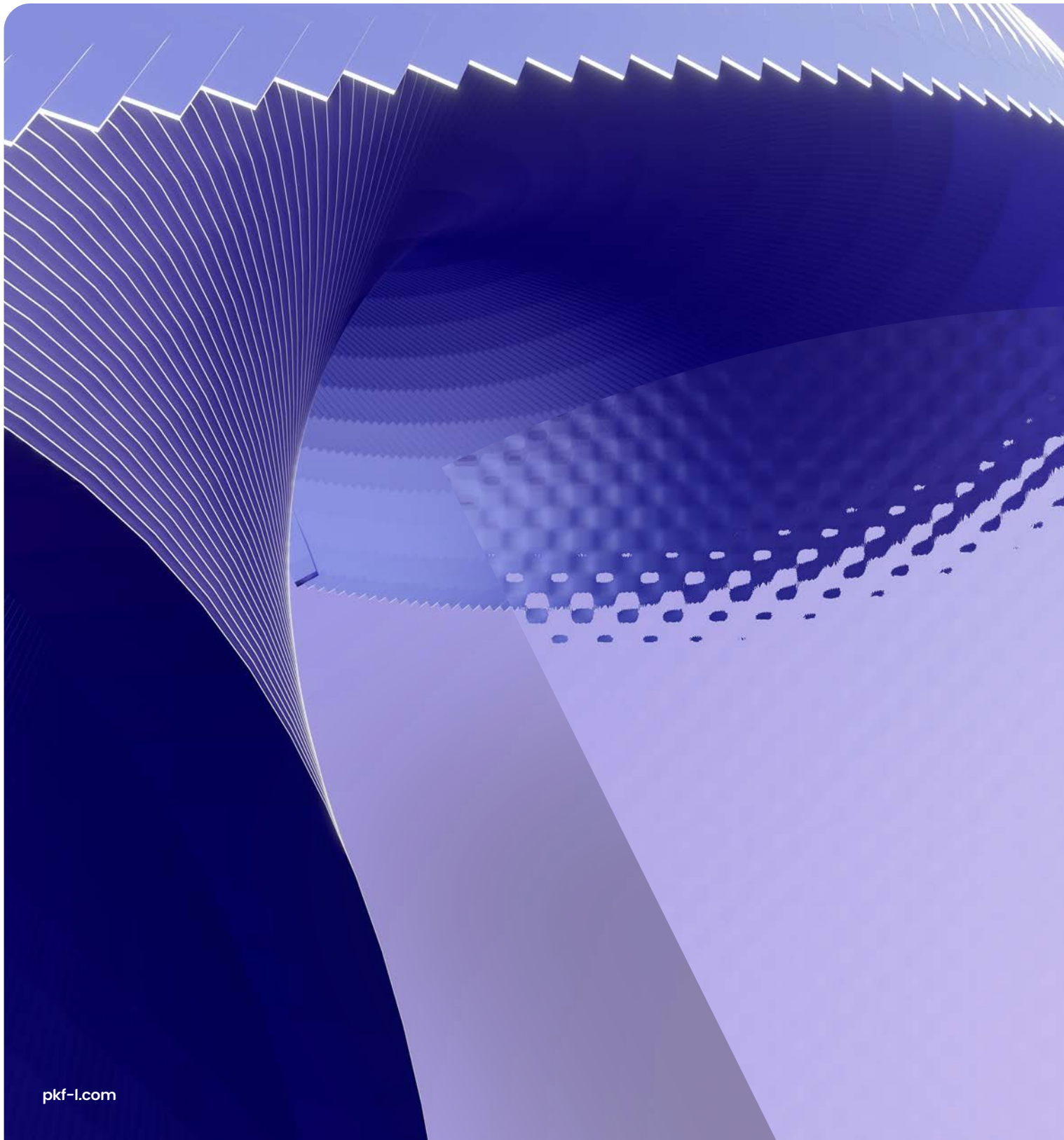


Accounting Advisory for Insurance Intermediaries

Accounting Advice



With significant consolidation in the market and the prevalence of external investors, financial reporting for the insurance intermediary sector is becoming more complex and ever-evolving with additional reporting requirements.

Adoption of UK GAAP amendments

The FRC published periodic changes to FRS 102 in March 2024, which includes a new model of revenue recognition based on IFRS 15, a new model of lease accounting based on IFRS 16, an alignment with IFRS 13 Fair Value Measurement and various other incremental improvements and clarifications. The amendments are applicable for accounting periods beginning on or after 1 January 2026. Early adoption of these changes is permitted. These changes could impact how you report and will affect any related debt covenant obligations. We recommend that you assess the impact of these changes as soon as possible given the need to also ensure compliance for your 2025 comparative numbers in your 2026 financial statements.

Our team can help you with impact assessment, implementation and transition to the amended FRS 102 standards. We have a team of experienced accounting specialists who have previously worked on IFRS 15 and IFRS 16 transition and understand the challenges these changes can pose. Examples of the work we can undertake include:

- Reviewing customer contracts
- Unbundling contracts between performance obligations and identifying variable payments and providing guidance on the impact and accounting for those arrangements in areas most likely to be impacted such as recognition of profit commissions
- Reviewing lease contracts for inclusion of clauses that could impact upon recognition and advising on the accounting for those contracts
- Providing guidance on the impacts of the changes on key performance metrics, such as EBITDA
- Providing advice on the impacts of the amendments on debt covenants and remuneration schemes, so that changes can be considered on a timely basis.
- Reviewing accounting papers, accounting policies and financial statement disclosures for compliance with the requirements of FRS 102.

GAAP conversions

Transitioning between accounting frameworks (eg, UK GAAP to/ from IFRS) is more than just an accounting exercise. It involves a comprehensive understanding of the implications on your financial statements and the broader business impact. Our team will work with you to help understand how the conversion will affect your financial reporting and provide clear steps to implement the necessary changes.

In particular, where accounting policy choices, exemptions and practical expedients exist on transition, or alignment with the accounting policies of your broader group is required, we will ensure that you are made fully aware of those and are able to select the policies that make most sense for your business.

In addition to performing impact assessments, we can review accounting policies and disclosures for compliance with the requirements of FRS 102, FRS 101 or IFRS to make the transition as effective and efficient as possible.

Accounting opinions

Navigating the complexities of financial instruments and other intricate contracts and transactions requires expert guidance. Our team provides comprehensive accounting opinions to help you understand and manage these challenges effectively.

For example, we can provide support to benefit your business in the following areas:



Financial instruments: Accounting for financial instruments can be complex, we can provide guidance on the accounting treatment of derivatives, hedging and other financial instruments. Accounting for financial instruments can have a significant impact on the financial statements depending on whether they are categorised as debt or equity. We can review the instruments before they are issued to advise on the likely impact of any terms and conditions that could affect the classification.

Revenue recognition: There are a number of different profit commission arrangements in the intermediary market and accounting for these arrangements can require judgement. Our team, drawing on its expertise in the insurance intermediary sector, can help you to understand the implications of complex profit commission contracts on your revenue recognition policies.



Regulatory changes: It is not just new accounting standards that can have an impact on the accounting in the financial statements, the FCA often issues guidance or new regulations that can similarly impact your reporting. Our team can help you to stay ahead of changes and ensure your financial reporting remains compliant with regulatory standards.

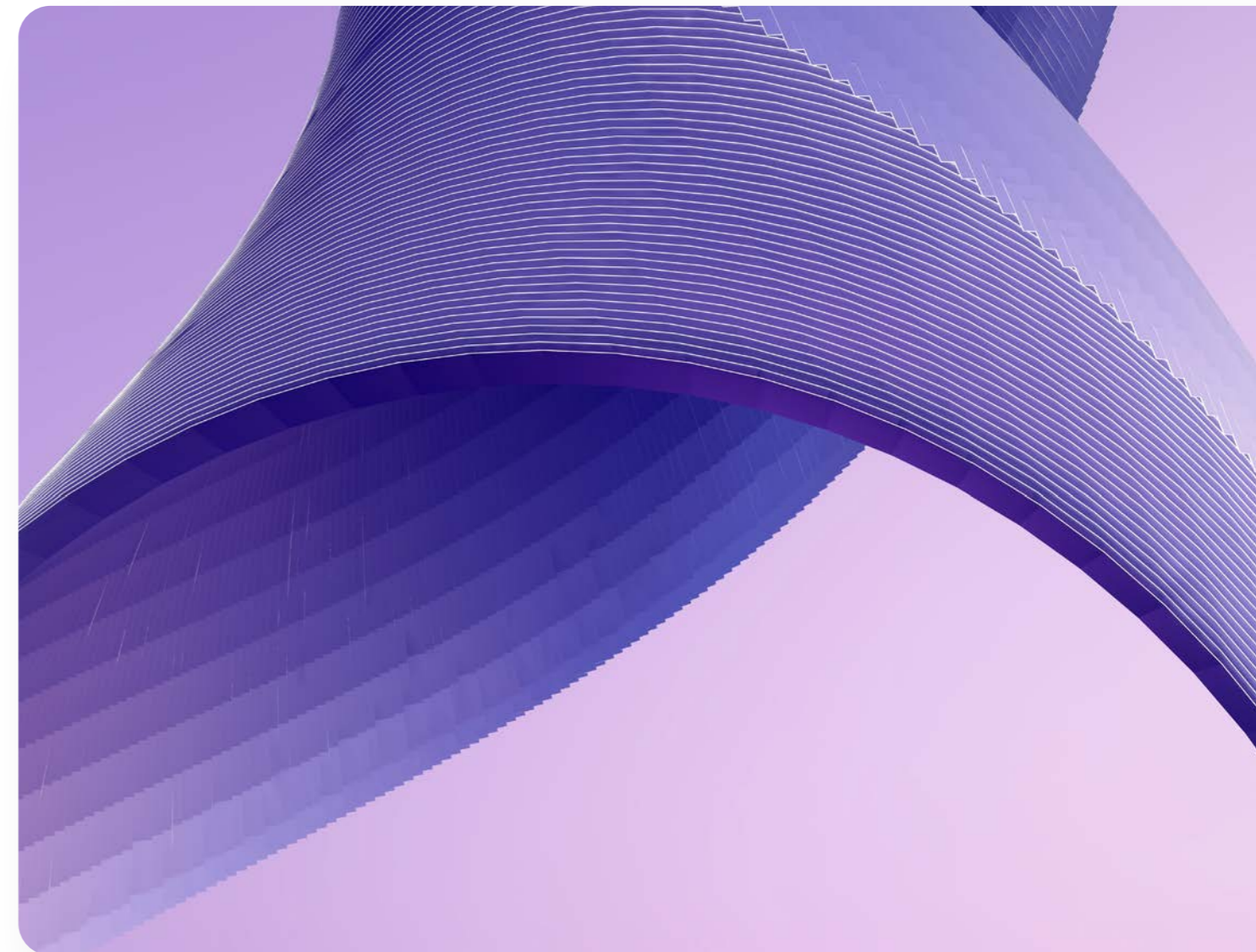
Share-based payments: Providing share-based incentives to employees is a great way to encourage long-term retention of employees for your business, particularly when cashflow may inhibit the ability to pay top-rate salaries or bonuses to retain staff. Our team understands that schemes can be difficult to interpret. We can advise on accounting treatments, no matter the nature of the scheme, and can also support with share scheme planning, compliance and consequences of disposal, working alongside our Tax team and your advisors.



