

Unlocking 2025/2026 financial reporting changes

Wednesday, 19 November 2025 | 10:00am – 11:15am

Agenda

- 1 Reporting reminders for 31 December 2025 year-ends
- 2 FRC Thematic Reviews and Annual CRR
- 3 Upcoming changes
 - IFRS 18 replacing IAS 1
 - Other upcoming IFRS changes
 - Amendments to the Companies Act
- 4 FRS 102 Amendments – Are you ready for implementation?

Industry experts speaking today



Chris Smith
Partner
National Assurance Services
Grant Thornton UK



Felicia Booyens
Associate Director
Financial Reporting
Grant Thornton UK



Reme Dube
Manager
NAS Financial Reporting
Grant Thornton UK



Sarah Hughes
Partner
CFO Solutions
Grant Thornton UK



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Reporting reminders for 31 December 2025 year-ends

Poll question

What IFRS amendment is effective for annual reporting periods beginning on or after 1 January 2025?

- a) IAS 21 - Lack of exchangeability
- b) IFRS 18 - Presentation and Disclosure in the Financial Statements
- c) I don't know, ask the auditors



Amendments effective 1 January 2025



IFRS Amendment - IAS 21: Lack of exchangeability

Further guidance

- Definition of whether a currency is exchangeable
- How to estimate spot rate where a currency is not exchangeable

Enhanced disclosure requirements

- Nature and financial impact of lack of exchangeability
- Details of spot exchange rate used



FRS 102 Amendment - Section 7: Supplier finance arrangements

Based on IASB's IAS 7 and IFRS 7 amendments

New qualitative and quantitative disclosure requirements, including:

- key terms and conditions
- carrying amount of underlying liabilities
- range of payment due dates compared to similar trade payables

Revised UK Corporate Governance code

Revised code
(Effective 1 Jan 2025)
Provision 29
(Effective 1 Jan 2026)



The FRC has issued non-prescriptive
guidance

1

Minimal changes from previous code

2

Provision 29, annual report should include:
- Declaration of effectiveness of material
controls at balance sheet date
- Description of material controls not
operating effectively at balance sheet
date

3

Malus and claw back provisions

2 FRC Thematic Reviews and Annual CRR

FRC Thematic reviews

Climate related financial disclosures

IFRS 2

Investment entities

Quality varied across entities

Accounting and disclosure

Fair value disclosures and front end

Resilience and Scenario analysis

Climate related KPIs

Risk management

Classification
Vesting conditions
Group transactions

Level 3 fair value disclosures



Other FRC publications

1. [Guidance on the Going Concern Basis of Accounting and Related Reporting \(including Solvency and Liquidity Risks\)](#)
2. [FRC Factsheets](#)

Poll question

What was the top accounting issue raised in the 2024/25 FRC Annual Review of Corporate Reporting ('CRR')?

- a) Impairment of assets
- b) Cash Flow Statements
- c) Financial instruments



FRC Annual review of Corporate Reporting

Quality of reporting across FTSE 350 maintained, however concerns over other companies

Decline in substantive enquiries and restatements

Key theme: Inconsistency of information between financials and other sections in the report

Top three issues identified

1

Impairment of assets

2

Cash flow statements

3

Financial instruments

Impairment of assets



Key inputs and assumptions



Cash Generating Units



Parent company financials

- Inconsistencies between assumptions vs. information elsewhere
- Growth and discount rates
- Lack of or poor-quality sensitivity disclosures

- Determination of CGUs
- Comparison to operating segments
- Goodwill allocation
- Liabilities inappropriately deducted

- Potential impairment indicators
- Unclear if testing considered subsidiaries liabilities

Cash flow statements



Cash flow classification

- Loan repayments to group undertakings
- Purchase/sale of NCI
- Reclassification of interest on wholesale borrowings



Reported cash flows

- Inconsistencies in amounts or descriptions to other information
- Non-cash transactions
- Inappropriate aggregation/netting



