UK Endorsement Board

Endorsement Criteria Assessment

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*

July 2023

Contents

Introduction

Purpose

1. The purpose of this Endorsement Criteria Assessment (ECA) is to determine whether the following amendments to international accounting standards meet the UK's statutory requirements for adoption:

    a) *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* (the 2020 Amendments), issued by the International Accounting Standards Board (IASB) in January 2020; and

    b) *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 Amendments), issued by the IASB in October 2022.

2. The UK-adopted International Accounting Standard text for each Amendment is reproduced in Appendices 4E and 4F respectively. For ease of reference the combined effect of the two Amendments is reproduced in an Appendix to Appendix 4F.

3. The 2020 and 2022 Amendments (the Amendments) have an effective date of 1 January 2024 with earlier application permitted.

4. The 2020 Amendments were published by the IASB in January 2020, but had not been adopted by the EU by the end of the UK's EU Exit Transition Period on 31 December 2020. Accordingly, they were not incorporated into domestic UK law as UK-adopted international accounting standards. The EU had not adopted the amendments due to stakeholder concerns about one of the requirements introduced by the 2020 Amendments. These concerns led to the IASB undertaking additional work to understand those concerns, ultimately leading to the 2022 Amendments.

5. The UKEB actively influenced the development of the 2022 Amendments. This included submitting a Final Comment Letter on 21 March 2022 in response to the IASB's Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants*.

Joint assessment and adoption

6. This ECA considers the 2020 and 2022 Amendments and proposes they are adopted on a joint basis.

7. The Board considered the pros and cons of a number of approaches to adopting the 2020 and 2022 Amendments but proposed adoption on a joint basis. Alternative approaches considered included simply adopting each amendment separately or making modifications to the Amendments to effectively combine

them. Of the approaches considered, the joint approach appeared to be most consistent with the apparent intent of the Amendments and provided the most appropriate approach to assessing the Amendments.

8. In our view the joint approach is consistent with the intention of the IASB because the 2022 Amendments are intended to improve the application of the 2020 Amendments. They also include amendments that supersede elements of the 2020 Amendments.

9. The IASB's effective date requirements reinforce this view. Those entities that have already applied the 2020 Amendments must apply the 2022 Amendments immediately upon issuance of the 2022 Amendments. Those entities that have not applied the 2020 Amendments can now only apply them for an earlier period in conjunction with the 2022 Amendments.

10. The IASB has also provided a combined text of the two sets of Amendments (to make the joint effect of the two amendments clearer) as an appendix to the 2022 Amendments. While this does not form part of the mandatory text, its inclusion further suggests that the intention is for the Amendments to be jointly applied. This text is included in as an appendix to Appendix 4F.

11. In the UK legal context, Section 6(c) of the Interpretation Act 1978 states that words in the singular include the plural and words in the plural include the singular unless the contrary intention appears. On this basis, joint adoption is consistent with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685 (SI 2019/685), Regulation 7 of which outlines the basis upon which an International Accounting Standard can be adopted.

12. Given the nature of the Amendments, and the intention of the IASB, this ECA determines that joint assessment of the Amendments is the appropriate approach to the assessment against the endorsement criteria in Regulation 7 of SI 2019/685.

13. This ECA therefore considers whether the 2020 and 2022 Amendments taken as a package meet the UK's statutory requirements for adoption as set out in Regulation 7 of SI 2019/685.

Background to the Amendments

14. The Amendments clarify the requirements for classification of liabilities and add disclosure requirements for non-current liabilities with covenants to IAS 1 *Presentation of Financial Statements.* These Amendments are part of the IASB's continuous effort to maintain and improve international accounting standards.

15. Section 2 in this ECA provides a brief description of the Amendments.

Exclusions from the adoption assessment

16. Both the 2020 and 2022 Amendments include amendments to the Basis for Conclusions to IAS 1. The 2022 Amendments also include amendments to IFRS Practice Statement 2 *Making Materiality Judgements.* The IFRS Practice Statement 2 amendments add a reference to the new disclosure requirements to an existing example (Example P) that addresses assessing whether information about covenants is material.

