

**Guidance for preparers of financial statements under new  
UK GAAP and Isle of Man company law**

**Issued by the Isle of Man Society of Chartered Accountants**

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## INTRODUCTION

### Objective

This paper seeks to set out the main areas where UK legislation is built into the new UK GAAP accounting standards and to provide guidance to members on how Isle of Man entities should apply these standards in order to ensure consistency of application.

### October 2016 update

This paper has been updated for the following:

- FRS 105 true and fair requirements
- FRS 105 extension in scope for eligible LLPs and qualifying partnerships
- FRS 101 and FRS 102 primary statement formats for insurers

### Background

With effect from 1 January 2015 the Financial Reporting Council (“FRC”) revised financial reporting standards in the United Kingdom and Republic of Ireland. The revisions fundamentally reformed financial reporting, replacing the extant standards with five Financial Reporting Standards:

- FRS 100 Application of Financial Reporting Requirements;
- FRS 101 Reduced Disclosure Framework;
- FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- FRS 103 Insurance Contracts; and
- FRS 104 Interim Financial Reporting.

The FRC has also issued FRS 105 “The Financial Reporting Standard applicable to the Micro-entities Regime” to support the implementation of the new micro-entities regime in the UK. The July 2015 amendments to FRS 102 introduced a new Section 1A – Small Entities.

These are collectively referred to in this paper as “new UK GAAP” or “the standards”. The full standards can be found on the FRC website at:

<https://www.frc.org.uk/Our-Work/Codes-Standards/Accounting-and-Reporting-Policy/New-UK-GAAP.aspx>

### UK Companies Act accounts

As per FRS 100 paragraph A2.7, all accounts prepared under the above standards are UK Companies Act accounts and are therefore required to comply with the applicable provisions of Parts 15 and 16 of the UK Companies Act 2006 (the “UK Act”) and associated regulations, be it either The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 or The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (the “UK Regulations”).

Within the detailed text of the standards are specific requirements that refer to UK legislation. These requirements, which include the UK primary statement formats, business review and directors’ remuneration disclosures, would not ordinarily be applicable to Isle of Man entities.

## Overseas entities

The standards were not written with overseas entities in mind and no guidance has been issued by the FRC for overseas entities who prepare financial statements under these standards. The closest acknowledgment of this is set out in paragraph A.20 of FRS 100, which deals with entities not subject to UK company law (aimed at UK entities that are not companies, but still a useful reference point for Isle of Man entities):

*“Many entities that may apply FRS 102 are not companies, but are nevertheless required by their governing legislation or other regulation or requirement, to prepare financial statements that present a true and fair view of the financial performance and financial position of the reporting entity. However, the FRC sets accounting standards within the framework of the Act and therefore it is the company law requirements that the FRC primarily considered when developing FRS 102. Entities preparing financial statements within other legal frameworks will need to satisfy themselves that FRS 102 does not conflict with any relevant legal obligations.”*

Isle of Man entities must ensure that they do not conflict with local legislation when applying the new standards. However, where there is no conflict, the standards do not specify which UK legislative requirements should be followed by all and which can be deemed not applicable.

## Scope

The areas that have been considered are:

	FRS 101	FRS 102	FRS 102 1A	FRS 105
Eligibility			✓	✓
True and fair			✓	✓
Primary statements	✓	✓	✓	✓
Accounting	✓			
Consolidation		✓		
Other requirements	✓	✓	✓	✓

We have not commented on the Financial Reporting Standard for Smaller Entities (effective January 2015) (the “FRSSE”), which is to be withdrawn for accounting periods beginning on or after 1 January 2016, or FRS 104 which is expected to be less relevant than the other standards.

FRS 103 is an extension of FRS 102 and not commented on separately. At the time of writing Isle of Man insurance companies are required to follow prescribed formats for their primary statements under insurance regulations. The impact of removing these primary statement formats from legislation has been considered as part of this October 2016 update.

## Disclaimers

The Isle of Man Society of Chartered Accountants is not a standard setter and does not issue formal guidance on the application of accounting standards.

The guidance set out in this paper is based on consensus reached by a wide variety of members, including feedback provided at the round table sessions held in April 2015. Actual practice may develop over time and this may supersede the guidance set out in this paper.

This guidance is based on the new UK GAAP standards in issue as at the date of this paper, including the July 2015 amendments (now released as the September 2015 standards), but does not consider any future proposed changes.

We have focused on the main areas of potential impact from UK legislation, however this paper should not be considered a complete list of all such matters within the standards and is not a substitute for reading the underlying standards or legislation.

We have considered the different requirements for Isle of Man 1931 Act and 2006 Act companies but have not considered other types of Isle of Man entity that may be impacted.

## **Executive summary**

### **General principles**

The broad approach adopted when determining whether UK legislative requirements built into the new standards should be applied by Isle of Man entities is:

- General references to compliance with UK legislation are not considered relevant, and are therefore not applicable, to Isle of Man entities. The accounts of Isle of Man entities would not previously have included such information and users are unlikely to expect it.
- Specific requirements that are considered integral to the standards are deemed applicable to all, including Isle of Man entities, to the extent that they do not conflict with local requirements.

Where there is doubt over to how the standards should be applied, preparers must have regard to the overriding requirement to give a true and fair view.

### **Presentation of primary statements**

UK formats for the primary statements are built into the new standards. Detailed analysis is set out in this paper, however it is worth highlighting that the amendments to FRS 101 and 102 issued in July 2015 allow much greater flexibility in formats. We have included example primary statements under the FRS 102 adapted formats in Appendix 2.

### **Accounting requirements**

The recognition and measurement requirements of the standards should be adopted by Isle of Man entities, even if based on UK legislation, which will ensure comparability of reporting between entities in different jurisdictions.

### **Consolidation**

FRS 102 includes an exemption from the requirement to prepare consolidated accounts where there is no statutory requirement. Isle of Man entities will now be able to take advantage of exemptions within local legislation without conflicting with GAAP requirements, however preparers must ensure a true and fair view is given, having regard to the needs of users.

### **Qualifying entities**

Entities wishing to take advantage of the reduced disclosure framework of FRS 101, or within FRS 102, are reminded that the entity must be a member of a group where the parent of that group prepares publicly available consolidated financial statements. In the UK this is often met by the filing of group accounts at Companies House.

Isle of Man groups may still be able to take advantage of these reductions if the subsidiary discloses in its accounts where the group accounts can be obtained, however the group accounts need to be available to the public on request.

### **Statement of compliance**

As per paragraph 9 of FRS 100, entities preparing financial statements in accordance with FRS 101 or FRS 102 shall include a statement of compliance in the notes, unless an entity applies the small entities regime of FRS 102 1A, in which case it is encouraged rather than required.

Where an Isle of Man entity meets the requirements of a standard, excluding any matters that are not deemed relevant to an Isle of Man entity, the statement of compliance should be amended to state “as applicable to an Isle of Man company”.

## FRS 101 - Reduced Disclosure Framework

The areas of focus for FRS 101 are:

- Primary statements
- Accounting
- Other requirements

### 1. Primary statements

The July 2015 amendment to FRS 101 allows more flexibility in the formats for the balance sheet and income statement. The amendments are applicable for year ends commencing on or after 1 January 2016, however early adoption is permitted. If this aspect of the amendment is early adopted, the whole of the amended standard must be early adopted. There are relatively few other changes in the amendment, a copy of which is available on the FRC website.

We include guidance under both the original and amended version of the standard as we expect many entities will early adopt the new formats.

#### (a) As issued August 2014

The Statement of financial position and Income statement formats are included within the Application Guidance. Paragraph AG1(h) states:

*“A qualifying entity shall comply with the balance sheet format requirements of the Act\* instead of paragraphs 54 to 76 of IAS 1 Presentation of Financial Statements, unless the entity elects to apply those paragraphs and the resulting statement of financial position complies with the balance sheet format requirements of the Act.*

*\* An entity shall apply, as required by company law, either Part 1 ‘General Rules and Formats’ of Schedule 1 to the Regulations; Part 1 ‘General Rules and Formats’ of Schedule 2 to the Regulations; Part 1 ‘General Rules and Formats’ of Schedule 3 to the Regulations; or Part 1 ‘General Rules and Formats’ of Schedule 1 to the LLP Regulations.”*

There is a similar requirement for the income statement. Therefore the entity has the option to comply with either IAS 1 formats, provided they comply with the UK Act, or the UK Act formats.