Cash and cash equivalents

- Definition met?
- Balance on SOFP materially inconsistent with CFS

Financial instruments



Scope, recognition
and measurement



Offsetting



Expected Credit
Losses

- Accounting policies unclear
- Incorrect measurement at face value

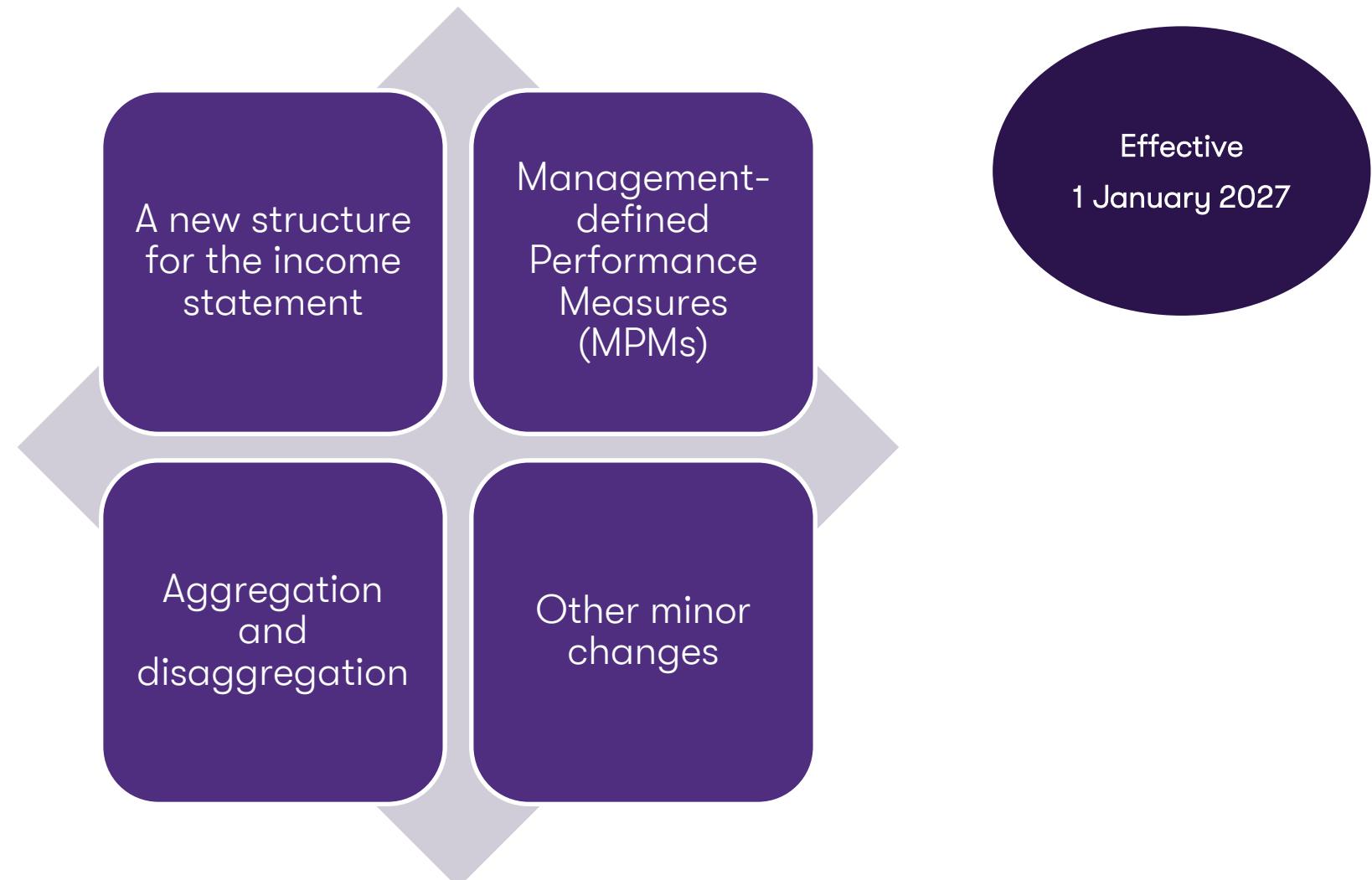
- Covered all restatements
- Have criteria been met?
- Cash and overdraft balances

- How applied to intercompany receivables?