Assistance and review of complex financial statements and disclosures

Preparing financial statements for insurance intermediaries requires meticulous attention to detail and a deep understanding of the business, accounting standards and legal requirements. Our team is here to provide expert assistance, ensuring your financial statements are accurate, compliant and insightful. We are well-versed in the intricacies of financial statement preparation and disclosure requirements, and current market practice, which enables us to offer customised assistance that addresses the unique needs of your organisation and ensure you meet the latest accounting standards and regulations.

We can assist you with preparation of proformas and disclosure notes whenever your business is undergoing significant changes, such as acquisitions and disposals, or dealing with one-off changes arising from the adoption of any significant new and amended accounting policies.



Accounting technical training

Our team of experts can complement your internal training and development programmes by delivering the right information to the right people at the right time. We offer specialised training in regulatory reporting requirements, UK GAAP and IFRS, tailored to suit your unique circumstances.

For example, we can provide training on the FRS 102 amendments in the following areas:

- Guidance on the impact of the IFRS 15 revenue model introduced to FRS 102 and how this can impact revenue recognition for brokers, particularly the timing of profit commissions
- Steer on the impact of IFRS 16 changes to lease recognition under FRS 102 and how this will not only impact the balance sheet but also Key Performance Indicators (KPI) and Alternative Performance Measures (APM)
- Guidance on the other amendments such as Fair Value measurement, and how these amendments could impact your business.

If your intermediary reports under IFRS, the introduction of IFRS 18 represents a significant change to the financial statements that will lead to the financial statements looking very different in the future. IFRS 18 will be effective for annual reporting periods beginning on or after January 2027, with early adoption permitted. Our team can help your finance team understand the changes so that you can begin planning for the changes and communicating them to your key stakeholders.

About PKF

Simplifying complexity for our clients

PKF is one of the UK's largest and most successful accountancy brands.

With over 150 years' experience in the insurance market, PKF has built up a solid and comprehensive reputation as one of a small number of UK accounting firms with in-depth expertise in supporting businesses, their owners and investors across the insurance industry.

1st

Largest auditor of insurance intermediaries

100+

Insurance intermediary clients

30%

Advisor to one third of the UK's Top 50 Brokers

Contact us:



Paul Goldwin
Partner
+44 (0)20 7516 2251
pgoldwin@pkf-l.com



Satya Beekarry
Partner
+44 (0)20 7516 2200
sbeekarry@pkf-l.com



Michael Marslin
Director
+44 (0)20 7516 2200
mmarslin@pkf-l.com

PKF Littlejohn LLP

London

15 Westferry Circus
Canary Wharf
London E14 4HD

+44 (0)20 7516 220

Leeds

3rd Floor, One Park
Row

Leeds
LS1 5HN

+44 (0)113 244 5141

Manchester

11 York Street,
Manchester,
M2 2AW

+44 (0)161 552 4220

pkf-l.com

This document is prepared as a general guide. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the author or publisher. PKF Littlejohn LLP, Chartered Accountants.

A list of members' names is available at the above address. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. 0C342572. Registered office as opposite.

PKF Littlejohn LLP is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).

