Exposure Draft

July 2025

FRED 87

Draft amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Adapted formats

The FRC's purpose is to serve the public interest and support UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

Financial Reporting Council

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Contents

Overview

(i) The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

(ii) IFRS 18 *Presentation and Disclosure in Financial Statements* is a new standard that replaces IAS 1 *Presentation of Financial Statements* for annual reporting periods beginning on or after 1 January 2027. IFRS 18 introduces a new category-based approach to classification of items in the statement of profit or loss, including new associated disclosure requirements, and also introduces disclosure requirements in respect of management-defined performance measures, with the aim of improving the reporting of financial performance.

(iii) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* requires all entities, including those that are not companies, to follow the presentation requirements for the balance sheet and the profit and loss account set out in UK company law[1][2][3][4] (or the corresponding requirements in Republic of Ireland company law[5]).

(iv) As an alternative to the detailed formats for the balance sheet and profit and loss account set out in company law, company law also offers the option of adapting those formats to use a different format. FRS 102 then sets out the requirements that must be followed when the adapted format option is applied – which, although not mentioned directly, closely resemble a balance sheet and income statement prepared under IFRS Accounting Standards, as currently set out in IAS 1.

(v) This FRED proposes amendments to FRS 102 to reflect amendments to IAS 1 in 2020 and 2022, and the subsequent replacement of IAS 1 with IFRS 18, which are all relevant to entities that choose to adapt the formats of the balance sheet and/or the profit and loss account.

[1] The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409)
[2] The Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912)
[3] The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)
[4] The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913
[5] Companies Act 2014 - Part II General Rules and Formats of Schedule 3

Invitation to comment

The FRC is requesting comments on FRED 87 by 10 October 2025. The FRC is committed to developing standards based on evidence from consultation with users, preparers and others. Comments are invited in writing on all aspects of the draft amendments. In particular, comments are sought in relation to the questions below.

Question 1

Do you agree with the proposed changes to the line items required when choosing to adapt the formats? Why or why not?

Question 2

(a) Do you agree with the proposed approach of not incorporating the full category-based requirements from IFRS 18 into FRS 102 at this time? Why or why not?

(b) Do you foresee any issues for preparers with this proposed approach?

Question 3

Do you agree with the proposed changes to the definitions of current and non-current assets and of current liabilities? Why or why not?

Question 4

Do you agree with the proposed effective date for these amendments? Why or why not?

Question 5

Do you agree with the conclusion in the consultation stage impact assessment? Why or why not?

Information on how to submit comments and the FRC's policy in relation to responses is set out on page 19.

Draft amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Draft amendments to Section 1
Scope

1 The following paragraph sets out the draft amendments to Section 1 *Scope* (inserted text is underlined).

2 A sub-heading and paragraph 1.71 are inserted as follows:

<u>**Adapted formats**</u>

<u>1.71 In [month] [year] amendments were made to this FRS to amend the presentation requirements when using the adapted formats. These amendments are effective for accounting periods beginning on or after 1 January 2027. Early application is permitted. If an entity applies these amendments to an accounting period beginning before 1 January 2027 it shall disclose that fact, unless it is a small entity in the Republic of Ireland, in which case it is encouraged to disclose that fact.</u>

Draft amendments to Section 1A
Small Entities

3 The following paragraphs set out the draft amendments to Section 1A *Small Entities* (inserted text is underlined, deleted text is struck through).

Appendix A *Guidance on adapting the balance sheet formats* to Section 1A

4 Paragraph 1AA.3 is amended as follows (the sequentially numbered footnote in this paragraph is not presented here and is unchanged by this amendment):

1AA.3 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations[18] and adapt one of the balance sheet formats shall, as a minimum, include in its statement of financial position line items that present the following, distinguishing between those items that are **current** and those that are **non-current**:

(a) **property, plant and equipment**;

(b) **investment property** carried at **fair value** through **profit or loss**;

(c) **intangible assets** other than **goodwill**;

(cA) goodwill;

(d) **financial assets** (excluding amounts shown under (e), (f), (j) and (k));

(e) investments in **associates**;

(f) investments in **jointly controlled entities**;

(g) **biological assets** carried at cost less accumulated **depreciation** and impairment;

(h) biological assets carried at fair value through profit or loss;

(i) **inventories**;

(j) trade and other receivables;

(k) **cash** and **cash equivalents**;

(l) trade and other payables;

(m) **provisions**;

(n) **financial liabilities** (excluding amounts shown under (l) and (m));

(o) **liabilities** and **assets** for **current tax**;

(p) **deferred tax liabilities** and **deferred tax assets** (classified as non-current);

(q) **non-controlling interest**, presented within **equity** separately from the equity attributable to the **owners** of the **parent**; and

(r) equity attributable to the owners of the parent.

5 Paragraph 1AA.4 is amended as follows (the sequentially numbered footnote in this paragraph is not presented here and is unchanged by this amendment):

1AA.4 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations[19] and adapt one of the balance sheet formats shall also disclose, either in the statement of financial position or in the notes, the following sub-classifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the small entity;

~~(b) **goodwill** and other intangible assets;~~[Deleted]

(c) investments, showing separately shares and loans;

(d) trade and other receivables, showing separately amounts due from **related parties** and amounts due from other parties;

(e) trade and other payables, showing separately amounts payable to trade suppliers and amounts payable to related parties; and

(f) classes of equity, such as called up share capital, share premium, retained earnings, revaluation reserve, fair value reserve and other reserves.

Appendix B *Guidance on adapting the profit and loss account formats* to Section 1A

6 Paragraph 1AB.3 is amended as follows (the sequentially numbered footnote in this paragraph is not presented here and is unchanged by this amendment):

1AB.3 A small entity choosing to apply paragraph 1B(2) of Schedule 1 to the Small Companies Regulations[22] and adapt one of the profit and loss account formats shall, as a minimum, include in its income statement line items that present the following amounts for the period:

(a) **revenue**;

(b) ~~finance costs~~ operating expenses;

(bA) operating profit;

(c) share of the profit or loss of investments in **associates** (see Section 14 *Investments in Associates*) and **jointly controlled entities** (see Section 15 *Investments in Joint Ventures*) accounted for using the equity method;

(cA) profit or loss before financing and taxation;

(d) profit or loss before taxation;

(e) **tax expense** excluding tax allocated to **other comprehensive income** or equity; and

(f) profit or loss.

Draft amendments to Section 4
Statement of Financial Position

7 The following paragraphs set out the draft amendments to Section 4 *Statement of Financial Position* (inserted text is underlined, deleted text is struck through).

8 Paragraph 4.2A is amended as follows:

4.2A An entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats shall, as a minimum, include in its statement of financial position line items that present the following, distinguishing between those items that are **current** and those that are **non-current**:

(a) **property, plant and equipment**;

(b) **investment property** carried at **fair value** through **profit or loss**;

(c) **intangible assets** other than **goodwill**;

(cA) goodwill;

(d) **financial assets** (excluding amounts shown under (e), (f), (j) and (k));

(e) investments in **associates**;

(f) investments in **jointly controlled entities**;

(g) **biological assets** carried at cost less accumulated **depreciation** and impairment;

(h) biological assets carried at fair value through profit or loss;

(i) **inventories**;

(j) trade and other receivables;

(k) **cash** and **cash equivalents**;

(l) trade and other payables;

(m) **provisions**;

(n) **financial liabilities** (excluding amounts shown under (l) and (m));

(o) liabilities and assets for **current tax**;

(p) **deferred tax liabilities** and **deferred tax assets** (classified as non-current);

(q) **non-controlling interest**, presented within equity separately from the equity attributable to the **owners** of the **parent**; and

(r) equity attributable to the owners of the parent.

9 Paragraph 4.2B is amended as follows:

4.2B An entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall also disclose, either in the statement of financial position or in the **notes**, the following sub-classifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the entity;

(b) intangible assets ~~and **goodwill**~~ other than goodwill in classifications appropriate to the entity;

(c) investments, showing separately shares and loans;

(d) trade and other receivables showing separately amounts due from **related parties**, amounts due from other parties, prepayments and accrued income;

(e) inventories, showing separately amounts of inventories:

(i) held for sale in the ordinary course of **business**;

(ii) in the process of production for such sale; and

(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(f) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals; and

(g) classes of equity, such as share capital, share premium, retained earnings, revaluation reserve, fair value reserve and other reserves.

10 Paragraph 4.2D is amended as follows:

4.2D In order to comply with the requirement of paragraph 4.2A to distinguish between those items that are current and those that are non-current, an entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall present current and **non-current assets**, and current and **non-current liabilities**, as separate classifications in its statement of financial position.

