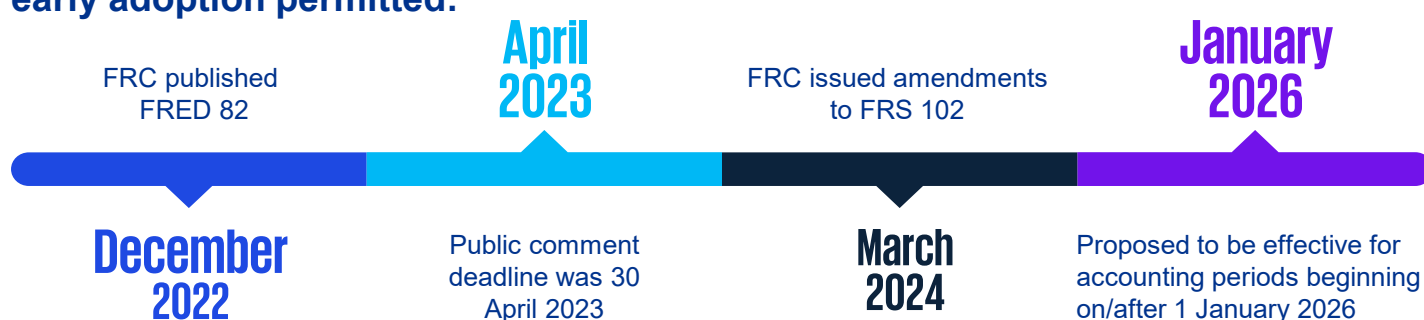


Upcoming changes to FRS 102

It's time to review your revenue and lease arrangements



The amendments to FRS 102 will be effective on or after 1 January 2026*, with early adoption permitted:



* The amendments for supplier finance arrangement will be effective from 1 January 2025.

Key changes



Leases

- Based on IFRS 16 Leases: on-balance sheet lease accounting for lessees, as a right of use (RoU) asset and lease liability.
- Lease expenses now presented as depreciation and interest. Impacting EBITDA and key metrics.
- Exemptions available for short-term leases and leases of low-value assets.
- Some key simplifications vs IFRS 16 include:
 - Use of an 'obtainable borrowing rate' instead of 'incremental borrowing rate'
 - Guidance on application of the low value definition
 - Reduced modification triggers requiring a revised discount rate.
 - Simpler approach to recognizing gains/losses for sale and leaseback transactions

Transition:

- No restatement of comparatives required.
- Permitted to use carrying amounts for group reporting under IFRS 16 as opening balances.
- If not applying the group exemption, asset recognised is equal to the liability on transition. Any cumulative effect of initially applying the standard is recorded as an adjustment to opening retained earnings.



Revenue

- Based on IFRS 15 Revenue from Contracts with Customers: Five-step revenue recognition model.
- Entities will need to review revenue contracts and apply the five-step model potentially impacting timing of revenue recognition.
- In particular, will need to consider the treatment for contracts that have bundles of goods/services, variable consideration, warranties, customer options, or significant financing components.
- Key simplifications from IFRS 15:
 - Accounting policy choice in respect of the capitalisation of costs to obtain a contract.
 - May apply the five-step model to a portfolio of similar contracts.
 - Simplifications for allocating discounts.
 - Disclosures are aligned to IFRS for SMEs.

Transition:

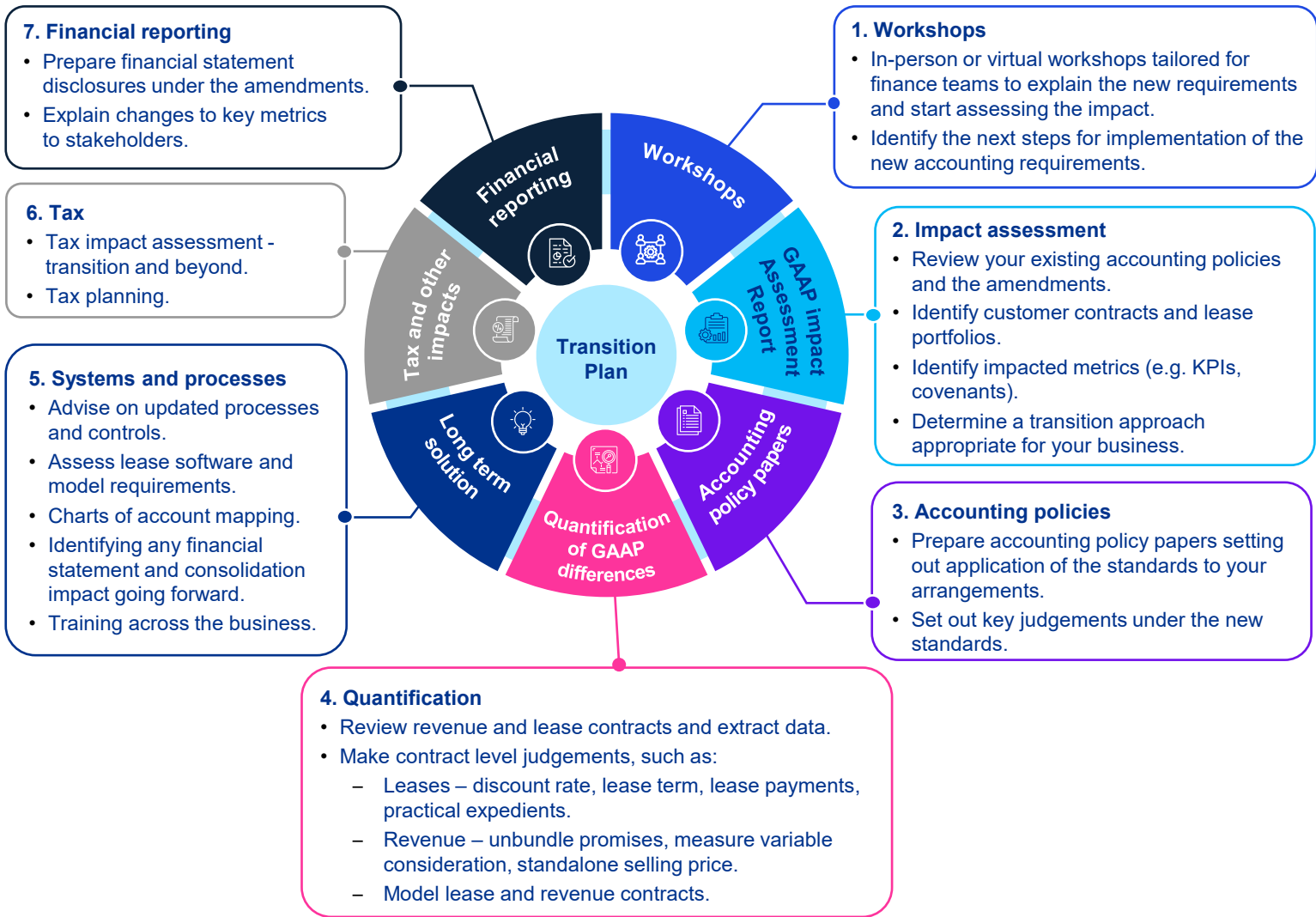
- Option to either: (1) restate comparatives, or; (2) not restate comparatives and any cumulative effect of initially applying the standard is recorded as an adjustment to opening retained earnings.
- Greater hindsight allowed for variable consideration and modifications.



- New sections aligning with the IASB’s Conceptual Framework, the principles of IFRS 13: Fair Value Measurement and IFRIC 23 uncertain tax positions.
- Clarity for small entities applying Section 1A on disclosures to be provided in order to give a true and fair view.
- Disclosure requirements on supplier finance arrangements have been introduced, which are effective from reporting periods beginning on or after 1 January 2025 (early application permitted).

How can we help?

We offer a range of services to help you prepare for these changes. We offer a streamlined package or individual services depending on the needs of your business.



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