EY Ireland

Financial Reporting Update

January 2023

Building a better working world

Contents

Foreword

At EY, we strive to simplify complex accounting and reporting requirements for our clients. With that in mind, this publication brings together the significant changes in accounting standards, regulatory requirements, as well as key enablers, to help you respond to the changing landscape.

In this edition, we cover recent IFRS updates and emerging accounting and reporting issues including, among other matters:

- Accounting for climate change and sustainability reporting
- International Accounting Standard Board (IASB) and International Financial Reporting Standards Interpretation Committee (IFRS IC) amendments, exposure drafts and agenda decisions
- IAASA's and ESMA's expectations for 2022 financial statements.

If you have any questions or would like to discuss how your company is impacted by any of the topics in this publication, please get in touch with your EY contact, who will be supported by the individuals below.

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Section 01

International Financial Reporting Standards (IFRS)

Accounting for Climate Change

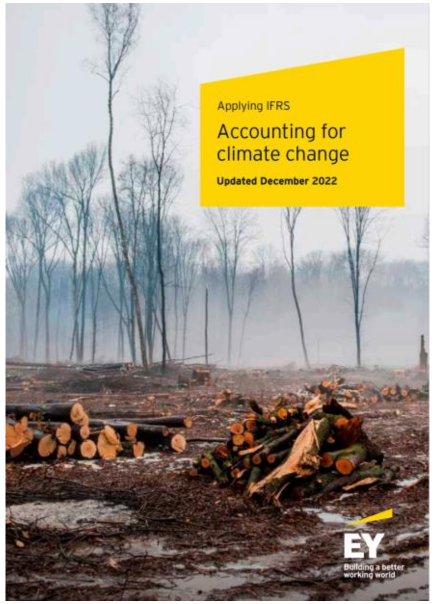
The efforts to reduce the society's impact on climate change have never been greater. At the same time, there is unprecedented pressure from stakeholders for entities to communicate clear commitments to reduce the impact of climate change.

There are increasing expectations from stakeholders that entities explain how climate-related matters are considered in preparing their financial statements. Although, there is no single explicit standard on climate-related matters under IFRS, climate risk and other climate-related matters may impact a number of areas of accounting. Significant judgement may be required to identify the accounting considerations that are relevant to the entity's specific facts and circumstances.

Entities are required, at a minimum, to follow the specific disclosure requirements in each IFRS standard and provide additional disclosures in their financial statements in order to meet the standards' disclosure objectives. In determining the extent of disclosure, entities are required to carefully evaluate what information is required for users to assess the effects of climate change on their financial position, financial performance and cash flows.

Our updated publication supports entities in assessing and reporting on the effects of climate change by providing helpful observations and illustrations. We have made the following changes to our previous publication :

- Added new illustrations and clarified existing illustrations
- Added a paragraph in the section on constructive obligations relating to public commitments made by entities
- Updated the section on 'compensation for other basic lending risks' to reflect the standard-setting developments at the IASB.



Accounting for climate change (Updated December 2022)

European Sustainability Standards

On 21 April 2021, the European Commission (EC) issued a legislative proposal for the Corporate Sustainability Reporting Directive (CSRD) that would require companies within its scope to report in accordance with the European Sustainability Reporting Standards (ESRS) adopted by the EC as delegated acts. The European Financial Reporting Advisory Group (EFRAG) was appointed as technical advisor to the EC, responsible for developing the ESRS.

On 29 April 2022, EFRAG released the exposure drafts (EDs) on the first set of ESRS and launched a public consultation process that ended by August 2022. The last version of the first set of ESRS were approved by the EFRAG board on 15 November 2022 and submitted to the European Commission on 22 November 2022. The EC is expected to adopt this first set of ESRS by June 2023.

On 28 November 2022, the European Council gave final approval to adopt the provisions in the CSRD. The provisions in the CSRD, apply to fiscal years starting on or after :

- 1 January 2024 for large public-interest companies as well as banks and insurance companies, already subject to the Non-Financial Reporting Directive (NFRD)
- 1 January 2025 for large companies that are not presently subject to the NFRD
- 1 January 2026 for listed small- or medium-sized entities (SMEs) and other undertakings. An opt-out will be possible for listed SMEs during a transitional period, exempting them from the application of the directive until 2028
- 1 January 2028 for non-EU companies with significant undertakings in the EU.

Refer our EU Sustainability Developments Issue 2 for more information on the European Sustainability Standards.


Issue 2/November 2022

EU Sustainability Developments

European Sustainability Reporting Standards (ESRS)

What you need to know

1. As part of the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD) includes the mandate to report sustainability information under the reporting framework of the European Sustainability Reporting Standards (ESRS).
2. The affected companies amount to an estimate of over 50,000 compiled of both large and listed companies (except listed micro-companies) based in the EU, but also to third-country companies based outside the EU with undertakings within the EU, i.e., subsidiaries or branches.
3. Under the European Commission's (EC) CSRD, the provisions apply to fiscal years starting on or after 1 January 2024 for large public-interest companies as well as banks and insurance companies, already subject to the Non-Financial Reporting Directive (NFRD); 1 January 2025 for large companies that are not presently subject to the NFRD; or 1 January 2026 for listed small- or medium-sized entities (SMEs) and other undertakings (SMEs can opt out until 2028).
4. Sustainability information mandatorily to be reported in the management report must be verified by a third party with limited assurance.
5. Main components brought by CSRD and ESRS include double materiality, inclusion of prospective information, information about the upstream and downstream value chain, and the concept of sustainability due diligence. The latter is closely related to the upcoming Corporate Sustainability Due Diligence Directive (CS3D) that aims to foster sustainable and responsible corporate behavior throughout global value chains.
6. Sustainability information can influence stakeholder decisions. Two main groups of stakeholders are considered in the ESRS: affected stakeholders and users of sustainability reporting.
7. The last version of the first set of ESRS were approved by the EFRAG board on 15 November 2022 and have been subject to editorial review before its final submission to the EC on 22 November 2022. The Commission is expected to adopt this first set of standards by June 2023.
8. The first set of ESRS encompass other international standards in emphasizing the utmost importance of tackling climate change, by requiring subject companies to disclose information on governance, strategy, management of impacts risks and opportunities, and metrics and targets related to climate change irrespective of the companies' judgment of their materiality.
9. The ESRS consider the existing European law and initiatives as well as European and international sustainability reporting initiatives, facilitating the interoperability with various standards, such as ISSB, TCFD and GRI, to avoid double disclosure efforts by companies.

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EU Sustainability Developments issue 2.

Other IFRS reference material

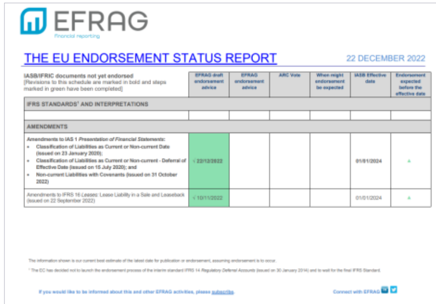
IFRS Update of standards and interpretations in issue at 31 December 2022

Our publication provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected IASB active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of the upcoming changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.

[IFRS Update -31 December 2022]

EU Endorsement status report

The Report provides an overview of IFRS Standards and IFRS interpretations pending endorsement. It also contains a list of all IFRS, amendments to IFRS and IFRS Interpretations endorsed in the EU, providing for each of them the date when it became effective in the EU, the date the endorsement decision was made and the date when it was published in the Official Journal of the European Union.

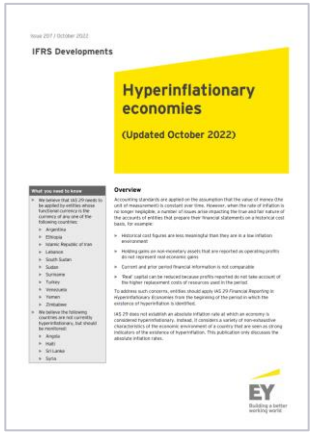


[EU Endorsement status report]

Hyperinflationary economies

Our publication is a summary of countries that are hyperinflationary for IFRS purposes as at 30 September 2022 and countries that should be monitored.

The inflation data is based on the International Monetary Fund (World Economic Outlook that was published in October 2022.



[Hyperinflationary economies (Updated October 2022)]

EY IFRS core tools

EY IFRS illustrative financial statements and disclosure checklists

EY publishes a series of illustrative financial statements to assist reporting entities in the preparation of their own financial statements. The illustrative financial statements are intended to reflect transactions, events and circumstances that we consider to be most common for a broad range of companies across a wide variety of industries. Certain disclosures are included in these financial statements merely for illustrative purposes.

Commentaries are also provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, do refer to EY's Online International GAAP® Disclosure Checklist.

Good Group (International) Limited (December 2022)

Financial Statements Disclosure Checklist (December 2022)

Interim Disclosure Checklist (30June 2023)

Good Bank (International) Limited (December 2022)

Good Mining (International) Limited (December 2021)

Good Real Estate Group 2021

Good Life Insurance (International) Limited

Good General Insurance (International) Limited

Other EY IFRS technical resources including practical technical guidance, latest thinking and tools from EY financial reporting professionals are available here.

International GAAP® – Free Access

EY's International GAAP® 2023, is now available online free of charge to clients and non-clients via the free content channel on EY Atlas Client Edition, EY Analysis: International Financial Reporting Standards (IFRS).

About International GAAP® 2023

International GAAP® 2023, written by EY financial reporting professionals from around the world, is our detailed guide to interpreting and implementing International Financial Reporting Standards (IFRS). It sets IFRS in a relevant business context, provides insights on how complex practical issues could be resolved, and explains complex technical accounting issues clearly. This detailed guide includes numerous worked examples, excerpts from the relevant standard, extracts from the published financial reports of major listed companies from around the world and call out boxes clearly highlighting EY's views.

About EY Atlas Client Edition

EY Atlas, used by thousands of EY employees daily, is a trusted online research platform for accounting and auditing information. Along with International GAAP® 2023, EY Atlas Client Edition also provides free access to other IFRS accounting thought leadership from EY teams (e.g., Applying IFRS and IFRS Developments) in one central, easy-to-navigate platform.

Optimized for mobile devices, EY Atlas Client Edition is accessible anytime and anywhere delivering the International GAAP® 2023 publication in a user-friendly, easy to browse and search, digital format.

User-friendly style

International GAAP® 2023 utilises a style layout that highlights excerpts from relevant standards, extracts from published financial statements and callout boxes clearly highlighting EY views.

Free to all users on EY Atlas Client Edition

International GAAP® 2023 is available to access free of charge via the free content channel in EY Atlas Client Edition, showcasing the EY purpose of building a better working world. Additionally, International GAAP® 2023 is also included within the premium subscription channel in EY Atlas Client Edition.

To obtain free access to International GAAP® 2022 on EY Atlas Client Edition, please visit ey.com/eyatlas to get started.

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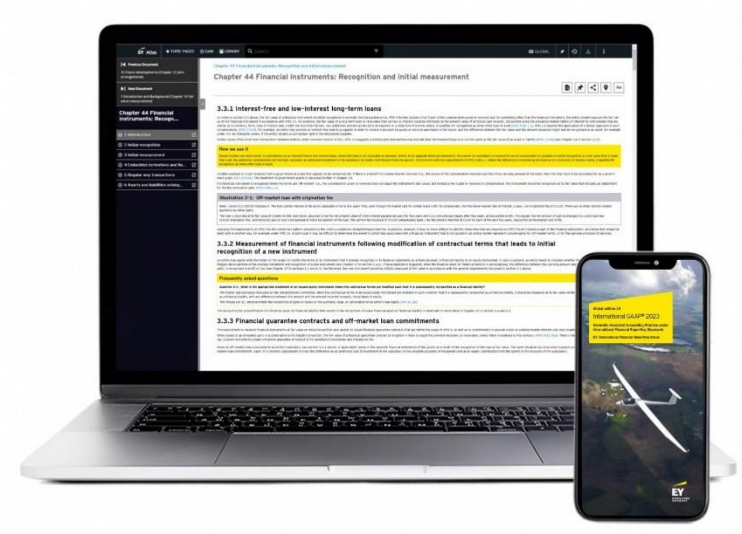


IASB and IFRS IC exposure drafts, agenda decisions and other guidance

Cash transferred via electronic transfer

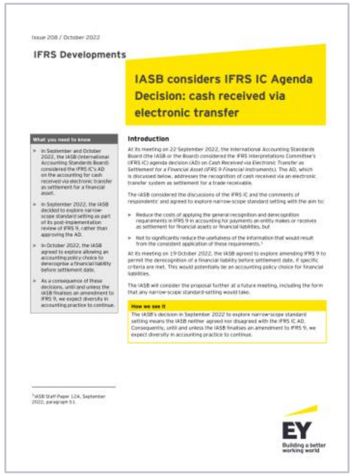
The IASB considered the IFRS IC's Agenda decision (AD) on the accounting for cash received via electronic transfer as settlement for a financial asset.

In September 2022, the IASB decided to explore narrow-scope standard setting as part of its post-implementation review of IFRS 9, rather than approving the AD.

In October 2022, the IASB agreed to explore allowing an accounting policy choice to derecognise a financial liability before settlement date if specific criteria are met. The IASB will consider the proposal further at a future meeting, including the form that any narrow-scope standard-setting would take.