11 Paragraphs 4.7A and 4.7B are inserted as follows:

Current and non-current liabilities

4.7A If an entity chooses to apply paragraph 1A(1) of Schedule 1 to the Regulations, the entity shall classify a liability as current when:

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within 12 months after the reporting period; or

(d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

4.7B When applying paragraph 4.7A, an entity's right to defer settlement for at least 12 months after the reporting period must have substance and must exist at the end of the reporting period.

12 Paragraph 4.15 is inserted as follows:

4.15 When applying paragraph 4.7A, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period. In such situations, the entity shall disclose information in the notes that enables users of the financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period.

Draft amendments to Section 5
Statement of Comprehensive Income and Income Statement

13 The following paragraphs set out the draft amendments to Section 5 *Statement of Comprehensive Income and Income Statement* (inserted text is underlined, deleted text is struck through).

14 Paragraph 5.5A is amended as follows:

5.5A In addition (unless it chooses to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats) an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period:

(a) Classified by nature (excluding amounts in (b)), the components of other comprehensive income recognised as part of total comprehensive income outside profit or loss as permitted or required by this FRS. An entity may present the components of other comprehensive income either:

(i) net of related tax effects; or

(ii) before the related tax effects with one amount shown for the aggregate amount of **income tax** relating to those components.

(b) Its share of the other comprehensive income of **associates** and **jointly controlled entities** accounted for using the equity method.

(c) Total comprehensive income.

15 Paragraph 5.5B is amended as follows:

5.5B An entity choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats shall, as a minimum, include in its statement of comprehensive income line items that present the following amounts for the period:

(a) **revenue**;

(b) ~~finance costs~~ operating expenses;

(bA) operating profit;

(c) share of the profit or loss of investments in associates (see Section 14 *Investments in Associates*) and jointly controlled entities (see Section 15 *Investments in Joint Ventures*) accounted for using the equity method;

(cA) profit or loss before financing and taxation;

(d) profit or loss before taxation;

(e) **tax expense** excluding tax allocated to items (h) and (i) below or to **equity** (see paragraph 29.27);

(f) as set out in paragraph 5.7E (including a column identified as **discontinued operations**) a single amount comprising the total of:

(i) the post-tax profit or loss of a discontinued operation; and

(ii) the post-tax gain or loss attributable to the impairment or on the disposal of the **assets** or **disposal group(s)** constituting discontinued operations.

(g) profit or loss;

(h) each item of other comprehensive income classified by nature (excluding amounts in (i)), with each component presented either:

(i) net of related tax effects; or

(ii) before the related tax effects with one amount shown for the aggregate amount of income tax relating to those components;

(i) share of other comprehensive income of associates and jointly controlled entities accounted for using the equity method; and

(j) total comprehensive income.

In addition, ~~an analysis of expenses~~ information shall be presented, either in the income statement or in the **notes** to the **financial statements**, which is at least equivalent to what would have been presented if ~~paragraph 5.5 had been applied~~ paragraph 1A(2) of Schedule 1 to the Regulations had not been applied. This shall include an analysis of expenses.

16 Paragraph 5.7C is amended as follows:

5.7C ~~The~~ For entities other than those choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats, the statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a minimum, line items that present the amounts in paragraphs 5.5A and 5.6(b) for the period.

17 Paragraph 5.7D is amended as follows:

5.7D In addition to the requirements of paragraphs 5.5 or 5.7, as a minimum~~,~~ **turnover** ~~must~~ shall be presented on the face of the income statement (or statement of comprehensive income if presented), except that an entity choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats shall, in addition to presenting revenue on the face of the income statement (or statement of comprehensive income if presented), disclose turnover, if not the same as revenue, in the notes to the financial statements.

18 Paragraph 5.9B is amended as follows:

5.9B ~~This FRS does not require disclosure of 'operating profit'. However, if an entity elects to disclose~~ If an entity presents or discloses operating profit, the entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating'. For example, it would be inappropriate to exclude items clearly related to operations (such as **inventory** write-downs, profits or losses on the sale of **property, plant and equipment**, **investment property** and **intangible assets**, and **restructuring** and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve **cash flows**, such as **depreciation** and **amortisation** expenses. Profits or losses on the disposal of a discontinued operation shall be excluded from operating profit.

Draft amendments to Appendix I *Glossary*

19 The following paragraphs set out the draft amendments to Appendix I *Glossary* (inserted text is underlined, deleted text is struck through).

