as FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*—but with significant modifications.

The financial reporting standards under UK and Ireland GAAP, as issued by the Financial Reporting Council are:

**FRS 101 *Reduced Disclosure Framework (Framework)*.** This Framework requires the application of IFRS Standards as adopted by the EU during the Transition Period and IFRS Standards as adopted by the UK after the Transition Period with reduced disclosures. The Framework is intended for the individual company financial statements of entities within a corporate group that has applied IFRS Standards in its consolidated financial statements.

**FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.** The main Standard applicable in the UK and Republic of Ireland. FRS 102 is based on the *IFRS for SMEs Standard*, but with significant modifications. FRS 102 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.

**FRS 103 *Insurance Contracts*** sets out the accounting and reporting requirements for insurance contracts issued and reinsurance contracts held. FRS 103 applies to entities applying FRS 102 and is based on IFRS 4 *Insurance Contracts* and the previous UK standard on life assurance.

**FRS 104 *Interim Financial Reporting*.** FRS 104 is intended for use in preparing interim financial reports by (a) entities that apply FRS 102 and (b) entities applying FRS 101. FRS 104 is based on IAS 34 *Interim Financial Reporting*, with modifications.

**FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*.** Micro-entities are defined in The UK Companies Act 2006. FRS 105 supplements the legal reporting requirements for micro-entities and is simpler than FRS 102.

The Financial Reporting Council also issues FRS 100 *Application of Financial Reporting Requirements*. FRS 100 sets out the overall framework for financial reporting in the UK and Ireland, explaining:

- which standards apply to which types of entity;
- when an entity can apply the reduced disclosure framework; and
- when an entity should follow a Statement of Recommended Practice (SORP); and
- transition arrangements.

If no, is the adoption of the IFRS for SMEs Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the IFRS for SMEs Standard?

Yes.

If the jurisdiction has made any modifications, what are those modifications?

In issuing FRS 102, modifications to the *IFRS for SMEs* Standard included:

- amendments to some conditions for classifying a financial instrument as basic and the addition of illustrative examples, as well as the provision of a principle-based description of a basic financial instrument;
- the addition of an accounting policy choice to apply the recognition and measurement requirements of IFRS 9 Financial Instruments;
- replacement of the hedge accounting requirements with requirements reflecting IFRS 9;
- an option in Section 18 to revalue certain intangible assets;
- an option in Section 18 to capitalise development costs when specified criteria are met;
- an option in Section 25 to capitalise borrowing costs on qualifying assets;
- merger accounting (pooling) is permitted for combinations of entities under common control;
- an accrual accounting option for government grants;
- a required timing difference approach to deferred income taxes, rather than a temporary difference approach;
- permits the historical cost model for all biological assets;
- requirements applicable to public benefit entities;
- amended requirements for consistency with UK and Ireland company law; and
- the removal of undue cost or effort exemptions and some provisions for alternative simplifications.

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?

FRS 102 is available to all entities not required to apply UK-adopted international accounting standards.

For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?

See above.

Other comments regarding use of the IFRS for SMEs Standard?

None.