

Minutes of the UKEB's Public Meeting held on 17 November 2022 at 10:00 hrs at 1 Victoria Street, London, SW1H 0ET

The UKEB met for the public session on 17 November 2022. The video recording of the meeting and the agenda papers have been made available on the UKEB's website.

PRESENT:

Name	Designation
Pauline Wallace	Chair
Amir Amel-Zadeh	Member
Mike Ashley	Member
Phil Aspin	Member
Kathryn Cearns	Member
Katherine Coates	Member
Robin Cohen	Member
Edward Knapp	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Joyce Grant	Observer from the Financial Reporting Council (FRC/CRR)
Richard Cannon	Observer from His Majesty's Revenue and Customs (HMRC)
Andrew Murray	Alternate Observer from the Bank of England (BoE)

The topics discussed at that meeting, in order of discussion, were:

Welcome and Apologies

The Chair noted that the meeting was being recorded and the recording would be published on the UKEB website after the meeting.

The Board noted apologies from Andrew Death, Observer from The Department for Business, Energy and Industrial Strategy (BEIS), and Lee Piller, Alternate Observer from the Financial Conduct Authority (FCA).

Declarations of Interest

The Board noted the following declarations of interest:

- Phil Aspin's employer carries out rate-regulated activities.

- Katherine Coates provides advice to insurance companies, albeit not specifically on IFRS 17.
- Paul Lee's employer provides advice to pension schemes on bulk annuities.

2021 Narrow-scope Amendments – Adoption Package

The Board considered three amendments to international accounting standards issued by the International Accounting Standards Board (IASB) in 2021, with an effective date of 1 January 2023, albeit with earlier application permitted:

1. **Disclosure of Accounting Policies** (Amendments to IAS 1 [and IFRS Practice Statement 2]).
2. **Definition of Accounting Estimates** (Amendments to IAS 8).
3. **Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (Amendments to IAS 12).

During the meeting, the Board cast an indicative vote, with all members indicating that they would vote in favour of adopting the three amendments. After the meeting, the Board will be issued with a formal written ballot and members were asked to cast their written votes for each of the amendments. The finalisation of that formal written vote would commence the process for publication of the amendments in line with the Board's Terms of Reference.

The Board also considered the following papers that formed part of the 'Adoption Package': (1) Final Endorsement Criteria Assessment (ECA); (2) Feedback Statement; (3) [Draft] Due Process Compliance Statement; and (4) Adoption Statement.

The Board approved the 'Adoption Package' subject to suggested amendments.

Endorsement of narrow-scope amendments to IFRS 16 *Lease Liability in a Sale and Leaseback* – Approval of PIP

The Board considered the draft Project Implementation Plan (PIP) relating to the project to endorse and adopt the narrow-scope amendments to IFRS 16 *Lease Liability in a Sale and Leaseback* issued by the IASB in September 2022 (the "Amendments").

The Board noted that the Amendments have been subject to public consultation by the IASB. It also noted that the UKEB Secretariat had submitted its Final Comment Letter (FCL) on the ED to the IASB on 26 March 2021, before the Board's Statutory Functions had been delegated by the Secretary of State. The Board noted that the aim is to ensure adoption is completed in time to permit UK entities to adopt the Amendments on the effective date of 1 January 2024.

The Board agreed that a post implementation review (PIR) of the Amendments would not be required as they were narrow in scope and would not require a significant change in accounting practice.

The Board approved the PIP. The draft Endorsement Criteria Assessment (DECA) would be presented to the December 2022 meeting for the Board's consideration.

IFRS 17 – Implementation Update

The Board considered an update on the implementation of IFRS 17 *Insurance Contracts* in the UK, including emerging issues on disclosures made by insurance companies to date.

The UKEB's IFRS 17 Feedback Statement referred to continuing engagement with UK stakeholders during the implementation and initial application of IFRS 17, particularly in relation to:

- reinsurance to close (RITC) transactions in the Lloyd's market; and
- the allocation of the contractual service margin (CSM) for annuities.

The Board noted that the release of the 2022 full year accounts would be a potential area where emerging issues would be monitored.