As a consequence of these decisions, until and unless the IASB amends IFRS 9, we expect diversity in accounting practice to continue.

Our IFRS Developments issue 2008 publication provides more detail.


Issue 208 / October 2022

IFRS Developments

IASB considers IFRS IC Agenda Decision: cash received via electronic transfer

IFRS Developments Issue 208

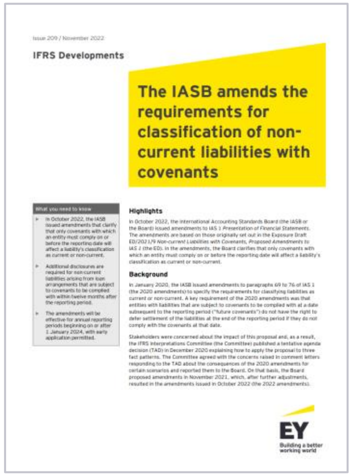
Classification of non-current liabilities with covenants

In October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements (IAS 1) which will be effective for annual reporting periods beginning on or after 1 January 2024 with early adoption permitted.

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. This was a change of the IASB's position in its 2020 amendment to IAS 1 which would have, among other provisions, required entities to also consider covenants to be complied with at a date subsequent to the reporting date.

The combined impact of the 2020 amendments and the 2022 amendments will impact practice. Entities need to carefully consider the impact of the amendments on existing and planned loan agreements.

Refer Our IFRS Developments issue 209 publication for more information.


Issue 209 / November 2022

IFRS Developments

The IASB amends the requirements for classification of non-current liabilities with covenants

IFRS Developments - Issue 209

IASB and IFRS IC exposure drafts, agenda decisions and other guidance

International Tax Reform- Pillar Two Model Rules: Proposed amendments to IAS 12

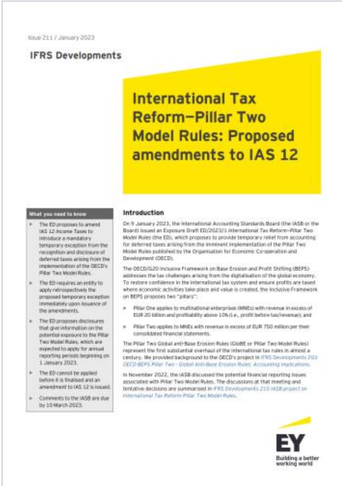
On 9 January 2023, the IASB issued an Exposure Draft ED/2023/1 International Tax Reform–Pillar Two Model Rules (the Exposure Draft), which proposes to provide temporary relief from accounting for deferred taxes arising from the imminent implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD).

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) proposes two "pillars":

- Pillar One applies to multinational enterprises (MNEs) with revenue in excess of EUR 20 billion and profitability above 10% (i.e., profit before tax/revenue)
- Pillar Two applies to MNEs with revenue in excess of EUR 750 million per their consolidated financial statement.

We provided background to the OECD's project in our IFRS Developments Issue 203 . In November 2022, the IASB discussed the potential financial reporting issues associated with Pillar Two Model Rules. The discussions at that meeting are summarised in our IFRS Developments Issue 210.

Comments on the Exposure Draft are due by 10 March 2023. Refer our IFRS developments Issue 211 for more information on the IASB's ED.



IFRS Developments Issue 211

Lease liability measurement in a sale and leaseback transaction

On 22 September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (the amendment). The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment applies to annual reporting periods beginning on or after 1 January 2024 and can be applied earlier.

Our IFRS Developments issue 206 publication provides more information on the amendment.

IFRS Developments Issue 206

IASB and IFRS IC exposure drafts, agenda decisions and other guidance

IFRS IC Update November 2022

IFRIC Update is a summary of the decisions reached by the IFRS IC in its public meetings. The Committee met on 29 November and discussed the following topics:

- Definition of a Lease - Substitution Rights
- Post-implementation Review of IFRS 15 Revenue from Contracts with Customers.

The committee also recommended, for the IASB's annual improvements, some terminology and referencing changes to address inconsistences in the following standards :

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 10 Consolidated Financial Statements
- IFRS 9 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IAS 7 Statement of Cash Flows
- Implementation guidance (IFRS 7 Financial Instruments: Disclosures).

Refer the IFRS IC Update for more information on the issues discussed and conclusions reached.

