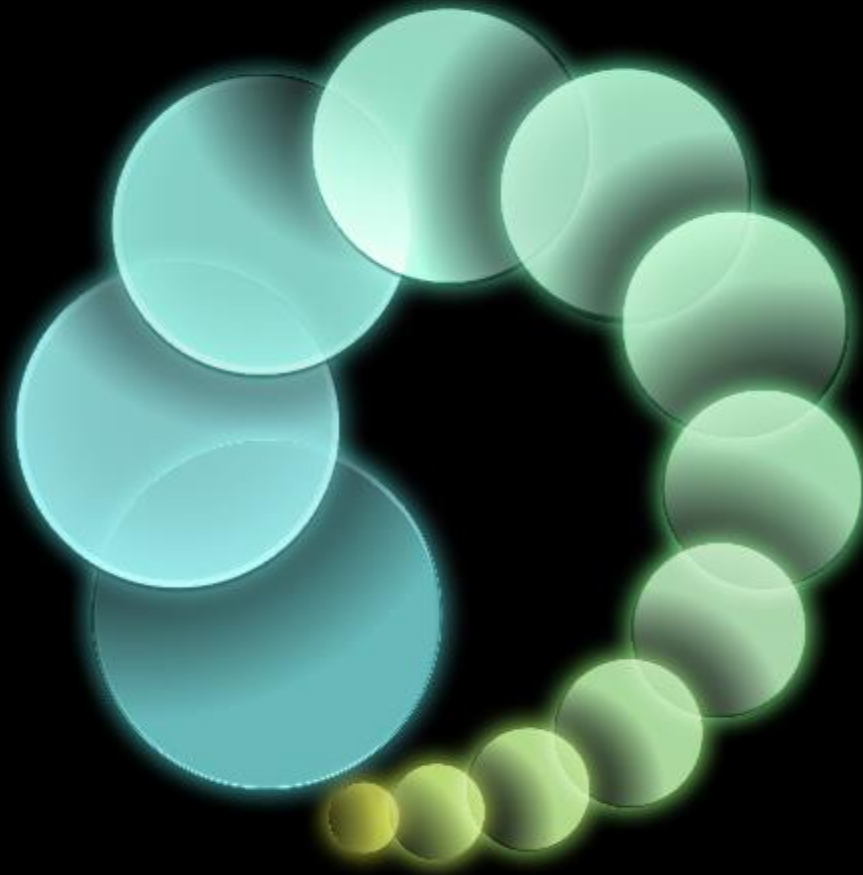


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Deloitte Finance Club
July Technical Update 2020
9 July 2020 08.30 – 09.45



**MAKING AN
IMPACT THAT
MATTERS**
since 1845

Deloitte.



Opening remarks

Jon Thomson | Partner



Agenda

Welcome – Jon Thomson

Corporate governance – Tracy Gordon

Narrative reporting – Amanda Swaffield

Financial reporting – Peter Westaway

Tax update & COVID-19 implications – Alexandra Warren

Q&A

Close

Deloitte.



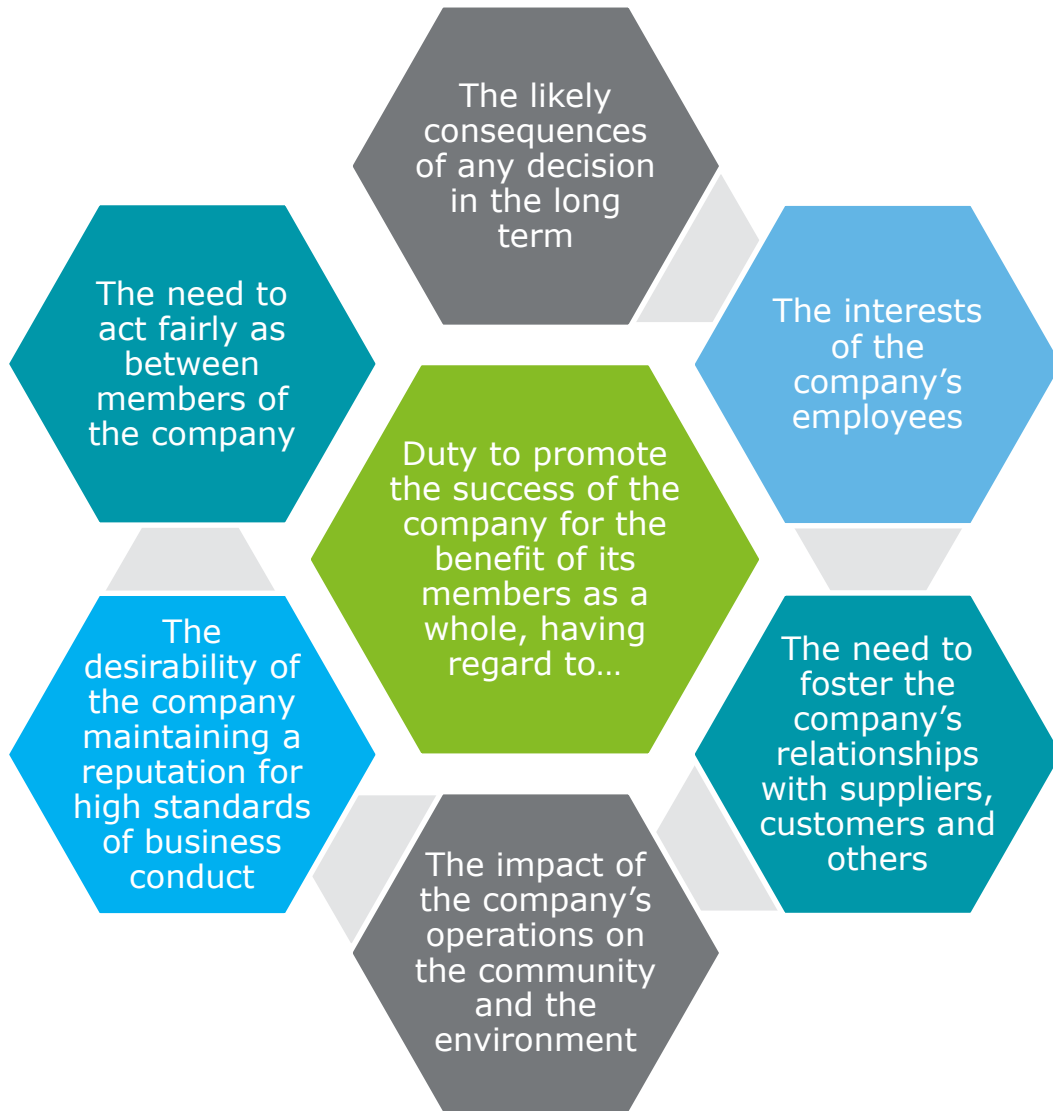
Corporate governance

Tracy Gordon | Director

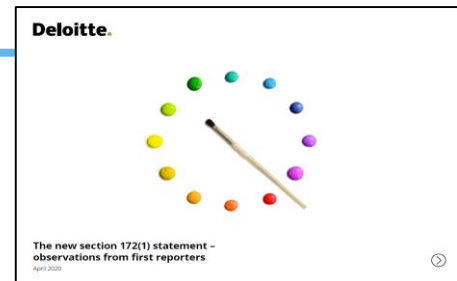
The s172(1) statement – early examples

Section 172 – a director’s duty under the Companies Act 2006

Reminder: reporting requirement for periods commencing on or after 1 Jan 2019



- A new, separately identifiable **Section 172(1) statement** to be included in the Strategic Report to describe **how** the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172
- To cover:
 - the issues, factors and stakeholders relevant in complying with s172 and why;
 - engagement methods; and
 - impact on decisions and strategies during the year.
- Covers all large UK registered entities, including subsidiaries

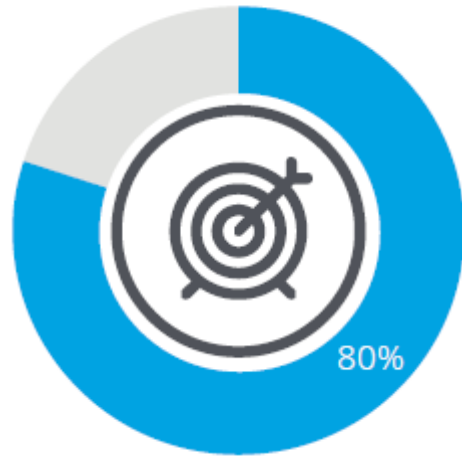


Section 172(1) statement

Observations from first reporters

Location and signposting:

- All but one presented a clearly identifiable statement.
- 50% prioritised the statement by placing it within the first twenty pages of their annual report.



80% disclosed their section 172(1) statement within the strategic report.

Watch out for: including within the strategic report

Structure:

- Cross-referencing proved popular and was generally specific and effective.
- Only a few reporters presented the statement as a self-contained disclosure.

