

# Appendix A: Updated Project Initiation Plan–IFRS 18 *Presentation and Disclosure in Financial Statements*

## Executive Summary

<b>Project Type</b>	Endorsement and adoption
<b>Project Scope</b>	Significant
<b>Purpose of the paper</b>	
<p>This paper presents an updated Project Initiation Plan (PIP) for the project to assess whether to adopt the International Accounting Standards Board (IASB) standard IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> for use in the UK. The standard is expected to have an effective date of 1 January 2027 with earlier application permitted (subject to UKEB adoption in the UK).</p>	
<b>Summary of the Issue</b>	
<p>At its 23 February 2024 meeting, the Board approved the PIP for the project to assess the adoption of IFRS 18 subject to further revisions. This paper presents a revised PIP with changes highlighted in grey as well as a revised timeline for the adoption of IFRS 18. This PIP is presented for noting.</p>	
<b>Questions for the Board</b>	
<p>Does the Board have any comments or questions on the updated PIP?</p>	
<b>Appendices</b>	
<p>Appendix A Updated Project Initiation Plan–IFRS 18 <i>Presentation and Disclosure in Financial Statements</i></p>	

## Background

1. The Board approved the PIP for the project at the February 2024 meeting, subject to the Board's comments set out below. The project is to assess whether IFRS 18 *Presentation and Disclosure in Financial Statements* is suitable for adoption for use by companies in the UK.
2. This paper includes a review of the PIP being built into the project timeline in line with the following recommendations made by the Board:
  - a) Making more explicit the list of activities that will be carried out as part of the endorsement work, and to identify the list of potential additional activities and consequential effects (e.g. on the timetable) if critical evidence emerges from the preparer and/or user survey responses and/or from feedback derived from other outreach activities [refer to paragraphs A14–A16 and A38–A44];
  - b) Including an explicit review point to assess the feedback/evidence received and to ask the Board whether the identified additional activities should be carried out [refer to paragraph A26];
  - c) Organising additional educational activities with UK stakeholders concurrent to the publication of IFRS 18 to allow those stakeholders an opportunity to familiarise themselves with the main requirements of IFRS 18. The Board asked the Secretariat to put special emphasis on small and medium sized listed entities as they may be less aware of the new requirements in IFRS 18 [refer to paragraphs A36–A37]; and
  - d) Considering whether it is possible to accelerate the proposed original timeline to finish the adoption of IFRS 18 earlier (i.e. by Q4 2025) [Table 1 following paragraph A66].
3. In relation to the planned user and preparer surveys [refer to paragraphs A20–A28], the Board recommended:
  - a) Adding more clarity to the purpose of the planned surveys and keeping the deadline for the planned surveys flexible, with a suggestion to give participants at least two months to respond; and
  - b) Allowing the Board to contribute to the surveys' design.
4. The Board also asked the Secretariat to review the format of the timetable to reflect that some of the different activities that have been identified to be part of the endorsement process will be carried out concurrently [Table 1 following paragraph A66].
5. The Secretariat has also switched the order of some of the original paragraphs in the PIP to fit a more logical sequence.

# Updated Project Initiation Plan–IFRS 18 *Presentation and Disclosure in Financial Statements*

<b>Project Type</b>	Endorsement and adoption
<b>Project Scope</b>	Significant

## Purpose

- A1. This paper sets out the plan to assess whether to adopt for use in the UK<sup>1</sup> the forthcoming International Accounting Standards Board (IASB) standard IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 will replace IAS 1 *Presentation of Financial Statements*.
- A2. IFRS 18 is expected to be published by the IASB in April 2024. IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted (subject to the UKEB adoption in the UK).
- A3. The UKEB’s statutory functions mean that the Board must assess the requirements in IFRS 18 against the statutory adoption criteria before IFRS 18 can be formally adopted for use in the UK.

## Background

- A4. The *Primary Financial Statements* (PFS) project was added to the IASB’s research agenda in July 2014 in response to investors’ concerns about the comparability and transparency of companies’ performance reporting. Following stakeholder feedback on the IASB’s 2015 Agenda Consultation<sup>2</sup>, the project was added to the active standard-setting projects.

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<sup>1</sup> The UK’s statutory requirements for adoption of international accounting standards are set out in [The International Accounting Standards and European Public Limited-Liability Company \(Amendment etc.\) \(EU Exit\) Regulations 2019 no. 685](#) (the Regulations, or SI 2019/685)

<sup>2</sup> See the link to the [IASB’s Feedback Statement on the 2015 Agenda Consultation](#).

- A5. In December 2019, the IASB published the [Exposure Draft ED/2019/7 General Presentation and Disclosures \(ED\)](#). The IASB's [snapshot](#) summarises the ED's proposals. At the time the UKEB had not been established. However, the UKEB Secretariat (Secretariat) response<sup>3</sup> to the ED was submitted in September 2020, following public consultation. The Secretariat's [feedback statement](#) (published in October 2020) summarises the outreach work undertaken, stakeholder views, and the final position on the proposals in the ED.
- A6. The IASB received 216 comment letters in response to the ED. It also conducted significant additional outreach activities during the development of IFRS 18. The IASB redeliberated the proposals in the ED from March 2021 to June 2023.
- A7. The IASB conducted targeted outreach between October 2022 and December 2022, including attending UKEB's Advisory Groups meetings<sup>4</sup>, to obtain feedback on specific tentative decisions made by the IASB.
- A8. In July 2023 the IASB began its balloting process of the forthcoming IFRS 18 and stated its intention to publish the final standard in April 2024. This included seeking views on a first draft<sup>5</sup> of the forthcoming standard from International Forum of Accounting Standard Setters (IFASS) members, which includes the UKEB. The Secretariat submitted comments to the IASB staff.
- A9. In October and November 2023, the Secretariat held education sessions with the UKEB's Advisory Groups with the support of the IASB PFS staff<sup>6</sup>. The purpose was to obtain feedback on key aspects of IFRS 18 to help identify any significant endorsement concerns and start identifying any likely costs and benefits resulting from the application of the new requirements.
- A10. Consistent with paragraphs 4.18–4.19 of the [UKEB's Due Process Handbook](#), the Board has received regular progress reports on the PFS project, including updates of tentative decisions made by the IASB, commentary on how those decisions changed the ED proposals and the consistency with UKEB's comments.
- A11. As a result of this activity, the UKEB Board and Secretariat has fulsome understanding of the expected requirements of IFRS 18.

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<sup>3</sup> The [response](#) was from the Financial Reporting Council (FRC) because it was submitted before the UKEB had a Chair and a Board.

<sup>4</sup> The IASB PFS team met with the Investor Advisory Group (IAG) on [3 October 2022](#); with the Preparer Advisory Group (PAG) on [31 October 2022](#); and with the Accounting Firms and Institutes Advisory Group (AFIAG) on [3 November 2022](#). The feedback received was reported back to the UKEB at its [November 2022 meeting](#).

<sup>5</sup> The IASB shared this draft for editorial review in line with the requirements in paragraph 3.32 of the [IASB Handbook](#). We informed this to the Board in [agenda paper 5](#) for the 21 September 2023 meeting.

<sup>6</sup> The Secretariat met with the IAG on [27 November 2023](#); with the PAG on [31 October 2023](#); and with the AFIAG on [2 November 2023](#). The feedback received was reported back to the Board at its [November 2023 meeting](#).

## Description of the main requirements in IFRS 18

A12. A description of the main requirements in IFRS 18 and of the expected effects derived from these requirements is presented in the table below.

Requirements in IFRS 18	Expected effects
<b>Specific subtotals and categories in the statement of profit or loss</b>	
<p>Presentation of two new defined subtotals in the income statement—<i>operating profit</i> and <i>profit before financing and income taxes</i> and defined categories (operating, investing and financing).</p>	<p>The new subtotals and defined categories will:</p> <ul style="list-style-type: none"> <li>• Provide a consistent structure for the income statement, thereby improving comparability and consistency in the presentation and calculation of subtotals across entities.</li> <li>• Make it easier for users of financial statements to understand and compare the information entities provide.</li> </ul>
<b>Management-defined performance measures (MPMs)</b>	
<p>Disclosure of MPMs—subtotals of income and expenses, other than subtotals specified by IFRS Accounting Standards, that an entity uses:</p> <ul style="list-style-type: none"> <li>• In public communications outside financial statements.</li> <li>• To communicate to users of financial statements management’s view of an aspect of the entity’s financial performance.</li> </ul> <p>An entity will be required to provide a reconciliation between these measures and totals or subtotals specified by IFRS Accounting Standards (including a requirement to disclose the effects on tax and non-controlling interests (NCI) of the adjustments made in calculating these measures). This information is disclosed in a single note in the financial statements.</p>	<p>Disclosure about MPMs will:</p> <ul style="list-style-type: none"> <li>• Improve the transparency of an entity’s performance measures.</li> <li>• Provide better insights into management’s view of performance, and a better understanding of performance measures, including how and why they are calculated.</li> </ul>
<b>Aggregation and disaggregation</b>	
<p>Enhanced general principles for aggregation and disaggregation and specific requirements for</p>	<p>New guidance and disclosures will:</p>

Requirements in IFRS 18	Expected effects
disaggregation of 'other' balances, presentation of operating expenses in the income statement and disclosure of specified operating expenses by nature included in each function line item.	<ul style="list-style-type: none"> <li>• Make it easier for entities to group information.</li> <li>• Enhance the transparency and usefulness of the information to users of financial statements.</li> </ul>

## Project plan

A13. The project plan is guided by the following factors.

### Identification of required evidence

A14. The Secretariat has commenced identifying issues for further consideration as part of the UKEB's endorsement work. The principal components of this work are set out below.

- a) Desk-based research (see paragraph A16);
- b) Preliminary views of the UKEB's Advisory Groups ahead of the publication of IFRS 18 (see paragraphs A17–A19);
- c) User and preparer surveys (see paragraphs A20–A26);
- d) Subsequent consultations with UKEB Advisory Groups/UKEB Financial Instruments Working Group (FIWG) (see paragraphs A27–A28);
- e) In-house research on long-term public good (see paragraphs A29–A35);  
and
- f) Educational webcasts/webinars in coordination with IASB staff (see paragraphs A36–A37).

A15. If critical evidence emerges from the preparer and user survey responses and/or from feedback derived from other outreach activities, the Board will be asked to confirm whether additional activities should be carried out (refer to paragraph A26 and paragraphs A38–A44).

## Desk-based research

A16. We have carried out desktop analysis of a draft version of IFRS 18 and the basis for its requirements (when a first draft version was shared with IFASS members<sup>7</sup>) and of commentaries/articles issued in advance of the publication of the standard, for example by accounting firms. The Secretariat will continue carrying out this type of analysis once IFRS 18 is published.

## Preliminary views from advisory groups

A17. The preliminary feedback from members of these groups during Q4 2023 indicated overall support for the presentation and disclosure requirements of IFRS 18. In their view the requirements in IFRS 18 will provide greater comparability and consistency of financial information and reduce diversity in practice.<sup>8</sup>

A18. However, they identified three main topics requiring further detailed consideration prior to the endorsement of IFRS 18 (see table below).<sup>9</sup>

Issues identified by UKEB Advisory Groups	
IFRS 18 requirements	Issues raised
<b>Associates and joint ventures accounted for using the equity method presented in the investing category</b>	
Entities are required to include income and expenses from associates and joint ventures accounted for using the equity method in the income statement: <ul style="list-style-type: none"> <li>a) after operating profit and before the subtotal profit before financing and income taxes; and</li> <li>b) in the investing category.</li> </ul>	Some members considered that there could be circumstances where associates and joint ventures accounted for using the equity method are within an entity's main business activities. Therefore, in their view it would be more appropriate to allocate the relevant income and expenses to the operating category (as opposed to the investing category). <sup>10</sup>

<sup>7</sup> See paragraph A8.

<sup>8</sup> The Secretariat has organised an education session for the UKEB Financial Instruments Working Group (FIWG) with the participation of IASB staff in April 2024 to obtain views on the requirements of IFRS 18.

<sup>9</sup> The information in this table is based on UKEB's advisory group meeting summary (meetings with PAG on [31 October 2023](#); and with AFIAG on [2 November 2023](#)). The IAG did not raise major concerns on the requirements.