17. UK-adopted international accounting standards comprises only the mandatory[1] sections of standards, therefore amendments to the Basis for Conclusions and IFRS Practice Statement 2 are not adopted by the Board and are excluded from the ECA.

Structure of the assessment

18. We have presented our analysis in the following sections:

    a) **Section 1:** describes UK statutory requirements for adoption of new or amended international accounting standards; and

    b) **Section 2:** discusses how the Amendments meet the criteria in Section 1.

Do the Amendments lead to a significant change in accounting practice?

19. A standard adopted by the UKEB under Regulation 6 of SI 2019/685 that it considers is likely to lead to a 'significant change in accounting practice', is subject to the requirements in paragraph 3 of Regulation 11 of SI 2019/685 that the UKEB:

    a) "carry out a review of the impact of the adoption of the standard; and

    b) publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect (being the first day of the first financial year in respect of which it must be used)".

20. **Section 2** of the ECA discusses whether the Amendments lead to a significant change in accounting practice and concludes that they do not. However, the Board

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1 Mandatory pronouncements are IFRS Standards, IAS Standards, Interpretations and mandatory application guidance. Non-mandatory guidance includes 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.

intends to monitor the impact of these amendments as part of its ongoing horizon scanning activities.

1. Section 1: UK statutory requirements for adoption

UK statutory requirements

1.1 Paragraph 1 of Regulation 7 of SI 2019/685 requires that an international accounting standard only be adopted if:

> a) "the standard[2] is not contrary to either of the following principles—
>
> i. an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
>
> ii. consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;
>
> b) the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and
>
> c) 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."

1.2 The ECA assesses the criteria above in the following order:

a) Whether the Amendments meet the criteria of relevance, reliability, understandability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management (Regulation 7(1)(c)).

b) Whether the Amendments are not contrary to the principle that an entity's accounts must give a true and fair view (Regulation 7(1)(a)).

c) Whether use of the Amendments is likely to be conducive to the long term public good in the UK (Regulation 7(1)(b)). Regulation 7(2) of SI 2019/685 includes specific areas to consider for this assessment. They are:

2 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (SIC-IFRIC interpretations) issued or adopted by the International Accounting Standards Board (IASB). This ECA relates to amendments to those standards.

i. whether the Amendments are likely to improve the quality of financial reporting;

ii. the costs and benefits that are likely to result from the use of the Amendments; and

iii. whether the Amendments are likely to have an adverse effect on the economy of the UK, including on economic growth.

Relevance, Reliability, Understandability and Comparability[3]

1.3 Information is **relevant** if it is capable of making a difference in the decision-making of users[4] or in their assessment of the stewardship of management. The information may aid predictions of the future, confirm or change evaluations of the past, or both.

1.4 Financial information is **reliable** if, within the bounds of materiality, it:

a) can be depended on by users to represent faithfully what it either purports to represent or could reasonably be expected to represent;

b) is complete; and

c) is free from material error and bias.

1.5 Financial information should be readily **understandable** by users with a reasonable knowledge of business and economic activities and accounting, and a willingness to study the information with reasonable diligence.

1.6 Information is **comparable** if it enables users to identify and understand similarities in, and differences among, items. Information about an entity should be comparable with similar information about other entities and with similar information about the same entity for another period.

1.7 In conducting our overall assessment against the technical accounting criteria we are required to adopt an absolute, rather than a relative, approach. This means that this assessment is an absolute one against the criteria (do the Amendments provide information that is understandable, relevant, reliable and comparable?) rather than a relative one (do the Amendments provide information that is more understandable, relevant, reliable and comparable than current, or any other, accounting?). When an assessment of any individual aspect or requirement of the

3 These descriptions are based on the qualitative characteristics of financial statements in the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB in April 2001. These qualitative characteristics became part of the criteria for endorsement and adoption of IFRS in the EU's IAS Regulation (1606/2002), and, subsequently, in SI 2019/685.

