Deloitte.

GO



Closing Out 2020

MAKING AN IMPACT THAT MATTERS since 1845

Contents

The UK regulatory environment ---- 03

Topical issues – reporting in times of uncertainty ---- 04

- The COVID-19 pandemic ---- 04
- The strategic report ---- 05
- The section 172(1) statement and related requirements ---- 07
- Judgements and estimates ---- 08
- Going concern ---- 09
- Profit or loss presentation ---- 10
- The use of 'non-GAAP' or Alternative Performance Measures ---- 11
- Impairment reviews ---- 15
- IFRS 16 Leases ---- 16
- IFRS 15 Revenue from Contracts with Customers ---- 18
- Business combinations ---- 20
- Brexit and 2020 annual reports ---- 20
- Climate change ---- 22

Other topics of regulatory focus – narrative reporting & governance ---- 24

Other topics of regulatory focus – financial statements ---- 28

Appendices ---- 35

- UK GAAP developments ---- 35
- New and revised IFRS Standards and Interpretations mandatorily effective for years ending 31 December 2020 ---- 35
- IFRS Interpretations Committee Agenda Decisions in 2020 ---- 38
- New and revised standards available for early application in years ending 31 December 2020 ---- 39

Deloitte resources ---- 40

In Closing Out 2020, we discuss the principal issues arising in respect of 31 December 2020 annual reports, including:

- Issues arising from the COVID-19 pandemic, the current economic environment and developments in reporting standards.
- Areas of regulatory focus identified in the Financial Reporting Council's (FRC's) *Annual Review of Corporate Reporting 2019/2020* ('the FRC annual review') and its year-end advice letter to audit committee chairs, chief executive officers and chief financial officers.

The FRC's thematic reviews on:

- the adoption of IFRS 16 *Leases* in the first year;
- a review of the follow to IFRS 15 *Revenue from Contracts with Customers*;
- the financial reporting effects of COVID-19;
- climate; and
- cash flow and liquidity disclosures.
- The European Securities and Markets Authority's (ESMA's) common enforcement priorities.

As in previous years, the FRC annual review provides an assessment of UK corporate reporting based on reviews of listed, AIM quoted and large private companies by the FRC's Corporate Reporting Review team whilst the year-end advice letter highlights issues relevant to the upcoming reporting season. There is a high level of consistency in the issues covered by these two publications.

In addition to financial reporting issues, we also cover other aspects of reporting, including the broader implications of the COVID-19 pandemic for corporate reporting, new requirements for extended energy and carbon disclosures and directors' remuneration and the continuing focus on discussion of climate change and dividend policy, all of which are relevant to large private companies as well as listed entities.

The UK regulatory environment

The FRC annual review draws largely on the FRC Corporate Reporting Review (CRR) team's reviews of the annual and interim reports of listed, AIM quoted and large private companies, which are designed to ensure compliance with legal and regulatory reporting requirements. The FRC also writes to the chief executive officers, chief financial officers and audit committee chairs of listed companies to highlight changes in reporting requirements and to share its perspective on areas of corporate reporting that could be improved.

Although the CRR team directs its resources primarily towards the reports of the UK's largest listed companies, in recent years it has extended its assessment to large private companies, a practice which is likely to continue in the current uncertain economic climate. If the CRR team's reviews identify potential substantive issues, a dialogue with the company is instigated to resolve the issues and agree any action needed to improve the company's reporting. Companies are also written to when their reports have been reviewed but no substantive queries have arisen – either with an appendix of less significant matters for the company to consider or simply to inform them that a review has been performed but no points have been raised.

The FRC has also continued its programme of thematic reviews. This year, the FRC has reviewed the effects of first-time adoption of IFRS 16, carried out a follow up to last year's IFRS 15 review, reviewed the financial reporting effects of COVID-19 and cash flow and liquidity disclosures and issued a series of publications on climate.

Although the FRC acknowledges efforts by companies to improve the quality of their corporate reporting, particularly in areas such as disclosure of significant judgements and estimates, it continues to see scope for improvement, particularly given the current level of uncertainty arising from the COVID-19 pandemic and the UK's withdrawal from the European Union ("Brexit"). It notes in particular that a number of the issues identified might have been avoided "if boards 'took a step back' and considered the disclosure objectives of accounting standards and legislation when evaluating the quality of their reports and the needs of investors".

The FRC's upcoming monitoring of annual reports in 2020/21 will focus on disclosures addressing risk, judgement and uncertainty in the face of the ongoing impact of COVID-19; the UK's exit from the European Union and climate-related risks.

This publication also identifies the enforcement priorities of the European Securities and Markets Authority (ESMA) where relevant.

Disclosure of interactions with the CRR team

An investigation by the CRR team can, in serious cases, result in a formal Press Notice; one Press Notice was issued in 2019/20 in relation to a FTSE 250 company that restated its revenue and certain amounts in its cash flow statement. When the outcome is less serious, but a degree of publicity is still considered appropriate, the CRR will request specific disclosure in the next annual report to acknowledge the regulator's intervention. In 2019/20 14 such references were required, a slight increase on 12 in 2018/19. Consistent with the previous year, a number of the required references related to the cash flow statement and this continues to be a concern for the FRC.

The FRC saw a consistent number of complaints received in relation to company annual reports 29 in 2019/20, compared to 28 in the previous year. In the majority of cases the complaint resulted in an approach being made to the company to resolve the issue.

The FRC's Guidance on Audit Committees sets out the expectation that, following an interaction with the FRC, the subsequent audit committee report will explain the nature and extent of that interaction, including details of the questions raised, any corrections or improvements resulting from the enquiry and the inherent limitations of the CRR's review. The FRC annual review observes that most companies do include such a reference, but that the quality and comprehensiveness of this reporting continues to be mixed.

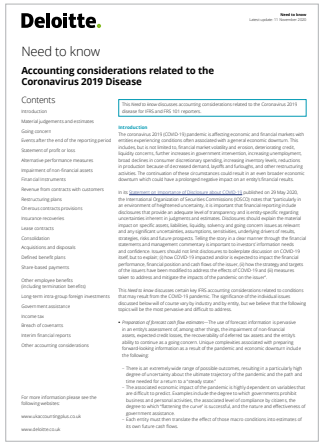
© 2020 Deloitte LLP. All rights reserved.

Topical issues – reporting in times of uncertainty

COVID-19

FRC Focus Area




Deloitte.

Need to know

Accounting considerations related to the Coronavirus 2019 Disease

Contents

A Deloitte Need to know provides more detail on the accounting considerations related to the coronavirus 2019 disease.

The COVID-19 pandemic

Regardless of industry, financial condition, supply chain and distribution logistics, workforce composition, changing customer preferences and so on, all entities face a myriad of financial reporting and accounting challenges related to COVID-19. The recurring theme in this Closing Out publication is the need for transparency in corporate reporting amid the current uncertainty. This is a key message that has been conveyed by regulators both in the UK and worldwide.

In a statement issued on 29 May 2020, the International Organization of Securities Commissions (IOSCO) acknowledged the difficulties entities face in preparing financial statements in an evolving and uncertain environment, with potentially imperfect information that could change after financial information is made publicly available. It noted that in such an environment of heightened uncertainty, it is important that financial reporting includes disclosures that provide an adequate level of transparency and is entity-specific regarding uncertainties inherent in judgments and estimates. Disclosures should explain the material impact on specific assets, liabilities, liquidity, solvency and going concern issues as relevant and any significant uncertainties, assumptions, sensitivities, underlying drivers of results, strategies, risks and future prospects.

In its Guidance for Companies on Corporate Governance and Reporting, the FRC states that "COVID-19 is affecting all businesses and individuals but the critical implications for individual companies may differ, as will their plans to mitigate some of the effects, their capacity to follow these plans and the level of resources available to withstand the effects that remain. In setting out its principal risks and uncertainties, a company should consider the specific resources, assets and relationships that are most under threat and the steps being taken to protect them." The FRC notes that "Boards cannot predict the extent and duration of the COVID-19 pandemic nor its consequences for the global economy. It is however reasonable for investors to expect companies to be able to articulate their expectations of the possible impacts on their specific business in different scenarios. This makes the need for full disclosure of judgements, assumptions and sensitive estimates significantly more important than usual."

This message continues to be of the utmost importance. Indeed, it is particularly important to provide users of the financial statements with appropriate insight into the entity's resilience in the face of the current uncertainty and to understand the key assumptions and judgements made when preparing financial information.

Our publication Need to know – accounting considerations related to the coronavirus 2019 disease is continually updated and provides detailed analysis of the key IFRS considerations related to conditions that may result from the pandemic.

© 2020 Deloitte LLP. All rights reserved.

COVID-19

FRC key disclosure expectations for 2020/21

In its Annual Review of Corporate Reporting, the FRC sets out its expectations for disclosure in 2020/21 reporting to reflect the impact of COVID-19 and ensure that companies are providing information that meets users' needs and priorities. It expects to see:

- disclosure of forward-looking information that is specific to the entity and which provides insights into the board's assessment of the business's prospects and the methods and assumptions underlying that assessment;
- a clear explanation of any material changes in the business model;
- going concern disclosures that 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;
- consistency between the business model, going concern disclosures, the viability statement and financial statement assumptions and estimates, notably for impairment testing at group and parent company level;
- disclosures about significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made, that enable users to understand management's exercise of judgement and views about the future;
- appropriate disclosure of information relevant to understanding the company's financial risk management, particularly the potential impact of debt covenants on liquidity and the use of factoring and reverse factoring in working capital financing; and
- 'adjusted for COVID-19' alternative performance measures only in exceptional circumstances. Allocation of items such as impairment charges between COVID-19 and non-COVID-19 are likely to be highly subjective and therefore generally unreliable.

COVID-19

The strategic report

Corporate reporting is in the spotlight with the focus on how companies are navigating the unprecedented challenges of the COVID-19 pandemic and increased economic uncertainty. Clarity, consistency, relevance and transparency are critical for effective communications.

The FRC continues to emphasise the need for the strategic report to provide a fair, balanced and comprehensive analysis of the development and performance of the company's business during the financial year and of the position of that business at the end of the year, making it clear that a narrative focusing only on 'core' performance is not sufficient and is not viewed as either 'balanced' or 'comprehensive'.

In its year-end advice letter, the FRC further emphasises the importance of ensuring that the strategic report clearly sets out the historical effect of COVID-19 as well as the effect on future prospects. In particular it notes that companies need to articulate the impact of COVID-19 on their business models and strategies, and how the changes are compatible with future forecasting assumptions used in other areas of the financial statements. There should be consistency between the front half and back half of the annual report in this regard.

The FRC Thematic Review of financial reporting effects of COVID-19 provides examples of better practice disclosure of the impact of COVID-19 on strategy, business model, business review, principal risks and uncertainties and how companies have fostered relationships with employees, customers, suppliers and others.

© 2020 Deloitte LLP. All rights reserved.

The FRC's review highlighted that:

- it expects the strategic report to comment on the impact of COVID-19 on the cash flow statement as well as the profit and loss account and the statement of financial position;
- the most useful disclosures quantified the impact of COVID-19 using IFRS measures (with no splitting income and expenses between COVID-19 and non COVID-19 financial statement captions);
- it is important for companies to explain clearly how their future strategy and business model may be affected by COVID-19;
- it expects companies to consider the specific resources, assets and relationships that are most under threat and the steps being taken to protect them when setting out their principal risks and uncertainties;
- it expects supplier payment disclosures to cover the financial and non-financial ways the company has supported the supplier. Disclosures should cover changes to payment terms, any payment arrangements in respect of stock part way through production but not purchased as a result of COVID-19 and should cover any non-financial support offered to the supplier which may include guidance offered or training provided;
- it expects companies to explain how they have supported customers in the pandemic; and
- it is important for companies to explain how they have considered the interests of employees when formulating their response to COVID-19.

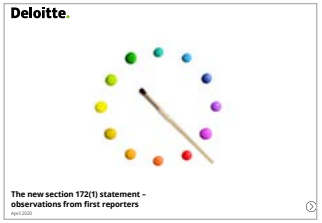
In addition, the FRC's review highlighted that companies should seek to:

- improve section 172 disclosures by describing outcomes of the engagement process, linking identified stakeholders, related risks and impact on the business model, and providing examples of decisions (see next section);
- consider the impact of climate change on the organisation;
- ensure the comprehensiveness of the strategic report by, for example, reflecting key changes in the income statement, the balance sheet and in cash flows in financial reviews;
- provide thoughtful and accurate references for non-financial information matters, making sure those resources actually meet the legislation requirement; and
- describe not only positives, but also difficulties or downturns.

