

December year-end accounting reminders – IFRS and UK GAAP

December 2023



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Introduction

This document relates to reporting requirements as at 31 December 2023. The first section on topical issues includes items that entities might want to consider for this year end split between:

- Topical issues for all companies.
- Additional topical issues for listed and / or large companies.

The second part of the document includes the IFRS® Accounting standards and IFRIC® Interpretations that are newly applicable for 31 December year ends.

The final part of the document includes the accounting standards and IFRIC interpretations that are effective in the future but as per paragraph 30 of IAS 8 might need disclosure in the current financial statements of the possible impact of adoption if material.

This document is updated quarterly on [Viewpoint](#).

Topical issues for all companies

Geopolitical risks

Geopolitical conflict has continued to create significant shifts in the global risk landscape, and is having a pervasive economic impact. Investors will want to understand if and how this is affecting a company's operations, risk exposure and outlook. Entities must carefully consider the impact on its financial statements and disclosures. Items to look out for include:

- Impacts of restrictions and sanctions on trade, investing, and financing (including restricted access to cash accounts and foreign currency reserves).
- Impairment, onerous contracts and contingencies.
- Breaches of supply contracts or financial covenants.
- Foreign exchange exposure and translation of foreign currency transactions.
- Level of influence or power over existing associates and subsidiaries located in areas of conflict.
- Post balance sheet events and related disclosure for non-adjusting material events.

[UK In depth INT2022-05](#) provides accounting guidance in the context of the conflict between Russia and Ukraine, and includes considerations relevant to other geopolitical conflicts.

Disclosures relating to inflation and interest rates

Entities are required to disclose judgements that have a significant effect on the financial statements as well as sources of significant estimation uncertainty. This includes information about reasonably possible changes to assumptions that could result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Continuing challenging economic conditions, specifically high inflation and interest rates, can mean that compared to previous periods:

- judgements an entity makes as part of its accounting policies may need to be revisited
- higher estimation uncertainty for both short and long duration assets and liabilities may exist, warranting additional disclosures
- sensitivities analysis may need updating, for example using higher interest rate shifts when disclosing sensitivities to interest rate movements.

For further guidance on accounting during periods of high inflation and interest rates, see [UK In depth INT2022-12](#).

Climate change and connectivity between sustainability reporting and financial reporting

Climate-related risks can have an impact on an entity's operations and financial performance. IFRS does not explicitly address climate-related risks, but the principles that underlie various judgements and estimates made in preparing the financial statements will often incorporate climate-related risk factors. Examples of specific areas to consider as climate-related issues become more significant include any financial impacts of net zero commitments, 'green loans', exchange

traded climate-related credit schemes, and participation in the voluntary carbon market (see [UK In depth INT2023-02](#) on voluntary carbon markets).

In many cases, an entity's exposure to climate-related risks might not have changed significantly since its last annual reporting period. However, climate-related risks are becoming a more important topic for many investors, and so companies should ensure that they have undertaken a rigorous assessment to ensure that all of the material information affecting the financial statements in this respect is provided.

For further information see [UK In brief INT2020-14](#), IASB educational material: the effects of climate-related matters on financial statements prepared applying IFRS accounting standards and [UK In depth INT2021-11](#), Impact of ESG matters on IFRS financial statements.

Entities should also ensure consistency between financial and non-financial reporting on key climate-related assumptions, if such consistency is necessary for compliance with IFRS. For example, if an entity publicly discusses a best estimate about the impact of an international climate agreement has on the entity in a sustainability report, and an IFRS Accounting Standard requires a best estimate approach to be used in measurement, the entity would need to consider consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting. For further details see [Section 2 - Paris Aligned Financial Statements and Consistency of Assumptions of In depth INT2021-11](#). If there are statements in the sustainability report that haven't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ) the entity should consider the need for additional commentary on why such items have been reflected on a different basis in financial reporting.

The FRC issued a report regarding TCFD disclosures and climate in the financial statements see section below on [Additional topical issues for listed and / or large companies](#).