20 The following glossary term and definition is inserted in alphabetical order as follows:

current assets **(for the purposes of an entity applying paragraph 1A(1) of Schedule 1 to the Regulations)**	**Assets** of the entity which: (a) it expects to realise, or intends to sell or consume, in its normal operating cycle; (b) it holds primarily for the purpose of trading; (c) it expects to realise within 12 months after the **reporting period**; or (d) are **cash** or **cash equivalents**, unless the asset is restricted from being exchanged or used to settle a **liability** for at least 12 months after the reporting period.

21 The following glossary terms and definitions are amended as follows:

current assets	**Assets** of an entity which: (a) for an entity choosing to apply paragraph 1A(1) of Schedule 1 to the **Regulations**, are ~~not **non-current assets**~~ **current assets (for the purposes of an entity applying paragraph 1A(1) of Schedule 1 to the Regulations)**; or (b) for all other entities, are not **fixed assets**.
current liabilities **(for the purposes of an entity applying paragraph 1A(1) of Schedule 1 to the Regulations)**	**Liabilities** of the entity ~~which~~: (a) which it expects to settle in its normal operating cycle; (b) which it holds primarily for the purpose of trading; (c) which are due to be settled within 12 months after the **reporting period**; or (d) for which it does not have ~~an unconditional~~ the right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.
non-current assets	**Assets** of ~~the~~ an entity choosing to apply paragraph 1A(1) of Schedule 1 to the **Regulations** which are not **current assets (for the purposes of an entity applying paragraph 1A(1) of Schedule 1 to the Regulations)**.~~:~~ ~~(a) it does not expect to realise, or intend to sell or consume, in its normal operating cycle;~~ ~~(b) it does not hold primarily for the purpose of trading;~~ ~~(c) it does not expect to realise within 12 months after the **reporting period**; or~~ (d) ~~are **cash** or **cash equivalents** restricted from being exchanged or used to settle a **liability** for at least 12 months after the reporting period.~~

Draft amendments to Appendix IV *Republic of Ireland legal references*

22 The following paragraph sets out the draft amendments to Appendix IV *Republic of Ireland legal references* (inserted text is underlined, deleted text is struck through).

23 The following rows are amended in the table **Section 4 *Statement of Financial Position* and Section 5 *Statement of Comprehensive Income and Income Statement***:

	UK references	**RoI references**	
Paragraph	**Act and the Regulations (unless otherwise stated)**	**Companies Act 2014**	**Other legislative reference**
4.2A, 4.2B, <u>4.2D,</u> 4.4A<u>,</u>~~ and~~ 4.7<u> and 4.7A</u>	Paragraph 1A(1) of Schedule 1 to the Regulations	Paragraph 2(2) in Section A of Part II of Schedule 3	
<u>5.5A, </u>5.5B<u>,</u>~~ and~~ 5.7A<u>, 5.7C and 5.7D</u>	Paragraph 1A(2) of Schedule 1 to the Regulations	Paragraph 2(3) in Section A of Part II of Schedule 3	

Basis for Conclusions
FRED 87 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Adapted formats*

This Basis for Conclusions accompanies, but is not part of, this FRED and summarises the main issues considered by the FRC in developing FRED 87 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Adapted formats.

When these proposals are finalised, the Basis for Conclusions accompanying FRS 102 will be updated.

Objective

1 In developing financial reporting standards, the overriding objective of the FRC is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

2 In achieving this objective, the FRC aims to provide succinct financial reporting standards that:

(a) have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;

(b) balance improvement, through reflecting up-to-date thinking and developments in the way businesses operate and the transactions they undertake, with stability;

(c) balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs;

(d) promote efficiency within groups; and

(e) are cost-effective to apply.

Background

3 UK company law sets out, in *The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008* (SI 2008/409) (the Small Companies Regulations), *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410) (the Regulations), *The Small Limited Liability Partnerships (Accounts) Regulations 2008* (SI 2008/1912) (the Small LLP Regulations) and *The Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008* (SI 2008/1913) (the LLP Regulations), requirements for the form and content of the balance sheet and profit and loss account of an entity preparing Companies Act accounts.

4 Schedules 1, 2 and 3 to the Regulations and the LLP Regulations, and Schedule 1 to the Small Companies Regulations and the Small LLP Regulations, each set out one or more balance sheet formats and one or more profit and loss account formats for an entity applying the respective Schedule.

5 FRS 102, in paragraphs 4.2, 5.5 and 5.7, requires entities to apply the formats set out in company law, which includes any flexibility provided in company law. Some flexibility relates to the prescribed formats, and there are also options to adapt the formats.