[IFRS IC Update November 2022]

Section 02

Regulator expectations and related guidance

IAASA

Observations on Selected Financial Reporting Issues

On 5 October 2022, the Irish Auditing and Accounting Supervisory Authority (IAASA) published its annual Observations paper highlighting matters that those charged with governance should consider when preparing their financial statements for 2022.

The paper notes that 2022 financial statements will be prepared against an uncertain outlook with businesses facing the following uncertainties:

- Interest rate increases with the first European Central Bank rate rises in 10 years and the expectation of further rate increases later in the year
- Inflation with domestic price increases at their highest level in 38 years
- A slowdown in economic growth forecasts and some talk of recessionary risks in some economies
- Unclear COVID-19 recovery and sporadic resurgence in cases.

IAASA observation paper

IAASA's paper highlights some key areas that warrant scrutiny by those preparing and approving 2022 financial statements including the impact of the war in Ukraine, geo-political developments, impairment testing and climate commitments.

IAASA expects that, when preparing their 2022 financial statements, companies will:

- Provide company specific disclosures on the significant judgements and the sources of estimation uncertainty and changes in the key assumptions underpinning assets, liabilities, income, expenses, and cash flows
- Disclose the impact that COVID-19 restrictions have had on the company's financial performance, financial position, cash flows and risks, and the mitigating actions taken to respond to the pandemic
- Consider the impact of climate change on the company's operations and on the measurement of assets and liabilities, and
- Apply the specific recognition, measurement, presentation, and disclosure requirements of financial reporting standards to provide users with financial information that is comparable, relevant, verifiable, timely and understandable
- Not misuse alternative performance measurements (APMs), exceptional item presentation, and will not 'greenwash' when it comes to disclosing the impact of climate change.

Refer IAASA's Observation paper for more information.

IAASA

Climate-related disclosures in financial reports

On 12 October 2022, IAASA published a paper setting out 'information requests' that it raised with companies on their climate-related disclosures as part of its 2022 cycle of financial statement examinations (the Paper).

The Paper provides preparers of financial statements with information to use when considering the appropriateness and completeness of climate-related disclosures provided in financial reports.

IAASA will continue to examine companies' financial statements to ensure that there is consistent treatment of climate-related information between the financial statements and information published elsewhere by the issuer (e.g., in the management report, in market announcements and in separate sustainability reports).

It is IAASA's expectation that management, directors and audit committees will:

- Consider the 'information requests' outlined in the Paper when determining their climate related disclosures
- Consider whether or not entities' climate commitments require recognition as a provision or disclosure as a contingent liability
- Consider the broader impact of the IFRS IC agenda decision titled Negative Low Emission Vehicle Credits (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)
- Ensure that there is a balance and consistence between the disclosures in the management commentary and the disclosures in the financial statements.

Refer IAASA's Paper for more information.

Climate-related disclosures in financial reports

ESMA

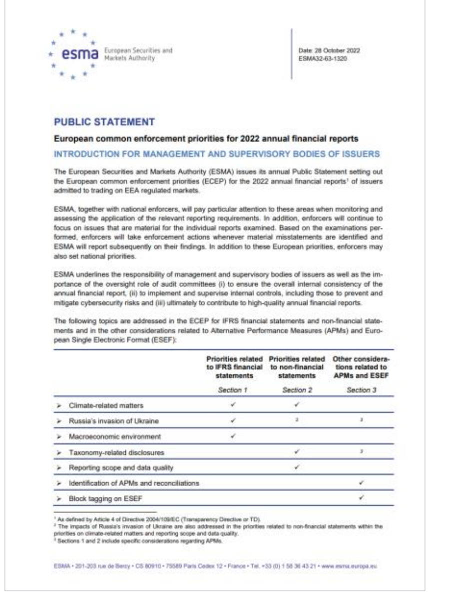
Public Statement on European Common Enforcement Priorities

On 28 October 2022, the European Securities and Markets Authority (ESMA), issued its annual Public Statement on European Common Enforcement Priorities (Statement). The enforcement priorities cover the following matters :

- Climate-related matters
- Russia's invasion of Ukraine
- Macroeconomic environment
- Taxonomy-related disclosures
- Reporting scope and data quality for non-financial reporting.

ESMA emphasises the importance of these topics and the detailed recommendations included in the Public Statement when issuers prepare their 2022 annual financial reports. The recommendations in the Statement will be considered by national enforcers, including IAASA, when they monitor and assess the 2022 annual financial reports of listed companies.