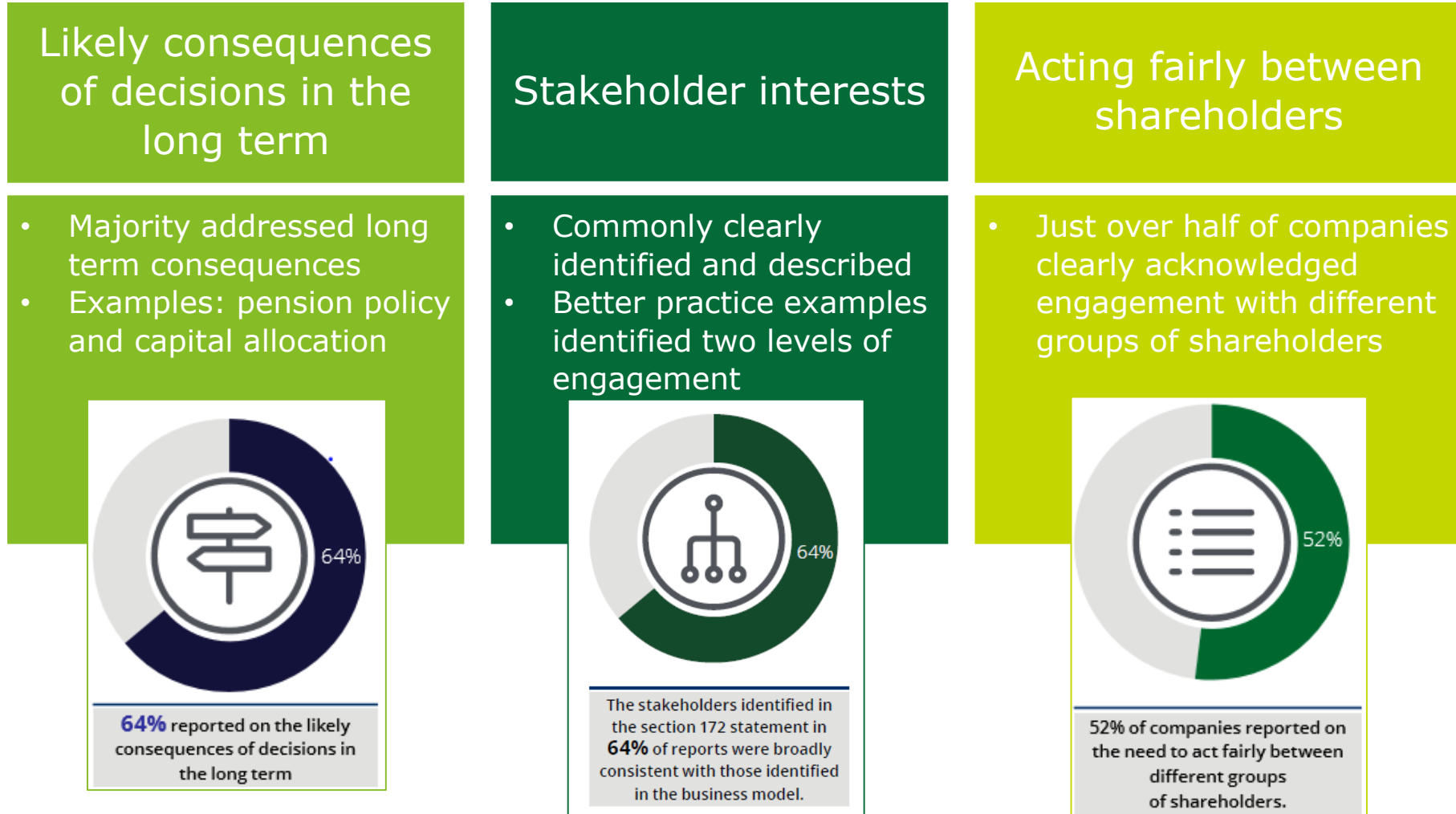


60% presented their statement as a summary with cross-references.

Watch out for: 'unhelpful' references to long, unspecific sections of the annual report

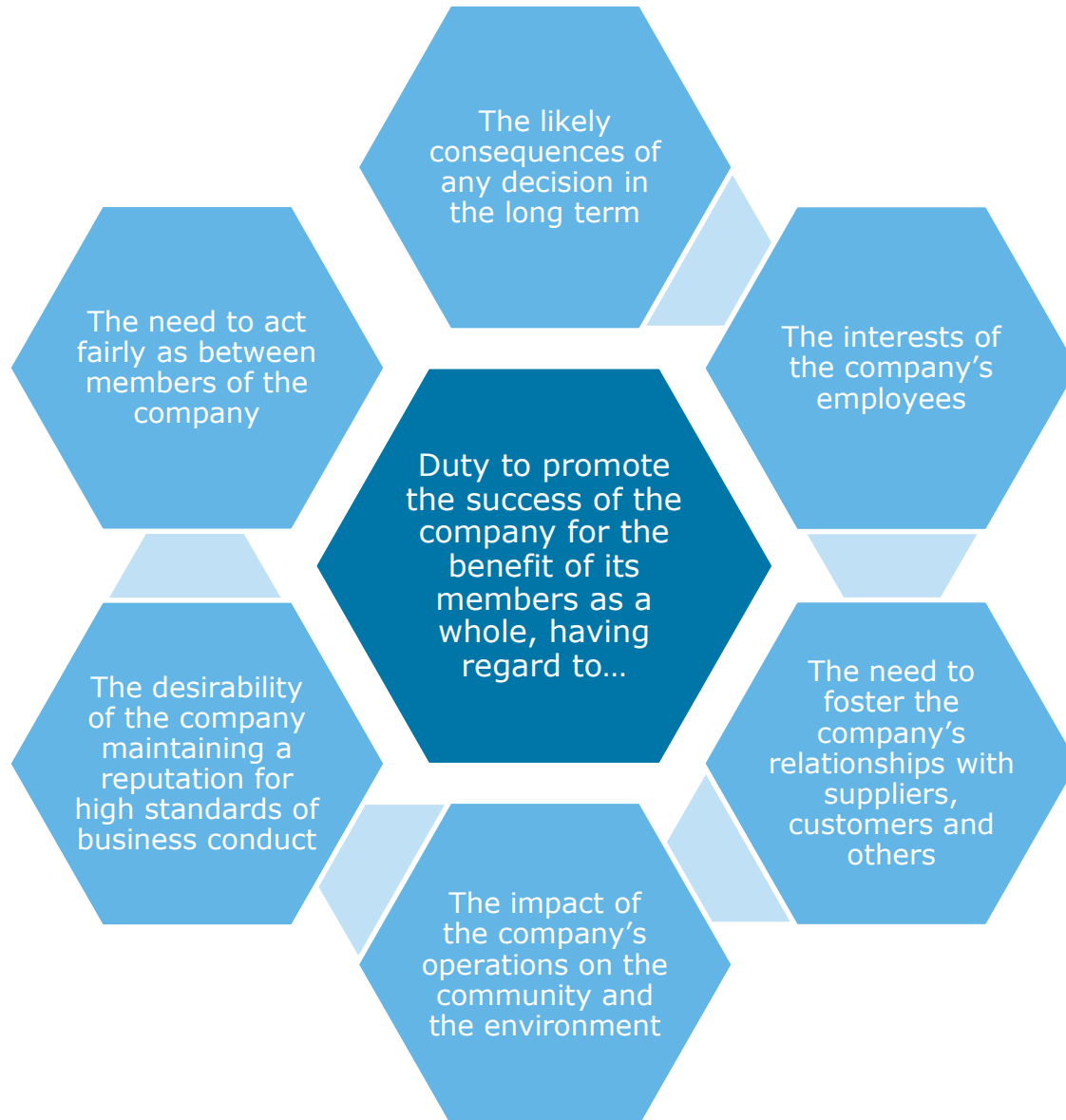
Section 172(1) statement

Observations from first reporters



Watch out for: addressing the FRC's requirement of reporting needing to cover the concerns raised by stakeholders, how boards have understood the issues, and how they have thought carefully about how these impact on the long-term success of the company. [FRC's Annual Review of CG Code – Jan 2020]

Annual report 2020 – how will you explain decisions taken during this period?



And remember Sir Donald Brydon's recommendation for a **Public Interest Statement** setting out:

- the directors view the company's legal, financial, social and environmental responsibilities to the public interest
- how the company has discharged its self-declared public interest obligations and responsibilities, what actions it has taken to mitigate any externalities it has caused during the period, and how effective these actions have been

Reporting under the 2018 Code

The new UK Corporate Governance Code

A quick reminder about the UK listing rules, principles and provisions

LR9.8.6 – two elements on the UK Corporate Governance Code:

1. A statement of how the listed company has applied the principles set out in the UK Corporate Governance Code, in a manner that would enable shareholders to evaluate how the principles have been applied.
2. A statement as to whether the listed company has complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code.

The FRC has high expectations for reporting on the new Code – and will be monitoring the quality of disclosure.

“We wish to see a much greater focus on the **activities** and **outcomes** of implementing the Principles of the 2018 Code, particularly on the board’s effectiveness and decision-making, and how this has led to sustainable benefits for shareholders and wider stakeholders.”

Executive summary – Annual Review of the UK Corporate Governance Code

N.B. Rolling forward last year’s governance section will not be appropriate!

The 2018 UK Corporate Governance Code

Clear expectations set by the FRC in their report on governance reporting

Board leadership and Company Purpose

- Alignment of purpose, values, strategy & culture
- Assessing & monitoring culture
- Workforce engagement mechanisms and outcomes
- Section 172 reporting – identifying and understanding stakeholder concerns
- Action where votes against greater than 20%

Composition, Succession and Evaluation

- Maximum tenure of the chair
- Succession planning
- Policy on diversity & inclusion

Remuneration

- Use of non-financial metrics to measure annual bonus and LTIP awards
- How workforce pay influences pay policy and how new pay policies are communicated to the workforce
- Details of clawback and malus provisions
- Plans for alignment of executive pension contributions with the wider workforce

Observations from reporting on the 2016 Code

- Quality of explanations
- Viability reporting

Mechanism to monitor the culture in “How do we monitor culture” on page 99 (Corporate Governance Report)

How do we monitor culture?

It is critical to the strategy and long-term success of the Group that we have a culture and set of values that are widely understood and that guide everything we do. These are clearly defined in The Mondri Way, our framework for creating sustainable value, and are set out on pages 8 and 9. They are reinforced by our Code of Business Ethics which sets out key principles under five headings that guide the way we do business – legal compliance, honesty and integrity, human rights, stakeholders and sustainability. The Board has responsibility for assessing and monitoring the culture of the Group and ensuring that the Group’s policies and practices are aligned with this. This responsibility is embedded in the Matters Reserved for the Board.

There are a number of ways in which the Board monitors and assesses culture, including:

Site visits

The directors are encouraged wherever possible to visit Mondri’s key assets and operations so that they can get a more in-depth understanding of the business. Such visits offer directors the opportunity to see for themselves how our safety and sustainability culture is working in practice, to talk to local management and employees and to see how Mondri’s values are communicated at a local level. During 2019 the Board visited our Engineered Materials plant in Gronau (Germany) and our Flexible Packaging plant in Korneuburg (Austria) (see page 102 for further details). The Board also visited our Merebank mill (South Africa) in January 2020.