4 In the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB in April 2001, the users of financial reports include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public. While the UK has not adopted this *Framework*, in this document 'users' is taken to have a similar meaning.

Amendments uses comparative language (e.g. ‘enhances comparability’), this does not mean that our objective is to reflect a real comparison in relative terms. Instead, our objective is to explain that any individual aspect or requirement of the Amendments has the potential to “enhance” one or more of the qualitative characteristics. Consideration of whether the Amendments are likely to improve the quality of financial reporting is separate from this assessment and is included within the UK long term public good assessment in Section 2.

True and fair view assessment

1.8 As noted above, the first adoption criterion set out in Regulation 7(1) of SI 2019/685 requires that an international accounting standard can be adopted only if:

> “the standard is not contrary to either of the following principles—
>
> a) an undertaking’s accounts must give a true and fair view of the undertaking’s assets, liabilities, financial position and profit or loss;
>
> b) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking; [….]”

1.9 For the sake of brevity, we refer to our assessment against this endorsement criterion as ‘the true and fair view assessment’ and to the principles set out in Regulation 7(1)(a) as the ‘true and fair principle’. However, these abbreviated expressions do not imply that our assessment has considered anything other than the full terms of the endorsement criterion set out above.

1.10 The duty of the UKEB under Regulation 7(1)(a) is to determine generically, before a standard is applied to a set of accounts, whether that standard is ‘not contrary’ to the true and fair principle. In other words, it is an ex-ante assessment. We have therefore considered whether the Amendments contain any requirement that would prevent accounts prepared using the Amendments from giving a true and fair view.

1.11 Our approach is to determine whether the Amendments are not contrary to the true and fair principle in respect of any of the specific items identified in Regulation 7(1)(a) (namely, the assets, liabilities, financial position and profit or loss) in the context of the preparation of the accounts as a whole. A holistic approach has been taken to this assessment, considering the impact of the Amendments taken as a whole, including its interaction with other UK-adopted international accounting standards.

1.12 For the purposes of our assessment, we consider the requirement in IAS 1 for financial statements to ‘present fairly the financial position, financial performance and cash flows of an entity'[5] to be equivalent to the Companies Act 2006 requirement for accounts to give a true and fair view.

1.13 Our assessment is separate from the duty of directors under section 393(1) of the Companies Act 2006, which requires directors to be satisfied that a specific set of accounts gives a true and fair view of an undertaking's or group's assets, liabilities, financial position and profit or loss.

Adoption decision

1.14 **Section 2** of this ECA discusses how the Amendments meet the statutory endorsement criteria set out in this **Section 1**.

1.15 On the basis of these assessments the UKEB concludes that the Amendments meet the statutory endorsement criteria. The UKEB is therefore of the view that it will adopt the Amendments for use in the UK.

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5 Paragraph 15 of IAS 1 *Presentation of Financial Statements*.

2. Section 2: Description and assessment of the Amendments

2020 and 2022 Amendments to IAS 1	
Title and issue date of the final Amendments	***Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* issued January 2020.** ***Non-current Liabilities with Covenants (Amendments to IAS 1)* issued October 2022.**
Origin	In January 2020, the IASB issued narrow-scope amendments to IAS 1 *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* (the 2020 Amendments). The Amendments were focused on clarifying one of the criteria in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least twelve months after the reporting period. In 2021, stakeholder concerns about one of the paragraphs introduced in the 2020 Amendments led to the IASB publishing further amendments to IAS 1 *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 Amendments) in October 2022. The background to both the 2020 and 2022 Amendments can be found in the November 2022 UKEB meeting, Agenda Paper 7.
What has changed?	When considered on a joint basis the 2020 and 2022 Amendments make the following changes to IAS 1: **Clarify classification of liabilities** • Amend paragraph 69(d), clarifying that for a liability to be classified as non-current the entity must "have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period". • Add paragraphs 72A–72B and amend paragraphs 73–74 to clarify the meaning of the "right to defer settlement for at least twelve months", especially when a loan has covenants that must be complied with in the next twelve months. • Add paragraph 75A to make clear that classification is unaffected by management's intention to settle a liability earlier. It also notes that in such circumstances disclosure