Refer the ESMA Public Statement for more information.



esma European Securities and Markets Authority

Date: 28 October 2022
ESMA32-63-1320

PUBLIC STATEMENT

European common enforcement priorities for 2022 annual financial reports

INTRODUCTION FOR MANAGEMENT AND SUPERVISORY BODIES OF ISSUERS

The European Securities and Markets Authority (ESMA) issues its annual Public Statement setting out the European common enforcement priorities (ECEP) for the 2022 annual financial reports[1] of issuers admitted to trading on EEA regulated markets.

ESMA, together with national enforcers, will pay particular attention to these areas when monitoring and assessing the application of the relevant reporting requirements. In addition, enforcers will continue to focus on issues that are material for the individual reports examined. Based on the examinations performed, enforcers will take enforcement actions whenever material misstatements are identified and ESMA will report subsequently on their findings. In addition to these European priorities, enforcers may also set national priorities.

ESMA underlines the responsibility of management and supervisory bodies of issuers as well as the importance of the oversight role of audit committees (i) to ensure the overall internal consistency of the annual financial report, (ii) to implement and supervise internal controls, including those to prevent and mitigate cybersecurity risks and (iii) ultimately to contribute to high-quality annual financial reports.

The following topics are addressed in the ECEP for IFRS financial statements and non-financial statements and in the other considerations related to Alternative Performance Measures (APMs) and European Single Electronic Format (ESEF):

	Priorities related to IFRS financial statements	Priorities related to non-financial statements	Other considerations related to APMs and ESEF
	Section 1	Section 2	Section 3
➢ Climate-related matters	✓	✓	
➢ Russia's invasion of Ukraine	✓	[2]	[3]
➢ Macroeconomic environment	✓		
➢ Taxonomy-related disclosures		✓	[3]
➢ Reporting scope and data quality		✓	
➢ Identification of APMs and reconciliations			✓
➢ Block tagging on ESEF			✓

[1] As defined by Article 4 of Directive 2004/109/EC (Transparency Directive or TD).
[2] The impacts of Russia's invasion of Ukraine are also addressed in the priorities related to non-financial statements within the priorities on climate-related matters and reporting scope and data quality.
[3] Sections 1 and 2 include specific considerations regarding APMs.

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ESMA Public Statement

Financial Reporting Council (FRC)

Areas of supervisory focus for 2023/24

On 16 December 2022, the FRC announced its areas of supervisory focus for 2023/24, including priority sectors, for corporate reporting reviews.

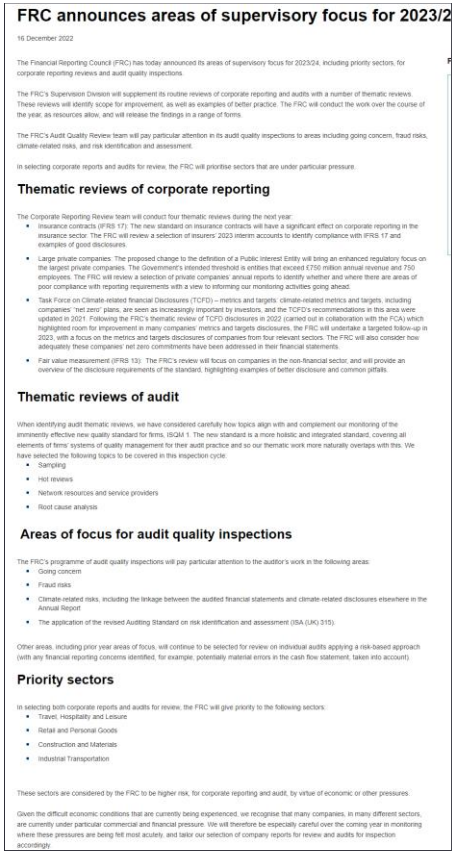
The FRC Corporate Reporting Review team will conduct the following thematic reviews during the next year:

- Insurance contracts (IFRS 17): The new standard on insurance contracts will have a significant effect on corporate reporting in the insurance sector. The FRC will review a selection of insurers' 2023 interim accounts to identify compliance with IFRS 17 and examples of good disclosures.
- Large private companies: The proposed change to the definition of a Public Interest Entity will bring an enhanced regulatory focus on the largest private companies. The Government's intended threshold is entities that exceed £750 million annual revenue and 750 employees. The FRC will review a selection of private companies' annual reports to identify whether and where there are areas of poor compliance with reporting requirements.
- Task Force on Climate-related financial Disclosures (TCFD) metrics and targets: climate-related metrics and targets, including companies' net zero' plans, are seen as increasingly important by investors, and the TCFD's recommendations in this area were updated in 2021. Following the FRC's thematic review of TCFD disclosures in 2022 (carried out in collaboration with the FCA) which highlighted room for improvement in many companies' metrics and targets disclosures, the FRC will undertake a targeted follow-up in 2023, with a focus on the metrics and targets disclosures of companies from four relevant sectors. The FRC will also consider how adequately these companies' net zero commitments have been addressed in their financial statements.
- Fair value measurement (IFRS 13): The FRC's review will focus on companies in the non-financial sector, and will provide an overview of the disclosure requirements of the standard, highlighting examples of better disclosure and common pitfalls.

