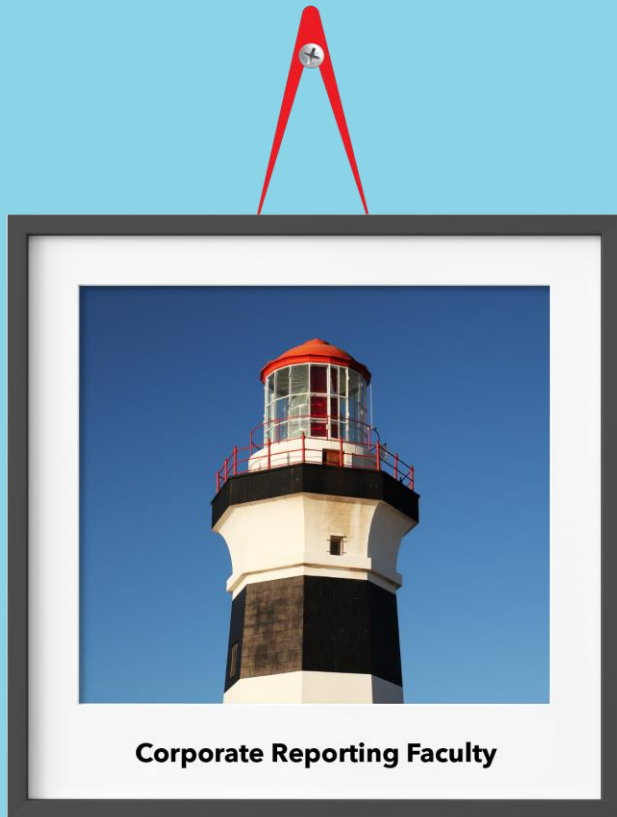




ICAEW KNOW-HOW
CORPORATE REPORTING FACULTY



Preparing for the 2023/24 reporting season

5 DECEMBER 2023

**THIS WEBINAR WILL
COMMENCE SHORTLY**

Introduction



Alison Bonathan

Technical Manager, Corporate Reporting Faculty, ICAEW

Today's presenters

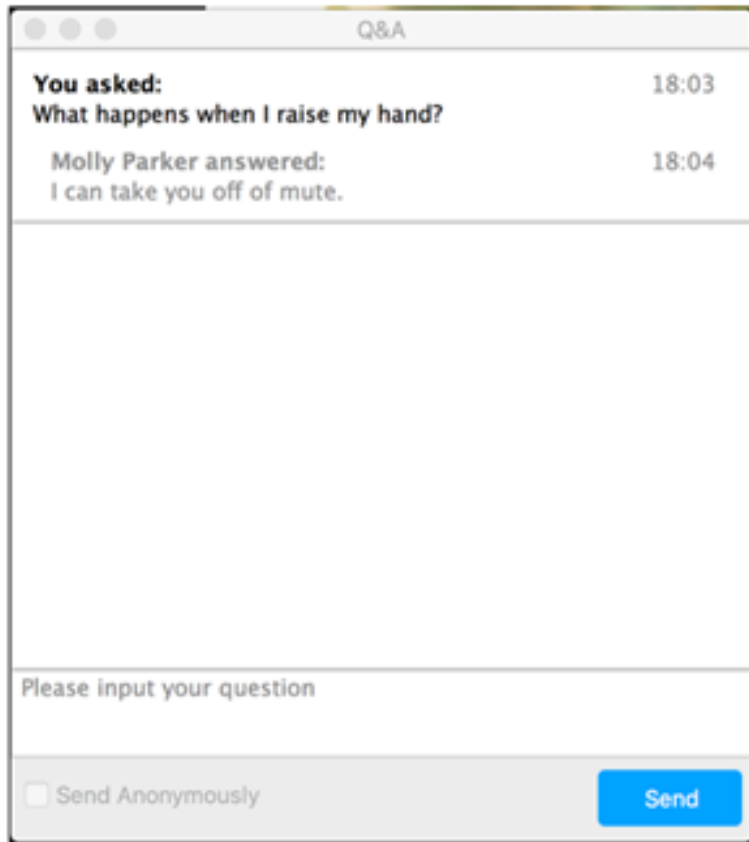


Jessica Howard
Director – Accounting
Technical Services
Mazars



Julia Loveland
Senior Manager - NAS
Financial Reporting, Audit
Grant Thornton

Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text 'Q&A'. The main content area displays a question and answer:

You asked: What happens when I raise my hand?	18:03
Molly Parker answered: I can take you off of mute.	18:04

Below the question and answer is a large empty text input field with the placeholder text 'Please input your question'. At the bottom left of the input field is a checkbox labeled 'Send Anonymously'. At the bottom right is a blue button labeled 'Send'. An arrow points from the text 'Click on the Q&A button in the bottom toolbar to open the question box.' to the 'Send' button.

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Link to slides in event reminder email

Access related resources, including the presentation slides at icaew.com/crfwebinars

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Poll question (1)

Which area of the annual report and accounts you are most involved with?

- a) Front-end narrative reporting
- b) 'Back-end' financial statements
- c) The whole annual report

Poll question (2)

Which area(s) of the annual report and accounts will require most additional focus this year?

- a) Going concern/viability
- b) Climate reporting
- c) Alternative Performance Measures
- d) Section 172 reporting
- e) All front-end narrative reporting
- f) Judgements and estimates
- g) Accounting policies
- h) Cashflow statement and notes
- i) Impairment of assets
- j) Financial instruments
- k) Income taxes
- l) Revenue
- m) Provisions and contingencies
- n) Presentation of financial statements
- o) Fair value measurement
- p) Leases
- q) Other

Contents

Year in summary

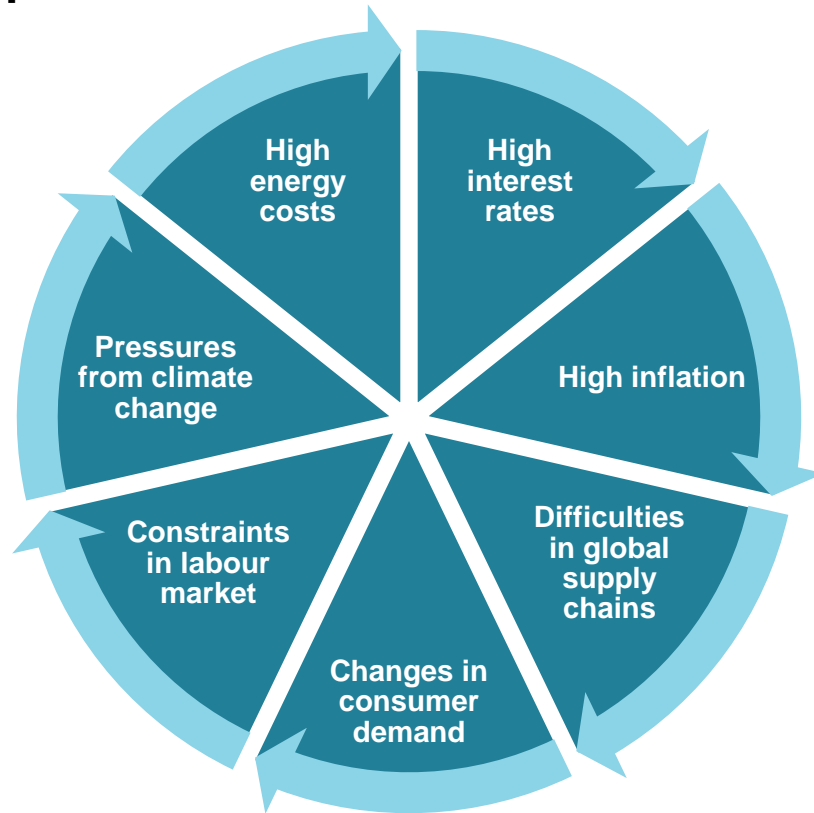
Annual Review of Corporate Reporting 2022/23

What makes a good ... Annual Report and
Accounts

New standards and amendments for this year and
future developments update

Key matters for 2023/24 – Year in summary

Continued ongoing uncertainty from significant economic and geopolitical environment

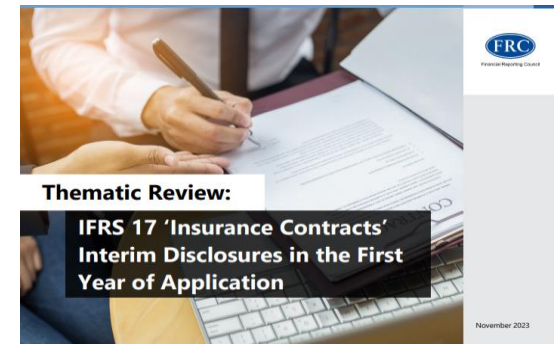


What to do?

