Setting the Standard

our Corporate Reporting eNewsletter

March 2016

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Editor's Note

Welcome to 2016's first edition of 'Setting the Standard', the FRC's electronic newsletter on corporate reporting. Thank you to the 189 readers who responded to the survey we ran in 2015. Your feedback has given us valuable insights into what you find useful and how we might adapt and improve Setting the Standard.

Survey results - you told us that:

- The top three reasons for reading it were (1) for a summary of recent developments; (2) to keep up with all FRC corporate reporting activities; and (3) for new information.
- Overall 45% of you said you are most interested in IFRS, 35% in UK GAAP, 13% in the Lab, 8% in CRR and 29% read it in the order presented. Among auditors UK GAAP came out top (50%) and among preparers IFRS was top (63%).
- 70% of you read it on screen while 22% print it. Hardly anybody reads it on their phone.
- 60% of you said you would prefer a plain PDF while 19% would like an interactive PDF/e-book format.
- 77% of you would like to see some interactive options, e.g. the ability to ask a question of the authors, while roughly 35% would like to see embedded survey monkey polls and/or videos.

You also made a number of suggestions for improving Setting the Standard including: give more worked examples; include more information about the internal developments of a project, new thinking and Council views; add a calendar of business; have fixed release dates; increase frequency; improve contents and navigation options; improve accessibility of layout and typography.

In response we have developed a single column format for this edition. The FRC's structure is changing in April 2016 and we are working on changes to our newsletter offerings under the new structure. We will be looking to further improve format and layout and to respond to suggestions regarding content and timing.

Anna Colban, Editor

Clear and Concise Reporting

by Deepa Raval and Rosalind Szentpéteri

An overarching principle for good communication in corporate reporting is that it should be Clear & Concise. The FRC's Clear & Concise initiative is a programme of activities aimed at ensuring that annual reports provide relevant and easily understandable information for investors. The objectives of the Clear & Concise initiative are to encourage:

- communication that is focused on the needs of the audience;
- greater emphasis on the application of materiality;
- improvement in the relevance and readability of annual reports; and
- consideration of other channels for reporting information.

Further information on the FRC's Clear & Concise initiative is available at https://www.frc.org.uk/Our-Work/Headline-projects/Clear-Concise.aspx.

Clear & Concise: Developments in Narrative Reporting

Two years on from the introduction of the strategic report, the FRC has published a study of developments in narrative reporting. Our report examines the steps that companies have taken towards Clear & Concise reporting and the impact of the FRC's *Guidance on the Strategic Report*. It also considers feedback from companies and investors, and broader developments in the reporting framework.

Many companies have embraced the introduction of the strategic report as an opportunity to rethink how they communicate with investors. We found that annual reports have become more cohesive, with better linkage between related information. Investors tell us that companies are providing more relevant, entity-specific and useful information in their annual reports. Our study found that companies are improving how they communicate and making important information more accessible; but good practice is far from universal.

Annual reports have become more cohesive, with better linkage between related information.

The report examines emerging best practice and highlights focus areas for the next reporting period, such as the application of materiality and improving reporting of key performance indicators; principal risks; business models; and forward looking information.

The report continues to encourage behavioural change and includes some practical tools for companies to consider as part of their annual reporting. The report highlights the process that companies have gone through in order to effect change and considers some of the real or perceived barriers to Clear & Concise reporting. A copy of the report is available here.

Non-financial reporting

Non-financial reporting is gaining greater prominence and is seen as being complementary to financial reporting.

On 15th November 2014, the EU published in the Official Journal the non-financial reporting Directive. The Directive amends the Accounting Directive and Member States are required to transpose the Directive into national law by 6 December 2016.

The Directive introduces new disclosure requirements for environmental, social, employee, human rights, anti-corruption and bribery matters in the management report; and diversity policy in the corporate governance statement.