	may be necessary to enable users to understand the impact of the liability on the entity's financial position. **Clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event** • Amend paragraph 76 to clarify that voluntary early settlement of a non-current liability between the end of the reporting period and the date when the financial statements are authorised for issue should be disclosed as a non-adjusting post balance sheet event in accordance with IAS 10 *Events after the Reporting Period*. **Enhance disclosures for non-current liabilities with covenants** • Add paragraph 76ZA which requires additional disclosures "when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period". Disclosures include information on the covenants, and facts and circumstances that indicate an entity may have difficulty complying with the covenants. **Clarify the meaning of 'settlement' in paragraph 69** • Remove the last sentence of paragraph 69(d) and add paragraphs 76A–76B to clarify the meaning of 'settlement' in the context of IAS 1 paragraphs 69(a), 69(c) and 69(d), including where settlement may be achieved through the transfer of an entity's own shares as part of a compound financial instrument. There are no consequential amendments to any other IFRS Accounting Standards.
Transition requirements	The 2020 and 2022 Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024. Early application is permitted, as long as both Amendments are applied at the same time. If an entity applies the Amendments for an earlier period, it shall disclose that fact. The Amendments should be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Technical criteria assessment	
Relevance and reliability	Relevant financial information is capable of making a difference in the decisions made by users. Reliable financial information is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent. **Clarify classification of liabilities** The classification of liabilities as current or non-current is relevant to users. It affects assessments of solvency and liquidity which impact the decisions made by users. These amendments are expected to make it clearer which liabilities are current or non-current, including those with covenants that could cause earlier repayment, thus providing more relevant information. This is also expected to more faithfully depict the nature of these liabilities, enhancing the reliability of information provided. **Clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event** The Amendments explicitly clarify that the settlement of a non-current liability after the reporting period does not change the classification of a liability as non-current at the reporting date. The classification of such a liability as non-current makes it clear to the users that management has chosen early settlement; information that is both relevant and more faithfully represents the underlying nature of the liability. **Enhance disclosures for non-current liabilities with covenants** The enhanced disclosures may provide more information on the potential impact of covenants for an entity, if material[6]. Such disclosures more faithfully represent the risks associated with the liability and are expected to enable users to understand the risk that non-current liabilities with covenants could become repayable within twelve months and help them assess the potential impact for their decision-making. Materiality[6] continues to apply as an overarching principle that circumscribes the extent of the requirements and avoids excessive disclosure which might otherwise obscure other material information. **Clarify the meaning of 'settlement' in paragraph 69** The Amendments clarify the meaning of 'settlement', and address classification of compound financial instruments. Settlement is an

6 See IAS 1 Paragraph 31.

	important element of determining classification of liabilities as current or non-current, and the clarifications are expected to more faithfully present the underlying nature of a liability, and so provide relevant information. While the classification of liabilities that involve settlement with an entity's own equity may lead to different classification depending on the exact circumstances, on balance, we believe the amendments strike the right balance between conveying meaningful information and bringing consistency with the way such transactions are recognised under IAS 32.
Understandability	Financial information should be readily understandable by users with a reasonable knowledge of business and economic activities and accounting, and a willingness to study the information with reasonable diligence. **Clarify classification of liabilities** The Amendments make it clearer which liabilities should be classified as current, and therefore which should otherwise be non-current. This is expected to help preparers, users and other stakeholders develop a better understanding of the nature of liabilities classified as current and non-current. **Clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event** The Amendments explicitly clarify that the settlement of a non-current liability after the reporting period does not change the classification of a liability as non-current at the reporting date. This is expected to help users understand the underlying classification of a liability and the subsequent decisions of management including impacts on cash flow. **Enhance disclosures for non-current liabilities with covenants** The additional disclosures complement the liquidity disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* and are expected to enable users to better understand entities' liquidity and solvency risks. **Clarify the meaning of 'settlement' in paragraph 69** The clarification of the meaning of the word 'settlement' enables all stakeholders to have a consistent understanding of what 'settlement' means in paragraph 69.
Comparability	Comparability enables users to identify and understand similarities in, and differences among, items. **Clarify classification of liabilities**

