

# Summary of UKEB Preparer Advisory Group (PAG) meeting held on 28 October 2024

No.	Agenda Item
	Welcome
1.	Influencing: UKEB Draft Comment Letter on Exposure Draft <i>Climate-related and Other Uncertainties in Financial Statements</i>
2.	Influencing: Provisions – Targeted Improvements
3.	Endorsement: IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>
4.	Research: Statement of Cash flows – IASB research project
5.	Inter-meeting feedback
6.	Horizon scanning
7.	For noting
8.	A.O.B.

Present	
Name	Designation
Pauline Wallace	Chair, UKEB
Edward Knapp (virtual attendance)	Board member, UKEB
Owen Glaysher (virtual attendance)	Board member, UKEB
Seema Jamil-O'Neill	Technical Director, UKEB
Chris Buckley	PAG member
Ian Melling (virtual attendance)	PAG member
Jo Clube	PAG member
Luke Kelly	PAG member
Oliver Hexter	PAG member
Peter Leadbetter	PAG member
Stephen Morris (virtual attendance)	PAG member
Toby Odell	PAG member

Nick Barlow – Observer with speaking rights  
(Agenda #4 only)

IASB technical staff

Relevant UKEB Secretariat team members were also present.

**Apologies:** PAG Chair – Giles Mullins; PAG members – Ben Binnington, Michelle O’Mara.

## Welcome

1. The Chair welcomed the Preparer Advisory Group (PAG) members.

## Influencing: UKEB Draft Comment Letter on Exposure Draft *Climate-related and Other Uncertainties in Financial Statements*

2. The UKEB Secretariat provided an overview of the UKEB’s Draft Comment Letter (DCL) on the IASB’s Exposure Draft (ED) *Climate-related and Other Uncertainties in Financial Statements* (CROUFS).
3. The Secretariat noted that the IASB had published the CROUFS ED to address stakeholder feedback, including from the UK, which sets out illustrative guidance for the application of accounting standards to improve the reporting of climate related matters and other uncertainties in the financial statements.
4. It was noted that the UKEB intended to comment on the project in the interest of ensuring connectivity and high-quality reporting. However, the UKEB would not endorse or adopt the illustrative examples, as they are not proposed to form a part of the mandatory IFRS Accounting Standards.

## Exposure Draft Questions

5. Members were asked for their views on whether examples one and two in the ED potentially placed over-reliance on paragraph 31 of IAS 1, e.g. by reading the ‘lack of material effect’ into the wording of this paragraph in a way that was not currently applied in practice.
6. PAG members made the following points:
  - a) A member commented that paragraph 31 required an assessment of whether additional disclosures were required. However, example one appeared to suggest that additional disclosures were required for all transactions. The member suggested that paragraph 17 (c) which contained the word ‘required’ may be preferable reference point.
  - b) Several members commented that the illustration appeared to be a significant change from how this paragraph has been interpreted and used in practice and raised concerns that the disclosure of a ‘lack of material’ affect was unlikely to be decision useful for users.
7. In relation to the application of paragraph 125 members noted the following points:

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- a) In general members were not aware of any application issues with this paragraph and considered that it provided useful information for users. None considered that the wording in the paragraph restricted preparers from disclosing material uncertainties that may occur after one year.
  - b) Members noted challenges with applying this paragraph for periods of more than one year:
    - i. It may not be possible to separate the components of the range of uncertainties due to their interrelationships.
    - ii. Higher uncertainty and therefore lower reliability of information and the associated risk of litigation should the information prove to be materially incorrect.
    - iii. Blurring the boundaries of the financial statements and sustainability disclosures which consider medium- and long-term risks.
  - c) A member noted that materiality for climate disclosures focused on longer periods than materiality applied in the financial statements. An example was where a financial metric was anticipated to materially change in three to five years' time this would be disclosed in the entity's sustainability report. However, the entity would not seek to estimate that impact in the financial statements for the current financial reporting period.
8. Members considered that the principles behind the examples could be applied to a range of uncertainties but several noted examples that illustrate application beyond climate would be very helpful.
  9. Members considered that the examples, particularly examples one and two could be enhanced if they showed more financial statement impacts and linkages to sustainability disclosures for connectivity.
  10. A member suggested including in the example pollutant pricing mechanisms due to the challenges with recognising assets and liabilities such as investments in carbon credit schemes.
  11. The Secretariat advised the members of the additional connectivity illustrative examples presented at the September World Standard Setters Forum. These were noted as outside the scope of the ED but broadly helpful in that they illustrated connections between financial statements impacts from climate change to the ISSB Sustainability Disclosure Standards.

## Influencing: Provisions – Targeted Improvements

12. The UKEB Secretariat provided an overview of proposals being developed by the IASB to make targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

13. As part of this project, the IASB is considering amendments:
- a) To the definition of a liability and the requirements and guidance for applying the present obligation recognition criterion using concepts from the *Conceptual Framework for Financial Reporting*.
  - b) To indicate more clearly the rate an entity uses to discount a long-term provision to its present value.
  - c) To clarify which costs an entity must consider in measuring an obligation.
14. The following points were made in the ensuing discussion:
- a) Overall, it was noted that a detailed assessment of the precise language in the exposure draft is needed to form a view. Preliminary thoughts were shared at the meeting.
  - b) Some members noted concerns in relation to the anticipated amendments to the recognition criteria due to the potential risk of unintended consequences. A few members expressed support for the proposed withdrawal of IFRIC 21 *Levies*.
  - c) Some members raised concerns on the anticipated requirement to disclose the discount rate(s) used by class of provision, noting that entities could have a large number of discount rates used for a single class of provision (varying for example by currency or tenor) and questioned the usefulness of disclosing such a range of discount rates.
  - d) It was unclear how the anticipated clarification on the costs to be considered in measuring an obligation, would that apply to certain obligations, such as legal cases.
15. The IASB is expected to publish an Exposure Draft (ED) proposing targeted improvements to IAS 37 in November 2024. The detailed wording in the ED will be assessed to fully understand the potential impact of the proposals.