<sup>10</sup> The Secretariat's preliminary work indicates that industries in which associates, and joint ventures are more likely to be considered within an entity's main business activities are insurance, automobile, mining and real estate.

Issues identified by UKEB Advisory Groups	
IFRS 18 requirements	Issues raised
<b>Existence of MPMs and Alternative Performance Measures (APMs) and usefulness of the required disclosure of the tax and NCI effects</b>	
<p>Entities are required to disclose:</p> <ul style="list-style-type: none"> <li>a) information about MPMs in a single note to the financial statements as to why and how the measure(s) communicate(s) management’s view of an aspect of the entity’s financial performance;</li> <li>b) a reconciliation between MPMs and the most directly comparable subtotal or total specified in IFRS Accounting Standards; and</li> <li>c) the effects of income tax and NCI for each item disclosed in the reconciliation from the requirement at b).</li> </ul>	<p>Some members considered that the co-existence of two sets of performance measures (i.e. MPMs and APMs) could lead to user confusion in respect of:</p> <ul style="list-style-type: none"> <li>• The type of measures that would be included within the scope of MPMs (e.g. adjusted operating profit is an MPM but adjusted revenue is not an MPM).</li> <li>• Including MPMs and APMs in different locations of the annual report (i.e. MPMs are required to be included as part of the financial statements; whereas APMs are generally included outside the financial statements).</li> </ul> <p>Some members noted that the requirements on the effects of income tax and NCI in the MPM reconciliations would lead to additional work and, in some circumstances, the allocation of these effects would not necessarily lead to useful information.</p>
<b>Disclosure of specific expenses by nature</b>	
<p>Entities that present one or more line items comprising expenses classified by function in the income statement are required to disclose, in a single note, the amounts of expense included in each function line item for:</p> <ul style="list-style-type: none"> <li>a) depreciation;</li> </ul>	<p>Some members noted that the requirement to disclose the amounts of expense by nature included for each functional line item could be difficult to prepare because those amounts of expense by nature are either:</p> <ul style="list-style-type: none"> <li>• not tracked by the current systems<sup>11</sup>;</li> </ul>

<sup>11</sup> For example, in the extractive industry, employee benefits could be capitalised into a drilling rig. This rig could be used to explore for oil and then be depreciated and/or impaired. This could make it very difficult for entities to keep track of the original debit. This is the reason why the IASB decided to provide application guidance to clarify that the amounts disclosed need not be the amounts recognised as an expense for the period. For example, they could include amounts that have been recognised as part of the carrying amount of an asset in the period.



Issues identified by UKEB Advisory Groups	
IFRS 18 requirements	Issues raised
b) amortisation; c) employee benefits; d) impairment; and e) write-downs of inventories.	<ul style="list-style-type: none"> <li>are tracked at a subsidiary level but cannot be easily identified at a consolidated level<sup>12</sup> because the consolidation process is not designed to retain or track information on the underlying nature of some costs.</li> </ul> Therefore, changes in systems may be necessary to produce the required information by nature, which some members think would be costly.

A19. Advisory group members were of the view that the IASB should provide additional guidance on these topics to ensure better understanding and consistency of application. These members offered further suggestions on how to improve the standard.

### User and preparer surveys

A20. The Secretariat is planning to carry out preparer and user surveys to obtain data on users and preparers views that would help:

- a) Gain more information on issues identified above to determine whether they continue to be concerns, and if so, how extensive they are;
- b) Identify additional issues/concerns; and
- c) Gather evidence on whether the requirements in IFRS 18 meet the technical accounting and the long-term public good assessment criteria (i.e. costs and benefits and wider economic effects). Particular consideration will be given to the potential effects for small and medium sized listed entities.

A21. The preliminary views of the UKEB Advisory Groups will help develop these surveys. Before releasing the surveys to the wider public the Secretariat will:

<sup>12</sup> The nature of an operating expense could be changed or lost, for example, as a result of intercompany transactions.

- a) Test the draft surveys with the Academic Advisory Group (AAG), UKEB Board members, and senior UKEB Secretariat staff, and revise the surveys with input received; and
  - b) Pilot the surveys with the IAG and PAG.
- A22. The Secretariat plans to circulate the final surveys shortly after IFRS 18 is published and will give participants at least two months to respond.
- A23. The Secretariat will follow-up with individual or groups of stakeholders if anything needs further clarification.
- A24. There is a risk, however, that it may be too early for entities to determine the impact of IFRS 18 on their accounting practices and/or to quantify the costs of implementing IFRS 18. The Secretariat could either extend the deadline for the surveys and/or conduct additional engagements with stakeholders (for example to consider further 1 to 1 interviews).

#### **Review point after obtaining survey results**

- A25. The Secretariat will bring a summary of the survey feedback received and analysis of this feedback at a future meeting following closure of the surveys. This will include a preliminary analysis on whether the Secretariat considers that the concerns identified from the survey responses are endorsement issues<sup>13</sup>; or whether they are implementation<sup>14</sup> or interpretation issues<sup>15</sup> that have the potential to become endorsement issues.
- A26. There is an explicit review point in the proposed timetable (Q4 2024) to ask the Board whether additional activities should be carried out (refer to paragraphs A38–A44 below).

#### **Subsequent consultations with UKEB Advisory Groups/UKEB Financial Instruments Working Group (FIWG)**

- A27. As noted, the Secretariat will pilot the draft survey with the IAG and PAG and ask them to flag any fatal flaws. We will also ask them to circulate the final survey through their networks.

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<sup>13</sup> Endorsement issues are those that would present challenges as to whether the requirements meet the technical accounting criteria; the long-term public good criteria (e.g. they could lead to costs which greatly outweighed the benefits achieved or they would not be likely to be conducive to the long term public good in the UK); and/or the true and fair view assessment (see paragraph A45(b)).

<sup>14</sup> For example, where the requirements in IFRS 18 are difficult to put into practice.

<sup>15</sup> For example, where the requirements in IFRS 18 are found to be unclear and not well understood and/or where questions emerge on how they should be interpreted and applied to specific scenarios/cases.

A28. The Secretariat will be subsequently meeting with UKEB advisory groups (and with the FIWG, if needed) in the following few months to ask them for feedback on the survey questions, on the preliminary survey results, and/or for any new/emerging issues since we last met them.