- Explain the principal risks and uncertainties facing the business this year
- Explain how the uncertainties changes in the environment have impacted on the business model
- Explain how this has impacted the company's financial position, performance and prospects.
- Links within the going concern and viability reporting.

Key matters for 2023/24 – Year in summary

FRC thematic reviews for 2023



Remaining thematic review for 2023:

- Large private companies

Key matters for 2023/24 – Year in summary

FRC's Annual Review of Corporate Reporting 2022/23

Reviews performed

2022/23 2021/22: 252
2020/21: 246
263

Substantive letters

2022/23 2021/22: 103
2020/21: 97
112

FTSE 350
(% of reviews above)

2022/23 2021/22: 57%
2020/21: 72%
59%

**Required references to
the FRC's review**





2022/23 2021/22: 27
2020/21: 15
25



Priority sectors

2023/24

We announced in December that we would focus on the following risk sectors in the coming review cycle:

-  travel, hospitality and leisure
-  retail and personal goods
-  construction and materials
-  industrial transportation

Top ten issues

Topic	2022/23	2021/22	2020/21
Impairment of assets	1	9=	4
Judgements and estimates	2	8	1
Cash flow statements	3	1	3
Strategic report and other Companies Act 2006 matters	4	4	7
Financial instruments	5	2	6
Income taxes	6=	3	9=
Revenue	6=	5	2
Provisions and contingencies	8	6	8
Presentation of financial statements and related disclosures	9	9=	-
Fair value measurement	10	-	-
APMs	-	7	5
Leases	-	-	9=

Top ten issues

10

Fair value measurement

Thematic Review



Key takeaways

- Transparent disclosures
- Use market participants rather than company's own assumptions
- Consider using specialist third party advice

Common queries

- Sensitivity analysis
- Quantification of unobservable inputs
- Reconciliation of level three balances
- Categorisation of FV measurement
- Unclear explanations of valuation techniques and inputs

Top ten issues

9

Presentation of financial statements and related disclosures

Common issues

- Current/non-current presentation
- Presentation of impairment losses on the face of the income statement
- Adequacy of accounting policy disclosures
- Inappropriate offset or aggregation



Key takeaways

- Material accounting policy information is clearly disclosed.
- Additional company-specific disclosures are provided when required.

Top ten issues

8

Provisions and contingencies

Common queries

- Insurance reimbursements – virtually certain?
- Discount rates
- Netting of provision and reimbursement asset
- Missing or unclear disclosures



- **Key takeaways**
 - Give clear and specific disclosure of nature, uncertainties, timeframe and basis for best estimate
 - Use a consistent approach in incorporating effect of inflation
 - Disclose details of how inflation assumptions have been calculated

Top ten issues

6=

Income taxes

Common queries

- Effective tax rate reconciliations
- Convincing evidence supporting recognition of deferred tax assets if there is a history of losses
- Recognition of deferred tax assets and deferred tax liabilities



Key takeaways

- Forecasts - take effect of difficult economic environment and changes in tax regimes
- Loss making entities - Disclose nature of evidence supporting recognition of DTAs
- Consistent disclosures
- Disclose uncertain tax positions
- Material reconciling items - present separately and describe appropriately

Top ten issues

6=

Revenue

Common queries

- Variable consideration
- Principal versus agent
- Contract balances



Key takeaways

- Material variable consideration – company specific disclosure
- Accounting policies for all significant performance obligations
- Significant judgements disclosed
- Inflationary features - disclosed and accounting explained