Board presentations

The Board has in place a rolling programme of presentations from members of the executive committee and other senior management. These presentations give the directors direct exposure to members of senior management beyond the executive directors, allowing them the opportunity to ask questions and hear their views and opinions. The directors also gain valuable insight for the purposes of succession planning. Presenters are additionally invited to attend board dinners, offering a more informal setting for discussion.

Employee survey results

The Board receives regular reports from the Group HR Director on the results of our biennial employee survey, the issues raised and the follow up actions being taken, giving the Board an insight into how employees feel about the culture of the Group and particular areas that may need addressing. Results are classified into categories including acting with integrity, caring, empowered and transparent, allowing comparison of the results in each category against previous surveys. More information about the way in which the views of employees are gathered and assessed can be found on page 18.

Speakout statistics and themes

The Board regularly receives details of the messages received via our confidential reporting hotline, Speakout. The Board reviews the types of messages received and the actions being taken in response. These details allow the Board to identify any particular trends and common issues. Messages are classified into categories including HR and culture, business integrity and safety and the environment. Further details on Speakout can be found on page 36.

Safety reports and statistics

The Board reviews safety statistics and key safety focus areas at every meeting. Caring for our employees is a significant part of Mondri’s culture and this includes ensuring safe behaviour. Reviewing the safety reports highlights to the Board any concerns around the approach to safety.

Review of key policies

The Board undertakes an annual review of Mondri’s key policies, including the Business Integrity Policy. This gives the Board the opportunity to assess whether policies remain suitable for Mondri, reflect the appropriate values and approach to the way the business is run and support its long-term sustainable success.

“Workforce engagement” on page 93 (Corporate Governance Report)

Workforce engagement

To ensure effective engagement with the workforce, the Board uses two of the methods stipulated under the Code: Edward Bonham Carter, our Senior Independent Director, is the designated Workforce Engagement Director and we also utilise a formal workforce advisory panel, our Ambassador network. As well as these mechanisms, the Board recognises the benefits of personal interaction and informal discussion in learning more about day-to-day operations, the practical execution of strategy, and gathers direct insights into workforce sentiment. Set out below are the key instances of the direct engagement the Board members have had with our employees.

Our Ambassador network represents all parts of the business and was established in 2015 to represent employee interests, share information and help inform our culture by giving our employees a voice. Each Ambassador represents about 50 colleagues from their business area, called their constituency. Some larger constituencies have more than one Ambassador, while smaller departments have been grouped together within a single constituency. There are approximately 75 Ambassador constituencies. The Ambassadors are organised through five groups: Manchester, Leeds, London Waterhouse Square offices, London Grays Inn Road offices, and our International offices. The Ambassadors meet in their groups four times a year and they also participated in an all Ambassador conference in 2019. The Ambassadors meetings allow good engagement regarding business issues affecting colleagues. For example, during 2019, Ambassadors were instrumental in feeding back on flexible working and providing an insight into colleague understanding of the ITV strategy.

Our designated Workforce Engagement Director, Edward Bonham Carter, has attended a number of meetings and lunches with Ambassadors across our sites in Leeds, Manchester, and two of our London sites, as well as meeting the Ambassador Chairs separately. Through active two-way dialogue, these meetings have provided Edward with the opportunity to share insights into external factors affecting ITV and the Ambassadors then share this insight back with their constituents. Edward's feedback has also highlighted to the Board the importance of Issues which are key to employees and either accelerated or informed outcomes (see his quote on this page). Where there have been Ambassador meetings since the previous Board meeting, Edward has had time on the Board agenda to feedback on employee views or any issues that employees have wanted to raise.

The Board and ITV's Management Board use a number of **other arrangements for direct workforce engagement**. This includes, for example:

- As well as the usual engagement that the Board has with the members of the Management Board, through regular dinners with the Management Board and at the Board's strategy sessions, plus interactions outside the Boardroom with other senior leaders, the Board met with employees at the AGM
- The Board held its October Board and Committee meetings in Manchester. The Board's employee engagement on the visit is referenced on page 80
- The Chairman and Roger Faxon visited the New York offices of ITV Studios America. The Chairman is present in the ITV offices for a full day at least once a week and during this time is visible in the workplace and meets with senior leaders

Pearson PLC

Nomination & Governance Committee report, page 71

Diversity and talent in Executive pipeline

We are a founder member of the 30% Club and the Chief Executive has also signed a personal commitment to set an aspirational target of at least 30% women in Pearson's senior management team by 2020. On our Executive team, there are currently two women out of nine members (22%) – this excludes the Chief Executive and Chief Financial Officer who are counted in the Board's metric (2018: 20%). As of 31 December 2019, the number of women forming part of the senior management team, i.e. the Pearson Executive and their direct reports, including the Company Secretary, as required by the Code, is 34 women representing 34% of that group (2018: 31%).

Gender balance of Board



Male 8
Female 4

Ethnicity



White 11
Mixed 1
Mixed – White & Black Caribbean (1)
White – English/Welsh/Scottish/
Northern Irish/British (7)
White – Any other White background (4)

Nationality of Directors



US 3
UK 8
Canada 1

Tenure on the Board for Chair and Non-Executive Directors



Under 3 years 3
3-6 years 4
Over 6 years 3

Committee report, page 66

Board D&I objectives

The Committee has agreed the following objectives on behalf of the Board, which were reviewed and updated during the year, to support the Board D&I Policy:

Objectives	Progress
<p>We will strive to maintain a Board composition of:</p> <ul style="list-style-type: none"> ⚠️ > at least 33% female Directors > at least one Director of colour. 	<ul style="list-style-type: none"> ✅ 33% female Directors achieved. ✅ Board includes one Director who identifies as Mixed – White & Black Caribbean.
<p>All Board appointments will be made on merit, in the context of the skills and relevant experience that are needed for the Board to oversee Pearson's strategic development and that reflect the global nature of our business.</p>	<ul style="list-style-type: none"> ✅ Rigorous process used during recent search for Sherry Coutu and Graeme Pitkethly who each have relevant experience and skills.
<ul style="list-style-type: none"> ⚠️ The Board will continue to incorporate a focus on a diverse pipeline in its succession and appointment planning including to prioritise the use of search firms which adhere to the Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code) when seeking to make Board-level appointments 	<ul style="list-style-type: none"> ✅ Russell Reynolds Associates assisted Pearson with the recent Non-Executive Director search process and are engaged on the external element of the Chief Executive search. Russell Reynolds Associates are a signatory to the Voluntary Code.
<p>The Board will continue to adopt best practice, as appropriate, in response to the Davies Review, the Hampton-Alexander Review and the Parker Review.</p>	<ul style="list-style-type: none"> ✅ The recommendations of the Davies Review, Hampton-Alexander Review and Parker Review in respect of gender and ethnic diversity have been noted by the Board.
<ul style="list-style-type: none"> ⊕ The Board will consider its composition and diversity as part of its consideration of effectiveness in the Board evaluation review process 	<ul style="list-style-type: none"> ✅ These matters were considered in the 2019 evaluation process.
<p>Where appropriate, we will assist with the development and support of initiatives that promote all forms of D&I in the Board, Pearson Executive and our senior management.</p>	<ul style="list-style-type: none"> ✅ Board mentoring scheme of senior leadership talent ongoing throughout 2019. ✅ Board members participated in Pearson's Female & Diverse Executive Leadership Forum events held in London and New York, developed in direct response to a suggestion by the Nomination & Governance Committee.
<p>We will review and report on our progress in line with the policy and our objectives in the annual report, including providing details of initiatives to promote D&I in the Board, Pearson Executive and our senior management.</p>	<ul style="list-style-type: none"> ✅ The Nomination & Governance Committee reviewed the Board's Diversity Policy and accompanying objectives during the year, as well as developments on diversity in the external landscape.
<p>We will continue to make key D&I information, about the Board, senior management and our wider employee population, available in the annual report, and aim for ongoing transparency in this area in line with best practice.</p>	<ul style="list-style-type: none"> ✅ This information is included in the annual report.

✅ Target achieved ⊕ New target ⚠️ Changed target

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Narrative reporting

Amanda Swaffield | Director

Reporting announcements

Some reporting announcements from UK Regulators

FRC

Company Guidance (COVID-19)
on a range of corporate
reporting and governance issues

FCA deadline extensions

- Annual reports - from 4 to 6 months for listed issuers
- Interims - from 3 to 4 months

AIM deadline extensions

- Annual reports - year-ends 30 September 2019 – 30 June 2020 can apply for a 3 month extension
- Interims – can have an additional month to finalise interims

Companies House

where the filing deadline has not yet passed, companies can apply for a 3 month extension to file accounts

PRA

Guidance regarding the approach that should be taken by banks, building societies and PRA-designated investment firms in assessing expected loss provisions under IFRS 9.