### **In-house research on long-term public good**

A29. The economics team may conduct additional in-house research activities to gain further insight on topics related to the assessment of long-term public good (costs and benefits and wider economic effects) as explained below. This work will be reflected in the Draft Endorsement Criteria Assessment (DECA).

#### **Costs and benefits**

A30. Costs and benefits will be investigated in the first instance through the users and preparers surveys as discussed in paragraphs A20–A24.

A31. Initial feedback has been received from advisory groups, see paragraph A17–A19.

A32. The economics team may conduct additional activities for the evaluation of costs and benefits, such as:

- a) Further analysis on the data, for example an estimation of the total cost for IFRS reporters based on survey responses and an econometric model, an approach already taken for the endorsement of IFRS 17 *Insurance Contracts*.
- b) Additional outreach with preparers, users and auditors.

#### **Wider economic effects**

A33. Wider economic effects will be investigated in the first instance through the users and preparers surveys, as discussed in paragraph A20(c).

A34. The economics team may conduct additional activities for the evaluation of wider economic effects, such as:

- a) Desk-based research;
- b) Quantitative analyses; and
- c) Outreach activities, for example, 1 to 1 interviews on specific issues.

A35. The economics team will also explore ways of estimating the cost of capital model, that would allow for the quantification of cost of capital effects in different scenarios, in-house. Such a model will reduce the chance of having to conduct bespoke economic analysis in relation to cost of capital. This model will be used for other endorsement projects too but will be deployed for the first time for the endorsement of IFRS 18. The timeline for the development of the model is

included in Table 1 following paragraph A66. Such a model will reduce the chance of having to conduct bespoke economic analysis in relation to cost of capital.

### **Educational webcasts/webinars in coordination with IASB staff**

- A36. The Secretariat is planning to record an educational webcast with the participation of IASB staff which will set out the overall requirements of IFRS 18 for presentation and disclosures in the financial statements. The Secretariat will release the webcast shortly after IFRS 18 is published.
- A37. The Secretariat will hold a joint webinar with the IASB (expected Q2 or Q3 2024) to promote the preparer and user surveys and also to give UK stakeholders an opportunity to ask questions on the requirements in IFRS 18. The Secretariat is also planning a webinar for small and medium-sized listed entities<sup>16</sup> as they may not have followed the development of IFRS 18 as closely as other larger companies and may be less aware of the new requirements.

### **Additional activities in case critical evidence emerges**

- A38. If critical evidence emerges from the preparer and user survey responses and/or from feedback derived from other outreach activities, the Board will be asked to reassess the need to perform additional activities to progress on some issues in more depth. This additional work would lead to a longer timeframe for the adoption of IFRS 18.
- A39. Additional activities may include:
- a) Roundtable and/or structured interviews.
  - b) Additional outreach with preparers, users and auditors.
  - c) Any additional LTPG assessment activities. For example:
    - i. Commissioning an economic study (see paragraphs A42–A44 below);
    - ii. Further analysis of the data (i.e., econometric model); and/or
    - iii. Further quantitative analyses.
- A40. It must be noted that, conditional on critical evidence emerging, only some of the above activities may be conducted.

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<sup>16</sup> The Secretariat is currently liaising with Quoted Companies Alliance (QCA) for the organisation of this webinar.

A41. Table 2 following paragraph A66 illustrates a scenario where additional activities are undertaken requiring a longer timeframe for the adoption of IFRS 18.

### Potential for an economic study

A42. An external economic study on the possible impact of the use of IFRS 18 on the UK will only be undertaken if critical evidence emerges from the preparer and user survey responses and will be focused on critical evidence only.

A43. Critical evidence that may trigger further economic research would be linked to significantly higher than expected costs or unanticipated detrimental economic effects for:

- a) UK IFRS preparers as a whole;
- b) given industries; or
- c) smaller-sized listed entities.

A44. Any findings specific to given industries/groups of companies (such as smaller-sized listed entities) may lead to additional research focusing on those industries/groups.

### Approach to the analysis on the endorsement of IFRS 18

A45. The Secretariat has made the following assumptions about the approach to the analysis that we will be carrying out on the endorsement of IFRS 18:

- a) **Technical accounting criteria assessment**<sup>17</sup>. This assessment will be carried out considering IFRS 18 as a whole. However, in reporting this assessment in the DECA the Secretariat will focus our analysis only on significant issues raised by UK stakeholders (an 'exceptions-based' approach). Initial research, together with outreach to the UKEB Advisory Groups, has identified three potentially significant issues (as described in the table following paragraph A18 of this paper). The analysis against the technical accounting criteria will specifically focus on those issues. However, if other issues are identified during the course of the project that need to be specifically assessed against the technical accounting criteria, these will be presented to the Board for its consideration. The public consultation on the DECA and potential additional outreach will provide an opportunity to gather further evidence on potential significant issues.

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<sup>17</sup> SI 2019/685 requires an assessment of whether "the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management" [regulation 7(1)(c)]. In this paper we refer to these criteria collectively as the technical accounting criteria.

- b) **True and fair view assessment**<sup>18</sup> This assessment will consider whether IFRS 18 contains any requirement that would prevent accounts prepared using IFRS 18 from giving a true and fair view. A holistic approach will be taken for this assessment considering the impact of IFRS 18 taken as a whole, including its interaction with other UK-adopted international accounting standards.
- c) **Long-term public good assessment**<sup>19</sup>. This assessment will involve consideration of whether the use of the standard is likely to improve the quality of financial reporting, the likely costs and benefits of IFRS 18 and of whether use of IFRS 18 is likely to have an adverse effect on the UK economy, including on economic growth. This assessment will be approached considering the requirements of IFRS 18 as a whole.
- A46. Given the UKEB only adopts the mandatory sections of an IFRS for use in the UK, the scope of the **adoption assessment** will only comprise the mandatory sections<sup>20</sup> of IFRS 18.
- A47. The draft structure and outline contents of IFRS 18 DECA are set out in **Annex 1** of this Project Initiation Plan.

