M+A Partners

New Disclosure Requirements for Small Companies in the UK

Financial Reporting Standard 102 (FRS 102) is the main accounting standard used by most UK entities, including small, medium and some large companies. It sets out how transactions should be recognised, measured and disclosed in financial statements, covering areas such as revenue, leases and taxation.

Entities applying the small companies regime fall within Section 1A (Small Entities) of FRS 102, which sets out the minimum disclosure requirements for small companies.

What is changing?

From January 2026, updates to Section 1A introduce expanded disclosure requirements. These include additional reporting on transactions with directors and related parties, as well as changes in areas such as leases, revenue recognition, going concern, and taxation.

These changes form part of wider developments in UK reporting. Following the UK's departure from the EU, the Financial Reporting Council now has greater flexibility to develop UK-specific reporting requirements. The aim of the updates to FRS 102 is to improve transparency, consistency, and clarity in small company reporting.

At the same time, wider reforms are being introduced by Companies House under the Economic Crime and Corporate Transparency Act 2023. These include:

+ Identity verification requirements;
+ Accounts filing reforms - from April 2028, small companies and micro-entities will be required to submit additional financial information to Companies House, including a profit and loss account, although businesses will be able to opt out of public disclosure of this information;
+ The requirement for all companies to file their accounts digitally using commercial software - implementation expected from April 2028 as part of the wider Companies House accounts filing reform; and
+ In addition, the thresholds for qualifying as a small company have increased, meaning more entities may now fall within the small companies regime.

Taken together, these changes mean that while more companies may qualify as "small", they are also facing increased disclosure and transparency requirements.

This factsheet highlights the key changes to disclosure requirements for accounting periods commencing on or after 1 January 2026.

Related parties - transactions with directors, owners and connected parties

Disclosure requirements for related parties have been significantly expanded.

Previously, disclosure was mainly limited to material transactions not conducted under normal market conditions with:

a) Owners holding a participating interest in the small entity;

b) Companies in which the small entity itself has a participating interest; and

c) Directors.

This definition has been extended to align more closely with FRS 102, and now includes:

+ Persons with control or joint control over the entity;

+ Persons with significant influence over the entity;

+ Key management personnel of the entity; and

+ Close family members of the above (e.g. spouse, domestic partner, children, or dependants).

Transactions of a similar nature can still be grouped, unless separate disclosure is needed for clarity. There is no requirement to disclose the names of related parties.

An exemption remains for transactions between wholly owned group entities, although the existence of a controlling party must still be disclosed.

If an entity has related party transactions, it must disclose:

+ The nature of the related party relationship;

+ Information about the transactions;

+ Outstanding balances; and

+ Commitments necessary for an understanding of the potential effect of the relationship on the financial statements.

Directors' remuneration

Related party disclosures are no longer limited to transactions outside normal market conditions, except for directors' remuneration.

By law, directors' remuneration is only required to be specifically disclosed where it is not considered to be at market value. This may apply, for example, where a director receives a salary significantly below what would ordinarily be expected for their role, although determining "market value" will require judgement based on the particular circumstances of the business.

Any directors' remuneration that is considered to be below market value would need to be disclosed as a related party transaction and, for small companies, this information would appear on the public record when accounts are filed at Companies House.

Dividends

Small entities must now disclose dividends paid or payable during the reporting period. This means more detail will be shown in the accounts about amounts distributed to shareholders, increasing the level of publicly available financial information.

As both dividend information and the balance sheet are on the public record, users will be able to gain a clearer understanding of a company's financial performance and, in many cases, infer its profit after tax. Taken together, these disclosures provide greater insight into a company's financial position and results.

Current and deferred tax

Small companies must now separately disclose the main components of their tax charge or credit, which may include:

+ Current tax expense or income;
+ Adjustments for prior periods;
+ Deferred tax arising from timing differences; and
+ Deferred tax arising from changes in tax rates or new taxes.