#### **Isle of Man impact**

Isle of Man entities can adopt either the IAS 1 formats or, if they wish, UK Act formats. If IAS 1 formats are adopted, the need to also comply with UK law should be disregarded and replaced by any requirements under local legislation, for example the 1982 Act for 1931 Act companies.

#### (b) July 2015 amendment

The amended paragraph AG1(h) states:

*“A qualifying entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats shall apply the relevant presentation requirements of IAS 1 Presentation of Financial Statements. A qualifying entity not permitted or not choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall comply with the balance sheet format requirements of the Act\* instead of paragraphs 54 to 76 of IAS 1.”*

There is a similar requirement for the income statement (AG1(i)), however when adopting the IAS 1 formats it adds that “profit or loss before taxation” shall also be disclosed. Following the amendment, entities choosing to adopt the IAS 1 formats are no longer restricted by the need to also comply with the UK Act formats. This option is not available to UK banks and insurers.

### ***Isle of Man impact***

Isle of Man entities can adopt either the IAS 1 formats or, if they wish, the UK Act formats. In either case any additional requirements under local legislation need to be met, for example the 1982 Act for 1931 Act companies.

### **October 2016 update**

Banks and insurers, following the removal of the primary statement formats in Isle of Man insurance legislation, should consider the primary statement formats set out in the UK’s Schedule 2 and 3, respectively, provided that they also comply with the Isle of Man Companies Acts.

## **2. Accounting**

In accordance with paragraph 5A (b), a qualifying entity applying FRS 101 may take advantage of the disclosure exemptions under FRS 101 provided:

*“It otherwise applies as its financial reporting framework the recognition, measurement and disclosure requirements of EU-adopted IFRS, but makes amendments to EU-adopted IFRS requirements where necessary in order to comply with the Act and the Regulations. This is to ensure that the financial statements prepared by companies in accordance with this FRS, comply with the requirements of the Act and Regulations. The Application Guidance to this FRS sets out the amendments necessary to remove conflicts between EU-adopted IFRS and the Act and Regulations. For the avoidance of doubt, the Application Guidance is an integral part of this FRS and is applicable to any qualifying entity applying this FRS, including those that are not companies.”*

Although the amendments to EU IFRS are to ensure compliance with UK legislation, the standard is clear that all entities applying the standard should adopt these amendments, which are relatively few in number and set out in AG1.

### ***Isle of Man impact***

In the absence of any conflicting accounting requirements within Isle of Man legislation, all entities preparing accounts under FRS 101 should apply the same measurement requirements to ensure consistency of accounting between jurisdictions. Therefore Isle of Man entities should adopt the UK law based amendments to EU IFRS set out within FRS 101.

## **3. Other requirements**

Paragraph 4A states:

*“Financial statements prepared by qualifying entities in accordance with this FRS are not accounts prepared in accordance with EU-adopted IFRS. A qualifying entity must ensure it complies with any relevant legal requirements applicable to it. For example, individual financial statements prepared by companies in accordance with this FRS are Companies Act accounts and not IAS accounts as set out in section 395(1) of the Act, and therefore such accounts must comply with the requirements of the Act and any relevant regulations such as the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).”*



***Isle of Man impact***

The UK legislation above is not considered applicable to Isle of Man entities, who should continue to comply with any applicable local legislation.

# FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland

The areas of focus for FRS 102 are:

- Primary statements
- Consolidation
- Other requirements

## 1. Primary statements

The July 2015 amendment to FRS 102 allows more flexibility in the formats for the balance sheet and income statement. This amendment is applicable for year ends commencing on or after 1 January 2016, however early adoption is permitted. If this aspect of the amendment is early adopted, the whole of the amended standard must be early adopted. There are relatively few other changes in the amendment, a copy of which is available on the FRC website.