## Other considerations

### Entities in scope

- A48. IFRS 18 will affect all entities using IFRS Accounting Standards. There are currently approximately 1,500 entities with equity listed on the London Stock Exchange that prepare their financial statements in accordance with IFRS.<sup>21</sup> In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.<sup>22</sup>

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<sup>18</sup> SI 2019/685 requires an assessment of whether the standard is not contrary to the principle that an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss [regulation 7(1)(a)(i)]. Similar criteria are set out in regulation 7(1)(a)(ii) in respect of consolidated accounts.

<sup>19</sup> SI 2019/685 requires an assessment of whether the standard is likely to be conducive to the long term public good in the UK [regulation 7(1)(b)].

<sup>20</sup> Mandatory pronouncements are International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations and mandatory application guidance. Non-mandatory guidance includes the basis for conclusions, dissenting opinions, implementation guidance and illustrative examples, together with the IFRS practice statements. This categorisation is set out in the introduction to the IASB yearly bound volumes.

<sup>21</sup> UKEB calculation based on London Stock Exchange Group (LSEG) and Eikon data, May 2023. This calculation includes companies listed on the Main market as well as on the Alternative Investment Market (AIM).

<sup>22</sup> UKEB estimate based on FAME (company information in the UK and Ireland produced by the Bureau Van Dijk, a Moody's analytics company), Company Watch financial analytics and other proprietary data.

## Importance to users and preparers

- A49. IFRS 18 is important to both users and preparers as it is intended to enhance the comparability, transparency and usefulness of financial information reported by companies.

## Complexity of technical issues

- A50. IFRS 18 does not affect recognition and measurement requirements—it changes presentation and disclosure requirements only. Therefore, the standard is not expected to be technically complex.
- A51. Nevertheless, the Secretariat acknowledges that IFRS 18 will require entities to make classification or disaggregation decisions or to gather information that is not currently required by IFRS Standards and that may not be readily available. For example, some of the disaggregation requirements may require system changes to gather the information. The Secretariat's initial assessment is that the mandated effective date of 1 January 2027 should give entities sufficient time to implement these changes.
- A52. It is possible that small and medium sized listed companies may not have followed the development of IFRS 18 as closely and may be less aware of the new requirements. This could mean that technical or operational issues specific to those entities may arise during the UKEB's outreach.

## Public consultation duration for the DECA

- A53. The current draft project timetable assumes a 90-day public consultation period for the DECA in accordance with paragraph 6.28 of the [UKEB's Due Process Handbook](#).
- A54. As noted in the 'Background section' above (refer to paragraph A6 of this paper), the IASB's due process has included extensive outreach over many years and UK stakeholders have already made extensive use of opportunities to contribute directly to the development of IFRS 18. Consequently, the Secretariat expects that some of the stakeholders would already be familiar with some of issues that are likely to be addressed in the DECA.

## Urgency

- A55. The effective date of IFRS 18 is 1 January 2027, with early application permitted (subject to the UKEB adoption in the UK). So far, there have not been any requests to accelerate the adoption for use in the UK.

## Expected interest/sensitivity

- A56. The Secretariat is not aware of wider political or other concerns in relation to this project.

## Overview of costs and benefits

- A57. The initial stakeholder feedback received from UKEB Advisory Groups (refer to the table following paragraph A18 indicates overall support for the presentation and disclosure requirements of IFRS 18. However, some members of these groups cautioned that preparers may incur familiarisation costs and might need to change their internal processes and systems to gather some of the required information. IAG members did not identify any additional cost burdens from the requirements during this preliminary outreach.
- A58. As discussed in paragraphs A20–A24, costs and benefits and wider economic effects will be investigated in the first instance through the evidence gathered from users and preparers surveys.
- A59. As also discussed in paragraphs A29–A35, the economics team may conduct additional in-house activities to gain further insight on topics related to the assessment of long-term public good (costs and benefits and wider economic effects).

## Potential for an economic study

- A60. As discussed in paragraph A42, if critical evidence emerges from the Secretariat's outreach activities, an external economic study will be undertaken which would result in a longer timeframe for the adoption of IFRS 18.
- A61. While based on the outreach already conducted it seems unlikely that the surveys will uncover sizable unanticipated economic effects, there is a possibility that this could happen.

## Resources allocated

### Resource capacity

- A62. The UKEB PFS team currently comprises a small number of technical staff, making resource constraints a challenge to timely delivery of the project. Currently one Project Director, one Project Manager and an economist, on a part-time basis, are allocated to the project. An additional project manager has been allocated to the project and is expected to be available part-time from Q2–Q3 2024.
- A63. The Secretariat will hire a fixed-term contract researcher with background in economics who will help with both the distribution of the surveys and the long-term public good assessment. Their contract is anticipated to start in June 2024 for the duration of six months.



## Setting-up an ad-hoc advisory group is not necessary

A64. The existing UKEB advisory groups are well placed to provide feedback on this project, as IFRS 18 is not technically complex, nor its application specific to a particular industry sector. Therefore, an ad-hoc advisory group specific to the endorsement of IFRS 18 is not necessary.

## Project timetable

A65. The proposed high-level project timetable shown below in Table 1 is based on current expectations that no critical evidence will emerge and aims to carry out endorsement activities and make an adoption decision before the effective date of the standard. The timetable is a best estimate, therefore, the project could finish earlier.

A66. Should critical evidence be uncovered, the Secretariat may have to carry out additional activities (see paragraphs A38–A44) which would result in a longer timeframe for the adoption of IFRS 18. This is shown for illustration purposes in Table 2 of this paper.

## Table 1: Proposed timeline for IFRS 18 endorsement

The table below illustrates the proposed timeline for IFRS 18 endorsement with an assumption that no critical evidence emerges during the endorsement assessment.