Budget updates and implications on tax accounting

In the Spring Budget 2023 held on 15 March 2023, the government confirmed that the main corporation tax rate increased to 25% from 1 April 2023. Other announcements were made and included:

- The super-deduction regime ended on 31 March 2023 and has been replaced with 'full expensing', that is, 100% capital allowances on qualifying spend, for 3 years.
- A higher rate of relief for loss-making R&D intensive SMEs will be introduced. The government is also considering merging the RDEC and SME schemes.
- 12 Investment zones have been announced which will give businesses enhanced capital allowance, structure and buildings allowance, and relief from Stamp duty land tax, business rates and employer national insurance contributions.
- Intention for the government to implement a) the OECD Pillar Two rules for a global minimum corporation tax rate for financial years beginning on or after 31 December 2023, and b) an electricity generator levy of 45% on 'extraordinary returns'.

On 20 June 2023, Finance (No.2) Act 2023 (the 'Bill') completed its third reading in the House of Commons. For UK GAAP and IFRS, the measures within Finance (No 2) Bill 2023 are considered to be substantively enacted on completion of its third reading. Many of the measures in the Bill reflect the Spring Budget of 15 March 2023 and include the introduction of the global minimum effective tax rate of 15% (the OECD Pillar Two legislation effective for accounting periods starting on or after 31 December 2023), and the Electricity Generator Levy of 45% on 'extraordinary returns'. See [UK In Brief UK2023-16](#) for further details on the Bill.

Cash flow statements

The cash flow statement is a primary financial statement and provides extremely valuable information to users, particularly in respect of an entity's liquidity and going concern. However, cash flow statements continue to be an area of focus for regulators in the UK. In the 2022/23 FRC Annual Review of Corporate reporting, the FRC continues to raise considerable concerns about the number of queries raised in relation to compliance with the requirements of IAS 7 'Statement of Cash Flows'. Errors relating to cash flow statements remain the most common reason for required references. Careful attention should be paid to cash flow statements, especially around the cash flow classification and the consistency between items in the cash flow statement and the notes. See also [UK In brief 2022-66](#) for further guidance on cash flow classification.

Offsetting (or netting) in the financial statements

Offsetting (sometimes referred to as 'netting') is the net presentation of separate assets and liabilities or income and expenses in the financial statements. Similar considerations apply to the reporting of gross or net cash flows in the cash flow statement.

Offsetting and netting are generally prohibited, except where expressly required or permitted by accounting standards. This is because it detracts from users' ability to both gain a full and proper understanding of the transactions, other events and conditions that have occurred and to assess an entity's future cash flows.

Where offsetting is permitted, there are usually specific criteria that must be met in order to offset. Furthermore, in most cases where the criteria for offsetting are met, offsetting must be applied – it is not a choice.

Relevant guidance with respect to the areas where we most commonly see offsetting are as follows:

Offsetting in relation to:	IFRS guidance
General offsetting, including in the income statement	IFRS Manual of accounting paras 4.39–4.40
Financial instruments	IFRS Manual of accounting paras 47.15–47.28
Current and deferred tax	IFRS Manual of accounting paras 14.149–14.153
Cash flow statement	IFRS Manual of accounting paras 7.15–7.18

Items that are often overlooked

When reviewing financial statements it can be challenging to identify missing transactions that should have been posted but were not. We have compiled a list of key reminders on what not to miss to assist preparers and auditors in ensuring these accounting items are properly reflected in the financial statements.

- Liabilities for financial guarantees especially in parent entities.
- Provisions for onerous contracts.
- Provisions for restoration.
- Liabilities for share repurchases.
- Structured entities - unconsolidated SPEs might exist that should be consolidated.
- Implied leases.
- Share-based payment charges in subsidiary financial statements.

For further details see [UK In depth INT2023-12](#).

FRC Annual Review of Corporate Reporting

The FRC has issued its [Annual Review of Corporate Reporting for 2022/23](#). The review contains a summary of the FRC's areas of focus, and its expectations for company disclosures going forward. During the current review cycle, the most frequently raised issues are related to impairment of non-financial assets, and disclosures of judgements and estimates which may be reflective of the heightened economic uncertainties companies need to factor into their financial reporting. In addition, the FRC still identified many errors in the cash flow statement.

FRC has also announced that they would focus on the following risk sectors in the coming review cycle:

- travel, hospitality and leisure
- retail and personal goods
- construction and materials
- industrial transportation.