New annual reporting requirements – a reminder

Energy and carbon regulations (SECR)

Overview and scope



- Effective for periods beginning on or after 1 April 2019
- Extends existing disclosure requirements for quoted companies
- New requirements for **large** unquoted companies and **large** LLPs (qualifying partnerships exempt)
- Some exemptions available for subsidiaries, low-energy consumers
- Overseas entities are out of scope, including Channel Islands and Isle of Man

“Large” = the company or LLP satisfies two or more of the following:

more than £36 million turnover

more than £18 million balance sheet

more than 250 employees

“Large group” = met if the group satisfies two or more of the following:

more than £36 million net (or £43.2 million gross) aggregate turnover

more than £18 million net (or £21.6 million gross) balance sheet total

more than 250 employees

Energy and carbon regulations (SECR)

Disclosures

	Quoted companies	Large unquoted and LLPs	All new!
	Annual GHG emissions from activities: <ul style="list-style-type: none"> • for which company is responsible; and • from buying electricity, heat, steam, cooling for own use 	UK GHG emissions: <ul style="list-style-type: none"> • from activities for which the company is responsible involving gas combustion, or fuel consumption for transport purposes; and • from buying electricity for own use, including for the purpose of transport 	
New!	Global energy use from activities for which company is responsible and from buying electricity, heat, steam, cooling for own use	UK energy use (minimum of gas, electricity & transport incl. UK offshore area)	
New!	The proportion of emissions and energy use related to the UK and offshore area		
	At least one intensity ratio in relation to emissions		
	New!	Description of any energy efficiency actions taken	
	Methodology used		
	Comparative information (except in first year)		
	Companies to include within the directors' report (or elevate to strategic report) LLPs to include information in an 'energy and carbon report'		

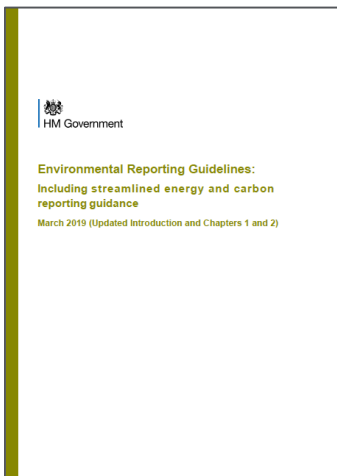
Energy and carbon regulations (SECR)

Preparing for disclosure



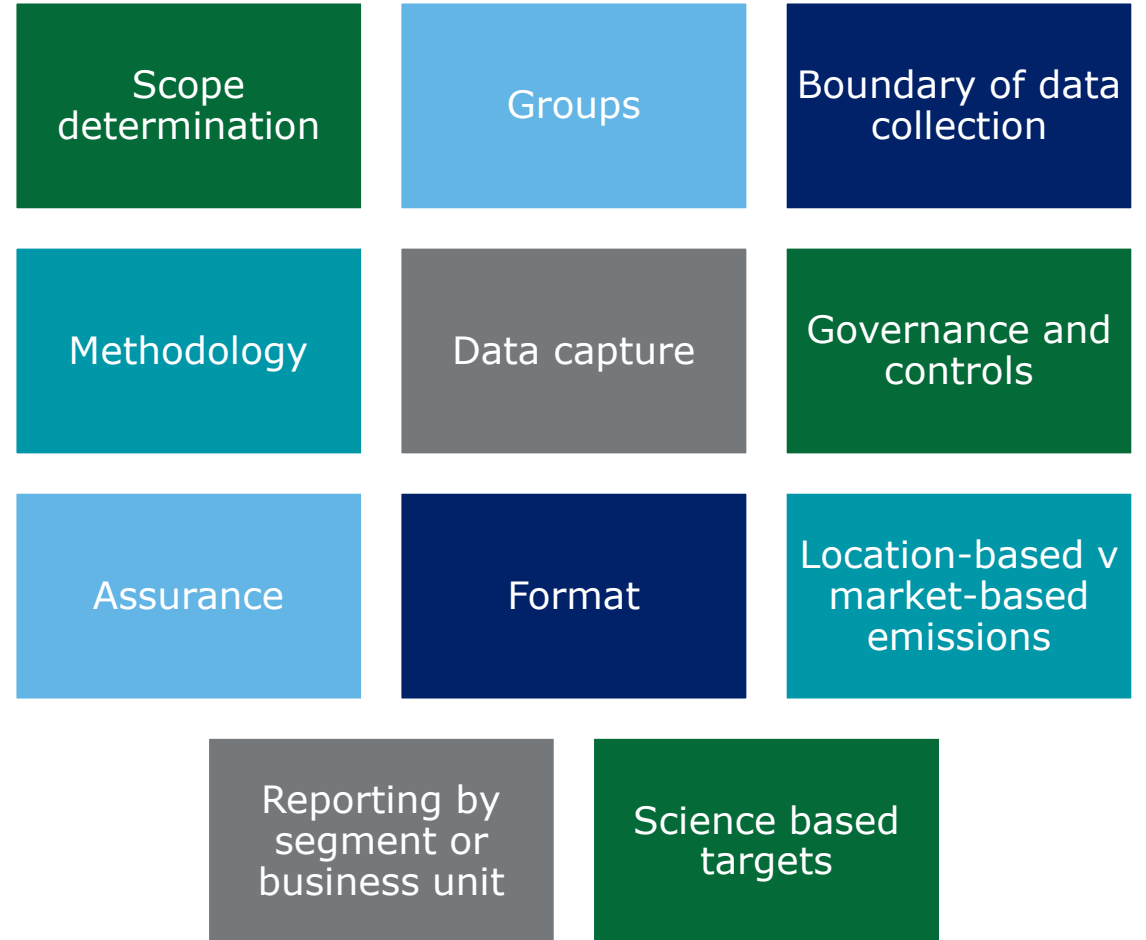
New! A Closer Look

- Background
- Who SECR applies to
- Group considerations
- What needs to be reported and where
- Preparing for disclosure
- Available at www.ukaccountingplus.co.uk



Government Guidelines

Available at www.gov.uk



NEW Directors' Remuneration requirements



Department for
Business, Energy
& Industrial Strategy

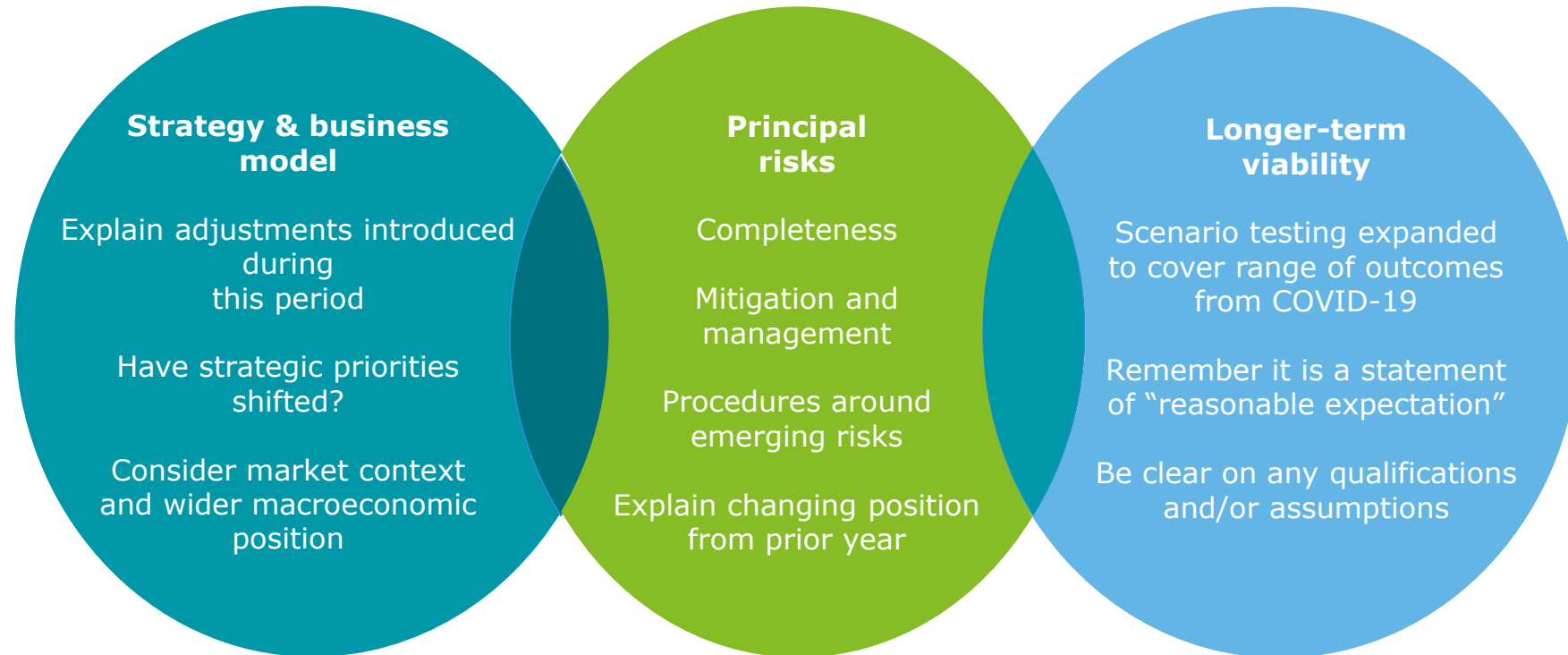
New remuneration regulations

- Generally apply for periods commencing on or after 10 June 2019
- Extend scope of remuneration report to unquoted traded companies
- Add two new columns to the 'single figure' table for "total fixed" and "total variable" remuneration
- Percentage change in remuneration compared to employees:
 - required for all directors, not just CEO
 - refers to employees of the company in question only (even where the company is a parent)
 - no longer permits use of an alternative comparator group

COVID-19 – narrative reporting impacts

FRC's Company Guidance (COVID-19) for all companies

Strategic report and the viability statement



The Strategic Report should always be forward looking, and especially so during the current crisis..."

"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 protection and retention of staff, and the associated corporate memory, may be crucial to a company's ability to weather the current storm and to rebuild when the opportunity arises."