We include guidance under both the original and amended version of the standard as we expect many entities will early adopt the new formats.

### (a) As issued August 2014

The Statement of financial position and Income statement formats are included within Sections 4 and 5 respectively. Paragraph 4.1 notes that:

*“This section sets out the information that is to be presented in a statement of financial position and how to present it. The statement of financial position (which is referred to as the balance sheet in the Act) presents an entity’s assets, liabilities and equity as of a specific date – the end of the reporting period. This section applies to all entities, whether or not they report under the Act. Entities that do not report under the Act should comply with the requirements of this section, and with the Regulations (or, where applicable, the LLP Regulations) where referred to in this section, except to the extent that these requirements are not permitted by any statutory framework under which such entities report.”*

Further, paragraph 4.2 states:

*“An entity shall present a statement of financial position in accordance with one of the following requirements for a balance sheet:*

- (a) Part 1 General Rules and Formats of Schedule 1 to the Regulations.*
- (b) Part 1 General Rules and Formats of Schedule 2 to the Regulations.*
- (c) Part 1 General Rules and Formats of Schedule 3 to the Regulations.*
- (d) Part 1 General Rules and Formats of Schedule 1 to the LLP Regulations.”*

The UK schedules include prescribed formats for the balance sheet for general, banking, insurance and LLPs. There are similar requirements in Section 5 for the income statement.

### ***Isle of Man impact***

Isle of Man entities should adopt the UK formats as set out in the UK Schedules above, provided there is no conflict with local legislation. For 1931 Act companies there are no significant conflicts with UK formats and any local requirements should be applied in addition to the UK requirements. For 2006 Act companies there are no requirements in local legislation and so the formats set out in the UK schedules will apply.

### **(b) July 2015 amendment**

The newly inserted paragraph 4.2A states:

*“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”*

The standard lists the minimum line items that must be included. Paragraph 4.2C notes that the descriptions, ordering and aggregation of items may be amended providing the information given is at least equivalent to that required by the balance sheet format had it not been adapted. Equivalent paragraphs exist for the income statement.

This option is not available to UK banks and insurers.

### ***Isle of Man impact***

Isle of Man entities may apply the adapted formats. Any additional requirements under local legislation must also be met, for example the 1982 Act for 1931 Act companies. See Appendix 2 for an example of the adapted formats.

### **October 2016 update**

Banks and insurers, following the removal of the primary statement formats in Isle of Man insurance legislation, should consider the primary statement formats set out in UK Schedule 2 and 3, respectively, provided that they also comply with the Isle of Man Companies Acts.

## **2. Consolidation**

The requirement for a parent to present consolidated financial statements is set out in Section 9. Exemptions from consolidation are set out in paragraph 9.3 and many of these exemptions refer back to the UK Act. Similar to old UK GAAP, paragraph 9.1 states that this section is applicable to all entities, whether or not they report under the UK Act.

Paragraph 9.3 (g) includes the following exemption from consolidation which did not exist under old UK GAAP:

*“For a parent not reporting under the Act, if its statutory framework does not require the preparation of consolidated financial statements.”*

### ***Isle of Man impact***

Isle of Man entities should apply the consolidation requirements of Section 9, including the exemptions.

The requirements for 1931 Act companies to prepare group accounts are set out in Sections 4 to 6 of the 1982 Act, however different forms are allowed (such as aggregation) and there are

exemptions where group accounts need not deal with a subsidiary, for example where it is impractical or of no real value to members.

The requirements for 2006 Act companies that choose to prepare financial statements are set out in paragraph 80(3) of the 2006 Act. There is no requirement to prepare consolidated accounts.

It is therefore possible for both 1931 and 2006 Act companies to take advantage of the statutory exemptions from consolidation under Isle of Man legislation without conflicting with FRS 102. However, this is subject to the overriding requirement to give a true and fair view, having regard to the needs of the users.

### **3. Other requirements**

Paragraph A4.7 of Appendix IV: Note on legal requirements states that:

*“Accounts prepared in accordance with FRS 102 are classified as either ‘Companies Act individual accounts’, including those of qualifying entities applying FRS 102, or ‘Companies Act group accounts’ and are therefore required to comply with the applicable provisions of Parts 15 and 16 of the Act and with the Regulations.”*

#### ***Isle of Man impact***

The UK legislation above is not considered applicable to Isle of Man entities, who should continue to comply with any applicable local legislation.

## FRS 102 Section 1A - Small Entities

The areas of focus for FRS 102 1A are:

- Eligibility
- True and fair
- Primary statements
- Other requirements

### 1. Eligibility

The Small Entities section of FRS 102 was brought in as part of the July 2015 amendment to FRS 102. The amendment is applicable for year ends commencing on or after 1 January 2016, however early adoption is permitted. If any aspects of the amendment are early adopted, the whole of the amended standard must be early adopted.

The definition of a Small entity, and hence who can adopt FRS 102 1A, is set out in the definitions section of FRS 102, which cross refers to the UK Act:

*“(a) A company meeting the definition of a small company as set out in section 382 or 383 of the Act and not excluded from the small companies regime by section 384;  
(b) an LLP qualifying as small and not excluded from the small LLPs regime, as set out in LLP Regulations; or  
(c) any other entity that would have met the criteria in (a) had it been a company incorporated under company law.”*

FRS 102 A4.11 sets out size restrictions and also notes that certain companies are excluded from the small companies regime by section 384, including public companies, insurance, banking and certain investment companies plus members of ineligible groups.

#### **Isle of Man impact**

An Isle of Man entity is eligible to adopt FRS 102 1A provided that, if it were a UK entity, it meets the criteria set out in FRS 102 and the UK Act. A summary of the requirements is set out in Appendix 1.

### 2. True and fair

A key feature of the new UK small companies regime as set out in the new EU Accounting Directive is that it specifies the maximum mandatory disclosures to be included in a small company's financial statements, which may not be added to. However, as per paragraph 1A.5:

*“The financial statements of a small entity shall give a true and fair view of the assets, liabilities, financial position and profit or loss of the small entity for the reporting period (Section 393 of the Act).”*

Unlike the micro-entity regime under FRS 105, there is no presumed true and fair view under law if accounts include the minimum accounting items specified in UK law. Instead paragraph 1A.6 states:

*“A small entity may need to provide disclosures in addition to those set out in this section in order to comply with the requirement of paragraph 1A.5 (see also paragraphs 1A.16 and 1A.17).”*

Paragraph 1A.8 defines a complete set of financial statements of a small entity to include a statement of financial position, an income statement and notes. Appendix C to Section 1A sets out the minimum disclosure requirements, which although based on UK company law is an integral part of the standard. However throughout the standard additional disclosures are encouraged in order to meet the true and fair requirement.

### ***Isle of Man impact***

Accounts prepared under Section 1A must give a true and fair view. Any Isle of Man entity adopting the standard must consider the additional disclosures that are encouraged, along with any additional disclosure requirements under local legislation, for example the 1982 Act for 1931 Act companies. Judgement will be required in determining which of the non-mandatory disclosures are necessary to give a true and fair view.

### **3. Primary statements**

Appendix A and B to Section 1A of FRS 102 state that the balance sheet and income statement shall be prepared in accordance with Schedule 1 to the UK Small Companies Regulations or under the related abridged or adapted formats. The appendices are an integral part of the standard.

The adapted formats include flexibility similar to FRS 102 above, with the minimum requirements set out in 1AA.3 and 1AB.3.

### ***Isle of Man impact***

Isle of Man entities are required to comply with the above UK law formats unless the adapted formats are applied. Any additional requirements under local legislation must also be met, for example the 1982 Act for 1931 Act companies.

The concept of abridged formats does not exist in Isle of Man legislation and is unlikely to meet the true and fair requirement outside of UK legislation.

### **4. Other requirements**

Paragraph 1A.4 in the Scope of Section 1A states:

*“This section applies to all small entities applying the small entities regime, whether or not they report under the Act. Small entities that do not report under the Act shall comply with the requirements of this section, and with the Small Companies Regulations (or, where applicable, the Small LLP Regulations) where referred to in this section, except to the extent that these requirements are not permitted by any statutory framework under which such entities report.”*

### ***Isle of Man impact***

The UK legislation above is not considered applicable to Isle of Man entities, who should continue to comply with any applicable local legislation.

## FRS 105 - Micro-entities

The areas of focus for FRS 105 are:

- Eligibility
- True and fair
- Primary statements
- Other requirements

### 1. Eligibility

The definition of a micro-entity, and hence who can adopt FRS 105, is set out in the definitions section of FRS 105, which cross refers to the UK Act:

*“A micro-entity is an entity that meets all of the following conditions:*

- (a) it is a company established under company law;*
- (b) it qualifies as a micro-entity in accordance with section 384A of the Act; and*
- (c) it is not excluded from being treated as a micro-entity under section 384B of the Act.*

*Micro-entities are a subset of small companies as defined in the Act.”*

FRS 105 A3.3 sets out size restrictions and A3.5 further notes that:

*“Certain types of companies are excluded by section 384B of the Act from being treated as micro-entities, including those excluded from the small companies regime for reasons of public interest (as set out in section 384), certain financial institutions, charities, those voluntarily preparing group accounts and those included in group accounts. The Act should be referred to for a full list of excluded companies.”*

#### **Isle of Man impact**

An Isle of Man company is eligible to adopt FRS 105 provided that, if it were a UK company, it meets the criteria set out in FRS 105 and the UK Act. A summary of the requirements is set out in Appendix 1.

Preparers should be aware of the limited circumstances in which FRS 105 can be adopted, including that it is only available to companies and is subject to the group restriction above.

#### **October 2016 update**

Limited amendments to FRS 105 were made in May 2016 to extend its scope to include eligible limited liability partnerships (LLPs) and qualifying partnerships, following a change in UK legislation. For LLPs and qualifying partnerships early application is permitted only for accounting periods beginning on or after 1 January 2015. It is reasonable that a similar extension in scope is available to the equivalent Isle of Man entities.

### 2. True and fair

The presentation and disclosure requirements of FRS 105 are considerably less than FRS 102. Paragraph 1.1 of FRS 105 states:

*“This FRS applies to the financial statements of a micro-entity. The financial statements of a micro-entity prepared in accordance with this FRS that include the micro-entity minimum accounting*

*items are presumed in law to show a true and fair view of the micro-entity's financial position and profit or loss in accordance with the micro-entities regime."*

Accounts that include the minimum accounting items specified by The Small Companies (Micro-Entities' Accounts) Regulations 2013 are presumed in UK law to give a true and fair view. There is no equivalent to the micro-entities regime under Isle of Man law.

### ***Isle of Man impact***

#### **October 2016 update**

Eligible Isle of Man companies can adopt FRS 105 as it is part of the new UK GAAP framework. Any disclosures required by law, for example under the 1982 Act, must be added. Preparers then need to consider whether any additional disclosures are necessary in order to achieve a true a fair view, as required for any financial statements prepared under the 1931 or 2006 Acts.

The extent to which additional disclosures are necessary is a difficult judgment and will depend on the needs of the user on a case by case basis.

### **3. Primary statements**

The Statement of financial position and Income statement formats are included within paragraphs 4.3 and 5.3. A micro-entity shall present each statement in accordance with one of the formats set out in Section C of Part 1 of Schedule 1 to the UK Small Companies Regulations. These formats are presented within the FRS 105.

#### ***Isle of Man impact***

An Isle of Man company should adopt the UK formats as set out in FRS 105, along with any additional disclosure requirements under local legislation, for example the 1982 Act for 1931 Act companies.

### **4. Other requirements**

Paragraph 6.2 sets out the content and structure of the notes to the financial statements:

*"In accordance with section 472(1A) of the Act, the notes to the financial statements of a micro-entity shall be presented at the foot of the statement of financial position and shall include the following information:*

- (a) advances, credit and guarantees granted to directors as required by section 413 of the Act (see paragraph 6A.1 in the Appendix to this Section); and*
- (c) financial commitments, guarantees and contingencies as required by regulation 5A of, and paragraph 57 of Part 3 of Schedule 1 to, the Small Companies Regulations (see paragraphs 6A.2 and 6A.3 in the Appendix to this Section)."*

The appendix in this section lists the detailed UK law requirements that support the above. The appendix is an integral part of the standard.



***Isle of Man impact***

Although the note disclosures are to ensure compliance with the UK Act, they form an integral part of the standard and are therefore necessary to comply with the standard.

For 1931 Act companies, the disclosures are not dissimilar to those already required by the 1982 Act, the requirements of which must also be met.

There are no equivalent disclosure requirements in the 2006 Act, however the disclosures in FRS 105 are integral to the standard and consistent with those required in the other new UK GAAP standards, which are designed to give a true and fair view. Therefore the above disclosures should be provided.

## Appendix 1 – Eligibility criteria for FRS 102 Section 1A and FRS 105

The following summary of the UK eligibility criteria for FRS 102 – Section 1A and FRS 105 has been taken from the FRC document “Overview of the financial reporting Framework”, issued in July 2015. The full document is available on the FRC website.

<b>Table 2: UK Eligibility criteria</b>		
<b>Regime</b>	<b>Micro-entities regime<sup>1</sup></b>	<b>Small entities regime<sup>2</sup></b>
<b>Source of eligibility criteria</b>	Sections 384A to 384B of the Companies Act 2006.	Sections 382 to 384 of the Companies Act 2006.
<b>Eligible entities</b>	<ul style="list-style-type: none"> <li>Companies only</li> </ul> (Note: Whilst the legislation and consequently FRS 105 uses the term micro-entities regime, it is only currently available in law to companies.)	<ul style="list-style-type: none"> <li>Companies</li> <li>Limited liability partnerships<sup>3</sup></li> <li>Any other type of entity that would have met the criteria of the small companies regime had it been a company incorporated under company law (for example charities)</li> </ul>
<b>Size thresholds</b>	A company qualifies if it does not exceed two or more of the following criteria: <ul style="list-style-type: none"> <li>Turnover £632,000</li> <li>Balance sheet total £312,000</li> <li>No. of employees 10</li> </ul>	A company <sup>3</sup> qualifies if it does not exceed two or more of the following criteria: <ul style="list-style-type: none"> <li>Turnover £10.2m</li> <li>Balance sheet total £5.1m</li> <li>No. of employees 50</li> </ul>
<b>Ineligible entities</b>	<ul style="list-style-type: none"> <li>Any companies excluded from the small companies regime</li> <li>Financial institutions including credit and insurance institutions</li> <li>Charities</li> <li>Small parent companies that choose to prepare group accounts</li> <li>Companies that are not parent companies but their accounts are included in group accounts</li> </ul>	<ul style="list-style-type: none"> <li>Public companies</li> <li>Financial institutions including insurance companies and banking companies</li> </ul>

<sup>1</sup> For Irish entities, if legislation is enacted, the equivalent thresholds are: Turnover €700,000, Balance sheet total €350,000 and Number of employees 10.

<sup>2</sup> For Irish entities, qualification as a small company is set out in section 350 of The Companies Act 2014. The current equivalent size criteria are: Turnover not exceeding €8.8m, Balance Sheet total not exceeding €4.4m, and number of employees not exceeding 50. The equivalent thresholds after implementation of the EU Accounting Directive have not yet been set, however the limits in the Directive are: Turnover at or above €8m and not exceeding €12m; Balance sheet total at or above €4m and not exceeding €6m.

<sup>3</sup> As set out in the *The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008* (SI 2008/1911). The thresholds differ from those applicable to companies.

## **Appendix 2 – Example adapted primary statements under FRS 102**

We have included illustrative primary statements for the statement of comprehensive income and balance sheet to show the items that might be expected under the new adapted formats of FRS 102. We have not included other primary statements required under FRS 102, being the statement of changes in equity or cash flow statement.

