The CPD Fest 2020

Financial Reporting for 2021

Presenter:
Des O'Neill & Mike O'Halloran - OmniPro

cpd STORE continuing professional development

OmniPro Education & Training
Main Street, Ferns, Enniscorthy, Co. Wexford
053 910 0000
www.omnipro.ie info@omnipro.ie

Table of Contents:

**these financial statements have been included in the workpack for educational purposes based on publicly available information and are neither an endorsement of, or a criticism of, the relevant company, their directors, shareholders, auditors or other relevant parties. OmniPro is not responsible for any errors or omissions resulting from the use of the information contained in this publication and accepts no liability for any such errors or omissions.

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

1

OMNIPRO www.omnipro.ie

Financial Reporting for 2021

- Welcome to the Essential Advisors Mix
- Des O'Neill and **Mike O'Halloran**
- Your Downloads and Material
- Your Questions
  - During the session
  - At the end of the session

2

OMNIPRO www.omnipro.ie

Financial Reporting for 2021

- Webevent Timing - 100 Minutes
- Introduction – 5 Minutes
- Teaching Space – 80 Minutes
- Questions and Answers – 10 Minutes
- Session Close – 5 Minutes

3

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Financial Reporting for 2021

- Topic 1 – 8 Months On - FRS102 and Covid-19 including
  - Directors reports
  - Post balance sheet events
  - Impairments and fair value
  - Going concern
  - Key accounts notes and disclosures
- Topic 2 – Audit exempt accounts and current considerations under FRS 105 and S1.A FRS102
- Topic 3 – The Brexit impact on financial reporting and New Accounting Developments
- Topic 4 – Practical Review of Covid-19 & Brexit disclosures based on recent real life financial statements.

4

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Director's Report- The Covid-19 impact

- Principal risks and uncertainties
- Future developments
- Particulars of events since the year end
- Going concern disclosures?
- Small companies regime

5

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Principal Risks & Uncertainties

- Required for companies not availing of the small companies regime.
- Given the rapid emergence and spreading of the virus, the required disclosures will change over time as the Pandemic develops across regions.
- Risks and uncertainties should be specific to the company and consider the specific issues
  - Companies with debtors (credit risk)
  - Companies in the hospitality sector (economic risk)
  - Companies trading in highly affected countries (market risk, supply chain risk)

6

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

Future developments

- S.327 CA 2014. "The review required by *subsection (1)* shall include an indication of likely future developments in the business of the company."
- Although this generally comments on management's plans and ambitions for the company it is hard to ignore the immediate future hurdle of Covid-19.

7

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

Events since the balance sheet date

- Directors report should incorporate a summary of the "important events since the balance sheet date".

8

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

Going concern note in directors report?

- The directors report requires a "summary of the principal risks and uncertainties facing the company".
- If a material uncertainty is being disclosed in relation to going concern, there is scope to include commentary relating to this uncertainty and going concern in the directors report.

9

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Section 32 Events after the End of the Reporting Period

- Section 32 of FRS 102.
- Adjusting event vs. non-adjusting event
- 31 December 2019 vs. March 2020 year ends.
- Interaction with Section 27 (Impairment) of FRS 102- "the receipt of information after the end of the reporting period indicating that an asset was impaired at the end of the reporting period." (FRS 102 32.5)
- Interaction with going concern- "An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading….."

10

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

When does it become an "adjusting event"?

- Some key dates
  - 7th December 2019- First confirmed case in Wuhan, China
  - 31st December 2019- Identified as new strain of Coronavirus & WHO notified
  - 24th January 2020- First European cases reported in France
  - Month of January 2020- Several new cases in China. 10,000 by end of month.
  - Month of February 2020- Several new cases in Europe during the month. 1,128 cases reported in Italy at the end of the month.
  - 29th February 2020- First reported case of COVID-19 in Ireland.
  - 12th March 2020- Irish schools, colleges & childcare facilities closed
  - 15th March 2020- Irish pubs & hotel bars asked to close
  - 27th March 2020- All non-essential staff to stay at home for 2 weeks

11

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Post balance sheet events- accounting treatment & disclosures

- Non-adjusting event
  - No adjustment required to reflect the events since the year end.
  - The nature of the event should be disclosed
  - An estimate of its financial effect or a statement that such an estimate cannot be made.
- Adjusting event
  - Adjustment is required for the amounts recognised in the financial statements, including related disclosures to reflect the adjustments.

12

OMNIPRO www.omnipro.ie

Potential post balance sheet event adjusting items

- Stock- Post year end NRV issues as a result of Covid-19
- Debtor gone out of business
- Property impairment
- Changes in accounting estimates
- Changes in fair value

13

OMNIPRO www.omnipro.ie

Post balance sheet case study

- X Ltd prepares financial statements to 31 December 2019.
- X Ltd has customers in the hospitality sector, including customer A who owns a hotel. A owes X Ltd €10k
- In March 2020, customer A permanently goes out of business as a result of the restrictions placed on it from COVID-19. The debt of €10k will not be recovered.
- Does an adjusting event occur in the financial statements of X Ltd for December 2019 year end?
- What if we apply the same circumstances to a January 2020, February 2020 and March 2020 year end?
- What if the customer went out of business in January 2020? December year end implications?

14

OMNIPRO www.omnipro.ie

Section 27 Impairment

- Section 27 of FRS 102
- Carry out impairment review when impairment indicators exist.
  - See Section 27.9 of FRS 102 for Internal and External indicators
  - "Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates…."
  - "Evidence is available of obsolescence or physical damage of an asset."
  - Carrying amount vs. recoverable amount

15

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Impairment indicators

- Decline in market value of asset;
- Significant adverse changes in technology, market, economic or legal environment;
- Market interest rates have increased during the period
- The carrying amount of the net assets is more than the estimated fair value of the entity as a whole;
- Evidence available of obsolescence and damage of an asset;
- Significant changes with adverse effect on the entity- plans to restructure, make idle or discontinue an operation;
- Reassessment of an asset from infinite to finite;

16

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

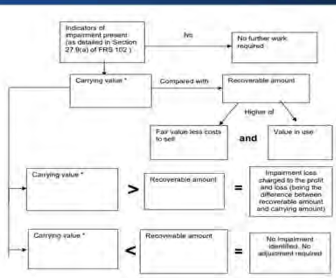
Impairment

- Carrying amount Vs. Recoverable amount
- Carrying amount- balance in financial statements
- Recoverable amount- Higher of
  - Fair Value less costs to sell
  - Value in use

17

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Impairment Assessment Flowchart



18

OMNIPRO www.omnipro.ie

Fair Value less costs to sell

- Sale at arms length less cost to sell.
- Knowledgeable willing parties
- In an active market

19

OMNIPRO www.omnipro.ie

Value in use

- "Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps:
- (a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
- (b) applying the appropriate discount rate to those future cash flows."