	The Amendments enhance consistency of the classification of liabilities through enhancing clarity of the requirements. This is expected to increase comparability across different entities and financial reporting periods for the same entity. **Clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event** The explicit clarification is expected to result in a consistent understanding of specific post balance sheet events on classification of liabilities thus leading to comparable financial reporting across different entities and financial reporting periods for the same entity. **Enhance disclosures for non-current liabilities with covenants** The disclosure requirements specify information that must be disclosed in relation to non-current liabilities with covenants. This is expected to result in more consistent disclosure related to covenants which enables easier comparison by users. **Clarify the meaning of 'settlement' in paragraph 69** Clarifying the meaning of 'settlement' when it relates to IAS 1 paragraph 69 enables all stakeholders to have a consistent understanding of what settlement means in that context. Therefore, it is expected to enhance consistent application and result in more comparable financial information. The clarification related to the classification of compound financial liabilities is expected to reduce diversity in practice for some settlement obligations and therefore enhance comparability. **Transition Requirements** Retrospective application of the Amendments, as required by the transition requirements, enhances comparability as it enables users to compare entities' financial position across financial reporting periods and across reporting entities upon adoption.
Conclusion	The 2022 Amendments are intended to improve the application of the 2020 Amendments and include amendments that supersede previously issued requirements. We consider that the two Amendments, if applied jointly, meet the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685.

True and fair view assessment	
Description	The 2020 and 2022 Amendments, when considered jointly: a) clarify the classification of liabilities; b) clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event; c) enhance disclosures for non-current liabilities with covenants; and d) clarify the meaning of 'settlement' in paragraph 69. As discussed above, the Amendments are expected to enhance the relevance, reliability, understandability and comparability of financial information. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment underpins the overall true and fair view assessment.
Conclusion	Our assessment has not identified any requirement of the Amendments, when considered jointly, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. We are satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, we conclude that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.
UK long term public good	
Description of entities that will be impacted	The Amendments to IAS 1 have the potential to affect most companies that apply UK-adopted international accounting standards. There are approximately 1,500 entities with equity listed in the London Stock Exchange (Main Market and AIM) that prepare their financial statements in accordance with UK-adopted international accounting standards[7]. In addition, UK law permits unlisted companies the option to use UK-adopted international

[7] Based on LSEG and Reuters-Eikon data accessed in December 2021

	accounting standards and approximately 14,000 companies apply this option[8].
Do the amendments improve financial reporting?	The 2020 and 2022 Amendments, when considered jointly: a) clarify the classification of liabilities; b) clarify that early settlement of a non-current liability after reporting date is a non-adjusting post balance sheet event; c) enhance disclosures for non-current liabilities with covenants; and d) clarify the meaning of 'settlement' in paragraph 69. As discussed above in the technical accounting criteria assessment, these Amendments are expected to enhance the relevance, reliability, understandability and comparability of financial information. Consequently, it is expected that the Amendments will improve financial reporting when applied on a joint basis.
Costs for preparers and users	<u>Preparers</u>: Given that the Amendments to IAS 1 are narrow in scope, we estimated preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne by preparers, including limited outreach. We assessed whether preparers would face material costs related to: • familiarisation; • design of data collection processes; • IT system changes; • governance processes; • external audit; and • other costs. We do not expect preparers to face material **one-off familiarisation costs** related to the clarified classification requirements of liabilities. IAS 1 already requires preparers to classify liabilities as current or non-current. The new disclosure requirements in the Amendments may lead to some costs to develop the specific disclosures for the first reporting period. In most cases, the disclosure changes are limited and unlikely to add material additional familiarisation costs on an ongoing basis. The Amendments do not affect recognition or measurement and require an entity to apply its own judgement to determine whether