The FRC also expects companies to carefully consider how current economic conditions may impact on financial and narrative reporting in 2023/24. In particular, reporting on the effects of inflation and other uncertainties.

FRC thematic reviews

FRC thematic review on IFRS 17 'Insurance Contracts' Interim Disclosures in the First Year of Application

In November 2023, the FRC published its [thematic review](#) on the adequacy of disclosures regarding the effect of the transition to IFRS 17 in the first year of adoption. Whilst the review focussed on the interim financial statements of 10 listed life and general insurers, the sample also included specialty, re-insurance and bancassurance. The thematic review has also considered disclosures made by non-insurance groups where a material impact of IFRS 17 had been disclosed.

The review aims to provide examples of better practice and details the FRC's expectations for companies ahead of their more extensive, year-end disclosures, making several key observations and setting out clear reporting expectations. Whilst their reviews identified examples of good practice, the FRC concludes that there is scope for improvement.

For further details see [UK In brief UK2023-38](#).

FRC thematic review on fair value measurement

In June 2023, the FRC published its [thematic review](#) on the requirements of IFRS 13, with a particular focus on disclosures, reflecting the fact that most of the FRC's IFRS 13 challenges are prompted by poor disclosure. However, aspects of measurement where errors have been found were also addressed.

The application of IFRS 13 by banks and insurers was not considered, as they typically have specialised teams that perform valuations and the FRC believes the quality of their reporting in this area is usually high.

For further details see [UK In brief UK 2023-15](#).

Non- financial asset key reminders for impairment reviews

Impairment is an ongoing area of concern for many entities in the current economic environment. Regulators remain focused on this area and continue to push for increased transparency in disclosures. Groups holding significant amounts of goodwill and intangibles or those that are affected to a greater extent by climate change, high inflation or the current economic impact of global conflicts are at greater risk of a regulatory challenge to their impairment assessments and in particular the related disclosures.

For a discussion of common mistakes we observe in impairment of non-financial assets see [UK In brief 2023-02](#). In addition to these common mistakes, the economic and geopolitical uncertainties discussed above as well as regulatory focus raise the following additional key points to consider in impairment testing:

Increased uncertainty due to rising inflation and interest rates and geopolitical uncertainty

- In times of greater uncertainty, it is likely to be easier to incorporate the impact of the economic environment uncertainties in impairment testing by using multiple cash-flow scenarios and applying relative probability weightings to derive a weighted average set of cash flows rather than using a single central forecast and attempting to risk adjust the discount rate to reflect the higher degree of uncertainty in the environment.
- Rising costs are becoming a noticeable issue in many countries that have not suffered significant inflation for many years so it is worth noting that a VIU calculation should incorporate specific price changes as well as the effect of general inflation. Where inflation assumptions could have a material impact on the financial statements, additional disclosures may be required to explain how inflation has been incorporated into the VIU.
- Given the increased uncertainty and volatility in many markets, the range of reasonably possible changes has widened. Key assumptions and wider ranging assumptions covering multiple Cash Generating Units ('CGUs') should be clearly disclosed. Where material, assumptions specific to each CGU should be identified. Furthermore, in an impairment case, entities would need to clearly disclose the cause of the impairment and whether this is based on external data or changes in the entity's own estimates.
- Where the headroom is sensitive to changes in key assumptions, an entity would need to disclose the specific changes in assumptions that would erode headroom to nil (for example + / - x% in sales growth or discount rates).

Regulatory focus

- Regulators have observed that, whilst the long-term growth rate used to extrapolate cash flow projections (to estimate a terminal value) and the pre-tax discount rate are important, they are often not 'key assumptions' on which the cash flow projections for the period covered by the most recent budgets or forecasts are based. Therefore, attention should also be paid to the discrete growth rate assumptions applied to the cash flows projected to occur before the terminal period. Accounting policy disclosures should always be consistent with the basis used in

the according impairment test. The regulators have noted that they will continue to challenge companies where the recoverable amount is measured using VIU, but the cash flow forecasts appear to include the benefits of developing new business or to rely on future investment capacity. When VIU disclosures cross refer to forecasts used in going concern and viability assessments, it should be made clear how any costs and benefits in those forecasts that relate to future improvements have been addressed for the VIU calculation.

