
United Kingdom

Local stock exchange

London Stock Exchange

<http://www.londonstockexchange.com/>

Alternative Investment Market (AIM)

<http://www.londonstockexchange.com/aim>

Rules for listed filings

IFRS required or permitted for listed companies?

Required for consolidated financial statements. Permitted for standalone/separate financial statements.

Version of IFRS

IFRS as adopted by the EU

Are subsidiaries of foreign companies or foreign companies listed on local exchanges subject to different rules?

Yes. Certain companies from outside the European Economic Area (“EEA”) that are listed on the London Stock Exchange may apply a GAAP that is equivalent to IFRS, such as US GAAP.

Rules for statutory filings

Is IFRS or IFRS for SMEs required, permitted or prohibited for statutory filings?

IFRS (as adopted by the EU) is required for the consolidated financial statements of entities with securities listed on a regulated market in the EU. IFRS is permitted for other consolidated financial statements and for separate/individual financial statements. IFRS for SMEs is prohibited, however a new UK accounting standard based on IFRS for SMEs (that is, FRS102) has replaced previous UK GAAP. See below for further details.

Parent companies can choose to apply IFRS, FRS 102 or FRS 101 (if they qualify) in their separate financial statements. Choosing to prepare IFRS does not mean that all other UK entities within the group need to prepare IFRS. These entities can stay with UK GAAP (which includes both FRS 101 and FRS 102 and so groups can apply a mix of these). However, if IFRS is adopted by one UK subsidiary, it should generally be adopted by all UK subsidiaries unless there are good reasons not to do so.

Once IFRS is adopted, companies can go back to UK GAAP provided they have not previously switched in the prior five years (or if there is a change in circumstance as set out in company law). Note that charities are not allowed to use IFRS or FRS 101.

Version of IFRS

IFRS as adopted by the EU

In addition to local GAAP statutory financial statements, are there any other regulatory financial statement requirements that permit or require the use of IFRS?

Central and local government entities are required to prepare IFRS financial statements. Other entities have a choice of IFRS or UK GAAP. However, charities are not allowed to use IFRS or FRS 101.

IFRS conversion plans

Plans for converging

For periods starting on or after January 1, 2015, all UK entities that are not required to apply EU-adopted IFRS must replace existing UK accounting standards and adopt one of two new UK accounting standards or EU-adopted IFRS.

The first new standard is FRS102, ('the financial reporting standard applicable in the UK and Republic of Ireland'). FRS 102 is based on IFRS for SMEs but with an amended scope and with changes to be consistent with company law, to allow some policy choices and to clarify the standard.

Alternatively, qualifying entities can use FRS 101, 'Reduced disclosure framework', which permits them to use IFRS recognition and measurement rules (amended for company law), with reduced disclosures. This applies to the individual financial statements of entities (excluding charities) that are included in the consolidated financial statements of a group giving equivalent disclosures.

Accounting for small entities is covered by the small company regime in company law and are currently eligible for an additional option to apply the FRSSE (Financial Reporting Standard for Smaller Entities). However, for future periods, the Financial Reporting Council has replaced the FRSSE with FRS 102 (including a new section for small entities on presentation and disclosure) or, for micro-entities, by a new accounting standard (FRS 105, The Financial Reporting Standard applicable to the Micro-entities Regime) which is based on FRS 102 but simplified for smaller entities and modified for UK company law. These changes are effective for accounting periods starting on or after January 1, 2016, with early adoption permitted.

The Financial Reporting Council will continue to assess and amend FRS101, FRS102 and FRS105 on a periodic basis where necessary when IFRS standards are amended or new ones are introduced.

Other useful websites

Financial Reporting Council
<http://www.frc.org.uk>

Tax information

Type of tax regime

Quasi-dependent. Taxable profit is principally based on the legal entity statutory accounts, with a number of adjustments provided in the tax law. However, there are a

number of areas, such as capital gains, where the taxable profit is not derived from the accounts.

Comments on tax regime

Any IFRS transitional adjustments are generally taxable in the year of adoption with a number of exceptions, some of which are spread over a 10 year period. There is tax legislation that deals with IFRS conversions and which is intended to neutralize most of the ongoing adoption differences. However, it is expected that a number of differences will remain.

Plans for IFRS converging as the basis of tax reporting

Not applicable. IFRS is already the basis for tax reporting where it is used for financial reporting.