For UK Companies, the content of the Directive is broadly aligned to existing reporting requirements in the Strategic Report and the UK Corporate Governance Code. However, one of the main differences is the scope of companies affected. Broadly, quoted companies are required to provide disclosures, where material, on environmental, employee, social, community and human rights issues in the Strategic Report. The EU Directive applies to large Public Interest Entities with more than 500 employees.

On 16 February, the Department of Business, Innovation and Skills (BIS) published a consultation document inviting comments on scope and the Member State options – whether the non-financial information should be provided on a company website instead of in the annual report; and the need for assurance. In addition, BIS is also taking the opportunity to seek views on broader questions such as electronic reporting; and whether there are existing narrative reporting disclosure requirements that can be repealed.

For UK Companies, the content of the Directive is broadly aligned to existing reporting requirements in the Strategic Report and the UK Corporate Governance Code. However, one of the main differences is the scope of companies affected.

A copy of the BIS consultation is available at http://bit.ly/1SuE1OX. It is open for comment until 15 April 2016. The FRC will be submitting its response in due course and will consider updating its Guidance on the Strategic Report following the outcome of the BIS consultation.

Separately, on 15th January 2016, the European Commission launched its consultation on the form and content of non-binding guidelines for reporting non-financial information http://ec.europa.eu/finance/consultations/2016/non-financial-reporting-guidelines/index_en.htm. That consultation is open for comment until 15 April 2016.

IASB Disclosure Initiative

The International Accounting Standards Board's (IASB) Disclosure Initiative is a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. The Disclosure Initiative is made up of a number of implementation and research projects. The FRC welcomes the Disclosure Initiative, the aims of which are closely aligned with the FRC's Clear & Concise initiative.

Draft Practice Statement on the Application of Materiality

In October 2015, the IASB published the Exposure Draft ED/2015/8 IFRS Practice Statement: Application of Materiality to Financial Statements. The aim of the draft Practice Statement is to provide guidance to assist companies in applying the concept of materiality to financial statements.

The FRC welcomes the IASB's decision to issue guidance on the application of materiality. Such guidance has the potential to be a catalyst for improvements in the quality and relevance of disclosure in IFRS financial statements. We recognise that it can be difficult to make materiality judgements and that, in some cases, there is a reluctance to remove immaterial information from the financial statements. We believe that guidance in this area could help to stimulate behavioural change.

However, we are concerned that in its current form the draft Practice Statement will not meet its objectives and bring about the changes in behaviour and improvements in the quality and relevance of disclosures that are envisaged and intended. To do so, the Practice Statement would need to be significantly more practical in approach, more accessible to the intended audience and provide guidance on additional matters with greater focus on the application of materiality to disclosures, rather than reiterating the concept of materiality as set out in existing IFRS literature.

The FRC's response to the IASB suggested that the Practice Statement sets out the practical steps that preparers could follow when making materiality judgements and illustrates this with more detailed examples demonstrating how companies have applied this process in practice in a variety of scenarios. Our response highlights a number of areas where it would be helpful for the Practice Statement to provide more guidance because the application of materiality is particularly challenging or judgemental.

We also suggest that the IASB considers the role of other stakeholders within the financial reporting process—such as auditors, regulators and enforcers—whose policies and procedures affect the materiality judgements made by companies. The Practice Statement may also provide investors with useful insight into how companies apply materiality in practice.

Principles of Disclosure Discussion Paper

The IASB's Principles of Disclosure project will develop the principles underpinning the other sub-projects within the Disclosure Initiative. The objective of this project is to improve existing guidance in IFRS that helps entities determine the basic structure and content of a complete set of financial statements.

The focus is on reviewing the general disclosure guidance in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The aim is to develop a 'Disclosure Standard' that improves and brings together the principles for determining the basic structure and content of the financial statements, in particular the notes. The IASB also intends to produce drafting guidance for setting disclosure requirements.