Considerations related to impairment reversals

- An additional issue to consider is whether an impairment would need to be reversed. Determining whether there is an identifiable impairment reversal indicator might require the use of judgement. If there is any such indication, the entity has to recalculate the recoverable amount of the asset. Further details are provided in [FAQ 24.153.2](#) and [FAQ 24.154.2](#).

Global minimum tax (“GloBE rules”)

On 8 October 2021 agreement was reached between 136 countries for a Two Pillar approach to international tax reform ('Minimum Tax Implementation Handbook (Pillar Two)') Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while Pillar Two seeks to apply a global minimum effective tax rate of 15%. The OECD Agreement is likely to see changes in corporate tax rates in a number of countries in the next few years. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country. For further information, please refer to our Pillar Two Country tracker, and to our IFRS Talks podcast episode 'Global minimum tax'. The rules will impact current income tax when the legislation comes into effect.

In the UK, the Pillar Two legislation to implement a domestic top-up tax and a multinational top-up tax was substantively enacted on 20 June 2023 when Finance (No.2) Act 2023 completed its third reading in the House of Commons. In the UK, the new domestic minimum taxes (affecting all UK entities meeting the size criteria regardless of whether they are part of a multinational group or not) and multinational top up taxes will apply for accounting periods beginning on or after 31 December 2023.

In May 2023, the IASB issued a narrow-scope amendment to IAS 12, 'Income taxes', that provides a temporary relief from accounting for deferred taxes arising from the implementation of the GloBE rules, including any qualifying domestic minimum top up taxes. The temporary exception is effective immediately for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. For further details refer to [UK In depth INT2023-10](#).

The narrow-scope amendments to IAS 12 introduced targeted disclosure requirements for affected companies. They require entities to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes [IAS 12 para 88A](#);
- their current tax expense (if any) related to the Pillar Two income taxes [IAS 12 para 88B](#); and
- during the period between the legislation being enacted or substantively enacted and the legislation becoming effective, entities will be required to disclose known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure [IAS 12 paras 88C-88D](#).

The amendments to IAS 12 on Pillar Two rules have been endorsed by the UK Endorsement Board on 19 July 2023.

As a result, for the December 2023 reporting period, there would be no impact on the recognition and measurement of deferred tax on qualifying top-up taxes following the substantive enactment of GloBE legislation in the UK.

Hyper-inflationary economies

Based on the current global economic environment and following deteriorating economic conditions, Ghana and Sierra Leone are considered to be hyper-inflationary for the purpose of IAS 29 for reporting periods ending on or after 31 December 2023. Haiti was considered to be a hyper-inflationary economy from 31 March 2023. South Sudan might no longer be a hyper-inflationary economy from 31 December 2023, and if so entities with the currency of South Sudan as their functional currency will stop applying IAS 29 in December 2023. However, entities should consider any significant events or conditions that might contradict this conclusion between now and the end of 2023. There have been no other changes in hyper-inflationary economies for the period 1 January 2023 to 31 December 2023. Refer to [In brief INT2023-09](#).

IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the measuring unit at the end of the reporting period. Therefore, transactions in the reporting period and non-monetary balances at the end of the period would be restated to reflect a price index that is current at the balance sheet date. Comparatives are typically restated to reflect a price index that is current at the balance sheet date.

This is because IAS 29 is applied as if the economy had always been hyper-inflationary. Entities are not, however, required to present an additional balance sheet as at the beginning of the preceding period.

Multinational companies that have subsidiaries that are in a hyper-inflationary economy should consider paragraph 43 of IAS 21. This requires the financial statements of a subsidiary entity that has the functional currency of a hyper-inflationary economy to be restated, in accordance with IAS 29, before being included in the consolidated financial statements. Comparative amounts of these subsidiaries that were presented previously in the parent's stable currency are not restated see [UK In brief 2022-29](#).

Identifying insurance contracts issued

2023 marks a milestone for insurance accounting—it is the first period that will be reported under the new accounting standard, IFRS 17. But, it's not just insurance companies that need to pay attention to IFRS 17. A contract does not need to be labelled as insurance or even issued by an insurer to be in scope of IFRS 17. Any contract that transfers a non-financial risk from one party to another could potentially meet the definition of an insurance contract for the party taking on the risk if that risk transferred is judged to be significant.

The definition hasn't changed, but, unlike the predecessor standard IFRS 4, IFRS 17 attaches significant recognition and measurement consequences to that definition. That means that from now on, all companies need to maintain a good understanding of how to identify an insurance contract issued, and to know what types of arrangements are explicitly scoped out of IFRS 17.

For further information see [UK In depth INT2022-14](#).

Additional topical issues for listed and / or large companies

Reporting on diversity and inclusion on company boards

The FCA released a policy statement ([PS22 / 3](#)) in April 2022, establishing requirements under the Listing rules ([LR 9.8.6R\(9\)](#) and [LR 14.3.33R\(1\)](#)) for issuers that are in scope to include a statement in their annual financial report setting out whether they have met specific board diversity targets on a 'comply or explain' basis, as at a chosen reference date within their accounting period and, if they have not met the targets, why not. This allows companies flexibility to provide relevant context on their approach to board diversity, whether or not these targets are met. The targets are:

- At least 40% of the board are women.
- At least one of the senior board positions (Chair, CEO, SID or CFO) is a woman.
- At least one member of the board is from a minority ethnic background (which is defined by reference to categories recommended by the Office for National Statistics (ONS)) excluding those listed, by the ONS, as coming from a white ethnic background).

Changes to the Disclosure guidance and transparency rules (DTR)

[DTR 7.2.8AR](#) requires in-scope companies to disclose in their corporate governance statement the diversity policy applied to their board, or to explain where no such diversity policy is applied. The Policy Statement expands these reporting requirements to cover the diversity policies of key board committees and to indicate that reporting on board and board committee diversity policies could consider wider diversity characteristics.

Start date

All of the final rules apply to accounting periods starting on or after 1 April 2022.

Reminders on climate change reporting requirements

Premium listed and standard listed companies have been required to report using the TCFD framework since 1 January 2021 and 1 January 2022 respectively, under LR 9.8.6R(8) and LR 14.3.27R.

For organisations that have accounting periods beginning on or after 6 April 2022, climate-related financial disclosures aligned with the TCFD framework have been extended by [SI 2022/31](#) for companies and [SI 2022/46](#) for LLPs (the Regulations) to certain publicly quoted companies, in addition to premium and standard listed companies, and certain large private companies and limited liability partnerships. Organisations in scope for the Regulations are as follows:

- All UK registered companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees AND have transferable securities admitted to trading on a UK

regulated market, or are banking companies or insurance companies (that is, current Relevant Public Interest Entities (PIEs);

- UK registered companies with securities admitted to AIM with more than 500 employees;
- UK registered companies which are not included in the categories above, which have more than 500 employees and a turnover of more than £500m (these are referred to as 'high turnover' companies).
- Traded or banking LLPs with more than 500 employees and 'large LLPs' (meaning those with more than 500 employees and a turnover of more than £500m).

For companies in scope, these disclosures are required to be in the strategic report within the newly named 'non-financial and sustainability information statement'. For those companies already required to report against the TCFD framework under the Listing Rules, we expect that they will also meet their obligations under the Regulations unless they use the comply-or-explain option in the Listing Rules to a very significant extent (note that the regulations also allow companies to explain why they have omitted aspects of the regulations if they believe them not to be necessary for an understanding of the company's business). In February 2022, BEIS issued [non-binding guidance](#) to supplement the regulations.

FRC thematic review of TCFD disclosures - metrics and targets

In July 2023 the FRC released its latest [thematic on climate](#), assessing the quality and maturity of climate-related metrics and targets disclosures. Based on the TCFD disclosures from 20 listed companies' 2022 annual reports across four sectors (materials and buildings, energy, banks, and asset managers), the report identifies areas of better reporting practice and notes that there has been incremental improvement in the quality of companies' disclosure of net zero commitments and interim targets for emissions. However, opportunities exist to improve disclosures around actions and milestones to meet targets, comparability of metrics between companies, explaining plans for transitioning to a low-carbon economy clearly and concisely, and explaining how climate targets affect financial statements. The FRC recognises that systems and disclosures are still evolving, but notes that the FRC will now be more likely to enter into substantive correspondence with companies if they do not meet the expectations set out in both this thematic and the climate thematic released in July 2022 by the FRC.