20

OMNIPRO www.omnipro.ie

Going Concern

- Section 3.8-
  - Management make an assessment of the entity's ability to continue as a Going Concern
  - An entity is a going concern unless management intend to liquidate or permanently cease trading
- Section 3.9-
  - Requires disclosure of any material uncertainties
  - Section 1A?
- FRS 105

21

Going concern & coronavirus

- Companies must consider what category they fall into;
  - Not affected by COVID-19 or will perform better as a result of it.
  - Affected by COVID-19 but the directors are satisfied that no material uncertainty exists.
  - Affected by COVID-19 and the directors believe that a material uncertainty exists.
  - Severely affected by COVID-19 and the directors need to consider if liquidation is the only realistic option.

22

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

GC Scenario 1 - Not affected by COVID-19 or will perform better as a result of it.

- Possibly no disclosures required.
- No immediate issues
- Any long term issues?

23

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

GC Scenario 2- Affected by COVID-19 but the directors are satisfied that no material uncertainty exists.

- Companies with an initial slowdown but the directors believe that this is short term and they will return to normal once the period passes.
- Possibly require a going concern note explaining why there is no material uncertainty.

24

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

GC Scenario 3 - Affected by COVID-19 and the directors believe that a material uncertainty exists.

- Companies that have been hit hard by Covid-19.
- Temporarily shut down.
- Budgets indicate that it will be a difficult trading period.
- Costs being cut as much as possible to keep the business alive during the period of uncertainty.
- Believe that the going concern basis is appropriate but a material uncertainty exists.
- Going concern note required explaining material uncertainty etc.

25

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

GC Scenario 4- Severely affected by COVID-19 and the directors need to consider if liquidation is the only realistic option.

- Company plans to be liquidated or permanently cease trading in next 12 months
- Break up basis
- Disclose fact in financial statements
- Restate assets to NRV

26

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

What should a going concern (material uncertainty) note include?

- Details of the uncertainty including a description of the events/conditions casting doubt on the entity's ability to continue as a going concern.
- Management's plans to deal with these events.
- A clear disclosure that there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern.
- A statement that it may be unable to realise its assets and discharge its assets in the normal course of business.

Requirement driven by ISA 570-

27

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Regulator views on "COVID" accounts

- ACCA
  - Study carried out on 35 companies pre and post pandemic
  - Noted that they were surprised that 9 of the sample didn't have a material uncertainty nor was there a KAM on going concern.
  - Noted that of the 6 February year ends in the sample, 2 treated it as adjusting and 4 non-adjusting.
  - Called for more transparency on how COVID is reported.
- ICAEW
  - Noted that the use of COVID EOM's is not expected to be widespread.
  - Emphasised that the "fundamental to users understanding" bar is a high hurdle.
  - Overuse of EOMs may be challenged by regulators

28

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Regulator views on "COVID" accounts

- IAASA
  - Diversity in the quality of COVID disclosures
  - Higher quality disclosures were those that were explained clearly in terms of judgements, estimations and sensitivity to change
  - Lower quality disclosures were "boilerplate references"
  - Improvements required in disclosing
    - Critical judgements
    - Material uncertainties
    - Management's reaction to COVID & mitigating action

29

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Regulator views on "COVID" accounts

- FRC
  - Thematic Review July 2020

30

OMNIPRO www.omnipro.ie

NEW - The 2019 Partnership Regulations

- 2019 Regulations effective for p/c 1 January 2020
- Qualifying partnership definition widened to include some EU partners/general partners
- More partnerships filing accounts with the CRO
- Structures with non-EU members
- OmniPro quick guide

31

OMNIPRO www.omnipro.ie

NEW - Operating Lease Concessions

- Amendment to FRS 102- October 2020
- COVID-19 related rent concessions on operating leases
- Provides clarity on how to account for changes in lease payments should be accounted for
- Previously not addressed in FRS 102. Led to different application
- Effective- periods commencing on/after 1 January 2020. Can early adopt

32

OMNIPRO www.omnipro.ie

What is the Amendment- Lessees?

- Lessee shall recognise any change in lease payments arising from rent concessions <u>on a systematic basis over the periods that the change in payments is intended to compensate</u>
  - Only applies to temporary rent concessions as a result of COVID
    - Deferred lease payments?
  - Change results in revised consideration for the lease that is less than previous
  - Any reduction affects only payments originally due on or before 30 June 2021
  - No significant changes to the T&Cs of the lease
- FRS 102 & FRS 105
- Similar onus on Lessors

33

OMNIPRO www.omnipro.ie

Onerous Leases

- What is an onerous contract?
  - A contract in which the unavoidable costs of meeting the obligation exceed the economic benefits.
  - Unavoidable costs are the least net cost of exiting from the contract.
  - The lower of the cost of fulfilling it and any compensation or penalties from failure to fulfil it.

34

OMNIPRO www.omnipro.ie

Onerous Leases

- What do we need to look at to determine the “least net cost”
  - What is the lease amount?
  - What is the unexpired lease term?
  - Can we sublet the premises?
  - Has an early termination payment been discussed?

35

OMNIPRO www.omnipro.ie

Exceptional Item

- Exceptional Item –
- Not Defined (CA refers to them)
  - Where material an additional line is included in the profit and loss where relevant to the entity’s performance.
  - Examples – Debt write off’s, impairments, restructuring
  - Disclosure – Primary Financial Statements and Notes
  - Recurring items are not exceptional items

36

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Exceptional Item

- Will COVID-19 lead to more "exceptional items" disclosures?
- Exceptional items should be shown on the face of the P&L where it is relevant to the user of the financial statements in understanding the results.
- Interaction with other sections of FRS 102- S.27, S.32
- Note disclosure
- Accounting policy disclosure

37

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Audit exempt accounts under FRS 105 and S1.A FRS102

- True & Fair view vs. "presumed" true and fair view.
  - FRS 102 S1A- Disclose additional information necessary to give a T&F view
  - FRS 105- Comply with the standard in full- no additional disclosures
    - Including the measurement and recognition requirements
  - Surplus disclosures under FRS 105 ?