© 2020 Deloitte LLP. All rights reserved.

FRC Focus Area





A Deloitte publication The new section 172(1) statement – observations from first reporters provides more detail on the requirements and practical examples from first time reporters.



A Deloitte publication Annual Report Insights 2020 provides more observations how directors have explained how they have complied with section 172(1).

The section 172(1) statement and related requirements

2020 is the second year in which large companies are required to prepare a section 172(1) statement under the Companies Act 2006. The statement should be a separate component of the strategic report; however, where relevant existing disclosures are presented elsewhere in the annual report, the statement should include cross-references as appropriate to avoid duplication.

The section 172(1) statement should focus on matters that are of strategic importance to the company, should be meaningful and informative for shareholders, shed light on matters that are of strategic importance and be consistent with the size and complexity of the business. In the current environment, decisions are being made at pace to respond and recover from the impact of the COVID-19 pandemic, meaning that the section 172(1) statement can be expected to be subject to close scrutiny by stakeholders and regulators. The FRC annual review highlights the section 172(1) disclosures can be improved by describing outcomes of the engagement process including feedback received and impact on decision making, linking identified stakeholders and related risks and their impact on the business model and providing examples of decisions.

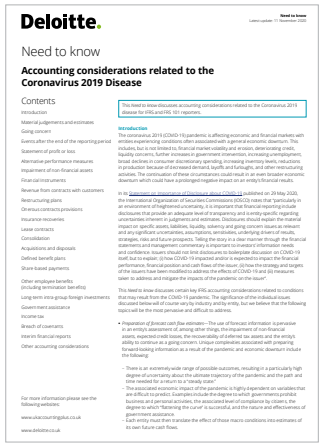
To help improve reporting in this area, the FRC's Financial Reporting Lab has issued a brief publication Section 172 statements – how to make them more useful. The paper covers three areas: content, presentation and process. Companies should take these useful tips into account when preparing their s172(1) statements for 2020 year-ends.

The Lab report highlights that the statement:

- should not be a statement of compliance with the section 172 requirements, but a statement reflecting the board's consideration of the section 172 factors in pursuit of the success of the company;
- is not just about stakeholder engagement; the statement should consider all the requirements of section 172(1);
- needs to reflect what is relevant to the company even where decisions or engagement may have been carried out centrally by the group in the case of some subsidiaries; and
- should explain how the matters in section 172(1) are be embedded in the directors' strategic decision-making and supported by the company's culture.

© 2020 Deloitte LLP. All rights reserved.

COVID-19


Deloitte.

Need to know

Accounting considerations related to the Coronavirus 2019 Disease

Contents

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease provides more detail.

Judgements and estimates

The disclosure of judgements and estimates is an area of reporting which has historically given rise to the highest number of questions put to companies, and has been an area of FRC focus, including a thematic review in November 2017 . Although recent annual reviews have seen improvements in these disclosures, the current environment presents companies with new challenges in this area.

In its 2019/20 annual review, the FRC continued to identify judgements and estimates as the most frequently raised challenge topic. It noted that there continue to be companies that do not identify all material judgements and estimates or do not provide enough information to enable users to understand the level of uncertainty in estimates. For example, in some cases estimation uncertainties were disclosed but not quantified and values assigned to key assumptions were not disclosed. The FRC expects companies to assess critically whether their disclosures are sufficient to explain specific accounting decisions that are difficult, subjective or complex and to explain key assumptions and illustrate the impact of reasonably possible changes on reported results.

The uncertainties brought about by the COVID-19 pandemic are likely to have broadened the range of reasonably possible assumptions that management could be required to make about the future in preparing financial statements.

The macroeconomic impact of the pandemic, the timing and shape of recovery, the availability of support, and the ultimate effects on future operating results and cash flows make reliable point estimates challenging. Entities will often need to use different scenarios as part of their forecasting process (for example as part of the impairment tests required by IAS 36 *Impairment of Assets*). The weighting of the different scenarios to develop an expected value needs to be calibrated based on reasonable, supportable and realistic estimates and assumptions, in order to avoid the risk of an overly optimistic or pessimistic bias.

To enable users to understand the impact of uncertainty on the reported numbers, it will be critical that management provides sufficiently detailed disclosure of significant judgements and key sources of estimation uncertainty as required by IAS 1 *Presentation of Financial Statements*.

Entities must provide quantified estimation uncertainty and disclose the assigned values for key inputs and assumptions. In many cases, this will require information about the sensitivity of carrying amounts to the methods, assumptions and estimates underlying management's calculation as noted in IAS 1:129. In its COVID-19 thematic review from July 2020, the FRC highlights that the disclosure of sensitivity analyses is an area on which it frequently raises questions, and identifies this area as of paramount importance in the current climate.

In identifying areas for which disclosure of significant judgements and major sources of estimation uncertainty is required, entities need to take into account items relating to their business model, financial position, performance and cash flows which have raised particular concerns or discussions in the management, administrative or supervisory bodies, including the audit committee and with the external auditors. These disclosures are particularly important as issuers with similar circumstances may have different judgements and estimates based on the information available. Entities should also ensure consistency with major risks disclosed in other areas of the financial statements and the annual financial report, as well as reflecting consistency with areas identified as key audit matters.

Entities will need to consider all available information in that process and must make sure that estimates, assumptions and judgements are internally consistent.

Video available

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease, as well as a video in our COVID-19 video series, provide more detail regarding the requirements on disclosures of significant judgements and estimates, matters to consider in determining what to disclose and the potential effects of COVID-19 on judgements and estimates.

© 2020 Deloitte LLP. All rights reserved.

COVID-19

Going concern

For many entities, the decision to adopt the going concern basis of accounting has historically needed little attention, with most companies expected to continue in good or 'normal' times. However, the prolonged disruption caused by COVID-19 may raise increased concern about whether an entity is able to continue as a going concern for at least 12 months from the date the financial statements are authorised for issue, taking into account all the information available up to that date. Management will need to consider the following factors, among others:

- changes in forecast results;
- potential liquidity and working capital shortfalls;
- ability to access capital;
- contractual obligations;
- diminished demand for products and services;
- disruption to supply chains; and
- over-reliance on temporary public support measures.

In addition, management must consider whether its plans, including potential government assistance, are able to mitigate the negative impacts on its business. While the effects of COVID-19 may be greater in certain industries (e.g. airlines, travel, hospitality), the current economic environment has significantly strained the ability of a number of entities to develop and maintain sustainable business models.

When management is aware of material uncertainties that cast a significant doubt on the entity's ability to continue as a going concern, IAS 1:25 requires the entity to disclose those material uncertainties in the financial statements. The disclosure should be specific to an entity's own situation, for example explaining how and when the uncertainty may crystallise and its impact on the entity's resources, operations, liquidity and solvency. The assumptions used in determining whether an entity is a going concern must be consistent with the information used in other areas of the financial statements (e.g. liquidity risk management disclosure, impairment of non-financial assets, recognition of deferred tax assets, hedge accounting). In its Lab report on going concern, risk, and viability, the FRC highlights the high expectations of investors with regard to going concern disclosure, especially around the disclosure of material uncertainties even if management conclude an entity is a going concern.

In the current environment, reaching the conclusion that there are no material uncertainties that cast substantial doubt on the entity's ability to continue as a going concern may involve significant judgements on the range of outcomes to consider and the probabilities assigned to those outcomes. In its July 2014 IFRIC Update, the IFRS Interpretations Committee concluded that disclosure of significant judgements is required when an entity concludes there is no material uncertainty regarding its ability to continue as a going concern but reaching this conclusion involved significant judgement.

In its Company Guidance on COVID-19, the FRC notes that it considers it likely that more companies will disclose material uncertainties to going concern in current circumstances. It further explains that this term refers to "uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In other words, if boards identify possible events or scenarios (other than those with a remote probability of occurring) that could lead to corporate failure, then these should be disclosed. When identifying such events or scenarios, boards may take account of realistically possible mitigating responses open to them. Events could lead to corporate failure because of the scale of their adverse impact on the company and its ability to avoid liquidation or because of their timing."

Video available

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease, as well as a video in our COVID-19 video series, provide more detail on key considerations in assessing an entity's ability to continue as a going concerns and highlights what information in that respect may be relevant to users of the financial statements.

© 2020 Deloitte LLP. All rights reserved.



COVID-19

Profit or loss presentation

Whilst the current environment may be unprecedented, it results from a series of global events that are likely to have a wide range of long-term consequences. Some of the impacts will give rise to discrete losses or expenses, such as those related to impairment losses or restructuring plans. However, there may also be other impacts such as an overall decrease in entities' profitability due to lower revenue and/or the continuance of salaries and other expenses while operations are closed or curtailed.

The identification and quantification of the impacts of COVID-19 on an entity's performance may be difficult without the use of arbitrary assumptions or allocations. Further, it would not be appropriate to present results in IFRS financial statements as though the impacts of COVID-19 had not happened on the grounds that the issue was not present in the comparative period. In fact, such "pro forma" presentation would not comply with the requirements of IAS 1:99 to present an analysis of expenses using a classification based on either their nature or their function.

Likewise, it would not be appropriate to consider that the function of costs presented according to function has changed due to the effects of COVID-19 (for instance depreciation in respect of factory or premises that are closed for a period of time due to government measures). It will generally be more appropriate to include information that entities seek to provide to explain the impact of COVID-19 in the notes to financial statements or other financial communications.

Many of the impacts of COVID-19 on an entity are likely to form part of the entity's normal activities and thus should be considered to form part of the underlying business performance. IAS 1:45 requires that the presentation of items in the financial statements must be retained from one period to the next. It would therefore not be appropriate to exclude COVID-19-related items from 'underlying' results presented in the statement of profit or loss.

Entities should disclose qualitative and quantitative information on the significant impacts of COVID-19 and the methodology applied for their determination, in a way that provides a clear and unbiased picture of the multiple areas affected. Entities could consider providing such disclosures in a single note or, if the impacts are explained in multiple notes, provide clear cross-referencing between the relevant notes.

In its COVID-19 thematic review, the FRC highlights its expectations that companies should be even-handed in their identification of gains as well as losses, should not describe amounts as 'non-recurring' or 'one-off' if they are also expected to arise in future periods, should not disclose costs or losses as exceptional merely because of a reduction of related revenue streams due to the COVID-19 crisis, and should not identify incremental costs as exceptional if related incremental revenue is not also identified as exceptional. The FRC also discourages the splitting of discrete items on an arbitrary basis in an attempt to quantify the portion relating to COVID-19 as this practice is unlikely to provide users with reliable information.



Video available

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease as well as a video in our COVID-19 video series provide more detail on factors an entity should consider in determining how to present the effect of COVID-19 in the profit or loss statement.

© 2020 Deloitte LLP. All rights reserved.



A Deloitte Need to know – Alternative performance measures: A practical guide provides guidance on the use of APMs – sets out requirements as issued by IOSCO and ESMA and examples of best practice.

The use of 'non-GAAP' or Alternative Performance Measures

The use of 'non-GAAP' measures (sometimes referred to as 'Alternative Performance Measures' (APMs)) has been an area of regulatory concern in many jurisdictions around the world for some time, with IOSCO publishing a Final Statement on Non-GAAP Financial Measures in 2016. In 2020, a specific focus will be on the presentation of COVID-19's impact on financial performance and position.

In its annual review, the FRC recommends that all companies should comply with the European Securities and Markets Authority's (ESMA's) Guidelines on APMs, even for companies that are not within scope of the guidelines (see summary below). It also notes in its year-end advice letter that it expects all UK companies to continue to apply the ESMA Guidelines on APMs after IP completion day (see Brexit and 2020 annual reports) as they reflect best practice in the reporting of such measures.

The FRC annual review notes improvements in:

- the labelling of APMs with fewer adjusted measures given potentially misleading titles;
- fewer instances of undue prominence of APMs compared with IFRS-compliant performance measures; and
- explanations as to why APMs are used.

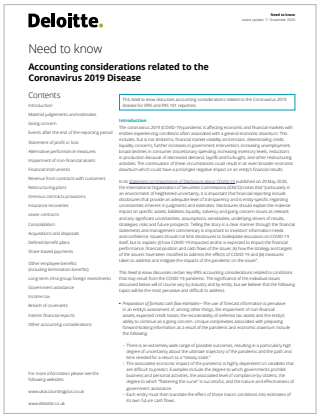
However, notwithstanding the improvements, the FRC continues to see:

- absent or unclear definitions of APMs and/or reconciliations to the closest equivalent IFRS line item;
- unclear reasons as to why certain amounts are excluded from adjusted measures that seemed to be part of normal business; and
- instances of companies describing activities as non-recurring which had been reported for a number of years.

The FRC also commented that an "apparent reluctance to identify and highlight the audited IFRS numbers from which APMs are derived is a cause for concern."

A recent Lab report on performance metrics sets out five principles for reporting APMs based on the views of investors to help companies decide how best to present the metrics they want investors to understand and utilise.

© 2020 Deloitte LLP. All rights reserved.


Deloitte.

Need to know

Accounting considerations related to the Coronavirus 2019 Disease

Contents

A Deloitte Need to know – Accounting considerations related to the Coronavirus 2019 Disease provides more detail on what an entity should consider before publishing new or revised APMs to present the impact of COVID-19.

The key requirements in the ESMA Guidelines can be summarised as follows:

- An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.
- Issuers should define the APM used and its components as well as the basis of calculation adopted.
- Issuers should disclose the definitions of all APMs used in a clear and readable way.
- APMs should be given meaningful labels reflecting their methodology and basis of calculation in order to avoid conveying misleading messages to users.
- APMs should be reconciled to the most relevant amount presented in the financial statements, separately identifying and explaining each reconciling item.
- Issuers should also present the most directly reconcilable line item, subtotal or total presented in the financial statements relevant for that specific APM. Issuers should explain the use of APMs in order to allow users to understand their relevance and reliability. APMs should be accompanied by comparatives for the corresponding previous periods. Issuers should present reconciliations for all comparatives presented. The definition and calculation of an APM should be consistent over time. In exceptional circumstances where issuers decide to redefine an APM, the issuer should:
  - explain the changes;
  - explain the reasons why these changes result in reliable and more relevant information on the financial performance; and
  - provide restated comparative figures.
- If an issuer stops disclosing an APM, the issuer should explain the reason for considering that this APM no longer provides relevant information. Where permitted, disclosure principles set out in the guidelines may be replaced by a direct reference to other documents previously published which contain these disclosures on APMs and are readily and easily accessible to users.

COVID-19

COVID-19 considerations

Because of the significant impact of COVID-19 on their performance and financial position, entities may consider providing new alternative performance measures (APMs) or adjust existing APMs.

In its Statement on Importance of Disclosure about COVID-19 published 29 May 2020, IOSCO notes "[g]iven the uncertainty in the current environment, issuers should carefully evaluate the appropriateness of an adjustment or alternative profit measure. Not all COVID-19 effects are non-recurring and there may be a limited basis for management to conclude that a loss or expense is non-recurring, infrequent or unusual ...It could be misleading to describe an adjustment as COVID-19 related, if management does not explain how an adjusted amount was specifically associated with COVID-19. For example, we caution issuers from characterizing an impairment as COVID-19 related, where indicators of impairment existed prior to the pandemic that are unrelated to COVID-19. Additionally, characterizing hypothetical sales and/ or profit measures (e.g., had it not been for the effect of COVID-19 the company's sales and/or profits would have increased by XX%) as non-GAAP financial measures would not be appropriate."

© 2020 Deloitte LLP. All rights reserved.

IFRS 9 and IFRS 7 – liquidity risk disclosures, accounting for payment moratoria and ECL

In its annual review, the FRC notes that there has been an increase in the frequency of its substantive questions in relation to financial instruments, reflecting issues identified in companies' first accounts since the adoption of IFRS 9.

The most significant issues that were raised with corporates related to classification of financial instruments, liquidity disclosures and supply-chain financing arrangements (see Supplier financing arrangements below). For financial institutions, most queries related to expected credit loss provisions and disclosures. For instance, there was found to be insufficient information about the recoverability of other financial assets such as contract assets or intercompany receivables and insufficient disclosure detail about undrawn credit facilities.

A number of the matters that the FRC identify are also discussed in detail in its thematic review of IFRS 9 disclosures.



COVID-19

Impact of COVID-19

Liquidity risk management and payment moratoria disclosures

In these uncertain times when access to financing may prove more difficult than usual and needs greater, regulators highlight the importance of providing clear information on an entity's liquidity position, as required by IFRS 7 *Financial Instruments: Disclosures*. Entities should consider disclosing the current and expected effects of the pandemic, including quantification of the impact where possible. Significant impacts might include: funding received from government programmes, delays in capital project plans, impact of any cost reduction programmes or changes in the entity's dividend policy.

The pandemic and/or changes in the entity's business may have given rise to new significant financial risks that did not exist before or which were not as significant. Events and transactions that might reveal liquidity risk include, for example, new significant amounts of debt, debt renegotiations, new financial arrangements or the breach of debt covenants.

Classification of liabilities as current or non-current when a breach of covenant occurs

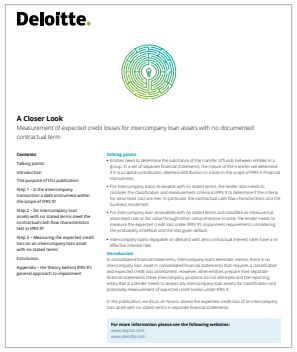
If a covenant breach occurs on, or before, the reporting date and the breach provides the lender with the right to demand repayment within 12 months of the reporting date, the liability should be classified as current in the entity's financial statements in the absence of any agreements made on or prior to the reporting date that give the entity a right to defer payment beyond 12 months after the reporting date. A waiver of a covenant breach after the reporting date should be disclosed as a non-adjusting event but does not affect the classification of the liability at the reporting date.

In its COVID-19 thematic review, the FRC highlights its expectations for quantitative and qualitative disclosures about sources of liquidity, risk exposure and the steps that companies are taking to manage their liquidity risk is critically important in the current environment.

Entities may look for ways to manage their liquidity risk, including the use of alternative sources of funding, such as delayed payment to suppliers and arrangements with financial institutions such as supplier financing and reverse factoring which may permit the entity to draw down on financing in exchange for the financial institution paying the entity's suppliers. Disclosure of these facilities will be critical particularly when they are material to the entity's funding or viability.

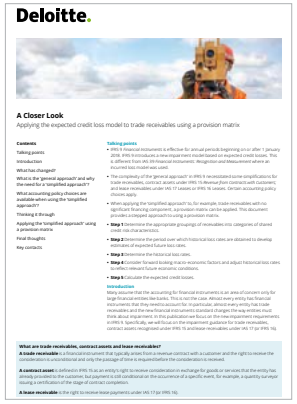
Also, entities that have benefitted from government grants and assistance, forbearance or payment moratoria measures should disclose this fact along with the features of any such measures to enable users to understand any risks that may stem from their discontinuation. Other impacts that may require disclosure include delays in capital project plans, cost reduction programmes or changes in the entity's dividend policy.

© 2020 Deloitte LLP. All rights reserved.



A Closer Look publication provides more detail on measuring ECL for intercompany loan assets with no documented contractual terms.

Video available



In addition, a Deloitte A Closer Look publication explains how the ECL model is applied to trade receivables.

Expected credit losses

COVID-19 can affect the ability of borrowers, whether corporate or individuals, to repay amounts owed. Individual and corporate borrowers may have a particular exposure to the economic impacts in their geography and industry sector. Reductions in forecasts of economic growth increase the probability of default across many borrowers. More broadly, a decline in asset prices means a decline in the value of the underlying collateral, which then may lead to increased loss rates.

The impact of COVID-19 on expected credit losses (or ECL) will be particularly challenging and significant for banks and other lending businesses. However, the effect could also be significant for non-financial corporates. This is because ECL applies not only to loans to third parties (including those to associates and joint ventures), but also to many investments in interest-bearing financial assets (for example, bonds and debentures, as well as to trade receivables, loans to joint ventures and associates, contract assets, lease receivables, issued loan commitments and financial guarantee contracts). In individual entity financial statements it also applies to intra-group transactions such as intra-group loans or guarantees provided by the reporting entity on other entities' debt obligations.

The staging analysis in IFRS 9 *Financial Instruments* requires the estimation of lifetime probability of default at initial recognition of a financial asset and at each reporting date thereafter. This is based on an assessment of forward-looking information which is particularly challenging given uncertainties regarding the impact of COVID-19, as highlighted by the FRC in its COVID-19 thematic review.

Despite the challenges, entities are required to make estimates that reflect in an unbiased way the significant uncertainty that characterises the current economic environment by taking into account all reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

Accordingly, entities' disclosures would be expected to explain any changes to their credit risk management, any concentration of credit risk, how forward-looking information has been incorporated in the ECL measurement, any significant adjustments made by management to the impairment figures and models, and any key sources of estimation uncertainty.

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease as well as a video in our COVID-19 video series provide more detail on how COVID-19 can affect expected credit losses.

© 2020 Deloitte LLP. All rights reserved.

COVID-19

Impairment reviews

Already a significant area of FRC focus, the disruptions to the economic environment caused by the COVID-19 pandemic necessarily will put impairment reviews further in the spotlight. In its COVID-19 thematic review from July 2020, the FRC explains that for many entities, it expects that the adverse impact of COVID-19 will constitute a strong indication that one or more impairment indicators in IAS 36 have been triggered and that an impairment test is required. This is the case even if a test was performed at an interim reporting period.

While the outlook on the future economic conditions remains uncertain, entities are expected to update any assumptions used in previous interim periods to reflect the latest available information. It is recommended that entities disclose how the assumptions and measurements have changed, if at all, compared to the last annual and interim reporting.

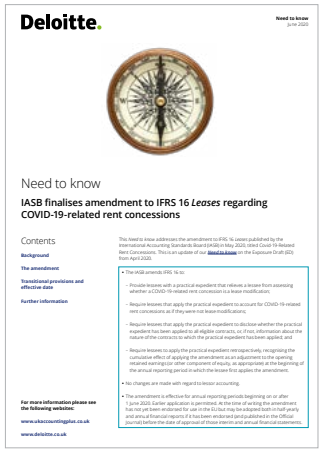
Entities will often need to use different scenarios as part of their forecasting process. The weighting of the different scenarios to develop an expected value needs to be calibrated based on reasonable, supportable and realistic estimates and assumptions, in order to avoid the risk of overly optimistic or pessimistic biases.

The proper disclosure of sensitivity analyses is also crucial, including when there has been a partial impairment. Sensitivity analyses must provide all the information required by IAS 36:134(f) and 135(e) (e.g. values assigned to key assumptions and headroom), as well as the information required by IAS 1 (see section 'Judgements and estimates'). To indicate how 'close' an asset is to being impaired, entities should provide the amount by which the values assigned to the key assumptions would have to change in order for the recoverable amounts of the assets to be equal to their carrying amounts. If an entity believes that no reasonable change to assumptions would result in impairment, entities need to explain what is considered a "reasonable change" . In addition to the typical changes in assumptions, the FRC also expects to see how sensitive the carrying amounts of assets are to a delay in the expected date of a return to pre-pandemic cash flow levels.

Video available

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease as well as a video in our COVID-19 video series provide more detail on how COVID-19 can affect impairment reviews. This includes, among other things, a discussion of factors to consider in estimating future cash flows and a reminder of the disclosure requirements.

© 2020 Deloitte LLP. All rights reserved.


Deloitte.

Need to know

IASB finalises amendment to IFRS 16 *Leases* regarding COVID-19-related rent concessions

Contents

Background

The amendment

Transitional provisions and effective date

Further information

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

A Deloitte Need to Know considers in detail the amendment to IFRS 16 Leases.

COVID-19

IFRS 16 *Leases*

In 2019, entities adopted IFRS 16 in their financial statements for the first time. While the information provided might have been sufficient to enable users to understand the impact of adopting IFRS 16, regulators such as the FRC observed that there is significant room for improvement and refinement in the disclosures provided. The findings of the FRC are documented in detail in its IFRS 16 *Leases* thematic review. We highlight some of its key findings below.

Judgements

This is an area in which the FRC expects companies to improve: descriptions of judgements made by management in the application of the company's accounting policy were absent or inadequate. The material accounting judgements with regard to lease contracts must be sufficiently described. In particular, judgements with regard to lease term and scope of IFRS 16 must be company-specific.

Accounting policies

Accounting policies disclosed must be specific to an entity's circumstances. However, the FRC found that many companies relied on boilerplate language and did not address apparently material items.

Quantitative disclosures

Lessees must disclose the information required by IFRS 16:53 in relation to expenses and depreciation charges which affect the statement of profit or loss for the reporting period, including disclosing separately those relating to variable lease payments not included in the measurement of lease liabilities and those stemming from exemptions in IFRS 16 (e.g. short-term or low-value asset leases).

The disclosures required by IFRS 16:53 must be presented in a tabular format, unless another format is appropriate. Not using this tabular format or appropriate cross references makes it difficult for users to find the information. The FRC found that, whilst these disclosures were provided, they were often not in a single note, or cross referenced, as required.

The FRC also found that few companies provided the broader disclosure requirements of IFRS 16:59, which help users understand exposures to future cash outflows, for example when there are unrecognised lease extension options or variable lease payments.

The maturity analysis of lease liabilities (IFRS 16:58) should be made separately from other financial liabilities with appropriate time bands.

Impact of COVID-19

In the wake of COVID-19, many entities have made, or are in the process of making, changes to various lease terms (e.g., timing of payments, amount of payments, and duration of agreements). In addition, the IASB has amended the leasing standard to provide relief to lessees when accounting for rent concessions resulting from COVID-19. This amendment was endorsed for use in the EU on 12 October 2020.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there are no substantive changes to other terms and conditions of the lease.

© 2020 Deloitte LLP. All rights reserved.

A lessee that applies the practical expedient would generally account for:

- The forgiveness or waiver of lease payments as a variable lease payment. The lessee would consequently derecognise that part of the lease liability that has been extinguished by the forgiveness of lease payments, and recognise a corresponding gain in profit or loss.
- A change in lease payments that reduces payments in one period but proportionally increases payments in another (such that there is no change to the overall consideration for the lease and only the timing of individual payments changes), by continuing to recognise interest on the liability and reduce that liability for payments made to the lessor.

A lessee that chooses to apply the practical expedient is required by IFRS 16:2 to apply it consistently to all lease contracts with similar characteristics and in similar circumstances.

Lessees that apply the exemption are required to disclose that they have applied the practical expedient to all rent concessions that meet the conditions, or, if not applied to all such rent concessions, information about the nature of the contracts to which they have applied the practical expedient. Lessees also have to disclose the amount recognised in profit or loss which reflects the changes in lease payments arising from rent concessions to which the lessee has applied the practical expedient.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

Lessors which have granted rent concessions should provide adequate disclosures reflecting the risks that the current market conditions may result in significant changes in the assets subject to operating lease agreements.

Any significant changes in judgements as a consequence of COVID-19 (for example with regard to lease term) must be clearly communicated. Estimation uncertainty when testing for impairment of right of use assets must be explained and quantified.

The disclosure of additional information that a lessee should provide on the effect of leases on their financial statements (see IFRS 16:B48) may complement the information already available to users of financial statements on the impact of the pandemic on an entity's financial position, performance and cash flows. Such information is likely to be relevant to users of financial statements if it helps them to understand (i) the flexibility provided or particular restrictions imposed by lease contracts, (ii) the sensitivity of reported information to key variables, and (iii) the exposure to other risks arising from leases including, for example, liquidity risks, deviations from industry practice, unusual or unique lease terms and conditions that affect a lessee's lease portfolio.

Video available

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease as well as a video in our COVID-19 video series provide more detail on how the consequences of COVID-19 can affect lessees and lessors, in particular with respect to accounting for lease concessions.

© 2020 Deloitte LLP. All rights reserved.


Deloitte.

A Closer Look

Revenue recognition—evaluating whether an entity is acting as a principal or as an agent

Contents

Background

Key principal-versus-agent considerations under the new revenue Standard

Where to find additional information

Key contacts

Background

The IASB's new revenue Standard, IFRS 15 *Revenue from Contracts with Customers*, provides indicators that are similar to those in IAS 18 *Revenue* to help an entity determine whether it is a principal or an agent in a transaction. But did you know that there is a difference in the principal-versus-agent indicators under IFRS 15 because of the Standards' shift from a risks-and-rewards model to a control model?

In April 2016, the IASB issued *Clarifications to IFRS 15* which amended the principal-versus-agent implementation guidance and illustrations in IFRS 15 to clarify how the principal-versus-agent indicators should be evaluated to support an entity's conclusion that it controls a specified good or service before it is transferred to a customer. However, given the complexities of some arrangements, including those involving three or more parties, the evaluation of whether an entity is acting as a principal or as an agent continues to require significant judgement, and conclusions reached under IAS 18 may not be the same as those reached under IFRS 15.

Key principal-versus-agent considerations under IFRS 15

Assessing the nature of the entity's promise to the customer

When a revenue transaction involves a third party in providing goods or services to a customer, the entity must determine whether the nature of its promise to the customer is to provide the underlying goods or services itself (i.e. the entity is the principal in the transaction) or to arrange for the third party to provide the underlying goods or services directly to the customer (i.e., the entity is the agent in the transaction). To determine the nature of its promise to the customer, the entity must first identify each specified good or service that is distinct (or a bundle of goods or services that is distinct) to be provided to the customer and then assess whether the entity obtains control of each specified good or service (or a right to a good or service) before it is transferred to the customer. In arrangements involving more than one distinct good or service, an entity could be a principal for certain aspects of a contract with a customer and an agent for others.

A Deloitte A Closer Look publication provides more detail on evaluating whether an entity is acting as a principal or an agent.

IFRS 15 *Revenue from Contracts with Customers*

Although it notes some progress, the FRC continues to identify room for improvement in the disclosures entities provide with respect to revenue from contracts with customers. Entities are encouraged to consider the FRC's findings when preparing forthcoming reports, and should review critically their revenue-related disclosures to ensure they provide a clear understanding of how they have applied the requirements of the standard to their own particular circumstances, in particular on the following issues.

The FRC's annual review noted an increase in the frequency of substantive questions in relation to revenue, reflecting issues identified in companies' first accounts since adopting IFRS 15. Most of these questions arose from companies giving generic information about their revenues and related accounting.

Further details of the FRC's findings can be found in its thematic review, IFRS 15 *Revenue from Contracts with Customers*, and we have summarised some of the key findings and comments below.

Disaggregation of revenue

This was an area in which companies generally provided helpful disclosure. In some cases, however, the ways in which the nature, amount, timing and uncertainty of revenues and related cash flows are affected by economic factors could have been better illustrated.

Timing of revenue recognition

The FRC found that some companies are still not communicating clearly when their performance obligations are satisfied, and consequently when revenue is recognised.

If performance obligations are satisfied over time, entities must explain why. The method used to measure progress of 'over time' revenue recognition must also be explained. If performance obligations are satisfied at a point in time, entities must sufficiently explain at which time performance obligations are satisfied.

Variable consideration

This was an area highlighted by the FRC as having sparse, non-existent, or potentially misleading disclosure. The nature and estimation technique for variable consideration must be disclosed, including how it is constrained. The related risks must be clearly articulated and must not be misleading.

When estimation uncertainties indicate a significant risk of a downward adjustment to revenue, entities must ensure that the variable consideration constraint has been appropriately applied.

Costs to obtain or fulfil a contract

This was highlighted as an area of concern for the FRC, with a small proportion of companies including a policy for these costs and even fewer providing quantitative information.

When relevant for the activities of the entity, the accounting policy and quantifications for costs to obtain or fulfil a contract must be disclosed..

Significant judgements

Specific judgements with regard to revenue recognition must be disclosed. This applies particularly to judgements made in determining that an entity was acting as a principal rather than an agent as well as judgements made in determining whether multi-element arrangements contained a single performance obligation or a number of performance obligations. Quantitative disclosures, such as sensitivity analyses or the range of potential outcomes must be provided for judgements involving estimation uncertainty. In its review, the FRC identified that disclosures in this area lacked clarity.

© 2020 Deloitte LLP. All rights reserved.

Contract balances
Entities must disclose how contract assets and liabilities arise and how they vary year-on-year. The relationship between the fulfilment of performance obligations and the timing of cash flows should be clearly explained.

Contract modifications
When there have been contract modifications, the accounting for such events must be clear from the accounting policies.



COVID-19

Impact of COVID-19
Business disruptions associated with COVID-19 may prevent an entity from entering into customer agreements under its normal business practices, which may make the determination of whether the entity has enforceable rights and obligations challenging.

In addition, where an entity's customers are experiencing financial difficulties and liquidity issues, the entity may need to develop additional procedures to properly assess the collectability of its customer arrangements and consider changes in estimates related to variable consideration (for example because of greater returns, reduced usage of its products or services, or decreased royalties).

To help its customers or to provide incentives for them to continue purchasing its goods or services, an entity may revise its agreements to reduce any purchase commitments, to allow customers to terminate agreements without penalty or provide price concessions, or to offer discounts on future purchases, free goods or services, extended payment terms or extensions of loyalty programmes.

Further, because an entity itself may be experiencing financial difficulties and supply disruptions, it may take steps such as requesting up-front payments from its customers or delaying the delivery of goods. It may also pay penalties or refunds for failing to perform, for not meeting service-level agreements, or for terminating agreements. Entities may incur unexpected costs to fulfil their performance obligations.

Entities should carefully assess whether their revenue recognition policies are affected by these or other situations that arise as a result of the COVID 19-pandemic.

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease provides more detail on how the consequences of COVID-19 can affect an entity's revenue recognition policies.

© 2020 Deloitte LLP. All rights reserved.

COVID-19

Business combinations

Business combinations are an area in which significant judgements and estimates are made, for instance, the fair value of assets and liabilities acquired, contingent consideration, and separately identifiable intangible assets. Accordingly, it is important that disclosures made in this regard are useful and informative to users of financial statements.

In its annual review, the FRC has identified business combinations as an area where it is frequently raising questions. Generally, these have related to insufficient explanations, especially regarding valuation methods applied in measuring acquired assets and liabilities, and contingent consideration.

Impact of COVID-19

The COVID-19 pandemic may be causing delays in closing financial transactions, including business combinations. A business combination is recognised on the date on which the acquirer obtains control of the acquiree. Appropriate identification of the acquisition date is key as it is the date on which the acquirer begins consolidation of the acquiree. It is also the date on which the acquirer measures, generally at fair value, the consideration transferred and the identifiable assets acquired, the liabilities assumed and any non-controlling interest and previously held interest in the acquiree.

FRC Focus Area



Brexit and 2020 annual reports

Reporting implications for 2020 year-ends

Under the European Union (Withdrawal) Act 2018 (EUWA 2018), the UK ceased to be a member of the European Union (EU) on 31 January 2020 ('exit day'). Under the withdrawal agreement, enacted in UK law by the European Union (Withdrawal Agreement) Act 2020 (the WAA 2020), this has been followed by a transition period, which ends on 'IP completion day', defined as 31 December 2020 at 11.00 p.m. UK time.

Regulators continue to highlight the importance of disclosure on the possible effects on the entity of the United Kingdom's decision to leave the European Union. It should be assumed that December 2020 financial statements of entities with material operations in the United Kingdom will include commentary on the possible effects of Brexit on the entity's results and future prospects. This commentary is likely to include a more granular analysis of the effects of the end of the transition period for December 2020 financial statements.

The significant uncertainties and unknowns in respect of the final terms of the United Kingdom's departure will become clearer towards or after IP completion day. This means that a comprehensive review for events after the reporting period should be incorporated into the year-end reporting plan, in order to identify both adjusting and non-adjusting events and to make the necessary disclosures required by IAS 10 *Events after the Reporting Period*.

Compared to previous year ends, there will be less uncertainty around the effect of Brexit for many entities in 2020 and disclosures should therefore be specific and detailed. For example, businesses will know what the new immigration system entails and how much it will cost to recruit employees into the UK from the EU. The broader uncertainty that may remain lies in predicting how the new system will impact the labour market in the UK, and any implications of pay rates. It is important for entities to ensure that they have modelled these and similar costs into their forecasts.

The future of IFRS Standards in the UK

Prior to the UK's exit from the EU, companies with securities admitted to a regulated market in any EU Member State at the end of the reporting period were required under UK company law to prepare their consolidated financial statements in accordance with IFRS Standards as adopted by the EU.

© 2020 Deloitte LLP. All rights reserved.

For periods commencing on or after IP completion day the Companies Act 2006 is amended to introduce a new legal term – 'UK-adopted international accounting standards' – for IFRS Standards as adopted by the UK. For periods commencing on or after IP completion day, UK companies required to apply IFRS Standards in their consolidated financial statements (i.e. companies with their securities admitted to trading on a UK regulated market) will need to comply with UK-adopted IFRS Standards, rather than EU-adopted IFRS Standards. UK-incorporated companies with securities admitted to trading elsewhere in the EU may need to confirm they have followed both frameworks.

For periods commencing prior to IP completion day, UK IFRS preparers must still apply EU-adopted IFRS Standards. However, companies whose financial year spans IP completion day, and those whose filing deadline falls after IP completion day but whose accounts have not been filed before IP completion day, may opt to apply any new IFRS Standards adopted by the UK in addition to EU-adopted IFRS Standards as they exist at the end of the transition period. This option to apply UK-adopted IFRS Standards early does not appear to be available to companies subject to Chapter 4 of the FCA's Disclosure Guidance and Transparency Rules (DTR).

A new mechanism is also created for the endorsement of IFRS Standards for use in the UK. IFRS Standards as adopted by the UK on IP completion day are the extant IFRS Standards as adopted by the EU immediately before IP completion day, but may diverge over time; the timing of UK endorsement of standards may also be different from EU endorsement. The Secretary of State is responsible for endorsement of UK-adopted IFRS Standards but in practice, this process will be delegated to a UK Endorsement Board.

Other legal changes

The EUWA 2018 gave the UK Government the power to amend or repeal both EU-derived domestic legislation and retained direct EU law if it was necessary to do so to make UK law function as intended once the UK has exited the EU and EU law has ceased to apply in the UK. The Government has made a number of such statutory instruments which address the UK accounting, corporate reporting, auditing and corporate governance regimes. These instruments amend retained direct EU law and EU-derived domestic legislation to address deficiencies and ensure that the law continues to operate effectively after IP completion day. They take effect from IP completion day, although in many cases transitional provisions exist such that changes take effect only for financial years beginning on or after IP completion day. Examples of the changes made include:

- The exemption from audit (and, if also a dormant company, from preparing and filing accounts) for subsidiaries whose liabilities are guaranteed by an EEA incorporated parent will only be available where the guarantee is given by a UK incorporated parent.
- The exemption from preparation of group accounts on the grounds of consolidation into a larger group changes. The exemption in s400 of the Companies Act 2006 is narrowed to situations where the larger group is headed by a UK parent, and that in s401 is broadened to include all non-UK parents. In practice this is likely to have little initial effect; however, if in future IFRS as adopted in the EU diverges from IFRS as adopted in the UK the availability of this exemption may change.
- Some exemptions (adoption of the small companies regime (s384 of the Companies Act 2006), small groups not required to prepare consolidated financial statements (s399), medium-sized companies (s467)) rule out companies that are members of an ineligible group. Groups will no longer be ineligible if this had been solely because they contained a company with securities admitted to trading on an EEA regulated market outside the UK. This means that small subsidiaries of a parent listed in the EEA may now be able to take these exemptions.
- Large public interest entities must include a 'non-financial information statement' within their strategic report (s414CA) unless they are included within a consolidated non-financial information statement prepared by an EEA parent undertaking. For accounting periods commencing on or after IP completion day, this exemption will only be available to those entities with a UK parent that prepares a consolidated non-financial information statement.

© 2020 Deloitte LLP. All rights reserved.

FRC Focus Area



Climate change

Climate change continues to be a topic of intense investor, stakeholder and regulatory interest and scrutiny. In November 2020 the Financial Conduct Authority confirmed that companies with a premium listing on the London Stock Exchange will, for periods beginning on or after 1 January 2021, be subject to a new rule requiring them to comply with the Recommendations of the Task Force on Climate-Related Financial Disclosures (the "TCFD recommendations") and explain any instances of non-compliance. It plans to consult on TCFD implementation measures for asset managers, life insurers and FCA-regulated pension providers in the first half of 2021, with rules expected for such entities in 2022.

The UK Government has further proposed that compliance with the TCFD recommendations should be mandatory across the UK economy by 2025, with many of the disclosures coming into force by 2023. In HM Treasury's interim report of the UK's Joint Government-Regulator TCFD Taskforce, it notes that comparability of disclosures should 'optimally be achieved through international standards for climate-related and other sustainability disclosures'. The TCFD Taskforce therefore "strongly supports" the IFRS Foundation's recent "proposal to create a new, global Sustainability Standards Board, as well as complementary work underway on harmonisation by an alliance of voluntary standard-setting organisations".

The UK Government and regulator commitment to TCFD sits alongside recent global developments most notably a consultation paper published by the IFRS Foundation in September 2020 which aims to assess demand for global sustainability standards and what role the Foundation might play in the development of such standards. In addition, the Climate Disclosure Project, Climate Disclosure Standards Board, Global Reporting Initiative, International Integrated Reporting Council and Sustainability Accounting Standards Board have issued a Statement of Intent in which they have set out a vision for and a commitment to work towards a global comprehensive corporate reporting system. IOSCO has set out to be an accelerator and play the same role that it played in establishing financial reporting standards 20 years ago. Erik Thedéen, the chair of the IOSCO sustainable finance task force, has spoken publicly about the collaboration between the work of IOSCO, the IFRS Foundation and the leading sustainability standard-setters as providing the key ingredients of the solution for sustainability standards for capital markets.

In November 2020, the Institutional Investors Group on Climate Change (IIGCC—a pan-European group of investors representing assets worth over €33 trillion) released a report setting out "investor expectations that directors and auditors deliver Paris-aligned accounts – accounts that properly reflect the impact of getting to net-zero emissions by 2050 for assets, liabilities, profits and losses." The report goes on to state that "[o]nly then will management, investors and creditors have the information they require to deploy capital in a way that is consistent with the Paris Agreement". It calls for action by directors, audit committees and auditors to meet this objective and for the application of the requirements highlighted in the IFRS Foundation's publication 'In Brief: IFRS Standards and climate-related disclosures'.

In 2020 the FRC completed a review of climate-related issues as they affect governance, reporting and audit, and the roles of a range of market participants. The detailed findings on how companies are developing their reporting on climate-related challenges can be found in the FRC Climate Thematic Review 2020 issued in November 2020. Corporate reporting should address the company's impact on the environment, the resilience of its business model and the impact of climate change on its financial statements.

Following on from this review, the FRC has set out in its annual end of year letter to CEOs, CFOs and Audit Committee Chairs its expectation of companies in relation to reporting on climate change. They are encouraging companies to:

- Provide strategic reports that clearly describe their environmental policies, rather than simply naming or listing them.
- Explain any terminology such as 'net zero' or 'Paris compliant' and provide transparent explanations about which emissions are included in any emissions targets, how progress will be measured and reported, and what assurance will be sought.


Deloitte.

Need to know

Ground-breaking proposal from IFRS Foundation points to global standards for sustainability reporting

Contents

IFRS Foundation Consultation Paper

Global standards and the wider ecosystem

Further information

IFRS Foundation Consultation Paper

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

A Deloitte Need to Know examines the proposals from the IFRS Foundation regarding global sustainability standards in more detail.

© 2020 Deloitte LLP. All rights reserved.



A Deloitte Need to Know discusses the final report on Task-force on Climate-related Financial Disclosures.



A Deloitte Closer Look explains the new regulations fit into the broader corporate reporting landscape, which entities are impacted and how, and provides tips for preparing for disclosure.

- Give a balanced description of how climate policies and targets have been incorporated into business plans and their expected business impact, making appropriate use of key performance indicators, where relevant, and without disproportionate focus on 'good news' stories in parts of the business that are not material.
- Describe the impact of their businesses on the environment, including their supply chains.
- Provide required segmental and disaggregated revenue disclosures to enable users to understand the relative sizes of operations for which climate change presents substantially different risks and opportunities.
- Provide financial statements that, where relevant, explain the impact of climate related risks, policies and strategies on both measurement and disclosure including, in particular:
  - impairment of individual assets as well as cash generating units;
  - useful economic lives of assets;
  - expected amounts and timing of cash outflows for provisions and other liabilities;
  - fair values of assets and liabilities; and
  - disclosure of key accounting judgements, estimation uncertainties and related sensitivities.

Deloitte maintains a dedicated climate change website which hosts a video learning programme produced in collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW). The website and videos are designed to help businesses and finance professionals learn more about tackling climate change.

Streamlined Energy and Carbon Reporting

Managing energy consumption and carbon emissions plays a key role in addressing climate change. The Streamlined Energy and Carbon Reporting regulations (SECR) reflect Government's thinking that mandatory reporting can influence behaviour because 'what gets measured gets managed'. For periods commencing on or after 1 April 2019, large private companies and LLPs are required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155) to disclose information about their UK greenhouse gas emissions, energy consumption and energy efficiency.

The regulations also extend the required reporting by quoted companies to include disclosure of energy consumption (in kWh and distinguishing between that consumed in the UK and offshore area) and any measures taken to increase energy efficiency.

Subject to certain exemptions (such as a de minimis threshold for low energy users), the disclosures must be provided by all entities in scope, irrespective of materiality. There is no threshold referencing "to the extent necessary for an understanding of the position and performance of the business". This information could be included in the strategic report if of strategic importance to the company.

SECR builds on current mandatory GHG reporting in annual reports, required by the Companies Act, is designed to help organisations to become more conscious about their energy consumption.

Since SECR has been enacted in law, the Government has updated its Environmental Reporting Guidelines (the Government Guidelines) to help businesses within scope of the new regulations to comply with their legal obligations.

The FRC has confirmed that it may undertake a review of reporting under the Streamlined Energy and Carbon Reporting regulations in 2021 as part of its wider work on how best to help companies to achieve reporting under TCFD.

© 2020 Deloitte LLP. All rights reserved.

Other topics of regulatory focus – narrative reporting & governance



COVID-19

The non-financial information statement and business model

The quality of the non-financial information statement continues to be a priority for regulators and is identified by ESMA as one of its common enforcement priorities for 2020 reporting. The COVID-19 pandemic has had a pervasive impact on companies' activities in relation to non-financial matters (i.e. environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters). As a result, ESMA highlights that preparers should pay particular attention to providing transparency on the consequences of, and the mitigating actions taken in relation to, the pandemic and encourages preparers to assess carefully how the different non-financial matters have been impacted.

It is important for users of non-financial information statements to understand the degree of resilience of a company's business model to the consequences of exceptional events such as the COVID-19 pandemic. The use of government support, the increase or decrease in the demand for certain products or services, the disruption of value chains and more generally, substantial changes in the value of assets and the emergence of impairments may have a significant impact on business models. Therefore, ESMA emphasises the need to provide disclosures on the impact of the pandemic on the business model and value creation over the short, medium and long term and on the policies put in place to address the non-financial matters.

When preparers are considering their future prospects, the FRC expects companies to articulate clearly the impact of COVID-19 on their business models and strategies, and how the changes are compatible with future forecasting assumptions used in other areas of the financial statements (for example, going concern, viability, impairment testing and recognition of deferred tax assets). In particular, they expect any significant judgements made in determining whether or not there is a material uncertainty in relation to going concern to be disclosed and explained.

Directors' report disclosures

As a reminder, in addition to the section 172(1) statement, the directors' report of all large companies (private as well as public) must include information on how directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the company during the financial year. For companies with more than 250 employees, there are additional requirements in respect of how directors have engaged with employees, had regard to employee interests, and the effect of that regard on the principal decisions taken by the company during the financial year.

© 2020 Deloitte LLP. All rights reserved.

FRC Focus Area





A Deloitte A Closer Look publication provides more detail on the considerations surrounding capital allocation and dividend policy and highlights expectations regarding disclosure.

COVID-19

Capital allocation and dividend policy

Companies' capital allocation and dividend policies remain a specific area of investor focus. Investors expect transparency around dividend policy and capital allocation and some are calling for an audited figure for distributable reserves within the annual report and accounts.

In its annual review, the FRC noted that it had challenged companies that had paid interim dividends in excess of the distributable profits shown in their latest published financial statements and where companies appeared to have based their determination of available profits on consolidated accounts without ensuring that subsidiaries' profits had been distributed to the parent company to enable dividend payments to shareholders. The FRC also reminded public companies of the need to file interim financial statements prior to a distribution being made if the most recent annual accounts do not show sufficient distributable profits. In addition, the FRC included the following reminders in respect of anticipated distributions:

- share buy-backs must be supported by distributable reserves;
- the CA 2006 s381 net asset test must be met for public companies; and
- where proposed distributions and share buy-back cannot be supported by the latest audited accounts, parent company interim accounts must be filed at Companies House before any dividends or share buy-backs that rely on profits shown in those accounts can be made.

The FRC's Guidance on the Strategic Report includes the following in relation to capital allocation and dividend policy:

"On a year-to-year basis, directors will decide how to apply the company's capital allocation and dividend policies given events and circumstances that have arisen during the period. In both the setting of the policy and the application of that policy in any given period, directors are encouraged to consider the interests of the company's shareholders as a whole, while having regard to, for example, the long-term viability of the company, the need for research and development or capital investment and the interests of other stakeholders, such as the pension fund or current employees.

If the setting and application of the capital allocation and dividend policies are principal decisions, the section 172(1) statement could explain how directors have had regard to the long term and the interests of stakeholders, both in the setting of the capital allocation and dividend policies and then in the application of those policies each year."

As set out in the FRC Thematic Review of financial reporting effects of COVID-19, the FRC expects companies to explain any changes to their capital management in response to COVID-19, including what the companies manage as capital. They should include an explanation of the dividend policy, in particular:

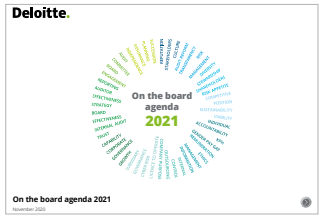
- where the dividend has been suspended, it is helpful to indicate when the period of suspension is expected to end or the decision revised; and
- where the dividend policy is unchanged, it is helpful to explain how this decision links to the viability assessment.

In addition, where a company has had to provide a letter of commitment to Her Majesty Treasury (HMT) in relation to a commitment to restrain their capital distributions and senior pay if certain conditions of the Covid Corporate Financing Facility (CCFF) transaction are reached, then the FRC expect the company's dividend policy to explain how this has affected the dividend policy if relevant commercial paper has been sold to the Covid Corporate Financing Facility Limited (CCFFL) and how this might affect the dividend policy if relevant commercial paper were to be purchased by the CCFF in the future.

© 2020 Deloitte LLP. All rights reserved.

FRC Focus Area





A Deloitte publication, On the board agenda 2021, contains further detail on and insight into the key corporate governance issues and considerations affecting companies.



A Deloitte Governance in Brief publication provides more detail on the requirements introduced by the 2018 Code.

Corporate governance

The 2018 UK Corporate Governance Code took effect for all premium-listed companies for periods commencing on or after 1 January 2019 and companies with a 31 December 2020 year-end will therefore be reporting under this Code for the second year. The Code was revised to emphasise the wider benefits of good governance for the economy and society. It calls on companies to establish a purpose which is aligned with its culture and strategy, and forge strong relationships with key stakeholders. The FRC's review found that corporate governance reporting failed to live up to stakeholder expectations and in many cases corporate governance reporting was not coherent and cohesive. For example, many companies stated the importance of diversity at board level and in the succession pipeline but offered little explanation to set out what they are doing to deliver that.

The FRC's year-end letter to CEOs, CFOs and Audit Committee Chairs highlighted the following areas of corporate governance disclosure where it was felt that improvement was required:

- **Workforce engagement** – explanation of how employee-related issues and concerns are elevated to the board, any direct actions arising from board discussion and the manner in which the company relays its decisions.
- **Chair tenure** – it was felt that companies were not offering detailed and transparent explanations to offer real insight into governance. There was some evidence from the FRC's reviews that, despite comments that succession planning was a priority of the Nomination Committee, it had been necessary to extend the tenure of the Chair whilst a successor was identified.
- **Diverse talent pipeline** – it is not enough simply to say that a diverse talent pipeline is important, there should also be a description of the proactive measures taken to identify individuals from diverse backgrounds.

© 2020 Deloitte LLP. All rights reserved.

Directors' remuneration

New requirements for the directors' remuneration report took effect for periods commencing on or after 10 June 2019 under the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (SI 2019/970) (the 2019 Regulations). These were required to implement parts of EU Directive 2017/828, more commonly known as the Shareholders Rights Directive II, and affect both the setting of remuneration policy and remuneration reporting. They also change the scope of the requirements of remuneration reporting to include traded companies. This captures a small number of UK-registered companies whose shares are traded on regulated markets in the UK, but which are not on the FCA's Official List.

There are two significant changes to the information to be disclosed in the directors' remuneration report. Firstly, the 2019 Regulations amend the presentation of the single total figure table to add two extra columns presenting total fixed consideration and total variable remuneration. They also change the requirements for presentation of percentage change in remuneration. Previously this disclosure was only required to be made in respect of the CEO and the comparison was permitted to be made in relation to a comparator group of employees. Under the 2019 Regulations, the annual percentage change over the five financial years preceding the relevant financial year must be stated in respect of all directors. The option to use an alternative comparator group is removed, as is the requirement for the statement for a parent company to address the entire group. In its guidance on the 2019 Regulations, the Government explains that because the requirement now only extends to the parent company, the calculation of average employee pay should be more straightforward and therefore the option to use an alternative comparator group is no longer necessary. It further notes that a company may still choose to make a voluntary disclosure against a wider comparator group if the parent company's employees account for only a small minority of the total employee headcount of the Group, but notes that this will need to be disclosed alongside the statutory requirement.

More detail on changes to directors' remuneration policy and reporting requirements can be found in DART (available through subscription).

© 2020 Deloitte LLP. All rights reserved.

Other topics of regulatory focus – financial statements

Cash flow statements

In addition to the requirements on changes in financing liabilities and the need for clarity on the treatment of supplier financing and factoring arrangements discussed in Financing Activities below, the reporting of cash flows more generally remains a key area of focus, with the preparation of cash flow statements giving rise to significant concerns, as highlighted in the FRC's annual review.

Despite being an area of focus in the FRC's Annual Review of Corporate Reporting from 2019, the restatement of cash flow statements following FRC queries is a continuing trend, with many errors being basic in nature. In particular, care should be taken in determining the correct classification of cash flows. Common areas for improvement include:

- Non-cash transactions (like commencement of a lease) should be appropriately excluded from the statement of cash flows.
- Proceeds from new borrowings and repayments of borrowings should not be offset and instead be reported on a gross basis.
- Dividends received from associates and joint ventures or net cash paid on acquisitions must be disclosed.
- Acquisition-related costs and consideration for post-acquisition services should be classified as cash flows from operating activities.
- Cash flows from acquisition of non-controlling interests should be classified as financing activities.
- Cash flows from derivatives accounted for as hedging instruments should be classified in the same category as the cash flows of the position being hedged.

In its thematic review on cash flow and liquidity disclosures, published in November 2020, the FRC has considered in detail a sample of cash flow statements issued across a variety of industries. In this review, the FRC found it was challenging companies generally because of material inconsistencies between items in cash flow statements and related information in the notes to the financial statements, and missing or incorrectly identified cash flows. The thematic highlights examples of better disclosure throughout and an example of better disclosure would show an analysis of the components of cash and cash equivalents, for example, cash at bank, short term deposits and money market funds.

It also noted that improvements are required regarding the disclosure of accounting policies and judgements relating to the cash flow statement, in particular relating to the treatment of significant and one-off transactions in the cash flow statement.

Financing activities

Supplier financing arrangements

Supplier financing arrangements (also referred to as 'reverse factoring') are often designed to benefit both the buyer and the supplier liquidity. In some jurisdictions, they have become common in response to public policy initiatives that encourage prompt payment to suppliers.

The terms of supplier financing arrangements vary, but typically involve suppliers being paid in line with, or in advance of, invoice terms by a third-party financial institution who is then reimbursed by the purchaser at a later date, which may be in line with invoice terms or later.

These arrangements remain an area of focus for the FRC, as discussed in its annual review. While reverse factoring arrangements appeared to be in use, the FRC noted that there was no disclosure of their terms, related risks or their effects on the accounts, liquidity and key metrics such as net debt. This review, and the 2019 Lab report Disclosure on the Sources and Uses of Cash, have further information and guidance on this area.

© 2020 Deloitte LLP. All rights reserved.

The IFRS Interpretations Committee (Committee) discussed supplier financing issues in its June 2020 meeting and published a tentative agenda decision.

The Committee discussed how an entity should present liabilities to pay for goods or services received when the related invoices are part of a reverse factoring arrangement. The Committee concluded that these are a trade payable only when the liability:

- represents a liability to pay for goods or services;
- is invoiced or formally agreed with the supplier; and
- is part of the working capital used in the entity's normal operating cycle.

On the question of whether these liabilities should be presented separately, the Committee concluded that, applying IAS 1, an entity presents:

- Other payables together with trade payables only when those other payables have a similar nature and function to trade payables, for example when other payables are part of the working capital used in the entity's normal operating cycle.
- Liabilities that are part of a reverse factoring arrangement separately when the size, nature or function of those liabilities makes separate presentation relevant to an understanding of the entity's financial position. In assessing whether to present such liabilities separately (including whether to disaggregate trade and other payables), an entity considers the amounts, nature and timing of those liabilities (IAS 1:55 & 58).

The Committee observed that for derecognition of liabilities that are or become part of a reverse factoring arrangement, IFRS 9 applies. For the presentation in the cash flow statement, the Committee observed that an entity's assessment of the nature of the liabilities that are part of the arrangement (see above) may help in determining the nature of the related cash flows as arising from operating or financing activities.

Reverse factoring arrangements must also be included in an entity's liquidity risk disclosures (see the section on 'Liquidity risk management' above for more details).

In addition, an entity must disclose the judgements that management has made in respect of how to present liabilities and cash flows related to reverse factoring arrangements if they are among the judgements made that have the most significant effect on the amounts recognised in the financial statements (IAS 1:122). An entity must also provide information about reverse factoring arrangements in its financial statements to the extent that such information is relevant to an understanding of those financial statements (IAS 1:112).

At the time of writing, finalisation of the Committee's position is expected by the end of 2020. This should be considered carefully by entities engaged in supplier financing arrangements.

Disclosure of changes in liabilities from financing activities

Regulators continue to point out improvements needed to an entity disclosures of change in liabilities from financing activities required by IAS 7 *Statement of Cash Flows*. In September 2019, the IFRS Interpretations Committee published an agenda decision that reminds entities about the disclosure objective and makes it clear that a reconciliation alone might not be sufficient.

It should be noted that the reconciliation suggested in IAS 7 is different from a net debt reconciliation that has been historically presented in some jurisdictions, because it should only present movements in liabilities arising from financing activities and not movements in a net debt balance, which often includes cash and other assets that do not give rise to financing cash flows. In summary, the reconciliation required by IAS 7 should:

© 2020 Deloitte LLP. All rights reserved.

- not include any cash or cash equivalent balances;
- include all liabilities that give rise to cash flows that are classified as financing activities in the statement of cash flows (e.g. borrowings or lease liabilities, as well as supplier payables if they form part of the entity's financing activities);
- include all derivatives that give rise to cash flows that are classified as financing activities in the statement of cash flows, for example because they are hedging instruments for a liability that gives rise to financing cash flows;
- include both changes arising from cash flows and non-cash changes; and
- reconcile with the statement of cash flows.

Provisions and contingent liabilities

The recognition and measurement of provisions is an inherently judgemental area and clear disclosure of the key judgements involved is important. This is an area of focus for the FRC and, in its annual review, a number of findings were identified, with the majority of queries arising from there being insufficient information to enable users to understand the nature, timing and related uncertainties of provisions.