8 Based on FAME, Companies Watch and proprietary data

	the liabilities are current or non-current. Limited outreach suggests that processes already largely exist to identify and capture loan covenants. It is therefore not expected that entities will incur material additional costs related to the **design of data collection processes** or related to **IT system changes.** We do not expect that other costs (i.e. **governance processes, external audit costs and other**) will be material, as in most cases the additional disclosures required would be limited in nature and relate to information already captured by governance and audit processes. <u>Users</u>: We do not expect that **one-off familiarisation costs for users** will be material as IAS 1 already requires the classification of liabilities as current or non-current. The additional disclosures are expected to be straightforward to interpret and unlikely to require significant changes to data collection or IT systems for users.
Benefits for users and preparers	<u>Users</u>: The revised guidance is expected to enhance users' ability to understand and compare the classification of liabilities by different reporting entities. By enhancing the understandability and enabling a more consistent application across entities and financial reporting periods, users benefit from having comparable financial information to compare financial positions of different reporting entities and of the same entity across different financial reporting periods. In addition, users are likely to benefit from more relevant entity-specific disclosures about non-current liabilities with covenants. This is expected to enable a better understanding of the nature of an entity's liabilities. Information about non-current liabilities, including covenant information, is included in some companies' management disclosures already, indicating there is a market-driven information need. However, these management disclosures may not necessarily be consistent. The revised guidance requires the disclosures of basic covenant information and is expected to enhance the usefulness of the disclosures. <u>Preparers</u>: The revised guidance provides greater clarity for preparers on the classification of liabilities, treatment of early settlement of a non-current liability and meaning of 'settlement', and the revised guidance provides greater clarity for preparers on what should be disclosed about non-current liabilities with covenants.

Whether the amendments are likely to have an adverse effect on UK economy	The Amendments are limited in scope and expected to bring improved financial reporting when compared to current guidance. More specifically, the Amendments are expected to enhance the understandability and transparency of reporting to investors, as they clarify the classification of liabilities and add disclosure requirements for non-current liabilities with covenants. We have not identified any factors that would indicate that these Amendments would lead to changes that are detrimental to the UK economy. As a result, the UKEB believes that these Amendments are not likely to have any adverse effect on the UK economy, including on economic growth. As such, the Amendments are likely to be conducive to the UK long term public good in that improved financial reporting improves transparency.
Conclusion	Having considered all relevant aspects, including the costs and benefits of implementing the two Amendments jointly, the UKEB concludes that they are likely to be conducive to the long term public good in the UK as required by SI 2019/685.

Do the Amendments lead to a significant change in accounting practice?

2.1 The UKEB is required to assess whether or not the Amendments are likely to lead to a 'significant change in accounting practice' and therefore meet the criteria for a post-implementation review.

2.2 The Amendments to IAS 1 do not fundamentally change the basic requirements in IAS 1 or introduce new principles. They clarify the classification of liabilities and add limited disclosure requirements about non-current liabilities with covenants.

2.3 Whilst the above changes will in principle be applicable to most companies that use UK-adopted international accounting standards to produce their accounts, the Amendments are largely a clarification of existing guidance. As a result, the UKEB concludes that the Amendments are not likely to lead to a significant change in accounting practice and do not meet the criteria for a post-implementation review under Regulation 11 in SI 2019/685.

2.4 The Board acknowledges stakeholder feedback that these amendments have the potential to have an impact on the presentation of financial liabilities for some entities. The Board will continue to monitor the impact of these amendments as part of its horizon scanning activities. In the event that material impacts or unintended consequences are identified, the Board may choose to engage with the IASB on these matters as part of its ongoing influencing activities.

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