## **Endorsement: IFRS 18 *Presentation and Disclosure in Financial Statements***

16. The Secretariat provided a preliminary summary of the survey feedback received by the UKEB from UK preparers on IFRS 18 *Presentation and Disclosure in Financial Statements*. This summary included an overview of the feedback received on:
- a) The main presentation and disclosure requirements in IFRS 18.
  - b) Any likely adoption costs and benefits derived from the application of the requirements in IFRS 18, as well as wider economic effects.

17. The Secretariat invited PAG members' views on the significance of the issues identified as part of this summary.
18. PAG members were generally supportive of the feedback received and did not express concern that any of the issues identified should be considered significant for endorsement purposes.
19. The following points were made in the ensuing discussion:
  - a) One member observed that the definition of 'operating' in IFRS 18 is not designed to exclude certain items from 'operating profit'. This member was of the view that disclosing an adjusted operating profit subtotal could help mitigate this fact to help an entity provide a fair reflection of their performance.
  - b) One member observed that it was unclear whether the application of the requirements in IFRS 18 would result in better information for users.
  - c) One member observed that comparability across entities may be impaired due to the presentation and/or disclosure requirements set out by regulators in other jurisdictions.
  - d) Some members are still at an early implementation stage (i.e. understanding the changes derived from IFRS 18 and determining the impact in their business).
  - e) Some members observed that applying IFRS 18 would lead to limited implementation costs (as compared to the size of an entity's operations) and would generally not require significant changes to the general ledger of accounts.
  - f) A couple of members observed that more guidance was needed on the application of the requirements of IFRS 18 for the financial services sector (e.g. banks and insurance companies).

## **Research: Statement of Cash flows – IASB research project**

20. The Chair welcomed IASB technical staff member Nick Barlow as an observer with speaking rights for this session.
21. UKEB Secretariat informed members that the IASB has added a project on the Statement of Cash Flows and Related Matters to its research pipeline following feedback on its Request for Information: Third Agenda Consultation. They outlined the key areas identified by the IASB, and some relevant UK research.
22. Members were asked for their views on the matters identified. During the ensuing discussion, a range of views were expressed. Some key themes to emerge included:

- a) Users have different views on what the Statement of Cash Flows is for, and therefore what information they would prefer.
  - b) The Statement of Cash Flows is not used internally as management needs different information, which can be very dependent on the stage in an entity's lifecycle.
  - c) Free cash flow is an important measure for stakeholders, but not one that could be easily defined in a consistent way for all entities. It is better treated as an alternative performance measure and defined by each entity.
  - d) The Statement of Cash Flows for financial institutions is problematic as it fails to distinguish relevant types of cash flows. This makes it difficult for investors to get the information they need. However, significant changes to the requirements could introduce new issues.
  - e) Financial institutions also have very different business models which suggests that a single solution for them is unlikely to be achievable.
23. Members indicated an interest to be kept informed about future UKEB research on the topic, and potential participation in that research.

## Inter-meeting feedback

24. The UKEB Secretariat thanked PAG members for providing feedback at earlier meetings and between meetings, which supported the recent publication of the following documents:

## Influencing projects

- a) [Exposure Draft: IASB/ED/2024/7 Business Combinations – Disclosures, Goodwill and Impairment Proposed amendments to IFRS 3 and IAS 36 – UKEB Final Comment Letter](#) (published 19 July 2024);
- b) [Exposure Draft: IASB/ED/2024/3 Contracts for Renewable Electricity Proposed amendments to IFRS 9 and IFRS 7 – UKEB Final Comment Letter](#) (published 6 August 2024);
- c) [Exposure Draft: IASB/ED/2024/6 Climate-related and Other Uncertainties in the Financial Statements - Proposed illustrative examples – UKEB Draft Comment Letter](#) (published 25 September 2024 – consultation closes 11 November 2024);

## Endorsement projects

- d) [Lack of Exchangeability: Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – UKEB Endorsement Criteria Assessment](#) (published 17 July 2024); and

- e) [Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments – UKEB Draft Endorsement Criteria Assessment](#) (published 26 September 2024 – consultation closes 10 January 2025).

## Horizon Scanning

25. The Chair invited PAG members to discuss any current or emerging concerns. Members has no items to raise.

## For noting

26. The UKEB Secretariat brought to the attention of PAG members that the following documents been published for open consultation. PAG members were asked to notify the Secretariat should they wish to provide feedback on any of the projects:

## Influencing projects

- a) [Exposure Draft IASB/ED/2024/7 Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures \(revised 202x\) – UKEB Draft Comment Letter](#) published 21 October 2024 – consultation closes 20 November 2024 (IASB deadline 20 January 2025); and
- b) [Exposure Draft IASB/ED/2024/5 Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures – UKEB Draft Comment Letter](#) published 25 September 2024 – consultation closes 11 November 2024 (IASB deadline 27 November 2024).

## Endorsement projects

- c) [Annual Improvements to IFRS accounting Standards – Volume 11](#) (amendments to five standards) – [UKEB Draft Endorsement Criteria Assessment \(DECA\)](#) published 18 October 2024 – consultation closes 17 January 2025. If adopted, the amendments are effective for annual reporting periods beginning on or after 1 January 2026.

## A.O.B.

27. The Chair advised PAG members of the tentative meeting dates for 2025, noting that the next meeting is scheduled to take place on Monday 3 March 2025.
28. There being no other business, the meeting closed.