FRC guidance for companies on coronavirus

Clear messages from the investment community

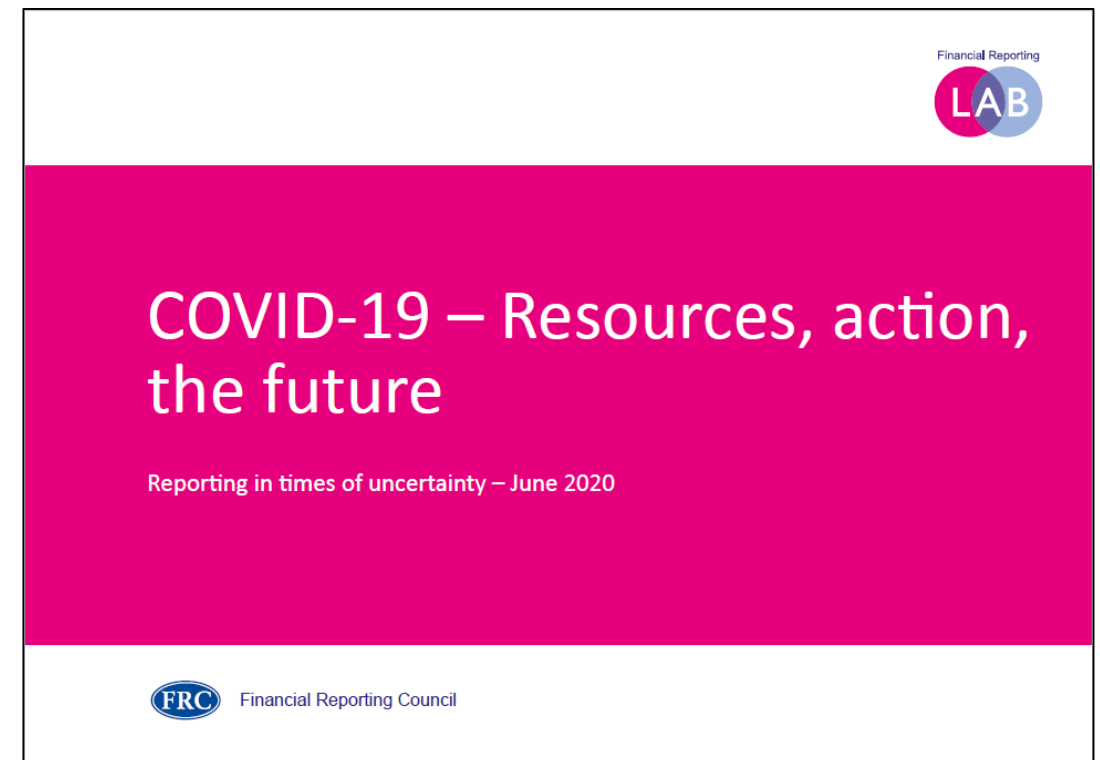
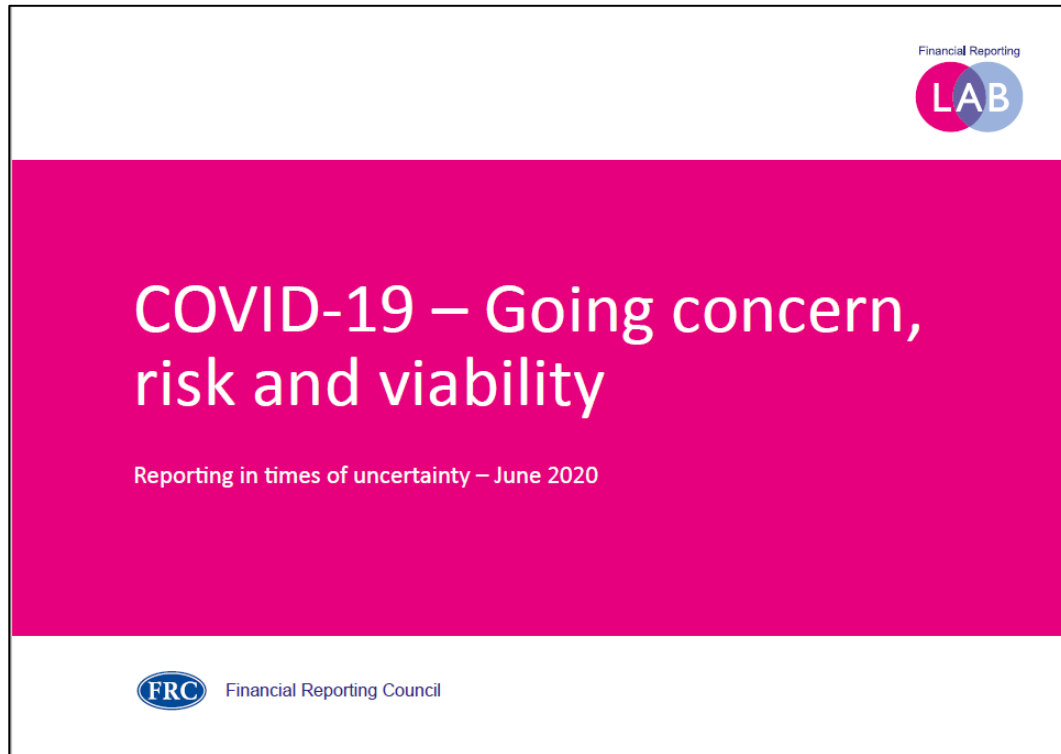
Reporting during times of uncertainty



Five current questions investors seek information on...

Resources		Action		The future
1	2	3	4	5
How much cash does the company have?	What cash and liquidity could the company obtain in the short-term?	What can the company do to manage expenditure in the short-term?	What other actions can the company take to ensure its viability?	How is the company protecting its key assets and value drivers?
<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> The amount and nature of cash and liquid resources. Where the cash is located within the group (legal entities, countries, currencies etc). Whether there are any barriers to accessing the cash (capital controls, regulatory issues). Whether there is an impact from accessing the cash, such as tax or other liabilities. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information about the company's short-term financing arrangements, facilities and other obligations and likely changes. Information about the credit lines (committed and uncommitted, drawn and undrawn) the company has access to. Whether the company has additional support e.g. from related businesses, shareholders, suppliers. Whether there are any covenants that are being imposed or waived. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Whether the company is changing its dividend policy or cancelling a dividend. Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes. Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility. Information about any payments that may be deferred e.g. tax payments. Information about the company's approach to its pension funding. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Information of the nature of any government-backed support, by country and any conditions that attach to this. Information about any stress testing/reverse stress testing carried out and how the viability of different parts of the group are being affected. Whether there are any intergroup guarantees and commitments. Details of how the board is monitoring the situation. 	<p>Helpful disclosure might include:</p> <ul style="list-style-type: none"> Plausible scenarios on revenue and costs over the short-term and into a longer transition period. Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences. Approach to support for employees. Information about how the company is managing commitments with customers where services are delayed. Information about how the company might adapt its business model and strategy in the short/medium term.

Two follow up reports from the FRC's Financial Reporting Lab



Available at

Interim reporting in 2020

Key areas of consideration for the Interim Management Report

An indication of **important events** that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements [DTR 4.2.7(1) and similar requirement in IAS 34]

- Expected COVID-19 will have led to important events
- ESMA/IOSCO expect 'particularly extensive disclosure'
- Company-specific disclosure regarding judgements and estimates made
- Impact on dividends
- Will you want to provide an interim section 172-type statement to explain the basis of decisions made during the initial response to the pandemic?

A description of **the principal risks and uncertainties for the remaining six months of the financial year**. [DTR 4.2.7(2)]

- Often companies include a statement that PRU remain unchanged
- Unlikely to be appropriate in light of COVID-19 as more likely there are new PRU not present at the end of the previous year
- Be sure to cover all relevant 'E, S and G' factors when considering events, risks and uncertainties.
- Climate change – is this a risk?

Alternative performance measures

- ESMA added an additional Q&A in light of COVID-19
- Rather than include new/adjusted APMs companies should increase narrative disclosure as to the effect of COVID-19 on the company

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Financial reporting update

Peter Westaway | Director

IAS 1 and income statement presentation

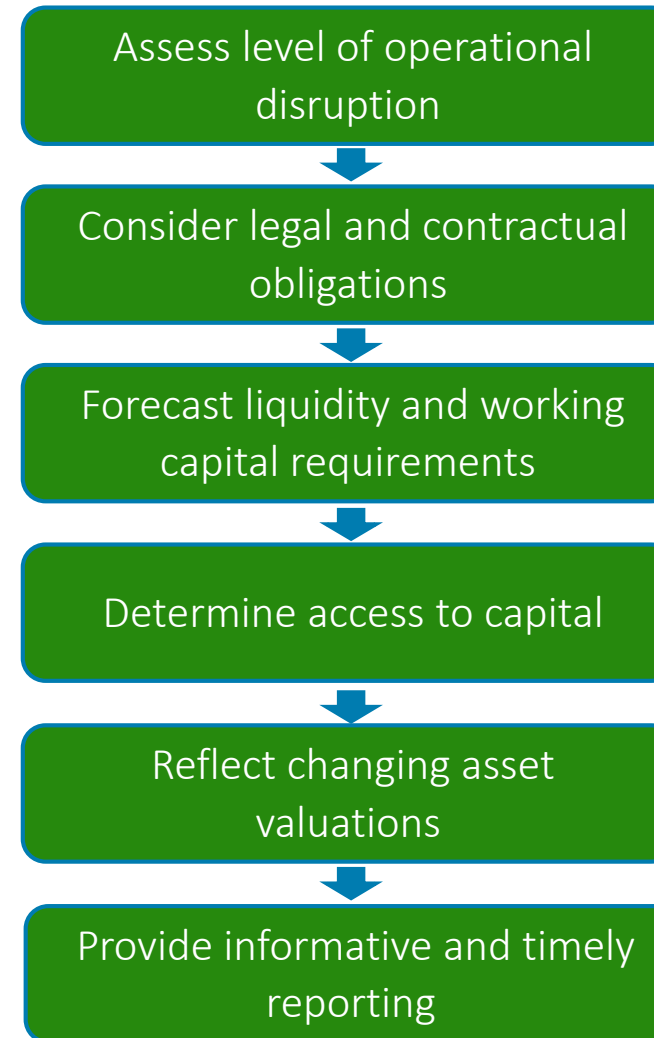
- IAS 1 requires presentation of individually material amounts in the income statement where this is relevant to an understanding (don't mix nature and function)
- Consider existing accounting policies relating to exceptional items
- Nature and amount of items should be presented in a way that is helpful e.g. in a single note or with cross-references
- Should not split discrete items on an arbitrary basis in an attempt to quantify the effects of COVID-19 - instead provide increased narrative
- Where subtotals/adjusted results are presented on the face of the P&L, the FRC has clarified that all items must be comprised of amounts recognised and measured in accordance with IFRS - cannot add back estimate of 'lost revenue' for example

Going concern

- Forward-looking assessment for at least 12 months from the date of approval (in the UK).
- Consider the impact of COVID-19 uncertainties on the entity's specific circumstances including:
 - Current and potential cash resources.
 - Access to new & existing finance facilities.
 - Access to government support measures.
- Disclose **specific** material uncertainties that cast a significant doubt on ability to continue as a going concern.

“The FRC thinks it is likely that more companies will disclose “material uncertainties” to going concern in current circumstances.”

FRC guidance for companies on coronavirus



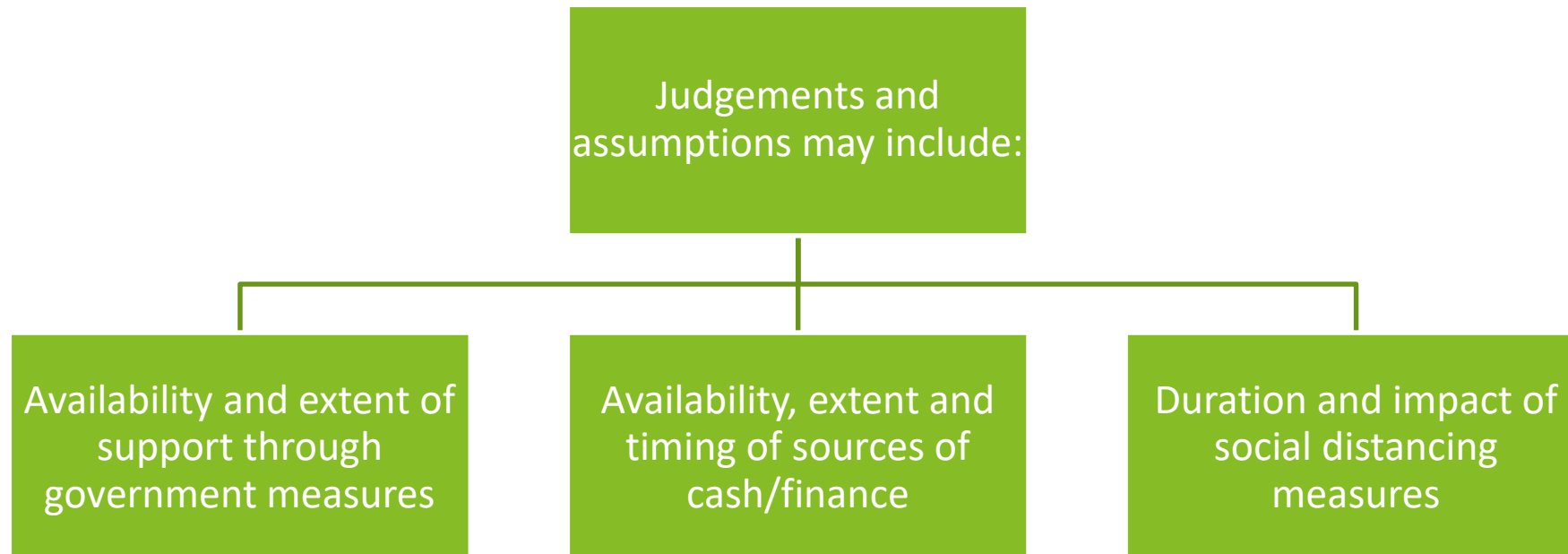
Going concern assessment still required for interims but not a viability statement

Judgements and estimates

“In the absence of any consensus view of the future path of the COVID-19 pandemic and its impact on the economy, users cannot expect all companies to apply consistent assumptions when there is such uncertainty. This lack of consistency makes the need for full disclosure of judgements, assumptions and sensitive estimates significantly more important than usual.”

FRC guidance for companies on coronavirus

FRC
expecting
update on
judgements
and
estimates in
interims



Distributable profits

Effect of subsequent losses

s172 duty

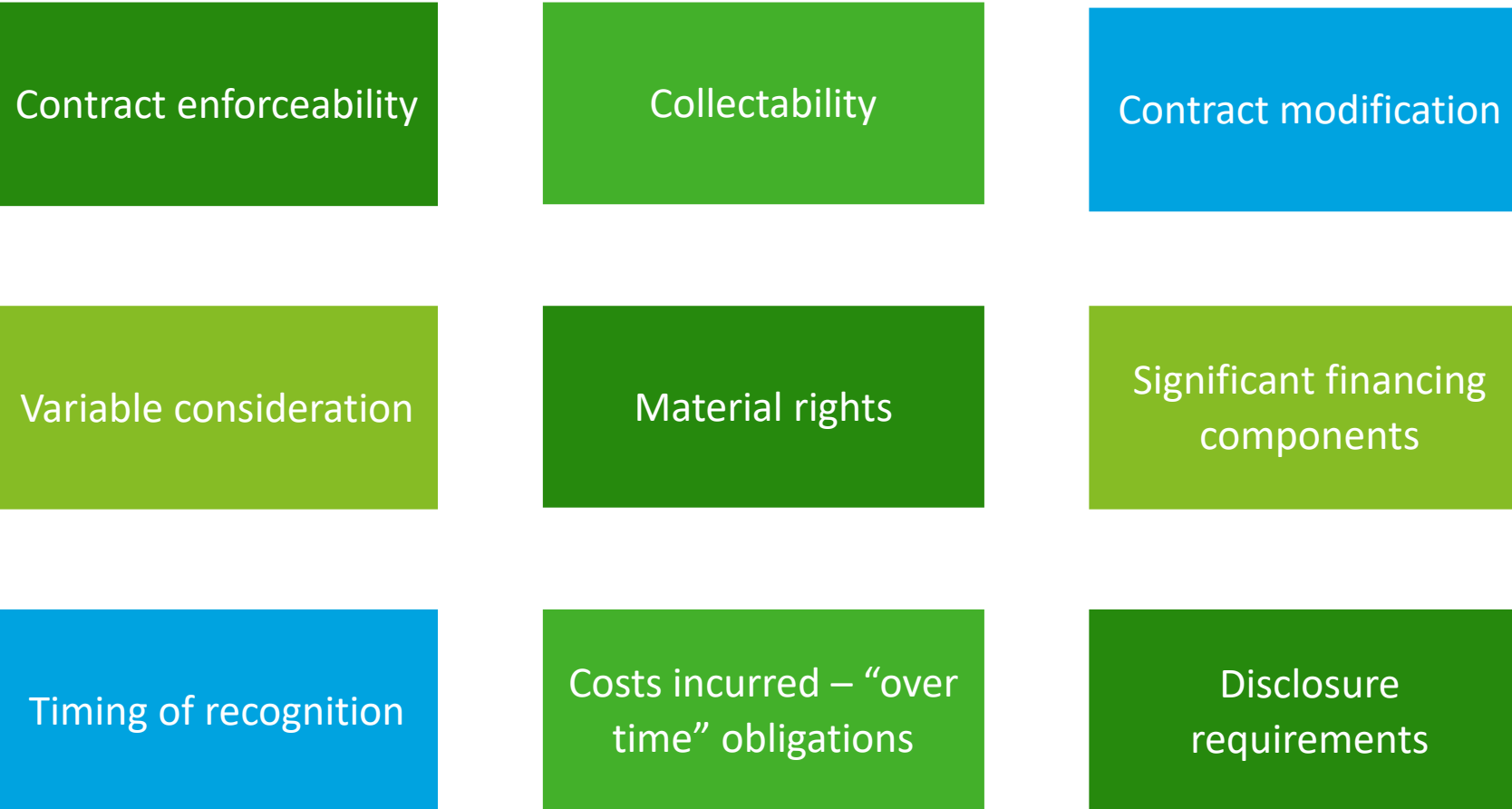
Intragroup
dividends

Share buy-backs

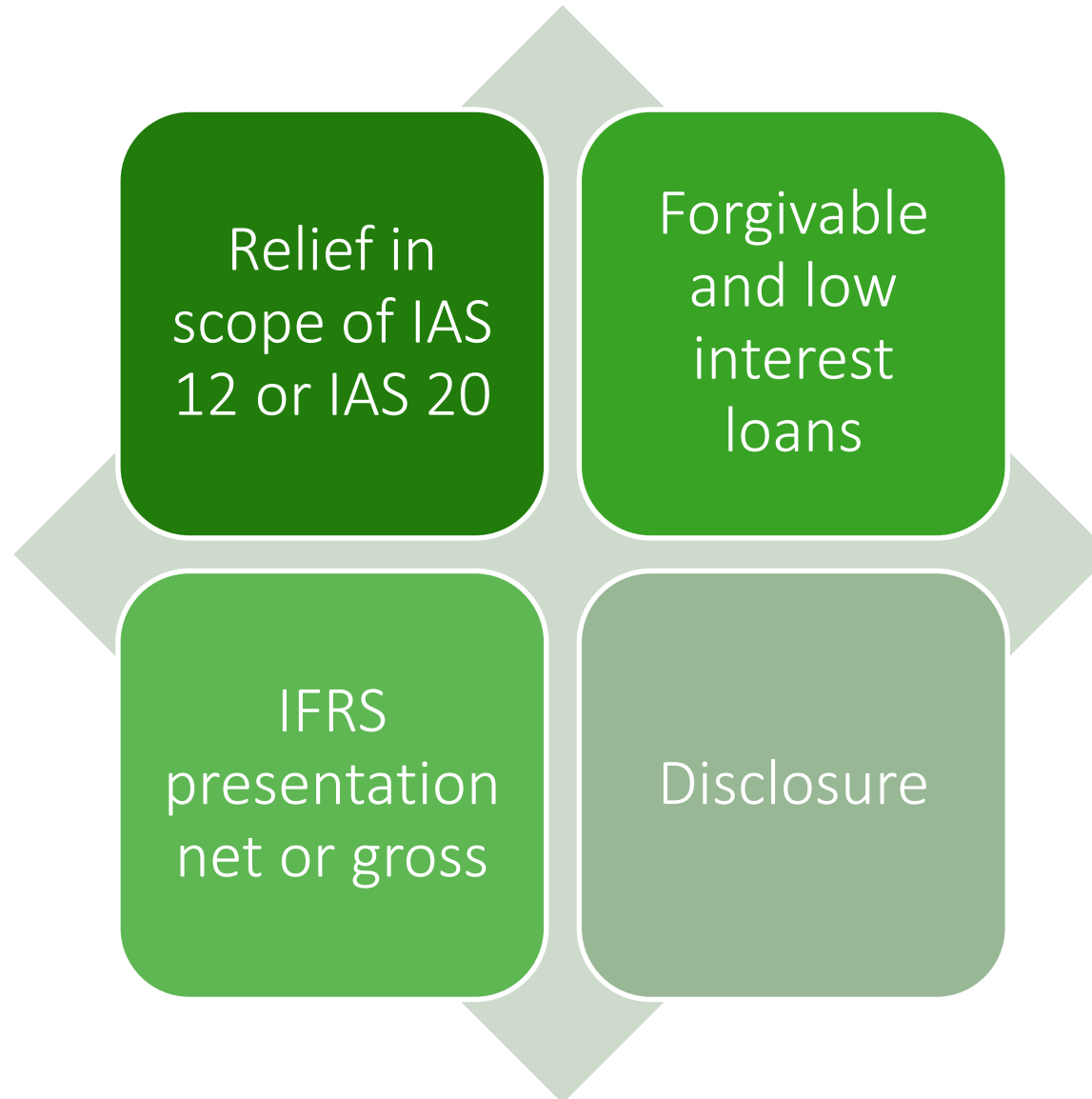
“For those companies that have proposed but not yet made a dividend...directors need to consider not only the position of the company when the dividend was proposed **but also when it is made**. Where the company is no longer able to pay a dividend, **directors should halt any dividend and communicate as appropriate to the market.**”

FRC guidance for companies on coronavirus

Revenue contracts



Government assistance



Leases

Lots of concessions
being granted

Assess whether
modifications

Educational material
clarifies look at
overall effect of
changes to payments

Lessees applying
modification
accounting use
updated discount rate

Lessees applying
modification
accounting adjust
liability and asset

Practical expedient
issued for lessees

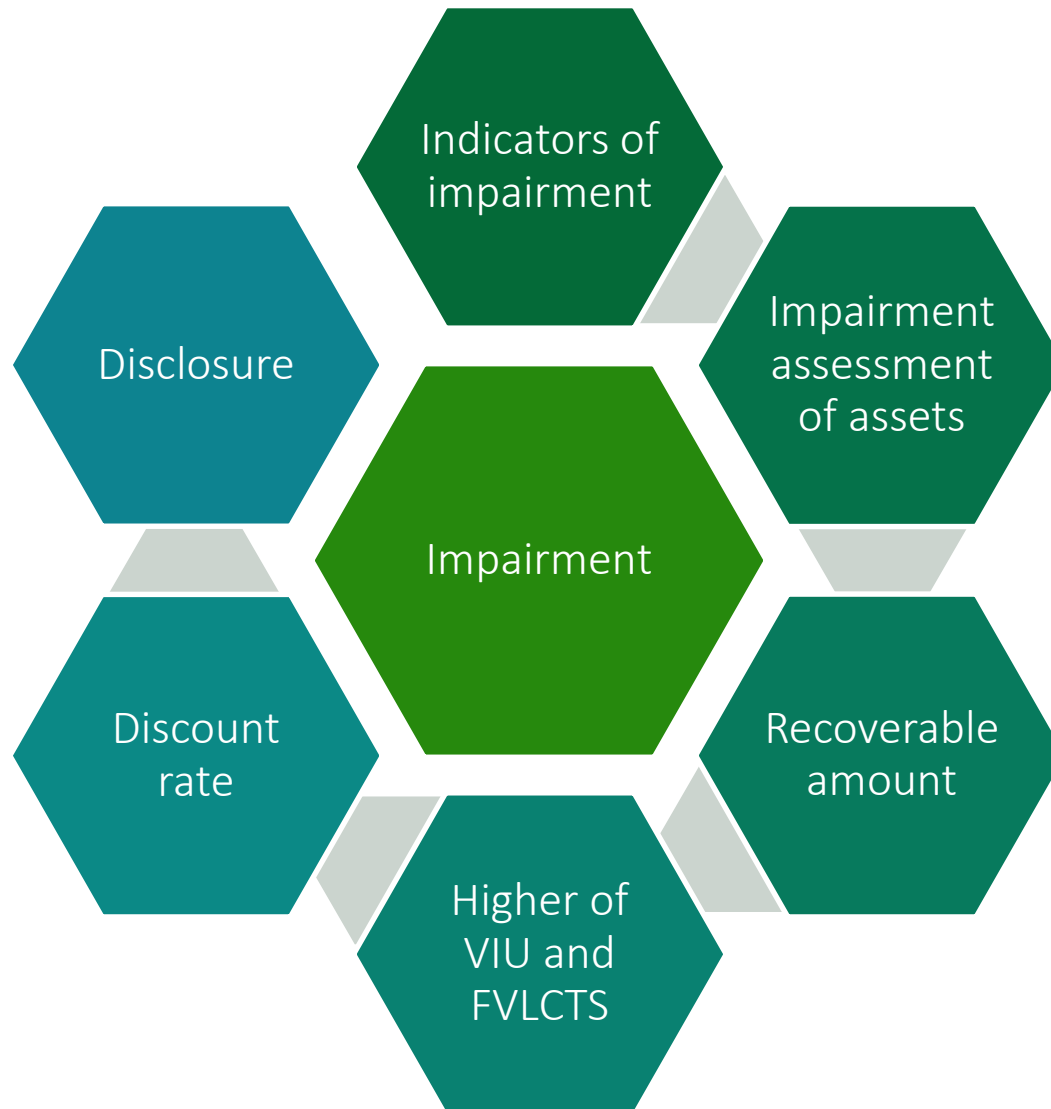
Leases (continued)

- To **qualify for the expedient** the concession must be as a direct consequence of Covid-19 and:
 - revised consideration must be substantially the same as or less than before the change;
 - reductions must relate to payments due on or before 30 June 2021 (increases can be later); and
 - there are no substantive changes to other terms and conditions of the lease.
- Under the expedient we would expect liability to be remeasured when the change is unconditionally agreed, using the same discount rate, with the remeasurement going to P&L **at that point in time**
- Similar treatment for **deferrals** where there is no modification – we would expect an updated NPV to be calculated for the lessee's liability and the remeasurement to go to P&L
- **EU endorsement** required by time financial statements are approved

Leases (continued)

- **Lessors** need to consider issues relating to modification accounting, ECL allowances for receivables, derecognition of receivables waived and income recognition for uncertain payments
- May see changes proposed to **FRS 102**

Impairment of non-financial assets



May need more impairment tests at half-year stage than in previous years

Impairment of trade receivables

Credit loss expectations
– significant judgement
likely to be needed

Lack of historical data
on which to base
estimate

Delays in processing
and settlement of
transactions due to
operational disruption

Greater economic
volatility

Effect of greater
incidence of individual
receivables in default on
portfolio characteristics

Other accounting considerations

Restructuring plans

Share-based payments

Income tax

Onerous contract
provisions

Insurance recoveries

Defined benefit plans

Breach of covenants

Long term intra-group
foreign investments

Financial instruments

Changes effective, made or proposed to IFRSs so far in 2020

Title	Effective date (periods commencing)
Amendments effective in 2020	
References to the Conceptual Framework in IFRSs	1 Jan 2020
IAS 1 and IAS 8 - Definition of Material	1 Jan 2020
IFRS 9, IAS 39 and IFRS 7 – IBOR Reform	1 Jan 2020
IFRS 3 – Definition of a Business	1 Jan 2020
IFRS 16 – Covid-19-Related Rent Concessions	1 Jun 2020
Amendments published in 2020	
IAS 1 - Classification of liabilities as current or non-current	1 Jan 2022 (ED proposes deferral to 2023)
Annual Improvements 2018-2020	1 Jan 2022
IAS 16 - PPE: Proceeds before Intended use	1 Jan 2022
IAS 37 - Onerous Contracts – Cost of fulfilling a contract	1 Jan 2022
IFRS 3 - Reference to the Conceptual Framework	1 Jan 2022
IFRS 17 - Amendments to IFRS 17	1 Jan 2023
IFRS 4 - Extension of the temporary exemption from applying IFRS 9	1 Jan 2021
Exposure drafts published in 2020	
IBOR Reform – Phase 2	1 Jan 2021
IAS 1 – Deferral of current or non-current liability amendment	1 Jan 2023

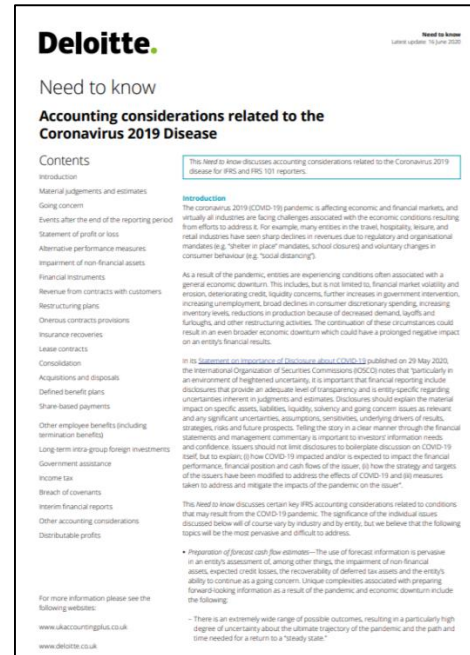
Resources

See www.ukaccountingplus.co.uk



2020 Update on half-yearly financial reporting

- Regulatory overview
- Model accounts
- Disclosure checklist
- Available at UK Accounting Plus



Need to know

- Continually updated on Covid-19 related accounting issues
- Available at UK Accounting Plus

FRC's *Company Guidance (COVID-19)*

Two Financial Reporting Lab reports with practical guidance on COVID-19 areas of investor focus

ESMA's Public Statement on half-yearly financial reports in relation to COVID-19

An additional ESMA APM Q&A, on COVID-19

IOSCO public statement

Deloitte.