Other FRC publications and reports

Audit Committees and External Audit: Minimum Standard

In May 2023, the FRC published its [minimum standard for audit committees](#), focusing on the appointment and oversight of the external auditor. The standard largely pulls together existing provisions of the UK Corporate Governance Code and FRC guidance into a mandatory basis for future monitoring and enforcement by ARGA. The standard applies to FTSE 350 companies on a comply or explain basis with immediate effect.

FRC's report on 'What makes a good Annual Report and Accounts'

In December 2022, the FRC published a [report](#) that sets out the FRC's view of the characteristics associated with high-quality, decision-useful annual reports. The report is aimed at preparers, including audit committee chairs and company secretaries and is illustrated with good practice examples.

FRC Lab's guidance on 'Materiality'

In October 2023, the FRC Lab published a [report](#) looking at how companies can improve their corporate reporting by taking a more focused, strategic approach to assessing materiality. The report provides practical suggestions and examples for identifying material issues, streamlining and prioritising key messages by considering what information is material to their stakeholders when preparing annual reports.

FRC's 2023 review of corporate governance reporting by listed companies

The FRC released its [Annual Review of Corporate Governance Reporting](#) in November 2023 setting out the results of its annual survey of the quality of reporting against the UK Corporate Governance Code.

The report starts by noting that companies continue to be more transparent than they were a few years ago in reporting departures from the Code, but the related explanations under comply-or-explain sometimes lack clarity and do not set out how their alternative arrangements delivered benefits to the company and its shareholders. There is also a continued emphasis on the need for companies to "move away from a formulaic Principle by Principle approach which adds to the length of the annual report and contains little company specific information, and instead to report clearly and concisely on how application of the Principles has made a difference to actions taken by their board".

Risk management and internal control have been central to the ongoing debate around governance reform but the FRC notes that “there has been little year-on-year improvement in the quality of reporting in this area; some companies report very well but the majority do not, and fail to demonstrate sufficiently [that] robust systems, governance and oversight are operating effectively”.

Other areas that continue to be commented on include:

- Culture, purpose & values - including an emphasis on the link with strategy and the use of metrics and assurance.
- Shareholder engagement - disclosures have been largely generic and specific comments include the need for more committee chair engagement.
- Stakeholder engagement, including the workforce - comments in this area are generally positive, though there could be more emphasis on the outcomes of engagement, and assessment of the effectiveness of the arrangements in place.
- Diversity - which is still not often linked to a company’s strategic priorities and needs to move beyond gender and ethnicity.
- Board and committee evaluation - composition and diversity should be considered at the annual evaluation of the board, and evaluations could address committees and individual directors more fully.
- Remuneration - including the use of discretion around windfall gains post COVID.

TCFD and cyber and information technology risk are also addressed, including the use of ESG or similar committees and how boards oversee the use of AI.

FRC’s conversation starters for investors and audit committees

In April 2023, the FRC launched a new web [page](#) providing conversation starters aimed at promoting better engagement between investors and audit committees to facilitate better understanding of companies and their approach to financial reporting and internal control.

Other future reporting developments beyond 31 December 2023

Draft Statutory Instrument on new corporate reporting requirements - now withdrawn

In July 2023, following on from the Restoring trust in audit and corporate governance consultation and the Brydon and Kingman reviews, the Government laid before Parliament a draft Statutory Instrument (SI) entitled “draft Companies (Strategic Report and Directors’ Report) (Amendment) Regulations 2023”. The key elements, and their intended locations in the annual report included:

- Audit and Assurance Policy (Directors’ Report).
- Material Fraud Statement (Directors’ Report).
- Resilience Statement (Strategic Report).
- Disclosures about distributable profits, distributions, and the purchase of own shares (Financial Statements).
- Policy Statement on Distributions and Purchase of Own Shares (Directors’ Report).

However, on 16 October 2023, the Government announced that it would be withdrawing the draft SI after concerns were raised about imposing additional reporting requirements. The Government has indicated that, instead of the draft SI, it will be proposing a new reform package and that it remains committed to the establishment of the Audit, Reporting and Governance Authority (ARGA).