In selecting corporate reports for review, the FRC will give priority to the following sectors:

- Travel, Hospitality and Leisure
- Retail and Personal Goods
- Construction and Materials
- Industrial Transportation

Refer the FRC's announcement for more details. .



FRC announces areas of supervisory focus for 2023/2

16 December 2022

The Financial Reporting Council (FRC) has today announced its areas of supervisory focus for 2023/24, including priority sectors, for corporate reporting reviews and audit quality inspections.

The FRC's Supervision Division will supplement its routine reviews of corporate reporting and audits with a number of thematic reviews. These reviews will identify scope for improvement, as well as examples of better practice. The FRC will conduct the work over the course of the year, as resources allow, and will release the findings in a range of forms.

The FRC's Audit Quality Review team will pay particular attention in its audit quality inspections to areas including going concern, fraud risks, climate-related risks, and risk identification and assessment.

In selecting corporate reports and audits for review, the FRC will prioritise sectors that are under particular pressure.

Thematic reviews of corporate reporting

The Corporate Reporting Review team will conduct four thematic reviews during the next year:

- Insurance contracts (IFRS 17): The new standard on insurance contracts will have a significant effect on corporate reporting in the insurance sector. The FRC will review a selection of insurers' 2023 interim accounts to identify compliance with IFRS 17 and examples of good disclosures.
- Large private companies: The proposed change to the definition of a Public Interest Entity will bring an enhanced regulatory focus on the largest private companies. The Government's intended threshold is entities that exceed £750 million annual revenue and 750 employees. The FRC will review a selection of private companies' annual reports to identify whether and where there are areas of poor compliance with reporting requirements with a view to informing our monitoring activities going ahead.
- Task Force on Climate-related financial Disclosures (TCFD) – metrics and targets: climate-related metrics and targets, including companies' "net zero" plans, are seen as increasingly important by investors, and the TCFD's recommendations in this area were updated in 2021. Following the FRC's thematic review of TCFD disclosures in 2022 (carried out in collaboration with the FCA) which highlighted room for improvement in many companies' metrics and targets disclosures, the FRC will undertake a targeted follow-up in 2023, with a focus on the metrics and targets disclosures of companies from four relevant sectors. The FRC will also consider how adequately these companies' net zero commitments have been addressed in their financial statements.
- Fair value measurement (IFRS 13): The FRC's review will focus on companies in the non-financial sector, and will provide an overview of the disclosure requirements of the standard, highlighting examples of better disclosure and common pitfalls.

Thematic reviews of audit

When identifying audit thematic reviews, we have considered carefully how topics align with and complement our monitoring of the imminently effective new quality standard for firms, ISQM 1. The new standard is a more holistic and integrated standard, covering all elements of firms' systems of quality management for their audit practice and so our thematic work more naturally overlaps with this. We have selected the following topics to be covered in this inspection cycle:

- Sampling
- Hot reviews
- Network resources and service providers
- Root cause analysis

Areas of focus for audit quality inspections

The FRC's programme of audit quality inspections will pay particular attention to the auditor's work in the following areas:

- Going concern
- Fraud risks
- Climate-related risks, including the linkage between the audited financial statements and climate-related disclosures elsewhere in the Annual Report
- The application of the revised Auditing Standard on risk identification and assessment (ISA (UK) 315).

Other areas, including prior year areas of focus, will continue to be selected for review on individual audits applying a risk-based approach (with any financial reporting concerns identified, for example, potentially material errors in the cash flow statement, taken into account).

Priority sectors

In selecting both corporate reports and audits for review, the FRC will give priority to the following sectors:

- Travel, Hospitality and Leisure
- Retail and Personal Goods
- Construction and Materials
- Industrial Transportation

These sectors are considered by the FRC to be higher risk, for corporate reporting and audit, by virtue of economic or other pressures.

Given the difficult economic conditions that are currently being experienced, we recognise that many companies, in many different sectors, are currently under particular commercial and financial pressure. We will therefore be especially careful over the coming year in monitoring where these pressures are being felt most acutely, and tailor our selection of company reports for review and audits for inspection accordingly.