Accordingly, entities should consider the following when providing disclosures about provisions:

- Disclosures should be sufficiently detailed (e.g. where provisions were for third-party claims, this should be further explained, including their timing).
- Provisions of different classes must not be aggregated (e.g. onerous contract provisions must not be aggregated with provisions for legal, commercial and regulatory claims).
- It should be explained how restructuring provisions meet the recognition criteria set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which state that a provision shall be recognised when there is a present obligation, the outflow of resources embodying economic benefits is probable and a reliable estimate can be made.
- Provisions and related insurance reimbursements should be presented on a gross basis in the statement of financial position.
- Sufficient information should be provided to support the conclusion that recovery of insurance reimbursement assets was virtually certain.

Fair value measurement

The determination of fair value, particularly when the use of unobservable 'Level 3' inputs is required, can be a subjective exercise. Clear disclosure of the valuation techniques used and of significant unobservable inputs and sensitivities should be provided to enable investors to understand the estimates involved.

In the FRC's annual review, it identified the following as sources of frequent shortcomings:

- Insufficient disclosure of sensitivities of fair values. These should be described, especially with regard to non-financial assets. The sensitivity analyses should illustrate the effect of reasonably possible changes in key assumptions.
- Inadequate explanation of the exercise of judgement. If the choice of valuation technique requires judgement, this needs to be disclosed.

© 2020 Deloitte LLP. All rights reserved.

- If entities use labels like 'other financial assets' or 'other financial liabilities', they need to explain what the amounts represent and how the fair values are determined.
- If entities make company-specific adjustments to established valuation techniques, these must be explained in sufficient detail.
- Valuation inputs and assumptions (e.g. discount rates) must be consistent with those used in other sections of the financial statements.
- Fair value less cost of disposal for a subsidiary must not significantly exceed the subsidiary's market capitalisation in cases where the subsidiary is listed.
- Fair value hierarchy disclosures must include all recurring and non-recurring fair value measurements.
- Opening and closing balances of items categorised as Level 3 must be reconciled.

Reporting the effects of income taxes

The reporting of income tax remains an area of high focus, both from the point of view of quality reporting and more generally as a result of regulatory and media scrutiny of entities' tax affairs. This has only been heightened given the circumstances of the COVID-19 pandemic.

In respect of financial statements, the effective tax rate reconciliation required by IAS 12 *Income Taxes* is an important source of information on the sustainability of an entity's effective tax rate and the factors affecting it. The nature of reconciling items and why they have arisen should be clearly explained and a clear distinction drawn between significant one-off or unusual items and those that are expected to recur.

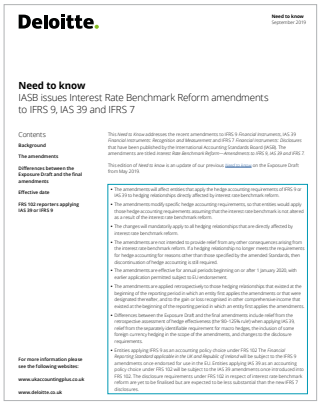
Income tax is a common source of estimation uncertainty, particularly in respect of uncertain tax positions, to be disclosed in accordance with IAS 1. Significant risks of material adjustment in the next financial year should be disclosed, including quantitative information such as sensitivities or ranges of possible outcomes. The possibility of material adjustments in later periods is also valuable information which could be included in, for example, the tax note.

COVID-19

A Deloitte Need to Know Accounting considerations related to the Coronavirus 2019 Disease provides more detail on how COVID-19 can affect an entity's reporting on income taxes, including the recognition of deferred tax assets and the assessment of future taxable profits. While we have highlighted a number of areas that may affected by the consequences of COVID-19, the list is much longer. The Need to Know addresses several other areas, including:

- events after the end of the reporting period;
- restructuring plans and onerous contracts provisions;
- government assistance;
- classification of financial assets, debt modifications, changes in estimated cash flows, hedge accounting and contracts to buy/sell commodities;
- employee benefits and share-based payments;
- insurance recoveries; and
- consolidation, acquisitions and disposals.

© 2020 Deloitte LLP. All rights reserved.


Deloitte.

Need to know
September 2019

Need to know
IASB issues Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7

Contents
Background
The amendments
Differences between the Exposure Draft and the final amendments
Effective date
FRS 102 reporters applying IAS 39 or IFRS 9

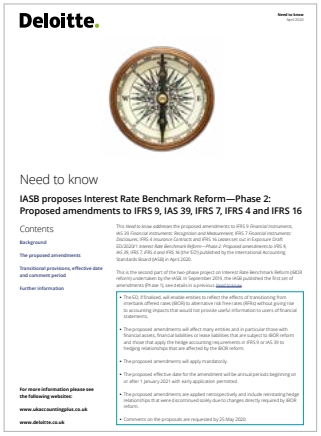
This Need to Know addresses the recent amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* that have been issued by the International Accounting Standards Board (IASB). The amendments are titled *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*.

This edition of *Need to Know* is an update of our previous Need to Know on the Exposure Draft from May 2019.

- The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by interest rate benchmark reform.
- The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.
- The changes will mandatorily apply to all hedging relationships that are directly affected by interest rate benchmark reform.
- The amendments are not intended to provide relief from any other consequences arising from the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required.
- The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted subject to EU endorsement.
- The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or that were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.
- Differences between the Exposure Draft and the final amendments include relief from the retrospective assessment of hedge effectiveness (the 80–125% rule) when applying IAS 39, relief from the separately identifiable requirement for macro hedges, the inclusion of some foreign currency hedging in the scope of the amendments, and changes to the disclosure requirements.
- Entities applying IFRS 9 as an accounting policy choice under FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* will be subject to the IFRS 9 amendments once endorsed for use in the EU. Entities applying IAS 39 as an accounting policy choice under FRS 102 will be subject to the IAS 39 amendments once introduced into FRS 102. The disclosure requirements under FRS 102 in respect of interest rate benchmark reform are yet to be finalised but are expected to be less substantial than the new IFRS 7 disclosures.

For more information please see the following websites:
www.ukaccountingplus.co.uk
www.deloitte.co.uk

A Deloitte Need to Know provides more details on the Phase 1 amendments.


Deloitte.

Need to know
April 2020

Need to know

IASB proposes Interest Rate Benchmark Reform—Phase 2: Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Contents
Background
The proposed amendments
Transitional provisions, effective date and comment period
Further information

This Need to Know addresses the proposed amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* that have been issued by the IASB in *ED/2020/1 Interest Rate Benchmark Reform—Phase 2* (Proposed Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the 'ED') published by the International Accounting Standards Board (IASB) in April 2020.

This is the second part of the two-phase project on Interest Rate Benchmark Reform (IBOR reform) undertaken by the IASB. In September 2019, the IASB published the first set of amendments (Phase 1) (see e-Alerts in a previous Need to Know).

- The ED, if finalised, will enable entities to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative risk free rates (RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.
- The proposed amendments will affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to IBOR reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the IBOR reform.
- The proposed amendments will apply mandatorily.
- The proposed effective date for the amendment will be annual periods beginning on or after 1 January 2021 with early application permitted.
- The proposed amendments are applied retrospectively and include reinstating hedge relationships that were discontinued solely due to changes directly required by IBOR reform.
- Comments on the proposals are requested by 25 May 2020.

For more information please see the following websites:
www.ukaccountingplus.co.uk
www.deloitte.co.uk

A Deloitte Need to Know provides more details on the Phase 2 amendments. Further, the FRC highlights key provisions of Phase 2 in its annual review.

Interest Rate Benchmark Reform

Interest rate benchmarks such as interbank offered rates (IBORs) play a key role in global financial markets and index trillions of dollars in financial products. Work is underway in multiple jurisdictions to transition to alternative risk free rates (RFRs). This is intended to result in rates that are more reliable and provide a robust alternative for products and transactions that do not need to incorporate the credit risk premium embedded in the IBORs.

Phase 1

In 2019, the IASB issued Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39 and IFRS 7 to address accounting issues arising from the uncertainty about the long-term viability of some existing interest rate benchmarks.

These amendments modify specific hedge accounting requirements to enable entities to apply hedge accounting assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the interest rate benchmark reform.

The amendments apply to annual periods beginning on or after 1 January 2020.

Phase 2

In 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

These amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as IBORs, to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 *Financial Instruments: Recognition and Measurement* to hedging relationships that are affected by the reform. The amendments apply to all entities and are not optional.

The amendments to IFRS 7 require an entity to provide disclosures that enable a user to understand the nature and extent of risks arising from interest rate benchmark reform, how the entity is managing those risks, its progress in completing the transition from interest rate benchmarks to alternative benchmark interest rates and how it is managing the transition.

Subject to EU endorsement (or, from 1 January 2021, UK endorsement – see Brexit and 2020 annual reports), phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted. The amendments are applied retrospectively and include reinstatement of hedge relationships that were discontinued solely due to changes directly required by the reform.

© 2020 Deloitte LLP. All rights reserved.

Currency and hyperinflation

Increasing levels of inflation and restrictions on exchange between local and internationally traded currencies are a feature of some economies around the world. These issues present financial reporting challenges in:

- Determining whether an economy is hyperinflationary (as that term is defined in IAS 29 *Financial Reporting in Hyperinflationary Economies*, which includes several characteristics of hyperinflation, including a cumulative inflation rate over three years that approaches or exceeds 100%) and, if so, which general price index should be applied to amounts in the financial statements.
- Determining an entity's functional currency in circumstances where both a local and international currency are in common use. This can be particularly significant where the local currency is hyperinflationary as IAS 29 is only applied by entity whose functional currency is the currency of a hyperinflationary economy (rather than by any entity operating in that economy).
- Identifying a suitable exchange rate for translating monetary items in individual financial statements and in retranslating the financial statements of a foreign operation in its parent's presentation currency.

When inflation or exchange issues result in a significant judgement or give rise to a source of estimation uncertainty, disclosure should be provided as required by IAS 1:122 and 125.

Based on data available at the time of writing, including inflation forecasts from the International Monetary Fund (IMF) and the indicators laid out in IAS 29, the following economies should be considered hyperinflationary economies for the purposes of applying IAS 29 and for retranslation of foreign operations in accordance with IAS 21 *The Effect of Changes in Foreign Exchange Rates* in financial statements for the year ending 31 December 2020:

- Argentina
- Islamic Republic of Iran
- Lebanon
- South Sudan
- Sudan
- Syrian Arab Republic
- Venezuela
- Zimbabwe

At the time of writing, forecasts by the IMF indicates that the Republic of Suriname may be considered to have a hyperinflationary economy by the end of December 2020. Entities concerned should monitor the situation to determine whether this is the case.

© 2020 Deloitte LLP. All rights reserved.

EPS

Earnings per share (EPS) is a common measure of performance used by investors and analysts. Common pitfalls in EPS calculations include failure to adjust both basic and diluted EPS retrospectively for changes in the number of shares in issue without a corresponding change in resources (arising from, for example, a scrip dividend, share split or share consolidation). Although a transaction after the year-end which does not provide evidence of conditions at the end of the reporting period is generally a non-adjusting event, requiring no change to the amounts disclosed in the financial statements, the share capital transactions specified in IAS 33:64 are an important exception.

Errors can also be made in the treatment of treasury shares, or shares held in an employee benefit trust ('EBT') or similar vehicle. These shares are not considered 'outstanding' and so are excluded from the 'number of shares' in basic and diluted EPS and have no further effect on the calculations.

There are many other potential complications and each instrument which could potentially result in the delivery of ordinary shares (or the repurchase of existing ordinary shares) should be considered carefully to determine its potential effect on basic and/or diluted EPS.

Although outside the 'top 10' in terms of frequency of FRC questions, the miscalculation of EPS is a significant area, and accordingly is considered in the FRC's annual review, alongside an illustrative case study.

© 2020 Deloitte LLP. All rights reserved.

Appendices

UK GAAP developments

For accounting periods beginning on or after 1 January 2020, a number of amendments to FRS 102 and FRS 105 have become effective and will therefore impact 31 December 2020 annual reports.

