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 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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PARTICIPANT IN THE IFRS FOUNDATION SURVEY ON APPLICATION OF IFRS

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<tr>
<th>Organisation</th>
<th>Financial Reporting Council (FRC)</th>
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<tbody>
<tr>
<td>Role of the organisation</td>
<td>The FRC is empowered by law to set UK accounting standards. The accounting standards set by the FRC are also applicable in the Republic of Ireland. The FRC is committed to work with the European Financial Reporting Advisory Group (EFRAG) to promote high quality standards and the implementation of IFRS in Europe. The FRC aims to influence the international debate and standard setters (including the IASB) to promote high quality global standards.</td>
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Website www.frc.org.uk
Email contact a.appleton@frc.org.uk

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
What is the jurisdiction's status of adoption? | The United Kingdom has already adopted IFRS for the consolidated financial statements of all companies whose securities trade in a regulated market.
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Additional comments provided on the adoption status? | As a member state of the European Union, the United Kingdom is subject to IAS Regulation adopted by the European Union in 2002.
The EU IAS Regulation requires application of IFRS adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. In the United Kingdom, this would include the London Stock Exchange Main Market. The EU IAS Regulation gives member states the option to require or permit IFRS as adopted by the EU in separate company financial statements (statutory accounts) of such companies and/or in the financial statements of companies whose securities do not trade in a regulated securities market. See the Profile for the European Union for more detailed information about the EU IAS Regulation.
In the United Kingdom, the following are regulated markets:
- BATS Europe Regulated Market
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- Intercontinental Exchange - Ice Futures Europe
- ISDX Main Board
- NYSE Euronext London
- The London International Financial Futures and Options Exchanges (LIFFE)
- The London Metal Exchange
- London Stock Exchange
Issuers on the AIM (a UK market for trading securities that is not a 'regulated market') that are incorporated in the UK or elsewhere in the European Economic Area (EEA) and that are parent companies have been required by the AIM Rules to apply IFRS as adopted by the EU since financial years commencing on or after 1 January 2007.
The United Kingdom has used the option under the IAS Regulation to permit optional application of IFRS as adopted by the EU for all companies whose securities do not trade in a regulated market.
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If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS in your jurisdiction. | Not applicable.
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**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 in their consolidated financial statements? | Yes.
If YES, are IFRS REQUIRED or PERMITTED? | In accordance with the EU Accounting Regulation, IFRS as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in the United Kingdom.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

The principal securities exchange in the United Kingdom (London Stock Exchange Main Market) is a regulated market to which the EU IAS Regulation applies. The United Kingdom has other public securities markets that are not regulated markets. Domestic companies whose securities do not trade in a regulated market are permitted to use IFRS as adopted by the EU. However, issuers on the AIM (a UK market for trading securities that is not a ‘regulated market’) that are incorporated in the European Economic Area (EEA) and that are parent companies have been required by the AIM Rules to apply IFRS as adopted by the EU since financial years commencing on or after 1 January 2007.

Are IFRS 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 required or permitted in separate company financial statements of companies whose securities trade in a public market?

Permitted.

For instance, are IFRS 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 for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS 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 in their consolidated financial statements?

Yes.

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

Required for some and permitted for others. Foreign companies whose securities trade in a regulated market in the UK (and generally in the EU) are required to report under IFRS as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their accounting standards to be equivalent to IFRS, in which case they may use their local standards.


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 are required or permitted for domestic companies?

IFRS as adopted by the European Union, which are IFRS as issued by the IASB with some limited modifications such as the temporary ‘carve-out’ from IAS 39. However, the resulting financial statements of the majority of companies would still be in full compliance with IFRS.
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<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>The auditor’s report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:</td>
<td>IFRS as adopted by the European Union.</td>
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<td>Does the auditor’s report and/or the basis of preparation footnotes allow for ‘dual reporting’ (conformity with both IFRS and the jurisdiction’s GAAP)?</td>
<td>Yes. It is possible for an entity to assert compliance with IFRS as adopted by the EU and, additionally, to assert compliance with IFRS, provided compliance with IFRS as adopted by the EU would also result in compliance with IFRS as issued by the IASB.</td>
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<td>Are IFRS incorporated into law or regulations?</td>
<td>Yes.</td>
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<td>If yes, how does that process work?</td>
<td>The process is described in the Profile of the European Union.</td>
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<td>If no, how do IFRS become a requirement in the jurisdiction?</td>
<td>Not applicable.</td>
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<td>Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS (including Interpretations) in place?</td>
<td>Yes.</td>
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<td>If yes, what is the process?</td>
<td>The process is described in the Profile of the European Union.</td>
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<td>If no, how do new or amended IFRS become a requirement in the jurisdiction?</td>
<td>Not applicable.</td>
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<td>Has the jurisdiction eliminated any accounting policy options permitted by IFRS and/or made any modifications to any IFRS?</td>
<td>Yes.</td>
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<td>If yes, what are the changes?</td>
<td>Details are in the Profile of the European Union.</td>
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<td>Other comments regarding the use of IFRS in the jurisdiction?</td>
<td>None.</td>
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<td><strong>TRANSLATION OF IFRS</strong></td>
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<td>Are IFRS translated into the local language?</td>
<td>Not applicable. (English is the local language.)</td>
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<td>If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS?</td>
<td>Not applicable.</td>
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<td><strong>APPLICATION OF THE IFRS FOR SMEs</strong></td>
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<td>Has the jurisdiction adopted the IFRS for SMEs for at least some SMEs?</td>
<td>On 14 March 2013 the Financial Reporting Council issued FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. It is effective for periods beginning after 1 January 2015. FRS 102 is based on the IFRS for SMEs, but with significant modifications described below.</td>
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<td>If no, is the adoption of the IFRS for SMEs under consideration?</td>
<td>Not applicable.</td>
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<td>Did the jurisdiction make any modifications to the IFRS for SMEs?</td>
<td>Yes.</td>
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In adopting FRS 102, the following modifications were made to the IFRS for SMEs, among others:

- Added an option to Section 17 to revalue property, plant and equipment and, similarly, to Section 18 to revalue certain intangible assets.
- Added an option to Section 18 to capitalise development costs when specified criteria are met.
- Changed the presumption in Section 18 of a ten-year useful life for amortisable intangible assets, including goodwill, when a reliable estimate cannot be made to amortisation over not more than five years.
- Added an option in Section to capitalise borrowing costs on qualifying assets.
- Require merger accounting (pooling) for combinations of entities under common control.
- Non-cash distributions to owners do not have to be measured at fair value.
- Added an accrual accounting option for government grants.
- Require a timing difference approach to deferred income taxes, rather than a temporary difference approach.
- Permit the historical cost model for all biological assets.
- Made numerous other changes to permit accounting treatments that exist in FRSs at the transition date that align with EU-adopted IFRS.

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

FRS 102 is available to all entities not required to apply EU adopted IFRS.

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


### Other comments regarding use of the IFRS for SMEs?

In February 2015, the Financial Reporting Council proposed a new reporting regime for small and micro-entities. Under the proposals, small entities would be brought within the scope of FRS 102, the FRSSE would be withdrawn, and a new separate standard would be issued for micro-sized entities. Comments on the proposals (in exposure drafts FREDs 58, 59, and 60) are due by 30 April 2015.

If those proposals are adopted, UK GAAP would have four levels (listed in order of decreasing complexity):

- IFRS as adopted by the EU.
- FRS 102 (based on the IFRS for SMEs, but with some modifications described above).
- Small entities regime (essentially FRS 102 with reduced disclosures).
- Micro-entities regime (separate standard).

The proposals may be found here: