



RELATED PARTY DISCLOSURES UNDER FRS 102

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INTRODUCTION

This helpsheet has been issued by ICAEW's Technical Advisory Service to help ICAEW members understand key disclosure requirements for related parties under FRS 102. In addition to the below guidance, members are encouraged to use a good quality disclosure checklist to assist in ensuring all relevant disclosures are made in the financial statements.

This helpsheet includes references to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (September 2024) ('new FRS 102') which is effective for accounting periods beginning on or after 1 January 2026 (except for paragraphs 7.20B and 7.20C which are effective for accounting periods beginning on or after 1 January 2025). This helpsheet also includes references to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (January 2022) ('old FRS 102') which was effective for accounting periods beginning on or after 1 January 2019, or 1 January 2017 for small entities applying Section 1A, following the Triennial review 2017.

New FRS 102 Section 1A for small entities brought in significant revisions to the disclosure of related party transactions. This is not covered in more detail in this helpsheet. Instead, members may wish to refer to the following helpsheet for further information in this area:

- [FRS 102 amendments – section 1A](#)

Members may also wish to refer to the following related helpsheet:

- [Disclosure of related undertakings, parent entities and ultimate controlling parties](#)

DEFINITION OF A RELATED PARTY

The definition of a related party is contained within the glossary of old and new FRS 102 and is consistent with the IFRS standard, IAS 24.

KEY MANAGEMENT PERSONNEL

Definition of key management personnel

Old and new FRS 102 defines key management personnel as:

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Whilst this definition explicitly includes directors – both executive and non-executive – it is wider than that. It is therefore important to consider those in senior management positions with decision-making capacity.

In the context of group accounts, key management personnel may also include the directors and senior management of subsidiaries. This is more likely when the subsidiary is operated with a high degree of autonomy or is one of the major operating companies within the group. For example, in a group which contains a trading subsidiary and a largely inactive parent holding company, it is likely that the directors of the trading subsidiary will be key management personnel of the group, as well as for that subsidiary itself.

Disclosure of key management personnel compensation

Old and new FRS 102 provides little guidance on how to arrive at the total of key management personnel compensation required by paragraph 33.7, although paragraph 33.6 does state that it should include employee benefits as set out in Section 28, including those in the form of share-based payments.

The following should therefore be included when disclosing key management personnel compensation:

- wages, salaries and social security contributions (e.g. employer's NICs), including any paid sick or holiday leave;
- profit-sharing and bonuses;
- non-monetary benefits such as medical care, housing, free or subsidised goods or services and cars (see below);
- pension contributions;
- any amount recognised in profit or loss in respect of share-based payments; and
- any other employee benefits provided during the period.

Where relevant, the amount included in this disclosure should be consistent with the amount recognised in profit or loss for the year. However, there are some areas where this may prove challenging, most notably in respect of non-monetary benefits, where the value of the compensation can be calculated in a number of ways (cost to the employer, value to the employee, benefit in kind value, etc.). In this situation, an appropriate policy should be adopted, disclosed and applied consistently, although in practice most entities will opt for the cost to the employer.

TRANSACTIONS WITH WHOLLY OWNED MEMBERS OF A GROUP

Old and new FRS 102 paragraph 33.1A offers an exemption from disclosing transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. There is no requirement to state explicitly that the exemption is being taken.

DISCLOSURE OF PARENT AND ULTIMATE CONTROLLING PARTY

Old and new FRS 102 paragraph 33.5 requires disclosure of the name of the parent and, if different, the ultimate controlling party (which may be another entity or individual). Additional disclosure requirements from company law also apply and further details can be found in the helpsheet [Disclosure of related undertakings, parent entities and ultimate controlling parties](#).

DISCLOSURE OF RELATED PARTY TRANSACTIONS

Sufficient disclosure should always be provided to enable users of the accounts to understand the nature of the relationship and the balance, transaction or commitment as well as its effect on the accounts. Old and new FRS 102 paragraph 33.9 sets out the minimum required disclosures for each type of related party transaction:

- the nature of the related party relationship;
- the amount of the transactions;
- the amount of outstanding balances, their terms and conditions and details of any guarantees given or received;
- provisions for any uncollectible receivables related to outstanding balances; **and**
- the expense recognised during the period for any bad or doubtful debts due from related parties.

These disclosures should be made separately for each category of related party (as set out in old and new FRS 102 paragraph 33.10). There is no explicit requirement to disclose the name of the related party in old or new FRS 102.

As noted above, an entity shall also disclose key management personnel compensation in total.

Related party relationships that change during the period

It is not uncommon for related party relationships to change during an accounting period; an existing relationship could cease or a new relationship could commence. Neither old nor new FRS 102 specifies what needs to be disclosed where there is a change in relationship during the reporting period.

Where parties were related during the period but cease to be related by the end of the reporting period, transactions arising at the time the parties were related should be disclosed. Outstanding balances, and any provisions for uncollectible receivables relating to those outstanding balances, should be disclosed for parties that were related at the end of the reporting period to enable users of the accounts to assess the potential impact of the related party relationship on the future financial position and performance of the reporting entity. Additionally, balances outstanding at the end of the reporting period arising from transactions with parties that were related at the time of such transactions should also be disclosed to enable users of the accounts to assess the recoverability of any such balances, even though the parties are no longer related at the reporting date.

If parties become related after the reporting date, but before the financial statements are authorised for issue, disclosure may be considered necessary as a non-adjusting post

balance sheet event after the end of the reporting period under Section 32 of old and new FRS 102.

SMALL COMPANIES APPLYING SECTION 1A

Small entities applying Section 1A of old FRS 102 are required by paragraph 1AC.35 to disclose material related party transactions that have not been concluded under normal market conditions with any of the following:

- owners holding a participating interest in the small entity;
- companies in which the small entity itself has a participating interest; and
- the small entity's directors (or members of its governing body).

They must also disclose any advances, credits and guarantees given to directors under s413 of the Companies Act 2006 (which is also required by FRS 102 paragraph 1AC.36).

Section 1A does not elaborate on what constitutes an 'off-market' related party transaction, but in practice this will often be self-evident. The position can, however, be less clear in the context of amounts paid to directors. Further guidance is available via the library content covering [Directors' disclosures](#).

IF IN DOUBT SEEK ADVICE

ICAEW members, affiliates, ICAEW students and staff in eligible firms with [member firm access](#) can discuss their specific situation with the Technical Advisory Service on +44 (0)1908 248 250 or via [webchat](#).

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