Top ten issues

5

Financial instruments

Common queries

Unclear accounting policies

Share repurchase arrangements announced but no liability recognised

Expected credit loss (ECL) provisions

Offsetting cash and overdrafts



Key takeaways

- Accounting policies and explanations are key
- Disclose nature and extent of material financial instrument risks and risk management
- ECL
 - disclose approach, assumptions, risk concentrations
 - Adjust historic default rates for forecast economic conditions
- Offset of cash and overdrafts **only** if criteria met

Top ten issues

4

Strategic report and other Companies Act 2006 matters

Common queries

Fair, balanced and comprehensive requirement

S172 statement missing

Distributable profits



Key takeaways

- Strategic report
 - explain significant movements in SOFP and cash flows
 - Explain effects of risks and uncertainties
- Distributable profits - Consider legal requirements for distributions and share repurchases

Top ten issues

3

Cash flow statements

Common queries

- Classification of cashflows
- Non-cash transactions in cash flow statement
- Inconsistencies
- Inappropriate netting



Key takeaways

- Concentrate on classifications
- Exclude non-cash investing and financing transactions
- Amounts and descriptions should be consistent with other parts of report and accounts
- Cash flows should not be netted unless netting criteria met
- Don't overlook Parent company cash flow statement (where presented)

Top ten issues

2

Judgements and estimates

Common queries

- Estimation uncertainty – insufficient information about assumptions, sensitivities or range of possible outcomes
- Inconsistencies



Key takeaways

- Explain significant judgements
- Quantify sensitivities for significant estimates
- Reassess disclosures each year
- Explain changes in assumption
- Ensure consistency
- Distinguish sources of estimation uncertainty with a significant risk of a material adjustment within one year from any other estimates disclosed.

Top ten issues

1

Impairment of assets

Common issues

- Key inputs and assumptions
- Sensitivity to key assumptions
- Impairment method
- Indicators of impairment
- Investments in subsidiaries



Key takeaways

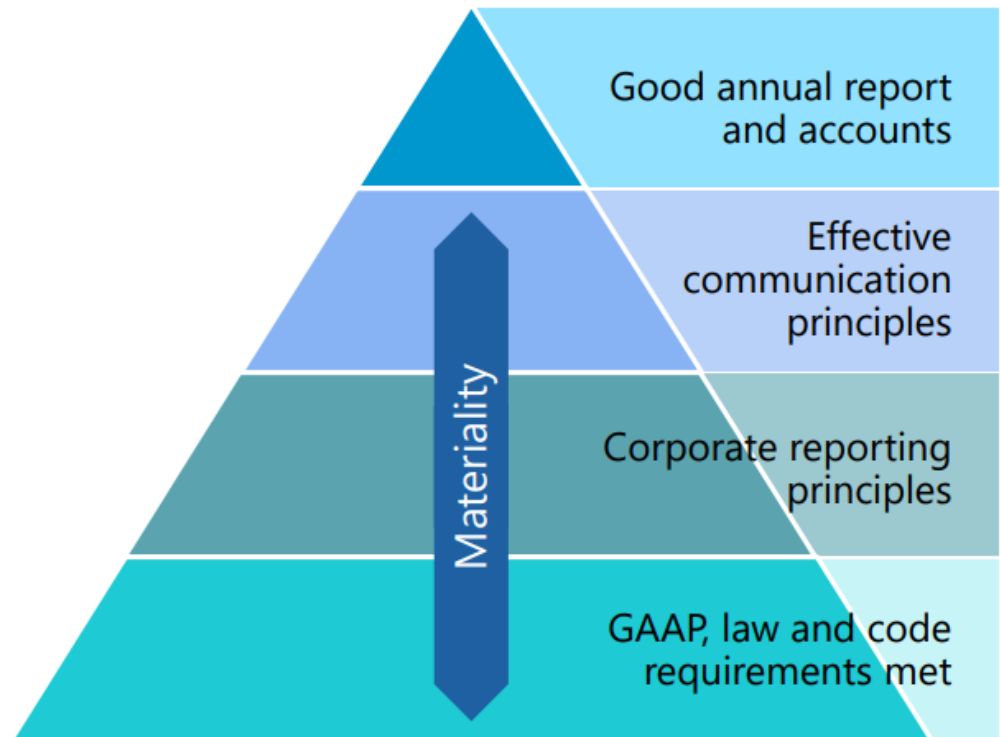
- Disclose key inputs and assumptions
- Sensitivities explained
- Discount rates in value in use consistent with cash flow projections
- Forecasts for value in use – assets in current condition
- Consistency