38

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

FRS 105 & Going Concern

- Entities still required to assess going concern basis & consider if appropriate.
- If the entity has decided to wind up then this must be disclosed.
- Audit exempt- no specific going concern disclosures required
- Audited with a material uncertainty related to going concern.
  - Companies Act 2014 and ISA 570 requirements

39

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

FRS 105 & COVID- COVID considerations

- Disclosures
  - Value adjustments
- Measurement and recognition
  - Going concern basis vs. break up basis
  - Breach of covenants
  - Impairment
  - Termination payments
  - Bonus deferral
  - Post balance sheet events

40

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Treatment of TWSS, PUP etc.

- Government grants defined;
  - "**Assistance by government** in the form of a **transfer of resources** to an entity in return for **past or future compliance** with **specified conditions** relating to the operating activities of the entity. Government refers to government, government agencies and similar bodies whether local, national or international."
- Should not be recognised until there is reasonable assurance that;
  - The entity will comply with the conditions attaching to them.
  - The grants will be received.

41

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Accruals model vs. Performance model

- Choose accruals model or performance model;
- **Accruals Model**
- Recognise in income on a systematic basis over the periods in which the related cost is recognised.
- Recognise as other income when the expense is incurred.
- **Performance model**
- Recognise in income only when the performance conditions are met.
- Main performance condition is a 25% reduction in turnover. Hold as a liability until it is evident that the performance conditions are met.

42

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

Brexit and the impact on Financial Reporting in 2021

- Deal/no deal/delay
- Who will be hit hardest?
- Financial reporting impact
  - Disclosures
  - Going Concern
  - Asset values
  - True and fair view
- COVID 2.0?
- Example disclosures

43

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

How can we help you with Financial Reporting

- The Accountants Resource Centre
- KnowledgeHub
- FRS102.com
- The Practice Support Team
  - Cold File Reviews
  - Hot File Reviews
  - In-House Training
  - Financial Statement and Note Drafting

44

OMNIPRO Let Your Expertise Benefit From Ours www.omnipro.ie

Why OmniPro – One Firm One Solution

Our Why - Our core belief is simply this : Accountants can and do change lives. So we get up every morning to bring them the tools, advice and training so that they can create outstanding businesses for themselves and their clients too. In this way we change lives, communities and our world. We would live to do that together with you.

45

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Why OmniPro – One Firm One Solution

How We Do That –

- We do accountants
- We connect with accountants.
- We learn about accountants so we can understand them.
- We work out what accountants want and need
- We find the best solution for accountants in any given situation

46

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

Why OmniPro – One Firm One Solution

What We Do We provide accountants with consulting, training and information products in the areas of;

- – practice management, business development & marketing;
- – company secretarial & taxation;
- – audit & financial reporting;
- – professional regulation and disciplinary defence.

47

OMNIPRO
Let Your Expertise Benefit From Ours
www.omnipro.ie

OmniPro
Supporting Irish Accountants

Main Street,
Ferns,
Enniscorthy,
Co. Wexford.
00 353 (0)53 9100000

48

FRS102.com- Covid-19 update

Section 32- Events after the end of the reporting period

Summary of this section

Section 32 deals with the treatment of events after the balance sheet date and whether they are considered an adjusting or non-adjusting post balance sheet event.

What are the key points of this section of FRS 102?

Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Events after the end of the reporting period are divided into two types:

- Adjusting events – these provide evidence of conditions that existed at the end of the reporting period; or
- Non-adjusting events – these relate to conditions that arose after the end of the reporting period

Adjusting events require adjustment at the financial reporting date for the effect of the post balance sheet event. Non adjusting events are required to be disclosed in the financial statements.

Examples of adjusting events include:

- the settlement of a court case that retrospectively confirms the existence of a year-end obligation;
- the determination of the value of profit-sharing or bonus payments; and
- the receipt of information indicating that an asset was impaired as at the year

Examples of non-adjusting events include a decline in the market value of investments and a favourable decision on a court case that had been in progress at the year end. If dividends are declared after the year end they are not included as a liability.

The going concern basis of preparation may not be used if management determines after the balance sheet date that it either intends to liquidate or cease trading, or has no realistic alternative but to do so.

Section 32.11 gives further examples of non-adjusting events.

How does COVID-19 impact on this section?

This is one of the key sections of FRS 102 impacted by COVID-19 and interacts with many other sections of FRS 102 also. Given the events of early 2020, many companies balance sheet assets and trading activities will be heavily impacted. In addition to this, the sudden decline in economic activity may cause many companies to re-assess the use of the going concern basis and the related disclosures to address this.

Companies who have a year end of, for example, 31 January 2020 will need to consider the effects of COVID-19 on the company up until the date of approval of the financial statements. Where post balance sheet events have occurred after the balance sheet date, such as a debtor going out of business as a result of COVID-19, the company will need to consider whether there was evidence of events or conditions that existed at the end of the reporting period. This consideration is key as it will determine if the matter requires adjustment at 31 January 2020 or not. In the event that it does not require adjustment, the matter will require to be disclosed in the notes to the financial statements.

Practical implications

The first thing to consider is whether the events caused by COVID-19 are adjusting or non-adjusting events.

December 2019 year ends

It is unlikely that the post balance sheet effects of COVID-19 will be adjusting events as although some cases of the virus had been recorded in China, the virus had not become widespread at that point. In addition, the preventative measures taken by many governments in response to COVID-19 had not been put in place at 31 December 2019. A significant amount of human to human transmission of the virus was not recorded at that point.

January 2020 year ends

By the end of the month, there had been a significant increase in the number of recorded cases in China and some cities had been put into lockdown. It is unlikely that adjusting post balance sheet events will occur for January 2020 year ends. However, the particular circumstances around the post balance sheet event will need to be considered. For example, if a debtor based in China were to go out of business in February 2020, it could be argued that this related to events or conditions that existed at 31 January 2020.

February 2020 year ends

By the end of February 2020, COVID-19 was widely recorded across Europe. On 29th February 2020, the first case was recorded in Ireland. It is possible that these events could give rise to events or conditions existing at 29 February 2020 and it is likely that post balance sheet events arising from COVID-19 after this year end will be adjusting.

March 2020 year ends and subsequent

By the end of March 2020, many “non-essential” trading had ceased and other businesses had been severely impacted by measures aimed at containing the virus. At this point it is likely that all post balance sheet events arising from COVID-19 will be adjusting and should be provided for at the year end.

There is no clear distinction of when events become "adjusting" and determining this will require a significant degree of professional judgement. It will also require consideration of events and circumstances (for example, the write off of a debtor based in China will likely be an earlier adjusting event than the write off of a debtor in Ireland).