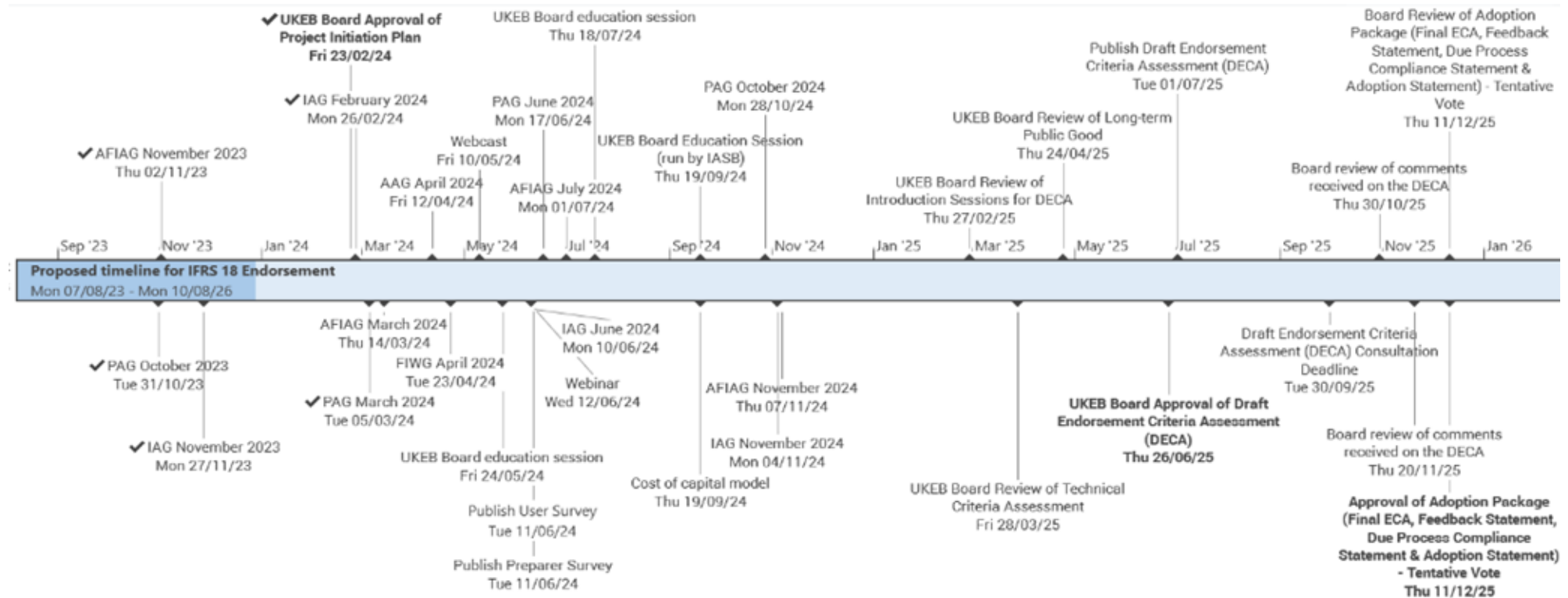
Activities		Feb-Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov-Dec 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Education activities	PIP for approval and noting	PIP												
	<b>IFRS 18</b>		Publication											
	Board education session		Preparation	24 May	Preparation	18 Jul	Preparation	19 Sep						
	Educational webcast with IASB	Preparation		Webcast										
	Joint webinar with IASB staff to publicise the surveys	Preparation			Webinar									
	Joint UKEB/IASB/QCA webinar	Preparation				Education								
FIWG meeting: joint presentation with IASB	Preparation	FIWG												
Outreach	Preparer and user surveys. Assess both technical accounting and LTPG criteria	Drafting/feedback/piloting			Distribution/Analysis of preliminary results			Survey results discussion		Survey results discussion				
	Survey: AAG meeting - feedback on survey design	Preparation	12 Apr											
	Survey: Engagement with PAG/IAG - Piloting and additional feedback			Piloting	10 Jun 17 Jun			Preparation	28-Oct	4 Nov				
	Engagement with AFIAG	14 Mar				1 Jul			7 Nov	7 Nov				
Economics	Support from fixed-term researcher	Job specs drafting	Recruitment		Support for survey distribution and cost of capital model and other LTPG related activities									
	Cost of capital model	Preparation			Preliminary results	Finalisation	Final results	Implementation in endorsement for PFS						
DECA and ECA	DECA drafting - technical accounting criteria							Secretariat drafting			Board review and approval/ Secretariat drafting	Consultation period	Board review of comments	
	DECA drafting - LTPG assessment							Secretariat drafting and conducting analysis as appropriate						
	Engagement with advisory groups											AG sessions		
	ECA and adoption package													Review and approval

## Table 2: Illustration of extended timeline for IFRS 18 endorsement if critical evidence emerges

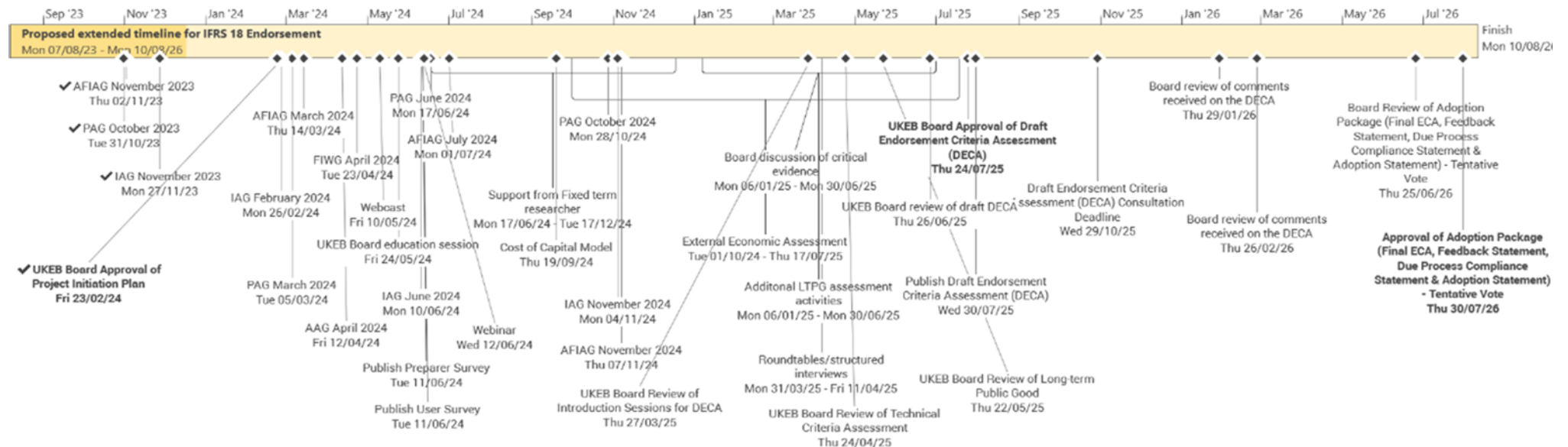
The table below illustrates a proposed extended timeline for a scenario where critical evidence emerges during the endorsement assessment of IFRS 18.