What makes a good...annual report and accounts

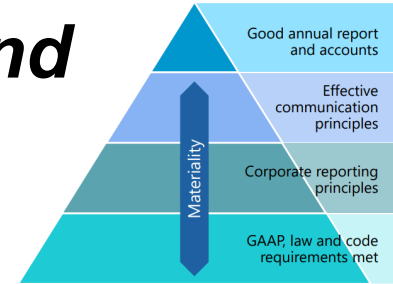
Sets out the FRC's view, as an improvement regulator, of the high-level characteristics of a good quality ARA

Benefits:

- More accurate analyst earnings forecasts
- More constructive and well-informed dialogue with investors
- Increase credibility of the ARA
- Improved confidence of users
- Less likely to be subject to regulatory intervention



What makes a good...annual report and accounts

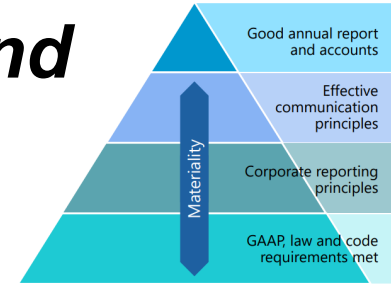


Corporate reporting principles – Overarching qualitative characteristics of a good ARA

Take ACCOUNT of the following corporate reporting principles

A ccurate	<ul style="list-style-type: none"> Accuracy depends upon the quality of the underlying data supporting the financial and non-financial information. An accurate ARA is free from material misstatement and error.
C onnected and consistent	<ul style="list-style-type: none"> An ARA tells the story of the business using a package of reports. A connected ARA is linked and interacts between different parts. Inconsistencies undermine the credibility of the ARA.
C omplete	<ul style="list-style-type: none"> Completeness reflects the breadth of information, including positive and negative information and forward-looking information. The ARA should be a standalone document.
O n-time	<ul style="list-style-type: none"> The FRC does not want ARA quality to be compromised by compressing reporting timetables, but long lead times can reduce the usefulness of the ARA.

What makes a good...annual report and accounts

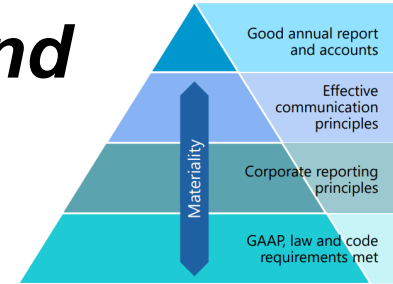


Corporate reporting principles – Overarching qualitative characteristics of a good ARA