Ongoing Monitoring of IASB Projects

IAS 1 Presentation of Financial Statements - Narrow Scope Amendments 2020 and 2022

The Board discussed two inter-related narrow scope amendments to IAS 1 *Presentation of Financial Statements*. On 31 October 2022 the IASB published amendments to IAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments"). The 2022 Amendments address stakeholders' feedback on the January 2020 amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (the "2020 Amendments"). Both Amendments have an effective date of 1 January 2024 and neither has been endorsed for use in the UK.

The Board noted that the Secretariat considers that the Amendments will need to be assessed for adoption together. The Amendments were considered by two of the UKEB's advisory groups, who agreed that, when considered together, the Amendments are an improvement to the financial reporting and raised no significant issues.

The Board noted that in the absence of a consolidated text of the 2020 and 2022 Amendments further consideration would be needed on the process and legal requirements for adopting two inter-related amendments simultaneously.

IASB General Update

The Board considered various updates on IASB projects that the Secretariat team had been monitoring, including the work of the IFRS Interpretations Committee. Updates on the following topics were noted and discussed by the Board:

1. Amendments to the Classification and Measurement of Financial Instruments – it was noted that the IASB has decided to expand the scope of its proposed narrow-scope amendments to IFRS 9 *Financial Instruments*. The timeline for publication of the Exposure Draft on this project has changed and is now expected H1 2023. The UKEB will need to consult stakeholders to ensure the proposed changes successfully address the feedback previously provided to the IASB.
2. Business Combinations under Common Control – it was noted that new exceptions to the acquisition accounting method were being considered by the IASB.

3. Equity Method – the proposed clarifications of the equity method of accounting were discussed.
4. Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers* – it was noted that this matter had been discussed by the UKEB’s Accounting Firms & Institutes Advisory Group (AFIAG) and no fatal flaws were identified.
5. Primary Financial Statements – it was noted that the IASB was undertaking targeted outreach on this project during Q4 2022. As part of this targeted outreach, the IASB project team had discussed the IASB’s proposals with the UKEB Investor Advisory Group, Preparer Advisory Group and AFIAG meetings during October and November 2022. The findings of the targeted outreach would be discussed at the ASAF’s December meeting.
6. Provisions: Targeted Improvements – it was noted that the IASB is considering whether proposals should be developed to specify in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* whether or not the discount rate should reflect the entity’s own credit risk.

ISSB General Update

The Board considered an update on the ISSB’s current projects and activities. The following key points were noted:

- The ISSB had agreed that the proposed agenda consultation would commence in the first half of 2023.
- The ISSB had discussed the use of fundamental concepts and terms in [draft] IFRS S1 and confirmed that the disclosures were being provided to meet the needs of users of general purpose financial reporting.
- The ISSB also considered opportunities to improve interoperability with sustainability proposals from the EU and US and confirmed that the TCFD pillars would be used to structure the core content of both [draft] IFRS S1 and IFRS S2.
- The ISSB discussed the possibility of referencing the European Sustainability Reporting Standards (ESRS) and Global Reporting Initiative (GRI) Standards in the absence of an applicable ISSB standard.
- The Board noted that the SEC’s proposed climate rules project had been delayed and that the rules were now expected to be adopted in early 2023.
- The Board noted that EFRAG’s Sustainability Reporting Board had submitted their first set of ESRS to the EU Commission.

Draft Report: Intangibles Qualitative Research

The Board considered an extract of the draft research report, namely the second half of the UKEB’s Qualitative Research Project on Intangibles. The sections of the draft report presented to the Board included a summary of stakeholders’ views on potential improvements to IAS 38 and additional content boxes to be included in the final report. It was noted that two UKEB advisory groups – the Preparers Advisory Group (PAG) and Accounting Firms & Institutes Advisory Group (AFIAG) – had discussed the contents of the report.

The Board agreed that it would be useful to see more details on the rationale behind the stakeholder views and common themes within the report.

The Board noted that the full draft report would be considered by the Board at its December 2022 and January 2022 meetings.

Advisory Groups Update

The Board received verbal updates from the chairs of UKEB advisory groups. The Preparers Advisory Group (PAG) and Accounting Firms & Institutes Advisory Group (AFIAG) had recently held their second meetings.

Any other business

Due Process Handbook

The Board received an update on progress towards the publication of the Due Process Handbook (DPH). The Feedback Statement on the DPH would be presented to the Board at its December 2022 meeting.

The meeting ended at 14:55 hrs.