Activities		Feb-Oct 2024	Nov-Dec 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	
Economics	PIP for approval and noting	Same as standard timetable									
	<b>IFRS 18 publication</b>										
	Education activities										
	Outreach										
	Support from fixed-term researcher			Same as standard timetable							
Additional activities	Cost of capital model										
	[Roundtable and/or structured interviews]		Preparation	[Roundtable and/or structured interviews]							
	[External economic assessment focusing on critical evidence only]		Invitation To Tender drafting, publication and selection of vendor	[External economic assessment focusing on critical evidence only]							
	[Any additional LTPG assessment activities - focused on critical evidence only]		Preparation	[Additional LTPG assessment activities]							
DECA and ECA	[Board discussion of critical evidence]			[Board discussion of critical evidence]							
	DECA	Same as standard timetable	Secretariat drafting	Board review / Secretariat drafting	Board review / Secretariat drafting / Consultation period	Board review of comments					
	DECA drafting - LTPG assessment		Secretariat drafting and conducting analysis as appropriate	Board review / Secretariat drafting	Board review / Secretariat drafting / Consultation period	Board review of comments					
	Engagement with advisory groups				AG sessions						
ECA and adoption package									Review	Approval	

# IFRS 18 *Presentation and Disclosure in Financial Statements* (effective date 1 January 2027) – Proposed timeline



# IFRS 18 *Presentation and Disclosure in Financial Statements* (effective date 1 January 2027) – Illustration of extended timeline



# Annex 1: [Draft] Endorsement Criteria Assessment structure and outline contents

<b>[Draft] Endorsement Criteria Assessment: IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>—proposed structure and outline contents</b>
<b>Executive summary:</b> To provide a summary of key points covered as part of the DECA
<b>Section 1: Legislative framework and our approach to the assessment</b> <ul style="list-style-type: none"><li>• Purpose of [Draft] Endorsement Criteria Assessment (DECA)</li><li>• UK statutory requirements</li><li>• Approach to the endorsement criteria:<ul style="list-style-type: none"><li>○ Technical accounting criteria</li><li>○ UK long term public good</li><li>○ True and fair view principle</li></ul></li><li>• Scope of the adoption assessment</li></ul>
<b>Section 2: Description of IFRS 18</b> <ul style="list-style-type: none"><li>• Background, context and objectives<ul style="list-style-type: none"><li>○ Overview of IASB’s project – key purpose and objectives:</li><li>○ High-level picture of current accounting in the UK under IAS 1</li></ul></li><li>• Description of IFRS 18’s main accounting requirements:<ul style="list-style-type: none"><li>○ High-level description of the main principles</li><li>○ Presentation requirements</li><li>○ Disclosure requirements</li><li>○ Transition requirements</li><li>○ Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i><sup>23</sup></li></ul></li></ul>
<b>Section 3: Technical accounting criteria assessment</b> <ul style="list-style-type: none"><li>• Detailed analysis against the technical accounting criteria only in relation to significant issues (an exceptions-based approach) on a topic-by-topic basis.</li><li>• ‘Significant issues’ from preliminary assessment [For each significant issue, the following is expected to be covered:</li></ul>

<sup>23</sup> IFRS 18 will change the title of IAS 8 from ‘Accounting Policies, Changes in Accounting Estimates and Errors’ to ‘Basis of Preparation, Accounting Policies, Changes in Accounting Estimates and Errors’.

<b>[Draft] Endorsement Criteria Assessment: IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>—proposed structure and outline contents</b>
<ul style="list-style-type: none"><li>○ Introduction and description of the issue</li><li>○ IFRS 18 requirements</li><li>○ Accounting impact</li><li>○ Analysis against the technical accounting criteria]</li><li>● Overall conclusion on whether IFRS 18 meets the technical accounting criteria</li></ul>
<p><b>Section 4: UK long term public good assessment</b></p> <ul style="list-style-type: none"><li>● Structure of the assessment: The assessment is performed at the level of IFRS 18 as a whole</li><li>● Overview of long term public good assessment—purpose and approach</li><li>● Will IFRS 18 improve the quality of financial reporting?<ul style="list-style-type: none"><li>○ Discussion of improvements introduced by IFRS 18 and comparison with UK current practices</li></ul></li><li>● Costs and benefits of applying IFRS 18<ul style="list-style-type: none"><li>○ Overview of expected costs and benefits of IFRS 18 and explanation of the approach used for this assessment</li><li>○ Detailed costs and benefits for preparers, users, auditors, regulators and other stakeholders</li><li>○ Summary of costs and benefits for stakeholders</li></ul></li><li>● Likely effect on the economy of the UK</li><li>● Consideration of the consequences of not adopting the standard</li><li>● Overall conclusion on UK long term public good</li></ul>
<p><b>Section 5: True and fair view assessment</b></p> <ul style="list-style-type: none"><li>● Structure of the assessment: The assessment is performed at the level of IFRS 18 as a whole</li><li>● Interaction with other UK-adopted international accounting standards</li><li>● Assessment</li><li>● Overall conclusion</li></ul>
<p><b>Conclusion</b></p> <ul style="list-style-type: none"><li>● [Draft] adoption decision</li></ul> <p><b>Does the Standard lead to a significant change in accounting practice?</b></p> <ul style="list-style-type: none"><li>● This Standard is likely to lead to a significant change in accounting practice and therefore meet the criteria for a post-implementation review under Regulation 11 in SI 2019/685</li></ul>
<p><b>Glossary</b></p>

# Appendix B: Sustainability Update

## ISSB meetings

### February 2024 meeting - update

- B1. The ISSB met on 21 February 2024, in New York City, USA, to discuss:
- a) Criteria for assessing the priority of new research and standard setting projects to be added to the work plan<sup>1</sup>.
  - b) Developing educational material in relation to materiality<sup>2</sup>.

### Criteria for assessing new research and standard setting projects

- B2. The ISSB decided to modify the approach as set out in the ISSB Agenda Consultation to incorporate the concept of interoperability. The ISSB will now also consider the work of other standard setters as their work plan develops.