3 Upcoming changes

IFRS 18 replacing IAS 1

Key changes introduced by IFRS 18



New structure to the Income Statement

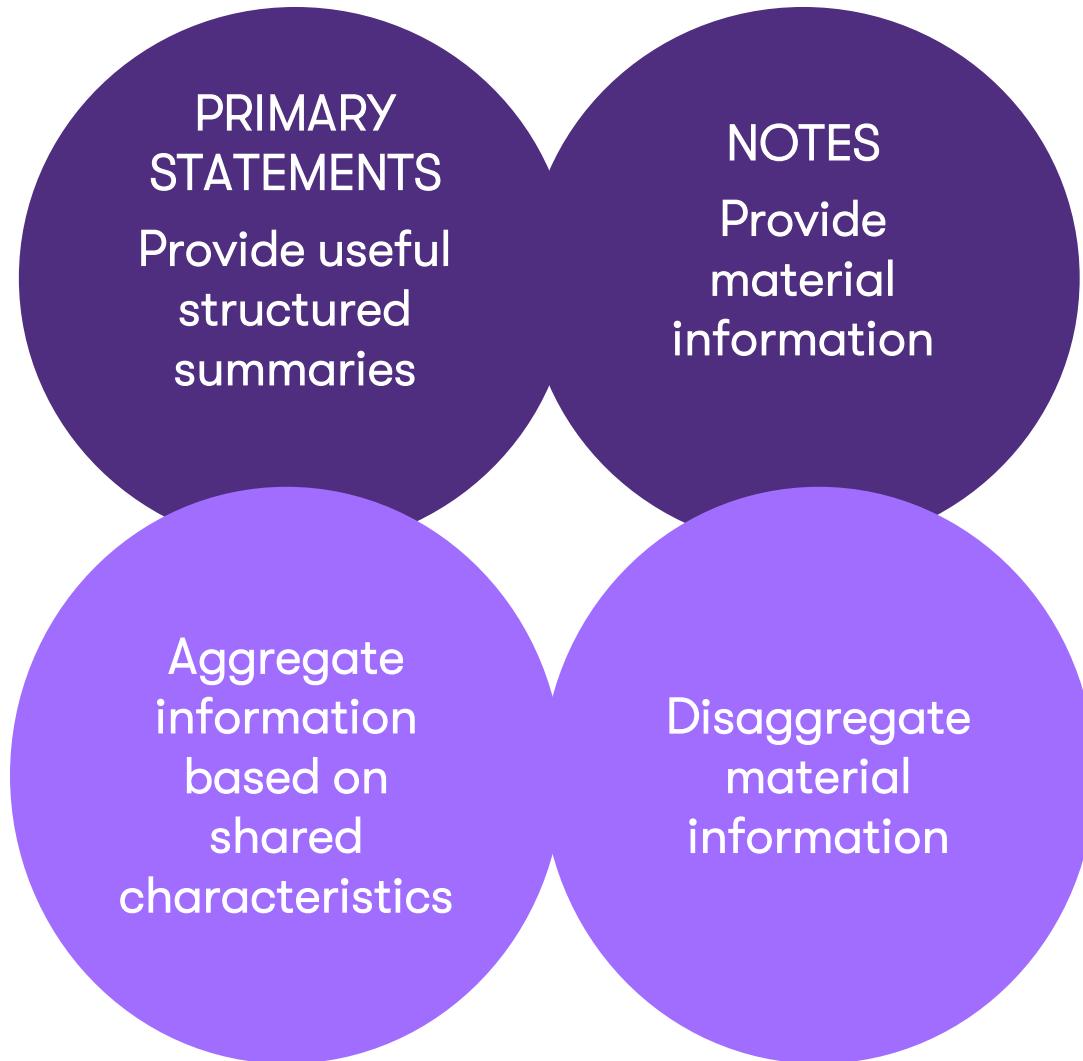


A new structure for the income statement

Illustrative example

Statement of profit or loss	Categories
Revenue	
Cost of sales	
Gross profit	
Impairment losses	Operating
Administrative expenses	
Operating profit	
Share of profit from associates	Investing
Profit before financing and income tax	
Interest expense on borrowings	
Interest expense on lease liabilities	Financing
Profit before income tax	
Income tax	Tax
Profit from continuing operations	
Loss from discontinued operations	Discontinued operations
Profit for the year	

Aggregation and disaggregation



Management-defined Performance Measures (MPMs)

What are MPMs?

- Subtotal of income/expenses
- Not required by IFRS
- Communicates management's view of performance
- Used in public communication

- Examples:
- Adjusted profit
- Adjusted operating profit

Disclosure requirements

- Single note
- Description of MPM
- How is the MPM calculated?
- What is the MPM used for?
- Reconciliation of all MPMs
- Subject to audit

Poll question

Do FRS 101 reporters (qualifying entities) have to apply the new presentation and disclosure requirements of IFRS 18 when it becomes effective?