The disclosure requirements in all Standards will be reviewed systematically in the light of the revised Conceptual Framework and of work undertaken in this project. The Principles of Disclosure Discussion Paper will include examples of how IFRS disclosure requirements could be redrafted in an objective-based format which we believe could provide a foundation for a more flexible, entity-specific approach to disclosures, resulting in more relevant and useful information for investors.

The IASB is expects to publish the Discussion Paper within the next 6 months. The FRC has been monitoring the progress of the Principles of Disclosure project and has encouraged the IASB to ensure that it is given sufficient priority.

Further information on the Principles of Disclosure project is available here.

UK GAAP Update

by Jenny Carter

Proposals to amend accounting standards

Recently three FREDs were issued for comment, all of which will affect only a limited number of entities preparing financial statements in accordance with UK and Ireland GAAP:

(a) FRED 62 Draft amendments to FRS 102 – Fair value hierarchy disclosures;
(b) FRED 63 Draft amendments to FRS 101 – 2015/16 cycle;
(c) FRED 64 Draft amendments to FRS 103 – Solvency II.

FRED 62 proposes limited amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, which are relevant only to financial institutions and retirement benefit plans, and relate to the disclosure of financial instruments in an analysis based on the fair value hierarchy. These amendments were proposed in response to stakeholder feedback. The comment period closed on 31 January 2016 and the response has been positive. We have now finalised the amendments and although not mandatory until accounting periods beginning on or after 1 January 2017, entities will be able to early adopt, including for financial statements for periods ending 31 December 2015, provided the financial statements have not been approved by the time the amendments to FRS 102 are issued.

FRED 63 arises from the annual review of FRS 101 *Reduced Disclosure Framework*. As in previous years we considered the changes made to IFRS in the last year and whether disclosure exemptions should be available for entities applying FRS 101. We are proposing disclosure exemptions in relation to IFRS 15 Revenue from Contracts with Customers and to clarify a legal requirement relating to the order in which the notes to the financial statements are presented. The comment period ends on 31 March 2016 and the amendments are expected to be finalised in the summer.

FRED 64 proposes amendments to FRS 103 *Insurance Contracts* to update the terminology and definitions for changes in the regulatory framework for insurers. Established accounting policies can continue to be applied if an entity so chooses. The amendments are expected to be finalised in May/June 2016.

Triennial review of FRS 102

The FRC has decided to carry out the first triennial review of FRS 102 later than originally planned to allow more time for implementation experience to develop and provide a three-year stable platform for small entities applying FRS102 for the first time from 1 January 2016.

Therefore any changes to FRS 102 arising from the triennial review are not expected to take effect before 1 January 2019.

In the coming months we expect to be able to release more details about the scope and timetable of the review, including areas that might be considered as part of the first triennial review. In addition to formal consultation later in the process, we will be giving stakeholders a more informal opportunity to input into the earlier stages of the process by submitting suggestions for consideration. This is expected to be launching shortly.

Influencing IFRS

FRC responds to IASB on its Conceptual Framework

by Anthony Appleton

The IASB's Conceptual Framework is of fundamental importance as it sets out the principles that guide the development of IFRS. The FRC has therefore followed closely the IASB's work to update and amplify the Framework. Most recently, it responded to the Exposure Draft that was published in May last year.

The FRC's response welcomes many of the proposals of the Exposure Draft. It acknowledges that they are responsive to many of the FRC's comments on the earlier Discussion Paper. For example, greater prominence is given to the need for financial reporting to provide information on stewardship and the idea of prudence has been reinstated. The FRC also welcomes much of the proposals that bring greater clarity to the definitions of assets and liabilities and the criteria that help decide whether assets and liabilities (and changes in them) are recognised in financial statements.