### Developing educational material on materiality

- B3. The ISSB discussed the concept of materiality in the context of the requirements in IFRS Sustainability Disclosure Standards and the scope of information to which the concept of materiality was applied. No decisions were made.

### March 2024 meeting - update

- B4. The ISSB met on 13 March 2024, in Frankfurt, Germany, to discuss:
- a) ISSB Consultation on Agenda Priorities—Strategic direction and balance of the ISSB’s activities<sup>3</sup>.

### Consultation on Agenda Priorities

- B5. The ISSB discussed the number and scope of new research and standard-setting projects for the two-year work plan. The ISSB tentatively decided to begin new research and standard-setting projects, support the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* and to enhance the SASB Standards.

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<sup>1</sup> [Criteria for assessing the priority of new research and standard setting projects to be added to the work plan](#)

<sup>2</sup> [Supporting implementation of IFRS S1 and IFRS S2 Developing educational material on materiality](#)

<sup>3</sup> [ISSB Consultation on Agenda Priorities—Strategic direction and balance of the ISSB’s activities](#)



- B6. The ISSB noted that most respondents to the Agenda Consultation had recommended that the highest priority for the ISSB should be the establishment of a global baseline of sustainability reporting. The ISSB tentatively agreed to place a high level of focus on supporting the implementation of IFRS S1 and IFRS S2 and to place a 'slightly lower level of focus' on enhancing the SASB Standards and on beginning new research and standard-setting projects.
- B7. The ISSB also tentatively decided to pursue connectivity between the ISSB and International Accounting Standards Board (IASB) respective requirements as a 'core' activity. Interoperability and stakeholder engagement were also noted as fundamental to and incorporated in the work of the ISSB. In addition, the ISSB agreed to allow some flexibility in its work plan to cater for emerging issues and to allow for engagement with the IASB as necessary.
- B8. The ISSB supported the idea of a potential post implementation review for IFRS S1 and IFRS S2 but tentatively decided that a conceptual framework project should not be pursued in the initial work plan.
- B9. The ISSB staff will present an analysis and recommendations on the number and scope of new projects to be added to the work plan at a future meeting for ISSB discussion and decisions.

## IFRS Foundation updates

- B10. The **Due Process Oversight Committee** met on 29 February 2024 and was provided with an update on ISSB activities<sup>4</sup> and material to support the application of ISSB standards<sup>5</sup>.
- B11. The **Global Preparer Forum**<sup>6</sup> (GPF) met on 1 March 2024 and was provided with an update from the *Climate-related and Other Uncertainties in the Financial Statements* project team on the draft examples for discussion at the IASB March 2024 meeting.
- B12. The forum was also provided with an update from the ISSB on 2024 priorities. The key implementation priorities were noted as achieving interoperability and connectivity with financial statements and the key adoption priorities were working with jurisdictions and encouraging voluntary adoption. The priority for the future ISSB workplan was to finalise decisions in H1 2024 and then the ISSB would agree the research projects.
- B13. The **IFRS Foundation Monitoring Board**<sup>7</sup> reaffirmed the importance of ongoing oversight of the standard-setting activities and governance of the IFRS

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<sup>4</sup> Due Process Oversight Committee - [Update on ISSB technical activities](#) (29 February 2024)

<sup>5</sup> Due Process Oversight Committee - [Material to support the application of ISSB Standards](#) (29 February 2024)

<sup>6</sup> [IFRS Global Preparers Forum](#) (March 2024)

<sup>7</sup> [The IFRS Foundation Monitoring Board reaffirmed the importance of ongoing oversight of the standard-setting activities and governance of the IFRS Foundation](#) (IOSCO 4 March 2024)

Foundation. The Monitoring Board noted the importance of connectivity between the financial statements and sustainability-related disclosures, while ensuring mutual independence and balanced resource allocation for their standard setting process. The Board also reconfirmed that robust due process is the core function of the IFRS Foundation and encouraged continued efforts in this area.

- B14. The **ISSB Sustainability Standards Advisory Forum (SSAF)** met on 11 March 2024<sup>8</sup> when SSAF members discussed connectivity and the ISSB agenda priorities. In relation to connectivity, members advised that there was confusion amongst stakeholders about the term ‘interoperability’, the scope of a potential ISSB project on integration in reporting and the connections between the ISSB and IASB. Members asked for the distinction to be made clearer, and for the roles and responsibilities of the boards to be clarified within the due process.
- B15. Several SSAF members noted that understanding the future roadmap of the ISSB standards was likely to be a key factor for jurisdictions considering adoption and that further clarity was required.
- B16. SSAF members also noted that some jurisdictions had expressed reservations about the SASB Standards, while others had indicated that they may not include them in the adoption of ISSB standards. SSAF members recommended that the ISSB develop an approach to manage this situation.
- B17. A member referred to the IOSCO Monitoring Board brief and noted that the Inaugural ISSB Adoption Guide<sup>9</sup> approach was helpful but considered public statements regarding classification by adoption status required further discussion with regulators prior to finalisation.
- B18. The ISSB **Transition Implementation Group (TIG)**<sup>10</sup> met on 15 March 2024. TIG discussions are intended to support application and do not change or add requirements to the ISSB standards. The TIG provided guidance on the application of paragraph 29(b)–(c) of IFRS S2<sup>11</sup> and whether revisions applied only to estimated amounts that were metrics or to all estimated amounts disclosed.

## Other international updates

- B19. The US **Securities and Exchange Commission (SEC)** has passed the new climate rule after considering more than 24,000 comment letters. The final rule excludes the requirement for entities to report on Scope 3 Greenhouse Gas emissions and requires large entities to report on material operational emissions.

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<sup>8</sup> [Sustainability Standards Advisory Forum](#) March 2024

<sup>9</sup> [The jurisdictional journey towards globally comparable information for capital markets](#) (2024)

<sup>10</sup> [Transition Implementation Group](#) on IFRS S1 and IFRS S2 (March 2024)

<sup>11</sup> These paragraphs in IFRS 2 relate to the amount and percentage of assets or business activities vulnerable to climate-related transition risks, and the amount and percentage of assets or business activities vulnerable to climate-related physical risks