Disclosure issues arising from COVID-19

Where an event is non-adjusting, the nature of the event, including

Example 1

Company A is an Irish company who prepares financial statements to 31 December 2019. In February 2020, a debtor based in Italy goes out of business as a result of COVID-19 lockdown measures put in place by the Italian government. The debtor owed €20,000 to company A. Is this an adjusting event for year ended 31 December 2019 in the books of company A?

As the virus was not present in Italy in December 2019 and there had not been a significant amount of human to human transmission of the virus at that date, the events or conditions giving rise to the post balance sheet event did not appear to be present at the year end. As a result, the post balance sheet bad debt should be treated as a non-adjusting post balance sheet event.

Illustrative disclosure note to address the above point

"In the first half of 2020, the Covid-19 virus spread worldwide. In common with many other countries, the Italian government issued guidance and restrictions on the movement of people designed to slow the spread of this virus.

This has had a negative impact on the company since the year end and has resulted in a bad debt write off of €20,000 in February 2020.

As it is the directors opinion that the events or conditions relating to the bad debt did not exist at 31 December 2020, the above financial effects have not been adjusted for the impact of the events since the balance sheet date."

Example 2

Company B is an Irish garden centre with €200,000 of stock held at cost at 29th February 2020. On March 14th, it temporarily closed in response to government recommendations to contain the spreading of the disease. At the date of closing, they still had €100,000 worth of the year end stock. To avoid having to dispose of their stock, they agreed to sell the remaining stock to an unconnected online garden centre for €50,000. Is the stock write down an adjusting event for the year ended 29th February 2020?

This circumstance requires some judgement to determine whether the event is adjusting or non-adjusting. As COVID-19 had been recorded in Ireland by 29th February 2020, this would be evidence that events or conditions existed at the balance sheet date. Therefore, the event could meet the definition of an adjusting event which would require adjustment in the financial statements for the year ended 29th February 2020.

Section 1A of FRS 102 disclosures

The disclosure requirements under full FRS 102 and Section 1A are similar. The particulars and financial impact of material events that have occurred after the end of the reporting period shall be given in the notes to the financial statements.

FRS102.com- Covid-19 update

Section 27- Impairment of assets

Summary of this section

Section 27 deals with the measuring, recognising and disclosing impairments for all assets with the exception of:

- assets arising from construction contracts covered by Section 23;
- deferred tax assets covered by section 29;
- Asset arising from employee benefits covered by Section 28;
- Financial assets within the scope of Section 11 and Section 12 dealing with financial
- instruments;
- Investment property measured at fair value under Section 16;
- Biological assets relating to agricultural activity dealth with in Section 34; and
- Impairment of deferred acquisition costs and intangible assets arising from insurance contracts which are dealt with in FRS 103.

What are the key points of this section of FRS 102?

Impairment review only required to be performed if indicators of an impairment exists.

Indicators of impairment as defined in Section 27.9 are:

- An asset's market value has declined significantly more than would be expected as a result of the passage of time;
- Significant changes occurred/are due to occur in technology, market, economic or legal environment;
- Market interest rates have increased during the period which are likely to affect
- materially the discount rate and value in use;
- The carrying amount of the net assets is more than the estimated fair value of the entity as a whole;
- Evidence available of obsolescence and damage of an asset;
- Significant changes with adverse effect on the entity have or is due to take place which, in the extent to which an asset is used/expected to be used e.g. plans to restructure, make idle or discontinue an operation;
- Reassessment of an asset from infinite to finite; and
- Evidence showing the economic environment of an asset is worse than expected.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment exists if the recoverable amount is less than the carrying amount.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is based on the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is the present value of the future cash flows expected to be derived from the asset.

If an impairment loss arises on a cash generating unit, it is allocated first against goodwill and then against other assets of the unit, pro rata based on their carrying values.

For individual assets, reversals are recognised in profit or loss (or in other comprehensive income, for previously revalued assets in accordance with the requirements of the relevant section). The asset carrying value is never restored to more than what it would have been had the impairment never occurred.

For cash generating units, the reversal is allocated pro-rata to the assets in the unit, excluding goodwill.

Future of cash flows included in the value in use calculation cannot include future cash flows from future restructuring or improvements to the asset's performance. The pre-tax discount rate should be used.

How does COVID-19 impact on this section?

The area of impairment is likely to be one of the key sections of FRS 102 impacted by COVID-19.

One of the external indicators of impairment as set out in section 27.9 of FRS 102 is;

"Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated."

COVID-19 is likely to meet this definition of an external indicator of impairment and as a result, an impairment review of entities assets will be required.

This may result in a decline in asset values.

If the impairment has happened after the financial year but before sign off, entities will need to consider the impairment in the context of section 32- Events after then end of the reporting period to determine if the impairment meets the criteria for an adjusting event.

Practical implications

In considering if an asset is impaired, the recoverable amount should be compared to the carrying amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. The carrying amount is the amount that the balance is held at in the balance sheet.

In determining the recoverable amount, the entity takes the higher of "fair value less costs to sell" and "value in use". In doing this, the entity should first consider what the "fair value less costs to sell" of an asset is.

<u>Fair Value less Costs to sell</u>

Detailed in section 27.14 of FRS 102

"Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The best evidence of the fair value less costs to sell of an asset is a price in a binding sale agreement in an arm's length transaction or a market price in an active market. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry."

If Fair Value less Costs to sell is less than the carrying value then the entity should consider what the value in use of the asset is.

Note- if establishing fair value is difficult during the lockdown period- refer to the Section 2 Quick Guide.