However, the FRC also urges some important improvements to the Exposure Draft. The importance of stewardship—providing information that enables investors to hold management to account—is not adequately captured by making it merely ancillary to an overall objective of making decisions to buy or sell their shares. The FRC recommends either that stewardship should be identified as a separate objective of financial reporting or that the notion of 'decision usefulness' should be explicitly broadened to include decisions about holding management to account. The FRC believes that prudence requires more than the adoption of a cautious approach to uncertainties, but also a greater readiness to recognise losses and liabilities rather than gains and assets. The Basis for Conclusions that accompanies the Exposure Draft says that this aspect of prudence—'asymmetric prudence' is reflected in many accounting standards, and may be used in the future. The FRC agrees with this, and says that it follows that asymmetric prudence should be included in the Conceptual Framework itself to make the Framework complete.

The response welcomes the prominence that the Exposure Draft gives to the idea of 'measurement uncertainty', but questions whether it should be described as an aspect of relevance. It suggests that it would be better to identify reliability as a qualitative characteristic, with equal prominence to that of relevance, thus acknowledging that the best accounting standards often need to find the best balance of relevance and reliability.

The Conceptual Framework should give clear guidance on the selection of a measurement basis, such as historical cost or current value, and principles for the distinction between the statement of profit or loss and other comprehensive income need to be established.

The FRC also notes that considerable further work is required on the major topics of measurement and the reporting of financial performance. The Conceptual Framework should give clear guidance on the selection of a measurement basis, such as historical cost or current value, and principles for the distinction between the statement of profit or loss and other comprehensive income need to be established. The FRC therefore urges that, if the IASB concludes that the issue of a revised Framework should not be postponed until this work can be completed, the treatment of these subjects should be restricted to essentials that are likely to be consistent with future developments and that the IASB should make a commitment to amplify it in the light of further urgent work.

The FRC's response may be obtained from: https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FRC-response-to-the-IASB-Exposure-Draft-Conceptua.pdf

Clarifications to IFRS 15 Revenue from Contracts with Customers

by Rosalind Szentpéteri

The IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) in May 2014. The development of the Standard was a joint project with the US Financial Accounting Standards Board (FASB) and represents a significant change from IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 provides a 5 step model for revenue recognition, summarised in the IASB's project summary and feedback statement. In 2015 the IASB and FASB delayed the effective dates of IFRS 15 and Topic 606 (the FASB's equivalent Standard) by one year. The Standards are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The IASB and FASB set up a Transition Resource Group for Revenue Recognition (TRG) to discuss submissions from stakeholders regarding the implementation of IFRS 15. While the substantial majority of issues discussed by the TRG were resolved without standard setting, several issues emerged that the Boards decided warranted clarification in the Standards, to reduce the likelihood of diversity in application.

In 2015, both Boards issued Exposure Drafts proposing clarifications to their respective Standards. These included amendments in respect of identifying performance obligations, licensing revenue, constraining estimates of variable consideration and principal versus agent considerations. The proposed amendments to IFRS 15 are intended to clarify the Standard, not to alter its requirements. The Boards also proposed additional practical expedients on transition.

The Boards were unable to reach agreement on some of the proposals. As a result, some areas the IFRS 15 and Topic 606 will not remain fully converged. The FRC's response to the IASB's Exposure Draft ED/2015/6 *Clarifications to IFRS 15* strongly supported the IASB's efforts to achieve converged Standards on revenue and urged the IASB to reach consensus with the FASB wherever possible and minimise divergence. That said, we supported the IASB's decision to prioritise the development of a high quality Standard that meets the needs of its stakeholders over convergence when agreement with the FASB on appropriate and consistent interpretation of the Standards could not be reached. For example, in some cases amendments proposed by the FASB would override the revenue recognition model in the Standards and we would not support the IASB making such amendments to IFRS 15.

Where the wording of the revised Standards will diverge, we emphasised the importance of the IASB providing a thorough explanation in the Basis for Conclusions to IFRS 15, making clear in each case whether the difference is merely semantic or that it could result in divergent practice and—if so—explaining the circumstances in which this may occur.