- Interest rate benchmark reform – this amendment to FRS 102 provides relief from specific hedge accounting requirements during the period of uncertainty as interest rate benchmarks are reformed, avoiding unnecessary discontinuation of hedge accounting.
- Multi-employer defined benefit plans – this amendment to FRS 102 sets new and explicit requirements for the transition from defined contribution accounting to defined benefit accounting for a multi-employer plan where sufficient information becomes available for the first time.
- COVID-19-related rent concessions – this amendment to both FRS 102 and FRS 105 sets explicit requirements for accounting for temporary rent concessions for operating leases that have come about as a direct consequence of the COVID-19 pandemic.

For accounting periods beginning on or after 1 January 2021, the amendments to FRS 104 in relation to assessing the going concern basis of accounting in preparation of interim accounts will become effective.

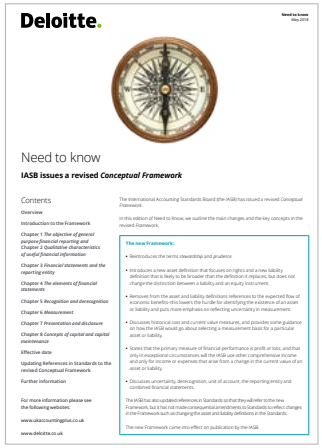
New and revised IFRS Standards and Interpretations mandatorily effective for years ending 31 December 2020

IFRS
Amended Standards
Amendments to the Conceptual Framework for *Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards* - References to the Conceptual Framework*
Amendments to IFRS 3 *Business Combinations* - Definition of a Business
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* (for entities that have not yet adopted IFRS 9) and IFRS 7 *Financial Instruments: Disclosures* - Interest Rate Benchmark Reform

* denotes amendments not yet endorsed for use as part of EU-IFRS. Note that after IP completion day (see Brexit and 2020 annual reports above) endorsement will be by the UK.

Amendments to references to the Conceptual Framework in IFRS Standards

When publishing the revised Conceptual Framework in 2018, the IASB has published a separate document Updating References to the Conceptual Framework, which contains consequential amendments to Standards that included references to the 1989 and 2010 versions of the Framework so that they refer to the new Framework.


Deloitte.

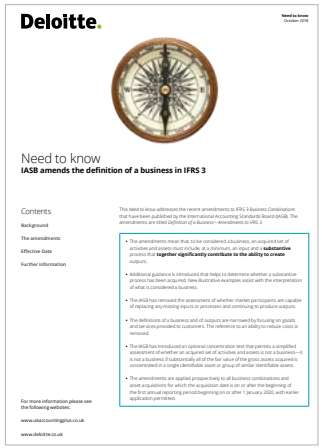
Need to know

IASB issues a revised *Conceptual Framework*

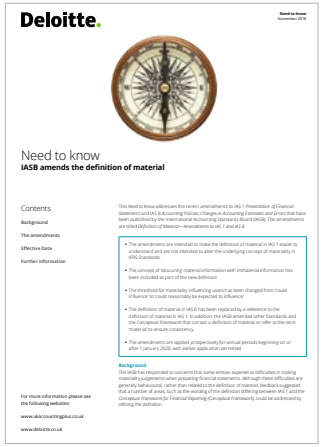
Contents

A Deloitte Need to Know provides more details on the revised Conceptual Framework including the consequential amendments to IFRS Standards.

© 2020 Deloitte LLP. All rights reserved.



A Deloitte Need to Know provides more details on the amendments to IFRS 3 – Definition of a Business.



A Deloitte Need to Know provides more details on the amendments to IAS 1 and IAS 8—Definition of Material.

Amendments to IFRS 3 *Business Combinations* – Definition of a Business

The amendments to IFRS 3 include:

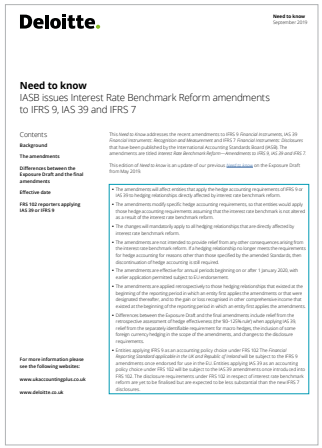
- Clarification that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Additional guidance to help determine whether a substantive process has been acquired. New illustrative examples assist with the interpretation of what is considered a business.
- Removal of the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.
- The definitions of a business and of outputs are narrowed by focusing on goods and services provided to customers. The reference to an ability to reduce costs is removed.
- An optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is not a business – it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.
- A reminder to apply judgement where it is not clear whether an integrated set of activities and assets should be regarded as a business.

Amendments to **IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Material**

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The amendments also make the following changes:

- The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.
- The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.
- The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

© 2020 Deloitte LLP. All rights reserved.


Deloitte.

Need to know
September 2019

Need to know
IASB issues Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7

Contents

Background
The amendments
Differences between the Exposure Draft and the final amendments
Effective date
FRS 102 reporters applying IAS 39 or IFRS 9

This Need to Know addresses the recent amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* that have been published by the International Accounting Standards Board ('IASB'). The amendments are titled *Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7*.

This edition of *Need to Know* is an update of our previous Alert Story on the Exposure Draft from May 2019.

- The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by interest rate benchmark reform.
- The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.
- The changes will mandatorily apply to all hedging relationships that are directly affected by interest rate benchmark reform.
- The amendments are not intended to provide relief from any other consequences arising from the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required.
- The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted subject to EU endorsement.
- The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or that were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.
- Differences between the Exposure Draft and the final amendments include relief from the retrospective assessment of hedge effectiveness (the '80 - 125% rule') when applying IAS 39, relief from the separately identifiable requirement for macro hedges, the inclusion of some foreign currency hedging in the scope of the amendments, and changes to the disclosure requirements.
- Entities applying IFRS 9 as an accounting policy choice under FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland will be subject to the IFRS 9 amendments once endorsed for use in the EU. Entities applying IAS 39 as an accounting policy choice under FRS 102 will be subject to the IAS 39 amendments once introduced into FRS 102. The disclosure requirements under FRS 102 in respect of interest rate benchmark reform are yet to be finalised but are expected to be less substantial than the new IFRS 7 disclosures.

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

A Deloitte Need to Know provides more details on the Amendments to IFRS 9, IAS 39 and IFRS 7—Interest Rate Benchmark Reform (phase 1).

Amendments to **IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* (for entities that have not yet adopted IFRS 9) and IFRS 7 *Financial Instruments: Disclosures* – Interest Rate Benchmark Reform (phase 1)**

The amendments to IFRS 9, IAS 39 and IFRS 7:

- affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform;
- modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform;
- mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform.
- are not intended to provide relief from any other consequences arising from the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required; and
- are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.

© 2020 Deloitte LLP. All rights reserved.

IFRS Interpretations Committee Agenda Decisions in 2020

Along with its activity developing formal interpretations of IFRS Standards and proposing that the IASB make amendments to Standards, the IFRS Interpretations Committee regularly publishes summaries of issues that it has decided not to add to its agenda, often accompanied by a discussion of the accounting issue submitted.

In August 2020, The Trustees of the IFRS Foundation issued an updated IFRS Foundation Due Process Handbook establishing that the explanatory material in the agenda decisions published by the IFRS Interpretations Committee derives its authority from the IFRS Standards themselves and, therefore, that application of the agenda decisions is required.

The IFRS Foundation Due Process Handbook also notes that it is expected that an entity would be entitled to sufficient time to make that determination and implement any necessary accounting policy change (for example, an entity may need to obtain new information or adapt its systems to implement a change). Determining how much time is sufficient to make an accounting policy change is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless an entity would be expected to implement any change on a timely basis and, if material, consider whether disclosure related to the change is required by IFRS Standards.

In 2020, the following agenda decisions have been published by the Committee.

January IFRIC Update	IFRS 16—Definition of a Lease—Decision-making Rights
March IFRIC Update	IAS 21 and IAS 29—Translation of a Hyperinflationary Foreign Operation—Presenting Exchange Differences
	IAS 21 and IAS 29—Cumulative Exchange Differences before a Foreign Operation becomes Hyperinflationary
	IAS 21 and IAS 29—Presenting Comparative Amounts when a Foreign Operation first becomes Hyperinflationary
	IFRS 15—Training Costs to Fulfil a Contract
April IFRIC Update	IAS 12—Multiple Tax Consequences of Recovering an Asset
June IFRIC Update	IFRS 16—Sale and Leaseback with Variable Payments
	IAS 12—Deferred Tax related to an Investment in a Subsidiary
	IAS 38 Intangible Assets—Player Transfer Payments

The agenda decisions are also available in compiled volumes. These have been published published for October 2019 – March 2020, and April 2020 – September 2020.

© 2020 Deloitte LLP. All rights reserved.

New and revised standards available for early application in years ending 31 December 2020

IAS 8:30 requires entities to consider and disclose the potential impact of new and revised IFRS Standards that have been issued but are not yet effective.

The list of new and revised standards available for early application in years ending 31 December 2020 below reflects a cut-off date of 31 October 2020. The potential impact of the application of any new and revised IFRS Standards issued by the Board after that date, but before the financial statements are issued, should also be considered and disclosed.

IFRS	Effective Date – periods commencing on or after:
New standards	
IFRS 17 Insurance Contracts including Amendments to IFRS 17	1 January 2023 *
Amended standards	
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB decided in December 2015 to defer indefinitely the effective date of these amendments. Early application is permitted*
IFRS 16 – COVID-related Rent Concessions	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance Contracts and IFRS 16 – Interest Rate Benchmark Reform—Phase 2	1 January 2021 *
IFRS 3 – References to the Conceptual Framework	1 January 2022 *
IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022 *
IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022 *
IFRS 1, IFRS 9, IFRS 16 and IAS 41 Agriculture – Annual Improvements to IFRS Standards 2018-2020	1 January 2022, except for the amendment to IFRS 16 for which no effective date is stated as it regards only an illustrative example *
IAS 1 – Classification of Liabilities as Current or Non-current including Classification of Liabilities as Current or Non-current—Deferral of Effective Date	1 January 2023 *

* denotes amendments not yet endorsed for use as part of EU-IFRS. Note that after IP completion day (see Brexit and 2020 annual reports above) endorsement will be by the UK.

© 2020 Deloitte LLP. All rights reserved.

Deloitte resources

There are several resources prepared by Deloitte that can assist you during the upcoming reporting season. Many have been highlighted throughout this publication; key resources are listed below.

The Closing Out 2020 page on UK Accounting Plus
A dedicated page on UK Accounting Plus, providing links to a full suite of resources. This page will continue to be updated to reflect developments after the date of this publication.

Annual report insights 2020 – Surveying FTSE reporting
A clear vision: Planning your report summarises our findings from a review of 100 listed UK companies, identifying insights for companies to focus on when dealing with new and existing regulations in their next annual report. It also gives other ideas for improved reporting, including how companies can embrace the ideas behind integrated reporting and not just tell a story but tell the story that the company lives.

Our dedicated annual report insights site provides access to Annual report insights 2020: Surveying FTSE reporting, detailing the hot topics that companies themselves are focusing on, including COVID-19. Our survey examines reporting trends across five areas – purpose, people, planet, profit - sometimes referred to as 'the 4 Ps' - and the pandemic. It includes insight on responses to changing report requirements, areas for improvement, regulatory hotspots and examples of disclosure.

On the board agenda – the 2021 reporting season
On the board agenda 2021 highlights the recent and upcoming changes in the corporate governance environment, including the ever-increasing reporting requirements regarding company activities. There is much to consider. This year our flagship publication for boards is structured around a series of short articles covering a number of hot topics from resilience to workforce strategies to the public interest statement to executive remuneration to name a few.

Climate change website
Deloitte, in collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW), maintains a dedicated climate change website and video learning programme that is designed to help businesses and finance professionals learn more about tackling climate change.

The Deloitte Accounting Research Tool (DART)
DART is a comprehensive online library of accounting and financial disclosures literature, allowing access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date manuals which provide guidance for reporting under IFRS Standards; and
- Model financial statements for entities reporting under IFRS Standards.

To apply for a subscription to DART, click here to start the application process and select the GAAP in the UK package.

For more information about DART, including pricing of the subscription packages, click here.

© 2020 Deloitte LLP. All rights reserved.

Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please click here to learn more about our global network of member firms.

© 2020 Deloitte LLP. All rights reserved.

Designed by CoRe Creative Services. RITM0587134