

Technical Note

FRS 102 Cash Flow Statement Exemptions

PR Appendix 3
Annex I Item 20.1;
PR 2.5.2UK

While the majority of listed investment companies use IFRS when preparing their financial statements, there are a significant number who use UK GAAP.

With effect from 1 January 2015, the Financial Reporting Council (FRC) fundamentally reformed financial reporting in the United Kingdom and Republic of Ireland, replacing the extant financial reporting standards with five Financial Reporting Standards. One of these new Financial Reporting Standards is FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

We are aware that FRS 102 exempts investment funds that meet certain conditions from preparing statements of cash flows in their annual audited financial statements (see paragraph 7.1A of FRS 102).

It is likely that a number of investment companies will meet the conditions contained in FRS 102. However a prospectus that includes audited financial information prepared according to national accounting standards (such as FRS 102) must include a cash flow statement (as specifically stated in PR Appendix 3 Annex I item 20.1).

Therefore, investment companies who qualify for the exemption in FRS 102 may wish to consider whether to make use of the exemption in FRS 102 when preparing audited financial information, as the financial information then will not contain all the information required for a prospectus.

We have power to authorise the omission of information from a prospectus in limited circumstances. These include where the information is of minor importance and unlikely to influence investors' ability to make an informed assessment (section 87B(1) FSMA, as set out in PR 2.5.2UK). These omission requests will be considered on a case-by-case basis. Investment companies producing a prospectus who have not prepared a cash flow statement and wish to make a request to omit information should contact us at an early stage of their transaction.