FRS 102 allows additional line items to be included and descriptions amended, provided the information given is at least equivalent to that required had it not been adapted.

### **Statement of comprehensive income**

The example uses a single statement of comprehensive income and does not include discontinued operations, non-controlling interests or extraordinary items.

### **Balance sheet**

The example does not include biological assets, deferred tax assets or liabilities, non-controlling interests and disposal groups. FRS 102 4.2D requires that current and non-current assets and liabilities shall be presented separately.

### **1982 Act requirements**

We have noted the additional requirements under Schedule 1 of the 1982 Act for the profit and loss account and balance sheet. There are no conflicts to FRS 102. We have not listed all disclosure requirements, for example information that would normally be set out in the notes, and readers should refer to the underlying legislation for a complete list of requirements.

## Appendix 2 – Example adapted primary statements under FRS 102 (continued)

### Statement of comprehensive income for the year ended 31 December 2015

Reference	Notes	2015 £	2014 £
5.5B (a)	Turnover	XX	XX
5.11	Operating expenses *	XX	XX
	<b>Operating profit</b>	XX	XX
5.5B (c)	Share of profit from associates and joint ventures	XX	XX
	<b>Profit on ordinary activities before interest and tax</b>	XX	XX
	Interest receivable and similar income **	XX	XX
5.5B (b)	Interest payable and similar charges	XX	XX
5.5B (d)	<b>Profit on ordinary activities before tax</b>	XX	XX
5.5B (e)	Tax on profit on ordinary activities	XX	XX
5.5B (g)	<b>Profit for the year ***</b>	XX	XX
5.5B (h)	[Any items of other comprehensive income]	XX	XX
5.5B (j)	<b>Total comprehensive income</b>	XX	XX

#### Notes

\* Analysis of operating expenses required per FRS 102. Schedule 1 (12) of the 1982 Act also requires disclosures such as depreciation, audit fees and, per the 1931 Act, directors fees.

\*\* Schedule 1 (12) of the 1982 Act requires the split of income from trade investments and other investments.

\*\*\* Amounts to be taken to reserves, including dividends declared, are shown as part of the Statement of Changes in Equity under Section 6 of FRS 102.

## Appendix 2 – Example adapted primary statements under FRS 102 (continued)

**Balance sheet**  
as at 31 December 2015

Reference	Notes **	2015 £	2014 £
<b>Fixed assets</b>			
4.2A (c)	Intangible assets *	XX	XX
4.2A (a)	Tangible assets *	XX	XX
4.2A (b)	Investment property	XX	XX
4.2A (e, f)	Investments *	XX	XX
		XX	XX
<b>Current assets</b>			
4.2A (i)	Inventories *	XX	XX
4.2A (j)	Debtors *	XX	XX
4.2A (k)	Cash and cash equivalents	XX	XX
		XX	XX
<b>Creditors: amounts falling due within one year</b>			
4.2A (l)	Trade and other payables *	XX	XX
4.2A (n)	Financial liabilities	XX	XX
4.2A (o)	Current tax	XX	XX
		XX	XX
<b>Net current assets</b>		XX	XX
<b>Total assets less current liabilities</b>		XX	XX
<b>Creditors: amounts falling due after more than one year</b>			
4.2A (m)	Provisions	XX	XX
4.2A (n)	Financial liabilities	XX	XX
		XX	XX
<b>Net assets</b>		XX	XX
<b>Capital and reserves</b>			
4.12	Called up share capital *	XX	XX
	Retained earnings	XX	XX
4.2A (r)	<b>Total equity *</b>	XX	XX

### Notes

\* FRS 102 4.2B requires further analysis in the notes, including amounts due to and from related parties. FRS 102 4.4A sets out the requirements for separate disclosure of debtors due after more than one year.

\*\* The 1982 Act also requires disclosure of prescribed items, however information can be shown in the notes. This includes analysis of investments, share capital and related balances, preliminary expenses not written off, outstanding loans made for the purchase of own shares, details of charges, commitments, contingent liabilities and dividends. The 1931 Act requires disclosure of directors' balances.