FRC Announcement

Financial Reporting Council (FRC)

Good Annual Report and Accounts report

On 13 December 2022 the FRC published a 'What makes a Good Annual Report and Accounts' report (the Report) which set out the attributes of a high-quality Annual Report and Accounts (ARA).

The Report sets out the FRC's view on the attributes of a good ARA drawing on previous FRC publications. In setting out the attributes, the FRC uses a principles based framework that identifies corporate reporting principles and effective communication characteristics. The Report provides a range of good practice examples which have been identified by the FRC as part of its ongoing supervision work.

Per the Report, a high-quality ARA will :

- Comply with relevant accounting standards, laws and regulations, and codes;
- Be responsive to the needs of stakeholders in an accessible way
- Be accurate, connected and consistent, complete, on-time, unbiased, navigable and transparent.

Refer the FRC's report for more details.

Good Annual Report and Accounts

Financial Reporting Council (FRC)

Annual Review of Corporate Governance Reporting

On 3 November 2022, the FRC published its Annual Review of Corporate Governance Reporting which noted an improvement in the quality of reporting against the UK Corporate Governance Code. However, the FRC highlighted the following areas of improvement :

- Too few companies are providing meaningful explanations
- Lack of disclosure in relation to the outcomes and impacts of governance policies and practices
- Minimal disclosure about board engagement with major shareholders with some companies simply stating that there had been meetings without providing further information on their engagement and its outcome.

Refer the FRC report for more information.

[Review of corporate Governance Reporting.]

Annual Review of Corporate Reporting

On 27 October 2022, the FRC published its Annual Review of Corporate Reporting.

The FRC performed 252 reviews of companies' accounts which resulted in 27 companies restating aspects of their accounts. The FRC noted cashflow statement as an area where both companies and auditors must improve and identified scope for improvement in reporting on financial instruments and deferred tax assets.

The FRC Report provides more detail.

[Review of corporate Reporting.]

Section 03

Irish Generally Accepted Accounting Practice (Irish GAAP)

Periodic Review of UK and Ireland financial reporting standards: Draft Amendments to FRS 102

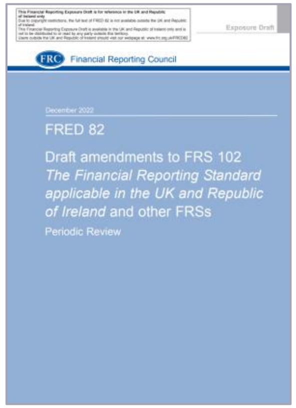
On 15 December, the FRC issued FRED 82 -Draft amendments to FRS 102 The Financial reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review. FRED 82 proposes a number of changes resulting from the second periodic review of FRS 102 and other Financial Reporting Standards. The proposals include:

- A new model of revenue recognition in FRS 102 and FRS 105
- A new model of lease accounting in FRS 102
- Various other incremental improvements and clarifications.

FRED 82 is accompanied by a consultation stage impact assessment.

The proposed effective date of the amendments set out in the FRED is 1 January 2025. Comments on FRED 82, including the consultation stage impact assessment, are requested by 30 April 2023.

Refer to the FRC report for more information.



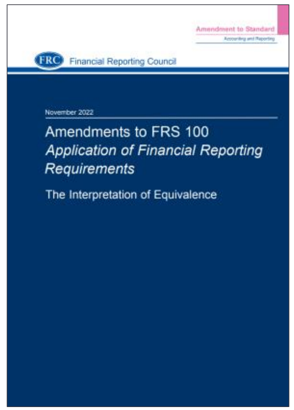
FRED 82

Revised Application Guidance to FRS 100

On 18 November 2022, The FRC issued Amendments to FRS 100 Application of Financial Reporting Requirements-The Interpretation of Equivalence (the amendments). The amendment revises the Application Guidance to FRS 100 to reflect changes to company law and decisions on equivalence following the UK's exit from the European Union. The revised guidance is based on current legal requirements and is effective immediately.

The FRC has also issued a revised edition of FRS 100 Application of Financial Reporting Requirements. This revised edition incorporates the revised Application Guidance and other amendments made since the previous edition was issued in 2018, as well as changes in Irish company law.

The FRC's report provides more details on the amendments.



Interpretation of equivalence

Contact us

If you have any questions, or would like to discuss how your company is impacted by any of the topics in this publication, please get in touch with us, or with your EY contact.

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