A reconciliation is also required between:

i) The tax expense (income) in profit or loss; and

ii) The profit before tax multiplied by the applicable tax rate

Disclosure impact

These enhanced disclosures will increase the level of detail included in statutory financial statements regarding a company's tax position. The tax note will typically reconcile the tax charge shown in the income statement to the expected tax expense based on accounting profit.

While these disclosures will form part of the full financial statements, small companies are currently permitted to omit supporting profit and loss notes from filings at Companies House. As a result, such tax disclosures do not currently form part of the public record.

From April 2028, accounts filing reforms will require small companies to submit additional financial information to Companies House, including a profit and loss account. However, under the latest guidance, companies will be able to opt out of public disclosure of the profit and loss account, meaning that the extent to which related tax disclosures become publicly available will depend on the final implementation of the new filing regime.

Leases

Lease accounting now requires most leases to be recognised on the balance sheet, with a right-of-use asset and a corresponding lease liability. This removes the previous distinction between operating and finance leases.

As a result, additional disclosures are required, including more detail on leasing arrangements.

Where the small entity is a lessee, it must disclose:

+ A general description of significant leasing arrangements; and
+ Where necessary, additional information to help users understand those arrangements (e.g. discount rates used).

Entities must also disclose expenses relating to:

+ Short-term leases (excluding very short leases of one month or less);
+ Low-value asset leases; and
+ Variable lease payments.

This change can also result in a significant increase in the level of work required on a lease-by-lease basis, as each arrangement must be assessed individually. In particular, entities will need to estimate the likely lease term, including any extension or termination options, and determine an appropriate interest rate for each lease.

The interest rate used in the lease calculation is not a standard rate and will typically need to reflect the rate the entity would be expected to pay on borrowing, based on its specific circumstances and credit profile, meaning it may differ from client to client and lease to lease.

Revenue recognition

Additional disclosures are now required in relation to revenue from contracts with customers, including:

+ When performance obligations are satisfied (e.g. upon shipment, upon delivery, as services are rendered or upon completion of the service);
+ The significant payment terms (e.g. when payment is typically due, whether the contract includes a financing transaction, and whether the consideration amount is variable); and
+ The nature of goods or services provided, including where the entity acts as an agent.

Going concern

Small companies must provide clearer disclosure where there are material uncertainties about their ability to continue as a going concern.

Where accounts are prepared on a going concern basis, companies must:

+ Disclose this fact;
+ Confirm that future information has been considered; and
+ Explain key judgements made.

If material uncertainties exist, these must be clearly disclosed.

Where accounts are not prepared on a going concern basis, companies must disclose this, explain the alternative basis used, and set out the reasons.

Provisions and contingencies

Companies must explain any expected future costs (known as provisions) by describing what the obligation relates to, how much is expected to be paid, and when payments are likely to occur.

They must also show how these amounts have changed over the year, including:

+ The balance at the start and end of the period;
+ Any amounts added during the year;
+ Any payments made against the provision; and
+ Any amounts that were no longer needed and therefore reversed.

In addition, companies must disclose information about possible assets and liabilities that depend on future events (known as contingent assets and contingent liabilities), even if the amounts are not yet certain enough to be recognised in the accounts.

Statement of compliance

Small entities are now required to include an explicit and unreserved statement of compliance with Section 1A of FRS 102 within the notes to the financial statements.

Previously, this disclosure was encouraged but not mandatory.

How M+A Partners can help

The updated FRS 102 Section 1A disclosure requirements increase the level of detail required in small company financial statements. While these changes are intended to improve transparency and consistency, they also introduce additional complexity and a greater need for judgement in key areas.

Our experienced team can support you by reviewing the impact of the new requirements on your company and ensuring your financial statements are fully compliant. This includes advising on disclosure areas such as related parties, going concern, leases and revenue recognition, as well as ensuring consistency with wider Companies House filing requirements and related regulatory changes.

For further information or to discuss with one of our experts, please get in touch using the details below.

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