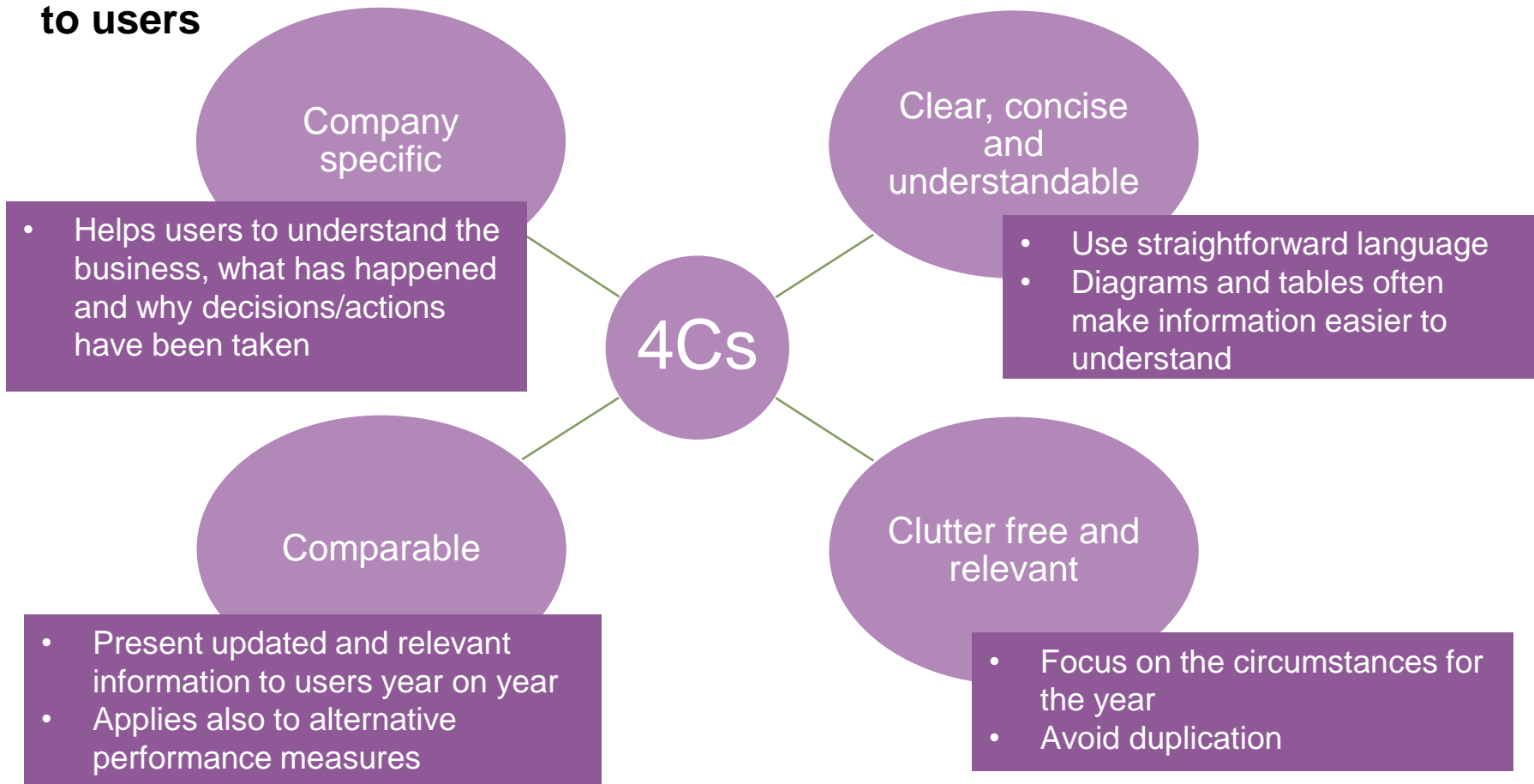
Take **ACCOUNT** of the following corporate reporting principles

U nbiased	<ul style="list-style-type: none">An ARA, as a whole, should present an open and honest account of the business' activities and performance and future prospects. The ARA is 'true and fair' and 'fair, balanced and understandable'.
N avigable	<ul style="list-style-type: none">A good ARA should be accessible and easy to navigate.
T ransparent	<ul style="list-style-type: none">An ARA should faithfully represent the economic substance of transactions and events. Additional disclosure over and above stated requirements may be necessary for users to fully understand transactions.Does the ARA meet the likely needs of users?

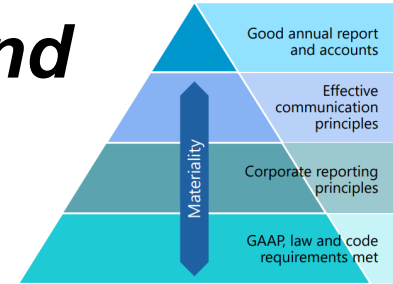
What makes a good...annual report and accounts



Effective communication principles – How information can be delivered to users



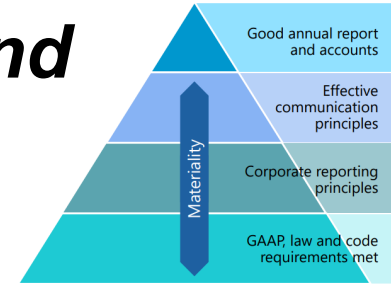
What makes a good...annual report and accounts



Effective communication principles – Practical tips

- **Accounting policies** – If they are a repeat of requirements taken from IFRS, then they will not be company specific.