- a) No, IFRS 18 does not impact qualifying entities reporting under FRS 101.
- b) Yes, they have to apply all the requirements of IFRS 18
- c) Yes, but they are exempt from certain IFRS 18 disclosures.



Other upcoming IFRS changes

Other upcoming changes

- Recognition & derecognition
- Electronic payments – earlier derecognition
- Further guidance on SPPI for specific contracts
- Expanded disclosures for certain instruments

Classification &
measurement of
Financial Instruments
IFRS 9 & IFRS 7

1 January '26

- Contracts with variability due to exposure to an underlying amount of electricity
- Updates to 'own use' and hedge accounting requirements
- Targeted disclosure requirements to IFRS 7

Contracts Referencing
Nature-dependent
Electricity
IFRS 9

1 January '26

- Voluntary standard
- Eligible subsidiaries applies reduced disclosures
- FRS 101 qualifying entities are not permitted to apply IFRS 19

Subsidiaries without
Public Accountability:
Disclosures
IFRS 19 (not yet endorsed)

1 January '27

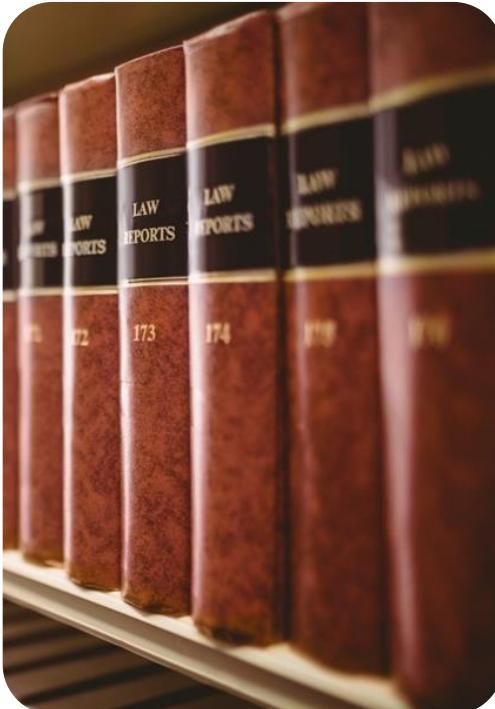
Amendments to Companies Act

Companies Act changes

Company size/LLP thresholds

- Turnover' and 'Balance sheet total' thresholds increased
- Micro/small/medium companies
- Effective 6 April 2025