6 Paragraph 1A(1) of each Schedule 1 permits an entity to adapt one of the prescribed balance sheet formats so to distinguish between current and non-current items in a different way, provided that:

(a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted; and

(b) the presentation of those items is in accordance with generally accepted accounting principles or practice.

7 FRS 102 addresses the latter point by setting out, in paragraph 4.2A (and paragraph 1AA.3, for entities applying Section 1A *Small Entities*), the minimum line items required in the balance sheet of an entity which chooses to adapt one of the balance sheet formats. Given the FRC's principle of seeking IFRS-based solutions, the requirements have been based on the requirements of IAS 1 *Presentation of Financial Statements*.

8 Similarly, paragraph 1A(2) of each Schedule 1 permits an entity to adapt one of the prescribed profit and loss account formats, provided that:

(a) the information given is at least equivalent to that which would have been required by the use of such format had it not been thus adapted; and

(b) the presentation is in accordance with generally accepted accounting principles or practice.

9 FRS 102 addresses the latter point by setting out, in paragraph 5.5B (where the single-statement approach is adopted) and paragraph 5.7A (where the two-statement approach is adopted) (and paragraph 1AB.3 for entities applying Section 1A), the minimum line items required of an entity which chooses to adapt one of the profit and loss account formats. Given the FRC's principle of seeking IFRS-based solutions, the requirements have been based on the requirements of IAS 1.

10 The provisions of Irish company law are similar to those of UK company law in this area. Appendix IV *Republic of Ireland legal references* to FRS 102 provides further guidance.

Proposed amendments to FRS 102

11 In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* with an effective date of 1 January 2027, which replaces IAS 1. It introduced new requirements aimed at improving companies' reporting of financial performance and giving investors a better basis for analysing and comparing companies.

12 The key changes made by IFRS 18 are to:

(a) require entities to use a set of defined categories to classify income and expenses (including additional subtotals);

(b) improve requirements for aggregating and disaggregating information in the financial statements; and

(c) introduce requirements for entities to prepare disclosures in relation to certain entity-specific performance measures, which are defined as 'management-defined performance measures' (MPMs).

Financial statement formats

13 Following the introduction of IFRS 18, the FRC proposes to update the requirements of paragraphs 1AA.3, 1AB.3, 4.2A and 5.5B to maintain the previous level of alignment with international requirements.

14 Consequential amendments and/or related clarifications are proposed to paragraph 1AA.4 and to various paragraphs in Section 4 *Statement of Financial Position* and Section 5 *Statement of Comprehensive Income and Income Statement*. The change to paragraph 1AA.4 is a consequence of the change to paragraph 1AA.3 to delete what would otherwise be a duplicative requirement to separate goodwill from other intangible assets. An amendment to paragraph 5.9B is proposed to reflect the fact that the presentation of operating profit is now required when an entity chooses to apply paragraph 1A(2) of Schedule 1; paragraph 5.9B applies whether or not an entity makes this choice.

15 The proposed revised presentation requirements for entities choosing to adapt the format of the balance sheet and/or of the profit and loss account contain a minimum set of line items only. Other line items may be needed in the balance sheet and/or in the profit and loss account, for example in order to meet other requirements of FRS 102, reconcile between subtotals, or meet the legal requirement to provide equivalent information to what would have been presented if the formats had not been adapted (for example an analysis of expenses or of items of finance income and expense). Information can be provided in the notes if its disclosure is to meet the requirement to provide equivalent information and it is not needed to reconcile between subtotals.

16 The criteria that are applied by entities choosing to adapt the balance sheet format, for establishing whether a liability is current, are also proposed to be amended to reflect the amendments *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants* made to IAS 1 in 2020 and 2022 respectively (and subsequently included within IFRS 18). This results in consequential changes to Section 4 and to Appendix I *Glossary.*

Categorisation of income and expenses, and aggregation and disaggregation of information

17 The FRC proposes no changes to FRS 102, at this time, in relation to the categorisation of income and expenses or to the revised principles of aggregation and disaggregation.

Management-defined performance measures (MPMs)

18 IFRS 18 requires an entity to disclose explanations of MPMs, being certain company-specific measures that are related to the income statement and are used in public communications outside its financial statements.

19 FRS 102 requires certain entities whose debt and/or equity instruments are publicly traded to apply IAS 33 *Earnings per Share* and/or IFRS 8 *Operating Segments* (by cross-reference to those standards, rather than including the content in FRS 102 itself). The FRC considered whether, on a similar basis, such entities should also be required to apply the MPM requirements of IFRS 18.