What makes a good...annual report and accounts

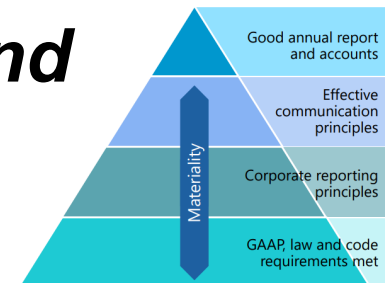


Effective communication principles – Accounting policies

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the whole class of obligations. Provisions are discounted to their present values, if the impact of discounting is expected to be material.

What makes a good...annual report and accounts



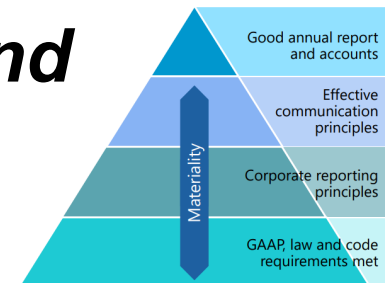
Effective communication principles – Accounting policies

PROVISIONS

The Group provides product warranties on all new vehicle sales. Warranty provisions are recognised when vehicles are sold or when new warranty programmes are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims including non-contractual warranty claims as well as on possible recall campaigns. These assessments are based on the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Aston Martin Lagonda Global Holdings plc, Annual Report 2021, p166

What makes a good...annual report and accounts



Effective communication principles – Practical tips

- **Accounting policies** – If they are a repeat of requirements taken from IFRS, then they will not be company specific.
- **Coordinating with other preparers of the annual report** – Plan the parts of the ARA that will require co-ordination well in advance
- **Importance of skeleton/roll-forward ARAs** – Focus on what is relevant for this year and remove what may no longer be helpful to users.
- **Role of a single reviewer** – This individual can review for consistency and also duplication of information (cross-referencing can be helpful)
- **Relevance & understandability** – Comparability should not override innovation where this will improve relevance & understandability – Describe, explain, restate comparatives.

New standards and amendments for 2023/24

Key messages for the new standards and amendments applicable

UK GAAP Update – 21 June 2023

Amendments to FRS 102 and FRS 101 -
International tax reform: Pillar two model rules

- Mandatory exception from deferred tax R&M
- Will impact disclosure for 31 December 2023 year-ends

Narrative Reporting Update – 23 Nov 2023

Climate-related financial disclosures (CRFD)
– Accounting periods beginning on or after 6 April 2022.

- Applicable for the first time for 31 December 2023 year-ends
- Substantially the same as TCFD but not exactly

IFRS Update – 18 May 2023

Amendments to IAS 8 - Definition of accounting estimates

Amendments to IAS 1 - Disclosure Initiative: Accounting policies

Amendments to IAS 12 - Tax arising from a single transaction

IFRS 17 *Insurance Contracts* and amendments to IFRS 17

Amendments to IAS 12 - International tax reform: Pillar two model rules

- Disclose material (rather than significant) accounting policies
- Opportunity to refresh and review accounting policies – Company specific and relevant