	MICRO		SMALL		MEDIUM	
	Previous	New	Previous	New	Previous	New
Turnover not more than:	£632k	£1m	£10.2m	£15m	£36m	£54m
Balance sheet total* not more than:	£316k	£500k	£5.1m	£7.5m	£18m	£27m



Directors' report

- Certain disclosures are no longer required
- Impacts large/medium size/small companies
- Effective 6 April 2025

Directors' remuneration report (quoted companies)

- Certain disclosures are no longer required in the single total figure will not be required.
- Effective 11 May 2025

4 FRS 102 Amendments Are you ready for implementation?

Introduction



Background

- FRS 102 is subject to a periodic review at least every five years
- Review completed in March 2024



Why is this topical?

- Significant amendments, most reporters will be impacted
- Complete overhaul of certain sections (revenue and leases)
- May impact reported amounts, performance measures, covenants.



When does it apply?

- Effective from 1 January 2026 (early adoption permitted)
- Supplier financing arrangement disclosures (effective 1 Jan 2025)

Significant changes at a glance



Leases

- Based on IFRS 16 (minor simplifications)
- Lessee – all leases on balance sheet
- Exemptions may apply
- No distinction between operating and finance leases (for lessees)
- Enhanced disclosure requirements
- Additional guidance in several areas (eg lease term)



Revenue

- Based on IFRS 15 (minor simplifications)
- Five-step model
- Control based model
- Additional guidance in several areas (e.g. identifying separate POs)
- Enhanced disclosure requirements
- Additional guidance in several areas (eg lease term)

Other sections impacted by the amendments

Concepts and pervasive principles

Section 2 now aligned with the IASB Conceptual Framework

Fair value measurement

Aligned definitions with IFRS 13 and provides additional guidance

Income taxes
Introduction of guidance on uncertain tax positions

Small entity financial statements (Section 1A)
Increased disclosures

Statement of cash flows

New disclosure requirements about supplier finance arrangements

Minor improvements to other sections
(e.g. business combinations and share-based payments)

Transition to Section 20 Leases

Modified retrospective approach

On initial application date (e.g. 1 January 2026)

Number of
simplifications
available

ROU asset = Lease liability

PV of remaining lease payments at transition discount rate

Adjust ROU Asset

- Impairment
- Prepaid/accrued lease payment

Transition differences in opening retained earnings (CY)

Finance leases are carried forward at original discount rate

IFRS 16 group reporting
ROU-asset and lease liability

Poll question

When transitioning to the new Section 20 Leases, should an entity reassess contracts entered before the transition date for the existence of a lease?

- a) Yes, all historical contracts should be reassessed
- b) Only material historical contracts have to be reassessed
- c) No, the updated lease definition is applied prospectively to new lease contracts



Transition to Section 23 Revenue

Modified retrospective approach

Comparatives are not restated

Adjust opening retained earnings of current period for transition differences

Apply new Section 23 to open contracts

Full retrospective approach

Comparatives are restated

Recalculation of revenue and contract balances for prior periods

Do not need to restate for completed contracts at beginning of comparative period