UK Corporate Governance Code consultation

In May 2023 the Financial Reporting Council (FRC) launched a consultation to review the UK Corporate Governance Code with the aim of enhancing its effectiveness. The review was limited but focused on five key areas:

- Revising parts of the Code that deal with the need for a framework of prudent and effective controls to provide a stronger basis for reporting and evidencing their effectiveness.
- Revisions to reflect the responsibilities of the board and audit committee for sustainability and ESG reporting and appropriate assurance.
- Amending the Code to take account of the new Audit Committees and the External Audit: Minimum Standard (see above for more information).
- Improving the functioning of comply-or-explain where reporting is currently weaker.
- Updating the Code to ensure that it aligns with changes to legal and regulatory requirements, including strengthening reporting on malus and clawback arrangements.

The FRC also planned to review the existing guidance which supports the Code. The consultation closed on 13 September 2023.

On 7 November 2023, the FRC released a policy update on the Code consultation outlining their intention to take forward only a small number of the original 18 proposals and to stop development of the remainder. Proposals that are not being taken forward include those relating to the role of audit committees on environmental and social governance, diversity, over-boarding, and

Committee Chairs engaging with shareholders. The updates proposed to internal controls will also be revised based on concerns raised through the consultation process. The FRC expects to publish the updated code in January 2024, to apply for periods beginning on or after 1 January 2025.

Revised QCA Corporate Governance Code

In November 2023 the Quoted Companies Alliance (QCA) published a revised corporate governance code. The revised code will apply for financial years beginning on or after 1 April 2024, with a transition period of 12 months, and will be particularly relevant for AIM companies as, according to the QCA, over 90% of them use it. Some of the main updates relate to stakeholders (including environmental and social issues and climate change), diversity and succession planning. Structurally, the revised code also incorporates the QCA's previously supplementary guidance on remuneration and brings additional content on board composition into the main body of the code itself.

Calls for evidence connected with the Government's Green Finance Strategy

A number of calls for evidence relating broadly to undertakings set out in the Government's Green Finance Strategy have been issued since March 2023. The first, the Smarter regulation non-financial reporting review from the Department for Business and Trade, sought views on the non-financial reporting requirements UK companies need to comply with to produce their annual report, and whether company size thresholds remain appropriate. A second call for evidence was issued by the FRC in July 2023, in its role as the secretariat to the UK Sustainability Disclosure Technical Advisory Committee, focused on the proposed endorsement of the IFRS Sustainability Disclosure Standards in the UK. Finally, in October 2023, the Department for Energy Security and Net Zero issued a call for evidence on Scope 3 Emissions in the UK Reporting Landscape, including a post-implementation review of Streamlined Energy and Carbon Reporting.

The International Sustainability Standards Board (ISSB)

The International Sustainability Standards Board (ISSB) issued its first two sustainability reporting standards in June 2023. These are:

- [General Requirements for Disclosure of Sustainability-related Financial Information \(IFRS S1\)](#), the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- [Climate-related Disclosures \(IFRS S2\)](#), the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

For further information see [In brief INT2023-15](#) and [UK In depth INT2023-05](#).

The standards are applicable for annual reporting periods beginning on or after 1 January 2024, however the Government is yet to determine which UK companies will be in scope and the exact effective date. As noted above, a call for evidence by the FRC in its role as The Secretariat to the UK Sustainability Disclosure Technical Advisory Committee on the prospective use of IFRS S1 and IFRS S2 closed in October 2023, and the FCA has indicated that it will also consult on this matter in the first half of 2024.

EU Corporate Sustainability Reporting Directive (CSRD)

The CSRD was published in the EU Official Journal in December 2022. As well as setting specific areas of disclosure, the Directive requires in-scope companies to adopt a set of new European Sustainability Reporting Standards ('ESRS'), and to implement the EU Taxonomy on sustainable activities. Mandatory assurance of sustainability information, starting with limited assurance from 2024 and potentially moving to reasonable assurance from 2027, is also part of the Directive. In terms of applicability, for EU companies and groups there is a significant extension in scope compared with the existing non-financial reporting Directive. From a UK-incorporated group perspective the Directive has significantly wider consequences than was originally expected, with the most common scenarios for the applicability of CSRD for UK companies being the following:

- 'Large'* non-EU (including UK) companies with securities (debt or equity) listed on EU regulated markets and more than 500 employees for financial years starting on or after 1 January 2024. Companies with securities listed on EU regulated markets, but which do not meet these size thresholds, come into scope at later dates.
- 'Large'* EU-incorporated subsidiaries or EU-incorporated subgroups of UK groups for financial years starting on or after 1 January 2025 .
- UK-incorporated parent groups with > €150m net turnover in the EU over the last two consecutive financial years, with at least one 'large'* EU-incorporated subsidiary or subsidiary listed on an EU-regulated market, or a branch generating >€40m net turnover in the preceding financial year, will need to report their group sustainability information for financial years starting on or after 1 January 2028.

Applicability is complex and we recommend taking legal advice where appropriate. .

*Large is defined as exceeding at least two of the following three metrics on two consecutive annual balance sheet dates - total assets of €20 million, net turnover (revenue) of €40 million and an average of 250 employees. A proposal has been made to increase the balance sheet and net turnover thresholds by 25% to account for the effect of inflation.

Accounting standards, IFRIC interpretations and other guidance applicable to 31 December 2023 year ends

IFRS 17, 'Insurance contracts' as amended in December 2021

This [standard](#) replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts. See [IFRS Manual of accounting chapter 50A for further details](#).

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The [amendments](#) aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. For further details see [IFRS Manual of accounting para 4.150](#).

Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction

These [amendments](#) require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. For further details see [FAQ 14.18.1](#)

Amendment to IAS 12 - International tax reform

These [amendments](#) give companies temporary relief from accounting for deferred taxes arising from the ('Minimum Tax Implementation Handbook') international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. For further details see [UK In depth INT2023-10](#) There are also equivalent amendments to FRS 101 and FRS 102.

Amendment to FRS 101 Reduced Disclosure Framework – Effective date of IFRS 17

These [amendments](#) allow relevant insurers to continue to apply FRS 101 for a further two years.

Amendments to FRS 101 and FRS 102 - International tax reform

The 'Minimum Tax Implementation Handbook' introduces a global system of interlocking top-up taxes that aim to ensure that large multinational groups pay a minimum amount of income tax. These [amendments](#) to FRS 102 introduce a temporary exception to the accounting for deferred taxes arising from the implementation of Minimum Tax Implementation Handbook, alongside targeted disclosure requirements.

New IFRS accounting standards effective on or after 1 January 2024

Paragraph 30 of IAS 8, requires an entity to disclose if there are new accounting standards that are issued but not yet effective and information relevant to assessing the possible impact that the application of the new accounting standards will have on the entity's financial statements. This summary includes all new accounting standards and amendments issued before 31 December 2023 with an effective date for accounting periods beginning on or after 1 January 2024.

These accounting standards can generally be adopted early, subject to endorsements.

Amendment to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these. For further details see UK In brief INT2022-16 .
Published	November 2022
Effective date	Annual periods beginning on or after 1 January 2024.
UK and EU Endorsement status*	Endorsed

Amendment to IFRS 16 - Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. For further details see IFRS Manual of Accounting para 15.155.1 .
Published	September 2022
Effective date	Annual periods beginning on or after 1 January 2024.
UK and EU Endorsement status*	Endorsed
Amendment to IAS 7 and IFRS 7 - Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. For further details see UK In brief INT2023-03 .
Published	May 2023
Effective date	Annual periods beginning on or after 1 January 2024
UK and EU Endorsement status*	Not yet endorsed
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. For further details see UK In brief INT2023-19 .
Published	August 2023
Effective date	Annual periods beginning on or after 1 January 2025
UK and EU Endorsement status*	Not yet endorsed

New IFRS Sustainability disclosure standards effective after 1 January 2024

IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. For further information see UK In brief INT2023-15 and UK In depth INT2023-05 .
Published	June 2023
Effective date	Reporting periods beginning on or after 1 January 2024
UK and EU Endorsement status*	Not yet endorsed
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. For further information see UK In brief INT2023-15 and UK In depth INT2023-05 .
Published	June 2023
Effective date	Reporting periods beginning on or after 1 January 2024
UK and EU Endorsement status*	Not yet endorsed

* as at time of publication

New UK GAAP standards effective after 1 January 2024

As at time of publication no current changes effective in the future

