

**Representation 19/2023**

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27 October 2023

[by email to [executive.office@ccab.org](mailto:executive.office@ccab.org)]

To whom it may concern

**Subject:** Draft amendments to the LLP SORP

We, the Financial Reporting Technical Committee of Chartered Accountants Ireland (FRTC), welcome the opportunity to respond to the proposed revisions to the LLP SORP.

Please refer to Appendix 1 for our responses to the questions included in the “Invitation to comment”. If you would like to discuss any of the comments in more detail, please do not hesitate to contact me at [mike.ohalloran@charteredaccountants.ie](mailto:mike.ohalloran@charteredaccountants.ie).

Yours sincerely



Mike O'Halloran  
Secretary to the Financial Reporting Technical Committee of Chartered Accountants Ireland

## **Appendix 1**

### **Question 1: Climate-related financial disclosures.**

Do you agree with the updates made to the SORP to reflect the new requirements for certain LLPs to provide climate-related financial disclosures in either the strategic report, if one is prepared, or in the energy and carbon report otherwise? The key relevant draft paragraph is 25D.

Notwithstanding that paragraph 2 confines the scope of the SORP to complimenting FRS 102 and not covering all legally required reporting obligations on an LLP, such as energy and climate requirements outside the financial statements, we agree that the amendments in this area to the SORP are of merit given the importance of climate to all areas of activity and follow on from the previous addition of paragraphs 25A and 25B.

**Question 2: Amounts payable to former members.**

As part of this review, the Steering Group considered whether it might be helpful to provide some guidance on certain narrow scenarios in which section 26 of FRS 102 might apply. One particular example that has been identified is when a former member will become entitled to a proportionate share of disposal proceeds in the event that the business of the LLP is sold within a specified timeframe after the member has retired. It is proposed that paragraphs 87A – 87C be added to the SORP and that changes are made to paragraphs 76, 76A, 76B, 78, 79C, 80, 80A and 80D (formerly paragraph 80A). The change to the flowchart in paragraph 76B, to refer to section 26 of FRS 102, does not appear as a marked-up change.

Do you agree that guidance is needed in the SORP to address certain narrow scenarios when section 26 of FRS 102 might apply? Do you agree with the proposed changes?

We note the narrow circumstances addressed and agree with the proposed changes.

**Question 3: Sharing of group profits – interests in subsidiaries.**

The Steering Group identified the need for further guidance in cases where a parent LLP has a subsidiary that is also an LLP and that will therefore need to be consolidated into the parent's group accounts. Guidance is proposed on the appropriate treatment of members' debt and equity interests in the subsidiary LLP for the purpose of determining whether a non-controlling interest in the net assets of the group is recognised. It is proposed that paragraphs 119A – 119F be added to the SORP to address this matter.

Do you agree that guidance on the appropriate treatment of members' debt and equity interests in the subsidiary LLP for the purposes of determining whether a non-controlling interest in the net assets of the group is recognised is needed in the SORP? Do you agree with the proposed changes?

The guidance on determining non-controlling interest is welcome and we concur that it is appropriate.

**Question 4: Automatic division of profits to members who do not provide any substantive services to the LLP.**

An LLP may have two distinct types of members, all providing capital to it: those that provide services in return for a share of profits and those that do not provide any substantive services, but still receive a share of profits. The Steering Group concluded that it would be helpful to provide guidance in the SORP on the treatment of profits which are automatically divided to members who do not provide any substantive services to the LLP. It is proposed that paragraph 34D be added to the SORP together with Example 11 in Appendix 2. On adding this guidance, the Steering Group also concluded that the distinction between members that provide services to the LLP and those that do not provide any substantive services to the LLP could be made clearer throughout the SORP. Therefore, reference to when a member does not provide any substantive services to the LLP has been updated throughout the SORP for clarity and consistency.

Do you agree that guidance is needed for situations where there is an automatic division of profits to members who do not provide any substantive services to the LLP? Do you agree with the proposed changes?

We agree with the SORP's clarification of the distinction to be made between members that provide services to the LLP and those that do not provide any substantive services to the LLP particularly where there is an automatic division of profits to members who do not provide any substantive services to the LLP.

**Question 5: Effective date**

Do you agree that the proposed changes outlined in this document should come into effect for periods commencing on or after 1 January 2024, with early adoption permitted? [Paragraph 133]

We agree with the proposed effective date.

**Question 6:**

Do you have any other comments on the draft LLP SORP?

No further comments