At its December and January meetings the IASB redeliberated the proposals in its Exposure Draft. The IASB discussed the balance between the high hurdle it has set for making amendments to IFRS 15 at this stage (given the risk of unintended consequences and the fact that some companies have already begun the implementation process) and retaining as much convergence as possible with Topic 606. The IASB confirmed its previous decisions on the proposals set out in the Exposure Draft and in addition decided to:

- clarify the factors that indicate when two or more promises to transfer goods or services are not separately identifiable. The IASB and FASB will aim to achieve converged wording for this clarification; and
- amend the transition provisions in IFRS 15 to include additional relief for entities using the modified retrospective transition method.

The IASB also held a meeting with the FASB to discuss the Boards' joint proposals on principal versus agent considerations. The Boards confirmed their decision to proceed with these clarifications, and also decided to remove credit risk as an indicator that an entity controls a specified good or service before it is transferred to the customer because they did not believe that it was always relevant to determining control.

The clarifications to IFRS 15 will be effective for annual periods beginning on or after 1 January 2018, with earlier application permitted (aligned with the effective date of IFRS 15).

IASB issues IFRS 16 *Leases*

by Annette Davis

In January 2016 the IASB published IFRS 16 *Leases* which is a major achievement after more than 10 years of joint work by the IASB and the US FASB.

IFRS 16 requires lessees to recognise all lease assets and liabilities on the balance sheet and recognise depreciation of lease assets and interest on lease liabilities over the lease term. It is effective from annual periods beginning 1 January 2019 and entities are permitted to apply it before that date. It should be noted that listed companies (i.e. entities on a regulated market in the EU) are not able to apply IFRS 16 until it has been endorsed.

The endorsement process has not yet commenced however, the European Financial Reporting Advisory Group (EFRAG), together with other European National Standard Setters (including the FRC) are preparing to undertake further outreach to provide input for the assessment of the IAS Regulation endorsement criteria. A particular focus will be how the definition of a lease meets the qualitative characteristics of understandability and comparability.

We will be fully involved with the endorsement process and I will join the EFRAG staff team working on the endorsement of IFRS 16 on a part-time basis.

Applying IFRS 9 *Financial Instruments with* IFRS 4 *Insurance Contracts*

by Seema Jamil-O'Neill

IFRS 9 *Financial Instruments* (implementation date 1 January 2018) was issued in 2014. At the time the IASB was expecting to finalise its revised standard on insurance contracts within a short time. However there has been a delay in finalising the latter standard and as a result there will be a mismatch in implementation dates for IFRS 9 and the new insurance accounting standard (which is likely to have an implementation date of 2021). As a result, some insurance companies will be forced to implement two significant changes (to the classification of their assets and liabilities) within a three year period, making it difficult for their investors to understand the results presented by those companies in the interim.

Changes to the classification of financial assets held by insurance companies is also likely to result in volatility in the reported profits (the so-called "accounting mismatch") as the linked liabilities will only be reclassified once the new insurance contracts standard is implemented.

The FRC response to the IASB suggested changes to the test to determine if a company's predominant activity is to issue insurance contracts.

The IASB issued an Exposure Draft (ED) on 8 December 2015 proposing solutions to address this issue. The solutions include the overlay approach (reporting the financial position in accordance with IFRS 9 but excluding the resulting accounting mismatches from the profit statement) or a deferral approach (deferral of IFRS 9 until 2021 for reporting entities which predominantly issue insurance contracts within the current scope of IFRS 4).

A number of commentators in the UK and Europe are concerned that the test in the ED to determine a company's predominant activity sets such a high bar that many notable insurance companies will be significantly impacted by the changes will not qualify for the deferral approach.

The FRC conducted outreach, including a roundtable discussion with constituents (including preparers, auditors and investors) and separate interviews with investors to enable it to form its views on this ED. As a result of this outreach, the FRC response to the IASB suggested changes to the test to determine if a company's predominant activity is to issue insurance contracts. The FRC response also noted that the deferral approach should no longer be available after 1 January 2021, regardless of whether the new insurance contracts standard becomes effective on that date. The response can be viewed here: https://www.frc.org.uk/Our-Work/Codes-Standards/Accounting-and-Reporting-Policy/Ongoing-projects/FRC-Influencing-Activities.aspx.