<u>Value in Use</u>

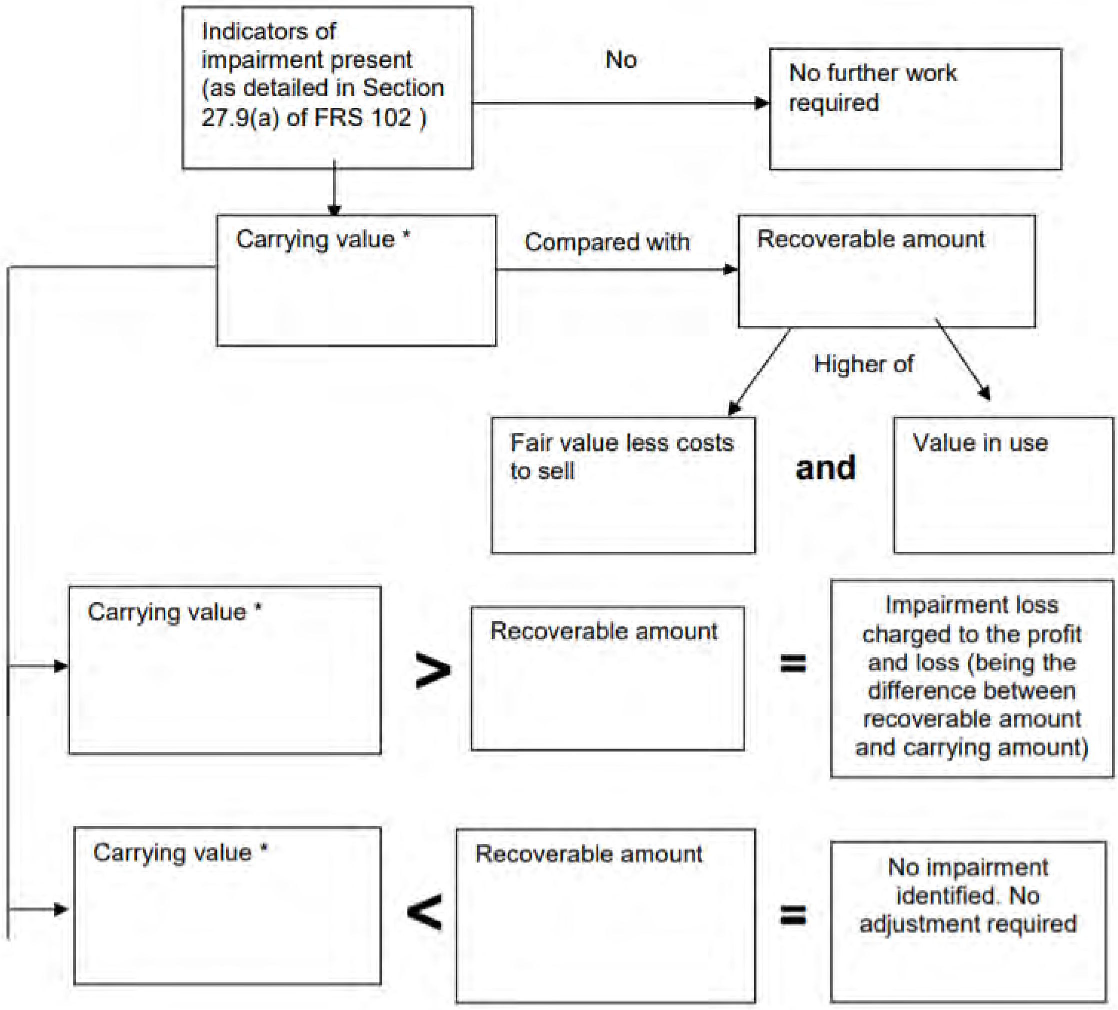
Detailed in section 27.15 of FRS 102

"Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps: (a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and (b) applying the appropriate discount rate to those future cash flows."

If the recoverable amount is less than the carrying value then an impairment is required to be recognised through the profit and loss account. If the impairment relates to an asset that has previously been revalued then the revaluation portion shall reversed through the statement of changes in equity with the balance recognized as an impairment through the profit and loss account.

If the carrying value exceeds the recoverable amount then no impairment is required.

It is likely that any assets with a recoverable amount based on value in use will be impaired following COVID-19 as VIU is based on cashflows which are likely to be negatively affected as a result.



Examples

Value in Use- Determining cash flow to include

Company A is a manufacturing company providing special plywood to the construction industry. During the year there was a large slump in the construction market which was an indicator of impairment. The company has prepared the estimated cash flow and has included the below in the cash flow. Determine which ones will be allowed to be included as part of the value in use calculation.

- The company intends to restructure the company and lay 20 employees off which will result in cost savings of CU200,000 per annum.

  Solution: Neither the costs of the reconstruction or the cost savings can be incorporated into estimated future cash flows as the entity was not demonstratively committed to it i.e. it was not provided for in the year end financial statements .See Section 27.19 of FRS 102

- Next year the company has planned to purchase and install a whole new production line which will allow the company to diversify the type of products it produces such that it can supply material to a separate industry. (Section 27.9 (b) of FRS 102)

  Solution: Section 27.19 does not allow planned future capital expenditure which enhances the cash flow potential to be incorporated into the cash flow. Neither does it allow the future additional cash inflows from the proposed expenditure.

- The cost of replacing a component of the main production line which is depreciated at a different rate to the main line has been included in the cash flows.

  Solution: Given that this is a component that is separately depreciated from the main production line and it does not enhance the performance of the line above the performance at the date of the value in use calculation, this should be included in the estimated cash outflows. Note the cash flows should incorporate these based on the life of that component so if these parts had to be changed every five years, it would have to be included in the cash flow every five year. See Section 27.17 of FRS 102

- Assumed a growth rate of 10% per annum for 10 years. The terminal value amount is increased by a further 10%

  Solution: When determining whether this cash flow is appropriate, one would have to look at the industry in which the company operates. Given that the market has slumped it would be very unusual for a 10% growth rate to be assumed. On this basis it is likely that these growth rates would need to actually show a reduction for at least the first few years as opposed to an increase. The 10% growth rate for 10 years also seems to be for too long a period. IAS 36 would state that a growth rate should not be incorporated for more than 5 years and as stated in Section 27 from then on a steady rate or declining growth rate should be used. Therefore these growth rates would have to be reduced and usually after 5 years decreasing or no further growth should be assumed. However each circumstance would need to be assessed individually based on the industry in which the entity operates. (Section 27.17 (b) of FRS 102)

- The repairs and maintenance costs is very large when compared to the depreciation charged on the assets during the prior year.

  Solution: Although this is an allowable cash flow usually the repairs and maintenance cost included in the cash flow should some way equate to the yearly depreciation charge.

- In calculating the cash flows, the company incorporated the working capital requirements/movements but they compared the present value of the cash flows to the carrying amount they have not included the debtors/creditors/inventory and other working capital items within the carrying amount.

  Solution: This is incorrect as the company should compare like with like. In this instance the company should take the net assets relating to the CGU so that they are comparing like with like.

- The company has used a post-tax discount rate

  Solution: This is incorrect as a pre-tax discount rate should be used. (see Section 27.20 of FRS 102)

- The company has not incorporated any inflation into its workings

  Solution: The entity must incorporate the effects of inflation into its cash flows under the see Section 27.20 of FRS 102). Therefore, the expected future inflation needs to be incorporated.

- The company has included tax payments into the cash flow

  Solution: The inclusion of tax cash flows is not allowed under Section 27.18 of FRS 102.

