



Accounting Technical Services
Hot Topic

Interim reporting: What does good look like?
– Key highlights checklist from the FRC's thematic review

Interim reporting: What does good look like?

Introduction

This Hot Topic sets out a summary of the key findings identified by the Financial Reporting Council (FRC) in its [Thematic Review: Interim Reporting](#) (Review) by providing a checklist of the key expectations for what makes interim reporting disclosures good. The checklist sets out the key good disclosure points that companies should include within their interim reporting, as well as those aspects that companies should look to avoid.

The following areas are included within the FRC's Review:

- Interim management report
- Going concern
- Impairment of non-financial assets
- Judgements and estimates
- Cash flow information
- Income taxes
- Financial instruments
- Fair value
- Related parties
- Pension
- Revenue
- Leasing
- New accounting standards

The FRC's Review covers a number of areas that are contained within interim reports, however this Hot Topic focuses on the key disclosure areas that are common and topical to most companies, such as interim management reports, going concern, impairment of non-financial assets and judgements and estimates. For information on the other areas covered within the Review, or more detailed information in general, please refer to the Review: [Thematic Review: Interim Reporting](#).

The checklist does not set out all the disclosure requirements required for compliance by applicable IFRSs, but instead supplements those IFRS disclosure requirements with examples of what better disclosures look like.

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Key highlights checklist from the FRC's thematic review

Area	A good interim report should:	An interim report could be improved by:
Interim management reports	<ul style="list-style-type: none"> • Ensure that management commentaries detail important events that have occurred during the first six months of the financial year, and their impact on the financial statements. • Provide a comprehensive update of the principal risks and uncertainties for the remaining six months of the financial year. • Explain how the various stages of the pandemic have affected operations and results, for instance differentiating how trading has been impacted in the various stages of lockdown. 	<ul style="list-style-type: none"> • Balance sheet item commentary – Ensuring commentary and explanations on significant movements in balance sheet items are provided, for example net pension obligations and lease liabilities.
Alternative performance measures (APMs)	<ul style="list-style-type: none"> • Ensure APMs are explained, reconciled to IFRS measures and not given undue prominence. • Provide specific, rather than general, explanations for all material classes of adjusting or exceptional items. 	<ul style="list-style-type: none"> • Updating APM definitions – Ensuring that definitions of APM are updated from the annual report.
Going concern	<ul style="list-style-type: none"> • Explain the basis of any significant judgements, including whether there are any associated material uncertainties, and the matters considered when confirming the preparation of the financial statements on a going concern basis. • Clearly state the assumptions used within the forecasts and how those assumptions affected the going concern conclusion. • Identify and explain any mitigating actions the board could take to improve liquidity. • Even when the pandemic has had a limited impact, or there was adequate headroom on facilities and covenant tests, the going concern disclosure should still provide a detailed overview of why the business was concluded to be a going concern. 	<ul style="list-style-type: none"> • Scenario and stress testing – Ensuring that disclosures explain the different going concern scenarios that have been considered when making the assessment and what stresses have been applied to those scenarios. <p>For instance considering a “base case scenario” and then applying a number of more cautious assumptions to give a plausible downside scenario, which then explains the outcome of that testing on the going concern assessment.</p>

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Area	A good interim report should:	An interim report could be improved by:
Impairment of non-financial assets	<ul style="list-style-type: none"> • Provide an explanation of material impairments or reversals of impairments recognised in the interim period, disclosing sufficient information about the events and circumstances that lead to the impairment and its impact on the company's financial position and performance. • Where there has been an impairment recognised in the interim period, it is encouraged that additional disclosures are provided, such as the reason for the impairment, the recoverable amount and whether it has been determined based on the asset's value in use or fair value less costs of disposal, and certain underlying assumptions and the discount rate used. • When changes have been made to the assumptions used in the impairment assessments of goodwill and indefinite useful life assets, it is encouraged that the disclosure updates the assumptions and assumption values at the interim reporting date, including the reasons for those changes. 	<ul style="list-style-type: none"> • Indicators of impairment – Providing explanations where significant judgement has been applied to determine that there was no indicator of impairment. • Impairment of goodwill – Encouraging disclosures to make reference to IFRIC 10 <i>Interim Financial Reporting and Impairment</i> when goodwill is impaired in the interim period.
Judgements and estimates	<ul style="list-style-type: none"> • Detail changes to key judgements with reasons that enable users to understand management's views about the future, and their impact on the interim financial statements. • Update key sources of estimation uncertainty to include reasons for the changes when: a new source of estimation uncertainty is identified; or a change occurs in relation to the nature of the estimation uncertainty or its underlying assumptions. • Disclose a sensitivity analysis or a range of reasonably possible outcomes as part of their updated significant source of estimation uncertainty disclosures. 	<ul style="list-style-type: none"> • Estimation uncertainties – Ensuring disclosures include information about assumptions that is company-specific, avoids boilerplate phrasing and that quantifies assumption.

Contact

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