20 The FRC concluded that in the limited circumstances in which an FRS 102 preparer whose debt and/or equity instruments are publicly traded has MPMs, the narrative reporting that accompanies the financial statements would be likely to meet users' information needs. Therefore, the FRC concluded that requiring publicly traded entities

to apply the MPM disclosure requirements of IFRS 18 was not necessary, and this FRED proposes no such requirements.

Consideration of IFRS 18 as a whole

21 These proposals arise from a narrow-scope project whose principal purpose is to consider changes arising as a result of the publication of IFRS 18 for entities that choose to adapt the formats in accordance with paragraphs 1A(1) and 1A(2) of each Schedule 1.

22 This project does not contemplate a more general alignment of FRS 102 with the principles of IFRS 18. Further evidence-gathering and analysis will be undertaken before a decision is made on reflecting these principles in FRS 102, if at all. This is likely to form part of a future periodic review of FRS 102.

Finalisation of these proposals

23 The FRC intends to finalise these amendments for entities in the UK and entities in the Republic of Ireland only if IFRS 18 is adopted in the relevant jurisdiction.

Consultation stage impact assessment

Introduction

1 The FRC is committed to a proportionate approach to the use of its powers, making effective use of impact assessments and having regard to the impact of regulation on small enterprises.

Draft amendments to FRS 102

2 The proposals in this FRED will affect entities applying FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* that choose to apply the relevant paragraphs in company law and adapt the format of the balance sheet or of the profit and loss account (or both).

3 The purpose of the amendments is to maintain a degree of alignment between the adapted formats and the presentation within adopted IFRS, by reflecting the changes to the relevant requirements of IFRS Accounting Standards due to the replacement of IAS 1 *Presentation of Financial Statements* with IFRS 18 *Presentation and Disclosure in Financial Statements*. The amendments are not expected to be finalised unless IFRS 18 becomes part of adopted IFRS.

4 When the option to adapt the formats of the balance sheet and/or of the profit and loss account was introduced into company law, the FRC decided to facilitate its use in FRS 102, although take-up of the option amongst FRS 102 preparers was expected to be low. There is no structured data available to confirm the number of entities taking advantage of the option, but the FRC continues to expect, and has heard from some stakeholders, that take-up of the option is indeed low, and therefore few entities will be affected by these proposals.

5 Entities are only expected to choose to adapt the format of the balance sheet and/or of the profit and loss account when it results in a more relevant presentation for their business, or perhaps because of cost savings available if the entity is part of a group reporting under IFRS Accounting Standards.

6 Without intervention to amend FRS 102, an entity choosing to adapt the formats would continue to prepare its primary statements under the existing IAS 1-based requirements of FRS 102, thus limiting their comparability to financial statements prepared under IFRS 18 and potentially increasing the effort required if the entity is a member of a group that applies IFRS Accounting Standards in its consolidated financial statements.

7 The amendments will enable users of financial statements to continue to benefit from the comparability between those prepared using the adapted formats and those prepared under IFRS Accounting Standards.

8 The amendments may involve one-off implementation costs, such as the mapping of the existing financial information to the revised line items (or, alternatively, to move to the statutory company law formats for entities that may not wish to apply the IFRS 18-based format). The FRC would not expect such exercises to involve significant effort, and would not expect the cost of such efforts to exceed the ongoing benefits identified by the entity in choosing to adapt the format.

Conclusion

9 Overall, the FRC believes that the proposed amendments to FRS 102 will have a positive impact on financial reporting.

How to respond to this consultation

This FRED is issued by the FRC for comment. It should be noted that these proposals may be modified in the light of comments received before being issued in final form.

For ease of handling, we prefer comments to be sent by email to:

ukfrs@frc.org.uk

Comments may also be sent in hard copy to:

Accounting and Reporting Policy team
Financial Reporting Council
13th Floor
1 Harbour Exchange Square
London
E14 9GE

Comments should be despatched so as to be received no later than 10 October 2025. If you have sent a copy of your response electronically, there is no need to send an additional hard copy.

The FRC's policy is to publish all consultation responses concerning regulatory standards and codes.

You can ask for your consultation response to remain confidential if you explicitly request it. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure. The FRC frequently redacts personal information in line with GDPR.

The FRC operates in line with government guidance to publish consultation responses within 12 weeks of consultation.

The FRC will publish a summary of the consultation responses, either as part of, or alongside, its final decision.

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