- The company has included exceptional income with regard to a return on investment within the terminal value amount as this was included in the last forecasted period.

Solution: The terminal value amount must exclude all abnormal or exceptional items included in the last forecasted periods cash flows as this incorrectly inflates the terminal value amount. (See Section 27.8.2.6)

- The company in its cash flow used the profit before tax, amortisation and depreciation.

  Solution: This is incorrect as the cash flows should incorporate the earnings before interest, tax, amortisation and depreciation as financing activities should be excluded together with any non-cash costs, as stated in Section 27.18 of FRS 102.

  The interest income and expense should therefore have also been excluded in the above example.

Impairment loss for a CGU with goodwill

In year 1 Parent A acquired company X for CU100,000. On acquisition 3 CGU's were identified called CGU 1, CGU 2 and CGU 3. The fair value of the assets acquired was CU60,000 and goodwill of CU40,000 was recognised on acquisition and set against each CGU. The goodwill was allocated to each CGU based on the synergies expected to be achieved which ultimately was allocated 1/3rd to each CGU.

In year 2, due to a change in the market trends the demand for the product produced by CGU 1 reduced significantly. The value in use calculations indicate a recoverable amount of CU9,000. At that date the carrying amount of the goodwill and identifiable assets were CU10,000 and CU20,000 (split between asset A&B of CU12,000 and CU8,000) respectively. Therefore, the total impairment to be booked is CU21,000 (CU10,000+CU20,000-CU9,000 recoverable amount).

The calculation of the allocation of the impairment loss of CGU 1 is carried out as follows:

	Carrying value	Impairment	Carrying amount after impairment
Goodwill	CU10,000	(CU10,000)*	CUnil
Asset A	CU12,000	(CU6,600)**	CU5,400
Asset B	CU8,000	(CU4,400)***	CU3,600
Total			

*impairment set against goodwill first and remaining amount set against all other assets on a pro-rata basis.

**impairment allocated pro-rata to identifiable assets e.g. asset A= (CU21,000-CU10,000 allocated to goodwill) * (CU12,000/(CU12,000+CU8,000)) = CU6,600.

***impairment allocated pro-rata to identifiable assets e.g. asset A= (CU21,000-CU10,000 allocated to goodwill) * (CU8,000/(CU12,000+CU8,000)) = CU4,400.

Example- stock impairment

Company A has inventory of wine and chocolate of CU100,000 at the year-end of March 2020. Following the developments of COVID-19, the company's market had diminished significantly. The company has identified that it can sell the wine and chocolates as Easter hampers, to avoid them going out of date. The sales price of the hampers will be CU80,000 but there is an additional cost of CU20,000 associated with packaging them. The directors are satisfied that this is an adjusting event.

In this example, the carrying value is CU100,000. The sales price (CU80,000) less costs to complete (CU20,000) is CU60,000. A stock impairment should be recognised of CU40,000 and incurred in the year ended March 2020 accounts.

Example- Associate Impairment if adopting the cost model

Company A holds a 40% investment in Company B (cost CU500,000). At the year end Company B's performance was far less than expected and a significant loss was incurred as a result of a period of closure arising from the outbreak of COVID-19. As a result Company B's net assets was CU800,000. The significant loss made by Company B is an impairment indicator. As it is likely that it would be difficult to determine the fair value less cost to sell in an active market, the value in use model should be utilised to determine whether an impairment is required. In this particular case, it may be appropriate to impair the investment down to the net asset amount of CU320,000 (CU800,000 *40%) assuming that the value in use calculations do not support the non-impairment. Given the loss making position of company B, it is likely that the cash generating unit will not generate a favourable value in use calculation and an impairment to CU320,000 will be required.

Example: A decline in the asset's market value (Section 27.9 (a) of FRS 102)

Company A purchased a specialised piece of property, plant of equipment for CU300,000 during the year. At the end of year 1, the supplier dropped its price for that type of equipment to CU200,000. In this case, this would indicate a possible impairment. As a result an impairment may be required. This drop in price does not automatically mean an impairment loss as it is likely the value in use of the asset when taken together with a CGU for the Company will be higher so therefore no impairment may be required.

If we assume that the piece of property is now abandoned and no longer in use within the CGU, then the fair value of that asset itself would be used to determine the amount of the impairment loss. The value in use for the CGU cannot be used as the asset is no longer providing any economic benefit, therefore its recoverable amount is the fair value of assets in the balance sheet relating to the property less cost to sell.

Similarly assume Company A has an office block which it uses. Due to a significant reduction in property prices, there are indications that this asset is stated above its carrying amount. In this case, this would be an indicator of an impairment, however, this does not necessarily mean a write down is required as it is part of a CGU (that being the overall factory etc.).

Prior to COVID-19, the CGU was showing a positive value in use with significant headroom between the carrying value of the assets and the value in use. The company has been hit hard by COVID-19 and part of the company's business has been lost. When it performs its value in use calculations, the results show that the current carrying value exceeds the value in use. As a result, an impairment is required.

<u>Section 1A of FRS 102 disclosures</u>

The impairment disclosure requirements under Section 1A of FRS 102 are similar to full FRS 102. Details of impairment of all types of all fixed assets held as well as the impairment charges during the year are required to be disclosed.

Corporate Consultants + Tax & Legal + Practice Growth + Education & Training + Practice Support

COVID-19 ROI Disclosure Checklist

OMNIPRO

Covid-19 Financial Reporting checklist
Republic of Ireland checklist

Not specifically required by a small company applying section 1A of FRS 102 but the directors may wish to include these voluntarily.