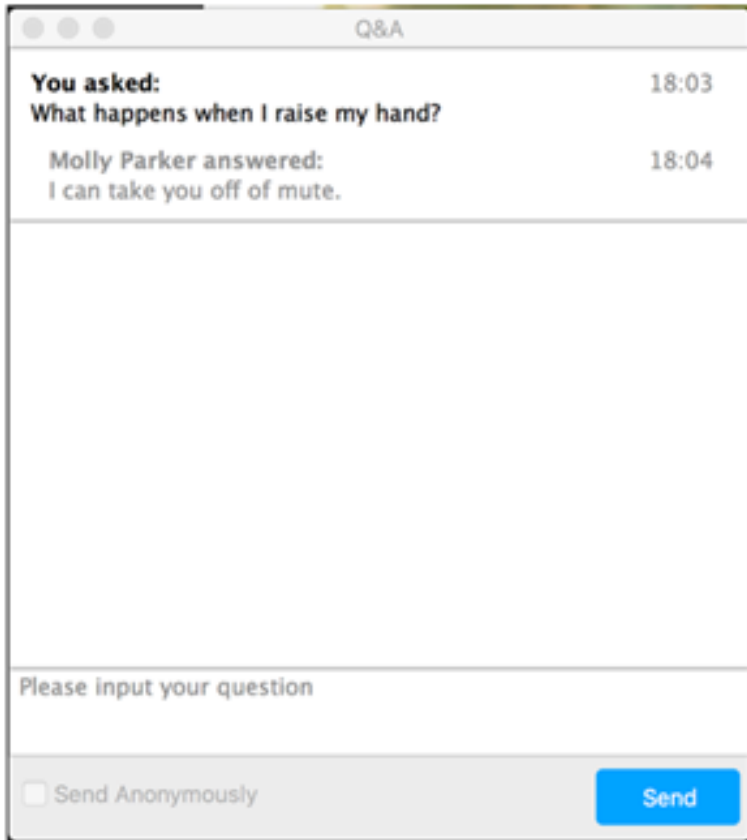
Future developments

Update on a few key points

- Periodic review of FRS 102 – effective note before 1 January 2026
- Corporate reporting reform – Withdrawal of draft legislation
- UK Corporate Governance proposals – Reduction in proposals

Government withdrawal of the statutory instrument	The King's Speech	FRC Policy update
On 16 October, legislation for companies of a certain size to have an Audit and Assurance Policy, Resilience Statement, Material Fraud Statement and capital maintenance disclosure has been withdrawn pending completion of a broader review of non-financial reporting.	On 7 November, the Audit Reform Bill was not included in the King's Speech, delaying the creation of ARGAs (the Audit, Reporting and Governance Authority), the expansion of the PIE (public interest entity) definition and other planned reforms in the Bill, most likely until after the next General Election.	On 7 November, the FRC issued a Policy update regarding its recent consultation on revisions to the UK Corporate Governance Code. The FRC considers the right balance at the current time is to take forward only a small number of the original 18 proposals we set out in the consultation.

Ask a question and access resources



The screenshot shows a Q&A interface with a title bar 'Q&A'. It contains a question and answer history, a text input field, and a 'Send' button. The question is 'What happens when I raise my hand?' and the answer is 'I can take you off of mute.' The input field contains the text 'Please input your question'.

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Please input your question

Send Anonymously Send

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- Non-financial reporting ([icaew.com/nfr](https://www.icaew.com/nfr))

Factsheets ([icaew.com/crffactsheets](https://www.icaew.com/crffactsheets))

- [2023 IFRS Accounts](#)
- [2023 UK GAAP Accounts](#)

Guide

- [How high inflation impacts accounting](#)

Webinars ([icaew.com/crfwebinars](https://www.icaew.com/crfwebinars))

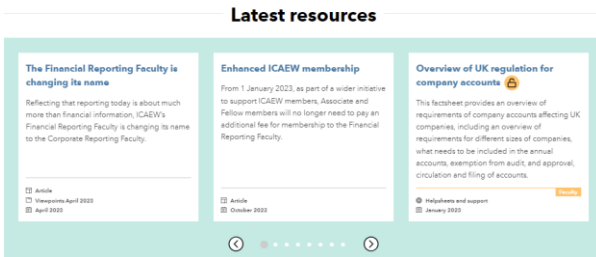
- UK GAAP Update
- IFRS Update
- Narrative Reporting Update



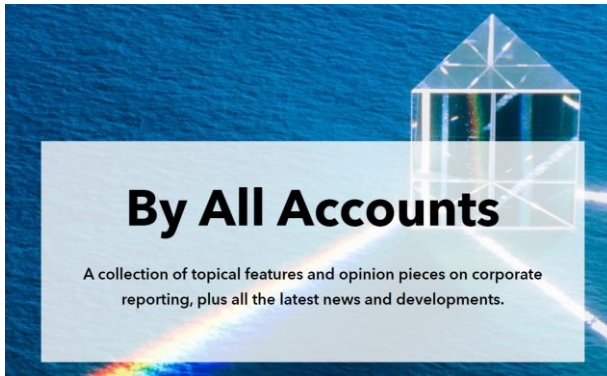
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Questions



Jessica Howard
Director – Accounting
Technical Services
Mazars



Julia Loveland
Senior Manager - NAS
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Thank you for attending



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- Contact the Corporate Reporting Faculty.
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