We expect the final amendment to be issued in Q3 2016. It will then need to go through the EU endorsement process before European companies will be able to apply it.

Amendments to IAS 7 Statement of Cash Flows: changes in liabilities arising from financing activities

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows (IAS 7) requiring companies to disclose changes in liabilities arising from financing activities. Following the EU endorsement process the amendments will become effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The amendments respond to calls from investors for disclosure of information that helps them better to understand changes in a company's debt. The Financial Reporting Lab's work on net debt reconciliations demonstrated that investors need more information on significant cash and non-cash changes in debt. The new requirements will improve transparency on this and the FRC welcomes the IASB's decision to enhance disclosure in this area.

Investors need more information on significant cash and non-cash changes in debt. The new requirements will improve transparency.

In particular, we encouraged the IASB to ensure that the amendments to IAS 7 provided the flexibility for companies to supplement the required disclosure with other information that they consider to be relevant for their investors, for example by providing a 'net debt' reconciliation. Paragraph 44E of the amendments clarifies that this flexibility is available.

Investors also emphasise the importance of enhanced disclosure on the accessibility of cash and cash equivalent balances and other liquid resources, to enable them better to understand a company's 'net debt' position. The IASB intends to address this matter in a separate project. The importance of disclosure on the accessibility of cash was also highlighted in the Financial Reporting Lab's recent report on dividends. Please see the Financial Reporting Lab article below for further information.

Financial Reporting Lab

by Marian Williams

Dividend Policy Disclosure

Dividend disclosures are fundamental to both companies and investors. They are important in assessing prospective dividends as well as demonstrating and evaluating board stewardship.

The FRC's Financial Reporting Lab (the Lab) published a report on ***'Disclosure of dividends - policy and practice.'*** The report explores how to make dividend disclosures more relevant for investors. The report is based on interviews and round tables with 19 companies (including FTSE 100, 250, and AIM quoted) and 31 members of the investment community (including UK and overseas institutional investors, and retail investors).

Good dividend disclosures answer the following questions:

- Why this policy?
- What does the policy mean in practice?
- What are the risks and constraints associated with this policy?
- What was done in practice to deliver the policy?

Why this policy?

A company's dividend decision and its setting of a (formal or informal) dividend policy is just one output of the wider cash and capital management process. An output that investors want to understand better. Investors welcome disclosures that clarify how companies balance competing priorities, such as capital expenditure and other investment needs, debt and credit rating targets, and other forms of returns to shareholders. Good dividend disclosure provides an understanding of the board's considerations in setting the policy, including the rationale for the policy selected, and in delivering on that policy.

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What does the policy mean in practice?

The project participants identified two main types of policy: progressive and payout ratio. However, there was no agreement as to what these terms actually mean in practice; in other words, just saying your policy is progressive or based on a payout ration, is not specific enough.

Good disclosure enables investors to understand what the policy means in practice:

- **Progressive** policy disclosure should clarify how the dividend will progress (e.g. maintaining or increasing), and over what period progression is applicable (interim or annual).
- **Payout ratio** policy disclosure should define the basis for the ratio (e.g. GAAP accounting or another measure), and clarify the level of the ratio and whether it is a minimum, range, target, or specific ratio.

No matter what the type of policy, investors want to understand the timeframe over which the policy is expected to operate (e.g. short or medium term), and the governance process the board went through in determining the policy.

Investors want to understand the timeframe over which the policy is expected to operate and the governance process the board went through in determining the policy.

What are the risks and constraints associated with the policy?

Investors are also looking for disclosures on the nature of the material risks and constraints that the board considered in setting the policy. Once investors are clear on the policy, they want to understand what might impact a company's ability to deliver on the policy.