	Directors Report	Statutory/ FRS reference	Yes/No / NA
1	Does the directors report give a description of the principal risks and uncertainties facing the company which incorporates the risk posed by Covid-19?	*S.327 (1) (b)*	
2	Does the future developments paragraph incorporate the effects of Covid-19 since the year end?	*S.327 (5)*	
3	Does the directors report give details of particular events affecting the company which have occurred since the end of the year. Including a summary of how Covid-19 has affected the company's business.	*S.326 (2) (a)*	
4	If there are material uncertainties relating to the company's ability to continue as a going concern, have the directors considered including a going concern note in the directors report to describe the uncertainty.	*S.327 (1) (b)*	
Note disclosures- Going concern			
5	**Consider if the effect of Covid-19 has changed or had an effect on the going concern basis?**		
5a	**If the efects of Covid-19 presents a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern have the following disclosures been made in the notes to the financial statements?**	*FRS 102 3.8*	
	- Details of the uncertainty	*FRS 102 3.8*	
	If the financial statements are subject to audit, have the following additional disclosures been made to comply with ISA 570		
	- A description of the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern	*ISA 570 (19) (a)*	
	- Management's plans to deal with these events or conditions.	*ISA 570 (19) (a)*	
	- A clear disclosure that there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.	*ISA 570 (19) (b)*	
5b	**If the directors believe that there are no material uncertainties relating to going concern but that the effect of Covid-19 presents a challenge to the entity's ability to continue as a going concern**		
	- Consider whether additional disclosures are required to comply with the fair presentation framework. Such disclosures may include an explanation of the effect of Covid-19 on the company, the effect it might have on the company and the reasons why no material uncertainty exists.	*FRS 102 2.5* *FRS 102 3.9*	
	- If the financial statements are subject to audit then the disclosures should adequately describe the effects of Covid-19 on the company.	*ISA 570 (20)*	
5c	**If the directors believe that the only option available is to permanently cease trading or liquidate**		
	- The financial statements should not be prepared on a going concern basis.	*FRS 102 3.8* *FRS 102 32.7A*	
Post balance sheet events			
6	**Consider whether Covid-19 is an adjusting or non-adjusting event.**	*FRS 102 32.2*	
6a	**Non-adjusting event**		
	If it is a non-adjusting event then adjustment is not required in respect of the events after the end of the reporting period	*FRS 102 32.6*	
	Disclosure should be made of - the nature of the event; - an estimate of the financial effect OR - a statement that such an estimate cannot be made	*FRS 102 32.10*	

6b	**Adjusting event**		
	If it is an adjusting event, then the company must adjust amounts recognised in the financial statements, including related disclosures to reflect adjusting events after the end of the reporting period.	*FRS 102 32.4*	
	Consider the effects of the following and if an adjustment is required in respect of;		
	Property impairment as a result of Covid-19		
	Stock impairment as a result of Covid-19. Consider the effects of Cost/NRV and also stock obsolosence		
	Debtors impairment as a result of Covid-19		
	Breaches of covenants as a result of Covid-19		
	Changes in accounting estimates as a result of Covid-19		
	Changes in fair values as a result of Covid-19		
	Any other adjusting items as a result of Covid-19		
7	**Judgements and key sources of estimation uncertainty**		
	Are there any additional management judgements, estimates, assumptions including key sources of estimation uncertainty as a result of Covid-19?	*FRS 102 8.6* *FRS 102 8.7*	
	Consider the following judgements;		
	Key assumptions used in preparing budgets and cashflows		
	Assumptions used in determining whether Covid-19 is an adjusting event		
	Assumptions used when deciding to impair/not impair assets		
	Any other judgements or estimates affected by Covid-19		
8	**Impairment losses**		
	If the entity has impaired assets during the year then the following must be disclosed;		
	- The amount of impairment losses recognised during the period and the line item in the SOCI or P&L that the losses are included.	*FRS 102 27.32 (a)*	
	- The amount of reversals of impairment losses recognised during the period and the line item in the SOCI or P&L in which those impairment losses are reversed.	*FRS 102 27.32 (b)*	
	The above information should be split between the following classes of asset; - Inventories - Property, plant and equipment (including investment property accounted for under cost) - goodwill - Intangible assets other than goodwill - Investments in associates - Investments in joint ventures	*FRS 102 27.33*	
	A description of the events or circumstances that led to the recognition or reversal of the impairment loss should be included.	*FRS 102 27.33A*	
	If applying FRS 102 S.1A then the company is required to disclose details of impairments and reversal of impairments on tangible/intangible fixed assets & financial assets in the operating profit note.	*FRS 102 1AD.20 & 21*	

We believe that being an accountant should be a profitable and rewarding experience. We support accountants technically and strategically to ensure you meet your regulatory compliance requirements in the most efficient and profitable manner possible. Accountants are uniquely placed to successfully lead Ireland into the future. We want to work with you to ensure that you are fully equipped for the task.

As the largest independent solution provider to Irish accountants, we have worked with hundreds of practices from the largest international firms to sole practitioners and everything in between. We offer Technical Practice Advisory, File Review Services, Practice Management & Growth Services, Company Law and Company Secretarial Services, Company Formations, Tax Planning and Consultancy Services, Public CPD Training and In-house Training.

OMNIPRO PRACTICE SUPPORT

+ Technical Support Service
+ File Review Services
+ Practice Development Services
+ In-House Training

OMNIPRO COMPANY SECRETARIAL

+ Company Law Advice
+ Company Secretarial Compliance
+ Annual Compliance Services
+ Company Formations

OMNIPRO EDUCATION & TRAINING

+ Technical CPD
+ Non-Technical CPD
+ Online CPD
+ CPD Planning Services

OMNIPRO

OMNIPRO TAX & LEGAL

+ Tax Support Services for Accountants
+ Your Outsourced Tax Department
+ Advanced Tax Planning
+ Tax Efficient Structures

OMNIPRO PRACTICE GROWTH

+ Value Added Tools for Revenue Growth
+ Marketing Strategy Development
+ Marketing Consultancy
+ Marketing Campaign Management

OMNIPRO
Let Your Expertise Benefit From Ours

FRS 105 COVID-19 Quick Guide

www.FRS102.com

Here to guide you and your clients through COVID-19

FRS102.com- Covid-19 update

COVID-19 implications for FRS 105 Companies

Summary of FRS 105

The Companies (Accounting) Act 2017 commenced on 9th June 2017. It introduced the concept of the Micro Companies Regime which is contained in Section 280D-280E of the Companies Act 2014. This allows companies to prepare financial statements under FRS 105 by applying the requirements of the micro companies regime in the Companies Act.

Which companies can avail of FRS 105 and the micro companies regime?

A company qualifies for the micro companies regime if it fulfils at least two of the three qualifying conditions listed below:

- In relation to its first financial year; or
- In relation to its current financial year and the preceding financial year; or
- In relation to its current financial year and it qualified as a small/medium company in the preceding financial year; or
- In relation to the preceding financial year and it qualified as a small/medium company in the preceding financial year

	Small Co
Turnover	≤ €700,000
Balance Sheet Total	≤ €350,000
Employees	≤10

Note 1: Exception even where the above thresholds are met:
Companies Act 2014 excludes the following companies from applying the MCR and hence FRS 105:

1. a company falling within any provision of Schedule 5 of the Act (e.g. Authorised investment firm, insurance intermediary of any other company carrying on of business by which is required to be authorised by the Central Bank); or
2. a company that is a credit institution or insurance undertaking; or
3. a company with securities regulated on a regulated market; or
4. a holding company of a small group even where the group meets the thresholds where any of the entities in the group come within points 1, 2 and 3 above (this only effects the holding company and not the other companies within the group (other than a company that comes within the remit of points 1-3 above)); or
5. an investment undertaking; or
6. a financial holding undertaking; or
7. a holding company that prepares consolidated financial statements; or
8. a subsidiary that is included in the consolidated financial statements of a parent for that year;
9. any company excluded from the small companies regime; or
10. a charity (Note not excluded from micro entities regime under company law however excluded under FRS 105); or
11. a company that prepares financial statements under FRS 102/IFRS

What are the key points?