Tax update

Alexandra Warren | Partner

COVID-19 tax considerations

COVID-19 tax accounting and provision technical talking points

Deferred Tax Asset Recognition

- Uncertain future profitability?
- Write-down of supporting DTLs?
- Consistency with other forecasts?
- Narrative disclosure?

Forecasting ETR

- Tricky for interim reporting purposes
- Similar challenges longer term – managing external and internal expectations
- What are key rate drivers?
- Reconcile with cash-flow forecasts?

Accounting for changing cash needs

- Impact of cash re-designation
- Additional WHT/local taxes triggered?
- Impact on cash tax, deferred tax and ETR?

COVID-19 tax accounting and provision technical talking points

Accounting for relief measures

- How to track and analyse impact?
- Point of full/substantive enactment?
- Recorded to tax line or above-the-line?

Uncertain tax positions

- Transfer pricing?
- Residence?
- Benefit of relief measures?

Accounting for Legislative Reliefs

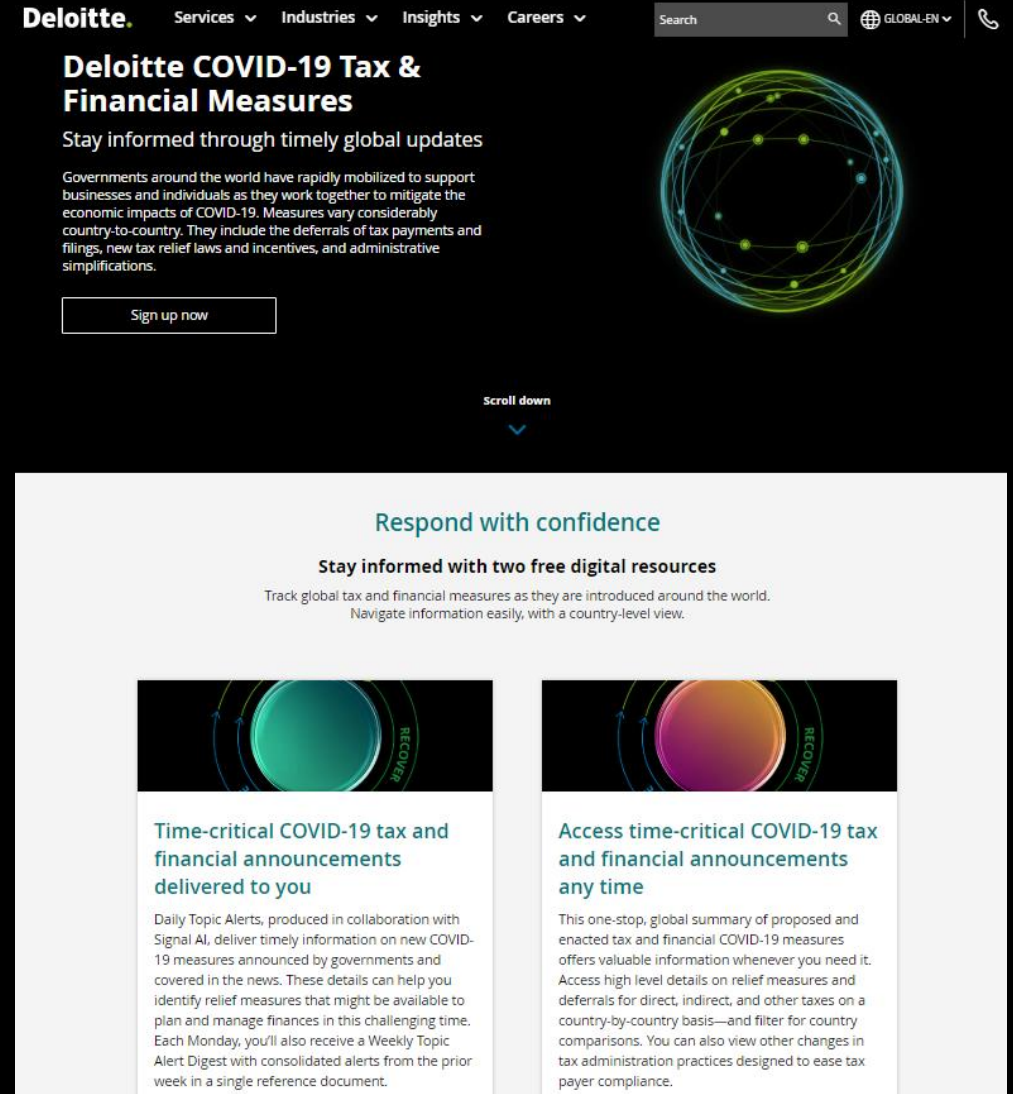
Tax Accounting Implications?

Assess: Is the relief an ‘income tax’ within the IAS 12 definition?

– If within IAS 12, reflect only when the tax measure is substantively enacted (IFRS) / enacted (US GAAP).

Tax relief and credits determined to be in the scope of IAS 12 should be reflected in the recognition and measurement of tax amounts only when the tax measure is substantively enacted.

- Reliefs outside the scope of IAS 12 (e.g. government grant) may require disclosure.



The screenshot shows the Deloitte website's 'Deloitte COVID-19 Tax & Financial Measures' page. At the top, there is a navigation bar with 'Deloitte.' and links for 'Services', 'Industries', 'Insights', and 'Careers'. A search bar and 'GLOBAL-EN' are also visible. The main heading is 'Deloitte COVID-19 Tax & Financial Measures', followed by the sub-heading 'Stay informed through timely global updates'. A paragraph explains that governments are mobilizing to support businesses and individuals, with measures including tax deferrals, relief laws, and administrative simplifications. A 'Sign up now' button is present. Below this is a 'Scroll down' indicator with a downward arrow. The main content area is titled 'Respond with confidence' and 'Stay informed with two free digital resources'. It lists two resources: 'Time-critical COVID-19 tax and financial announcements delivered to you' and 'Access time-critical COVID-19 tax and financial announcements any time'. Each resource has a brief description of its benefits.

Search “Deloitte Atlas COVID-19”

<https://www2.deloitte.com/global/en/pages/tax/covid-19/tax-atlas-signal.html>

Coronavirus Job Retention Scheme (“CJRS”)

Considerations for CFOs and FCs of businesses making CJRS claims



Scale and complexity

- CJRS has been a life line for many businesses
- 9.1m employees covered and £20.8bn claimed (HMRC statistics as at 16 June 2020)
- However, there have been significant complexities to consider with CJRS claims and strict rules around eligibility
- 3 Treasury Directions and over 100 pages of HMRC guidance (with 60+ versions of this guidance)



Over-claims

- HMRC will have powers to recover payments where recipients were not entitled, or where a CJRS payment has not been used to pay employees
- Draft clauses of the Finance Bill set out that where a company identifies that they have made an incorrect claim under the CJRS, they have an obligation to notify HMRC within 90 days and will have to settle a tax liability equal to the amount over-claimed



Audits

- Due to the material value of many claims, auditors of financial statements are likely to be seeking evidence that
 - (i) Employers were eligible to claim for relevant employees, and
 - (ii) Claims have been submitted on the correct basis

Coronavirus Job Retention Scheme (“CJRS”)

Considerations for CFOs and FCs of businesses making CJRS claims

Common CJRS pitfalls

- Incorrect assessment of “fixed” vs “variable” paid employees
- Which elements of pay to include within “reference pay”
- Interaction with salary sacrifice arrangements
- Inaccuracies in the calculation of the amounts claimed, in particular the NIC calculations
- Approach where an employee has been on, or recently returned from, statutory family related leave prior to furlough, and sickness absences
- Obligation to pay maximum possible amount to employees with claims becoming invalid where there is a failure to do so

CJRS “2” from 1 July adds further complexity

- “Flexi” furlough arrangements eligibility and employers to start making contributions
- Adjusting calculation models where there is a mixture of full-time and part-time furloughed employees
- Determining if employees are “fixed hours” or “variable hours” and interaction with “fixed pay” and “variable pay”
- Determining “usual hours” and tracking hours worked in claim periods

Spring Budget measures

UK Spring Budget 2020

Key announcements

The Spring 2020 Budget was announced by the UK Chancellor of the Exchequer on 11 March 2020.

Substantively enacted 17 March 2020

- The planned reduction of the **corporation tax rate** to 17% first announced in 2016 has been reversed; the corporation tax rate will remain at 19% for all non-ring fence profits for the financial years 2020 and 2021.

Substantively enacted 2 July 2020

- **Structures and Building Allowance** will be increased from 2% to 3% from 1 April 2020 for corporation tax purposes;
- **Research and Development Expenditure Credit** rate will be increased from 12% to 13% from 1 April 2020;
- Offset of brought forward **capital losses** - 50% restriction from 1 April 2020 (subject to £5m allowance)

No measures fully enacted yet for US GAAP purposes

Post Balance Sheet Event Disclosures where material?

Deloitte.



Jon Thomson
E: jonthomson@deloitte.co.uk



Amanda Swaffield
E: aswaffield@deloitte.co.uk



Tracy Gordon
E: trgordon@deloitte.co.uk



Peter Westaway
E: pwestaway@deloitte.co.uk



Alexandra Warren
E: alwarren@deloitte.co.uk

Useful links and documents

[Deloitte Atlas COVID-19](#)

[The latest board insights on COVID-19](#)

[A Closer Look – Streamlined energy and carbon reporting](#)

[Need to know – accounting considerations related to Covid-19](#)

[2020 update on half-yearly financial reporting](#)

External resources:

[Government Environmental reporting guidelines – Streamlined energy and carbon reporting requirements](#)

[Financial Reporting Council latest publications](#)

www.frc.org.uk



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