For some companies, the binding constraint may be related to the availability of cash, gearing levels, debt covenants or regulatory capital requirements. For others, it may be distributable profits (the level of reserves legally available for distribution). Companies can only pay dividends, when they have sufficient distributable profits to do so, and the directors make this determination by reference to the 'relevant accounts', which is usually the last annual accounts.

What was done in practice to deliver the policy?

While good disclosure on setting the dividend policy is key, disclosure around the delivery of the dividend policy is also important. Investors want clear links between the disclosures on the declaration of dividends and the policy, and disclosure of the key judgements and constraints considered in applying or departing from, the policy.

The report also considers disclosure about availability of distributable profits. Most investors consider that distributable profits disclosures are useful in certain circumstances as they enhance confidence in the board by demonstrating that dividends are not being proposed from capital, and provide some insight into the company's ability to cover the future dividend stream. However, such disclosure is not common practice, with 23 FTSE 350 companies disclosing the balance of distributable profits (or reserves) of their parent company in their 2014 annual report.

The FRC and the Department for Business Innovation and Skills consider that while not required, disclosure of distributable profits is good practice in certain circumstances. However, some investors believe that distributable profits are always required to be disclosed in the financial statements.

The report provides examples of disclosure on available cash and/or distributable profits (referred to as dividend resources), which are proportionate to the levels held at the parent company. Disclosures range from 'Abundant' resources where disclosures might include a statement indicating that there are significant dividend resources, to 'Insufficient' resources where disclosure might include a statement that the dividend has been reduced, explaining the steps being taken to address the issue.

Bringing disclosures together

Investors would find it helpful to group together similar or related disclosures where possible, or draw links between disclosures.

The dispersal of disclosures across annual reports and other communications results in repetition. Investors would find it helpful to group together similar or related disclosures where possible, or draw links between disclosures. In addition to annual report disclosures, having the up-to-date and historical information on policy and practice on the company's website makes the information easy to locate.

The full report contains additional insight into dividend disclosures providing a number of examples of good practice. The report, which also covers special dividends and buy-backs, is available on the FRC's website: https://frc.org.uk/lab/reports

Corporate Reporting Review

Thematic Review of Companies' Tax Reporting

Corporate Reporting Review (CRR) recently announced that it will conduct a thematic review of companies' tax reporting in 2016. It hopes that the focus will encourage more transparent recording of the relationship between tax charges and accounting profit and the factors that could affect that relationship in the future, in accordance with existing requirements.

FRC hopes the focus on tax reporting will encourage more transparent recording of the relationship between tax charges and accounting profit.

CRR has now notified a number of FTSE 350 companies that it will review the tax disclosures in their next annual report and accounts. The review will consider the totality of their tax reporting including relevant information in their strategic and other narrative reports as well as required accounting disclosures. Areas of focus will include:

- The transparency of the tax reconciliation disclosures and how well the sustainability of the effective tax rate is conveyed;
- Uncertainties relating to tax liabilities (and assets) where the value at risk in the short term is not identified; and
- The principal tax risks and uncertainties faced by companies and how they are mitigated.

Companies which are clear about their tax risks will be looked to as examples of good practice. Ideas for possible improvement may be provided to others. The FRC will consider how to publically share the best of what it has seen to help others raise the quality bar on this aspect of corporate reporting.

Current Consultations open for comment

UK GAAP

FRED 63: Draft amendments to FRS 101 – 2-15/16 cycle

Closing date: **31 March 2016**

IFRS

Transfers of Investment Property (proposed amendments to IAS 40)

Closing date: **18 March 2016**

BIS

Consultation on the Non-Financial Reporting Directive

Closing date: **15 April 2016**

Recently Issued

UK GAAP

FRC Taxonomies: Tagging guides

FRS 102: Fair Value Hierarchy disclosures

IFRS

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12)

Disclosure initiative (amendments to IAS 7)

Financial Reporting Lab

Lab project report – Disclosure of Dividends - policy and practice