Number of simplifications available

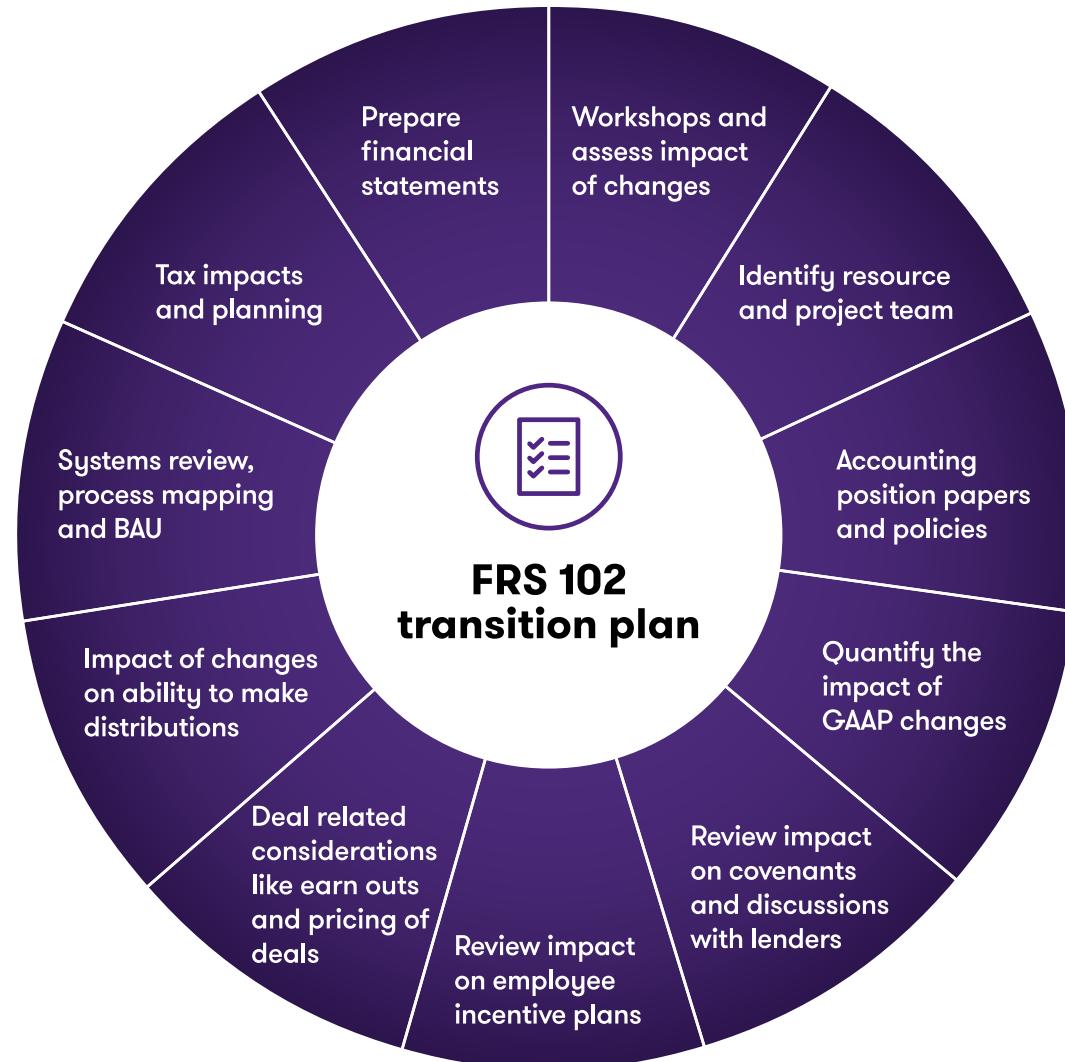
Poll question

Under the modified retrospective transition approach, are completed contracts reassessed under the new Section 23 (Revenue) requirements?

- a) Yes, all completed contracts before transition date must be fully reassessed
- b) Only completed contracts in the comparative period should be reassessed
- c) Completed contracts before transition date are not reassessed.



Preparing for implementation



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Insights [Welcome to our FRS 102 hub – are you ready?](#)

FRS 102 Hub

- Articles, resources
- Checklists
- Implementation toolkit



Questions



Get in touch



Chris Smith
NAS - Partner
+447890521853
chris.smith@uk.gt.com



Felicia Boysen
Financial Reporting - Associate Director
+442077283325
Felicia.Gaie.Boysen@uk.gt.com



Reme Dube
NAS Financial Reporting - Manager
+441142629087
Reme.Dube@uk.gt.com



Sarah Hughes
CFO Solutions - Partner
+442077282266
Sarah.A.Hughes@uk.gt.com





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