If the company's results are included in the parent's consolidated financial statements FRS 105/MCR cannot be availed of.

Where consolidated financial statements are prepared, FRS 105/MCR cannot be availed of.

Once requirements of MCR are met and the disclosures required under the MCR are met the financial statements are presumed to show a true and fair view. No further disclosures need to be considered.

A holding company that does not meet the conditions of a small group as stated in Section 280B of CA 2014 cannot apply the micro entities regime.

Company has the choice to apply the micro entity regime, the company does not have to apply it.

Where the micro entity regime is applied the company must prepare the financial statements in accordance with FRS 105 'The Financial Reporting Standard Applicable to the Micro-entities Regime.

No requirement for a disclosure in the financial statements detailing any transition adjustments from a previous GAAP to FRS 105.

The disclosures under the MCR are the minimum disclosures. Additional disclosures can be provided but if they are provided they must be in line with the requirements of the small companies regime.

No requirement for a director's report.

No requirement to disclose director's remuneration (under Section 305-S306 CA 2014) or transactions entered into with directors (S.309 CA 2014) other than for loans/quasi loans given by the company to the directors, credit transactions or guarantees entered into for the benefit of directors (as required under S.307-308 CA 2014).

No requirement to disclose total wages and salaries or average number of employees as previously required under Section 317 CA 2014.

No requirement to disclose details of investments held where a significant interest is held as previously required under company law.

The transition date to FRS 105 is the beginning of the comparative period presented in the first set of FRS 105 financial statements.

Under FRS 105:

- assets are not permitted to be carried at fair value or revalued amounts;
- all amounts on the balance sheet must be recognised at historic cost;
- development expenditure must be expensed;
- investment property must be held at cost and depreciated;
- no deferred tax is permitted to be recognised.
- Requirement to accrue for holiday pay
- Borrowing costs to be expensed
- Default useful life of no more than 10 years where a life cannot be determined
- Lease incentives to be released over the full life of the lease

- Equity settled share based payments not recognised until issued
- Goodwill impairments cannot be reversed
- Business combination rules only applicable to acquisition of trade assets/liabilities as opposed to shares as consolidated financial statements are not permitted to be prepared.

Impact of COVID-19 on financial statements prepared in accordance with FRS 105

Disclosures

In light of the reduced disclosures framework, financial statements will be minimally impacted from a disclosure point of view. Once an entity has met the minimum disclosure requirements of the micro companies regime, the financial statements are deemed to give a true and fair view with no further disclosures to be considered. If an entity chooses to provide additional disclosures then these disclosures must be prepared in accordance with the small companies regime.

Going Concern

For the most part, there will be no additional going concern disclosures arising from COVID-19. Provided the entity meets the minimum requirements as set out in FRS 105, the financial statements will be presumed to give a true and fair view with no additional disclosures required. Consideration should be given to the following areas which may affect disclosures;

- Section 3.3 of FRS 105- Management should consider whether the Going Concern basis is appropriate. It is appropriate unless management intend to liquidate or cease trading permanently (or has no realistic alternative but to do so). In doing this, management should consider the period of 12 months from sign off. If the going concern basis is not used then the basis used should be stated.
- Audited entity with Material Uncertainty- If the entity is audited and the auditor concludes that the going concern basis is appropriate but a material uncertainty exists, the requirements of ISA 570 will need to be covered in a disclosure note to the financial statements. If this is the case then the going concern note will need to include the following;
    - Details of the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
    - Management's plans to deal with these events or conditions.
    - A clear disclosure that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.
- If management decide to voluntary include a going concern note then this is allowed. However, it must comply with the requirements under Section 1A of FRS 102 (section 1.3 of FRS 105).

Measurement and Recognition

From a measurement and recognition point of view, there may be adjustments to FRS 105 financial statements in light of COVID-19.

Some assets will need to be impaired in light of the adverse economic impact that COVID-19 will have had. Impairment indicators will be present that will result in the need for an impairment review.

Below is a summary of the key sections affected by COVID-19

Section 1- Scope

- Section 1.3 of section 1 states that an entity may (if it so wishes) to disclose additional information above the minimum requirements of FRS 105. If an entity chooses to do this, then the additional information must comply with the minimum requirements of Section 1A of FRS 102.

Section 3- Financial Statement Presentation

- This section states that provided an entity complies with the requirements of FRS 105, the financial statements are presumed to give a true and fair view. As a result, there will be minimal additional disclosures arising from COVID-19 in financial statements.
- Entities are required to consider if the going concern basis is appropriate. This requires the consideration of budgets and future information of at least 12 months from the date the financial statements are authorised for issue. Where accounts are not prepared on a going concern basis, the reasons for this should be stated in the notes to the accounts along with the basis on which they are prepared.
- Where an entity is being wound up, this fact and whether a receiver or liquidator has been appointed.

Section 4- Statement of Financial Position

- This section requires that a micro-entity shall classify a creditor as due within one year when the micro-entity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least 12 months after the reporting date. Where a company falls in breach of its loan covenants, creditors which were originally classified as due greater than 1 year may need to be reclassified as due within 1 year.

Section 6- Notes to the Financial Statements

- Value adjustments for impairment of the following assets should be disclosed in a note to the financial statements if not shown separately in the income statement.
  - Tangible Fixed Assets
  - Intangible Fixed Assets
  - Financial Fixed Assets

Section 9- Financial Instruments

- All financial assets must be assessed for impairment or uncollectability. Evidence suggesting that these assets could be impaired include;
  - significant financial difficulty of the debtor;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
  - it has become probable that the debtor will enter bankruptcy or other financial reorganisation;
  - declining market values of the asset or similar assets;
  - significant changes with an adverse effect on the asset that have taken place in the technological, market, economic or legal environment; and
  - the contract has become an onerous contract

- COVID-19 will mean that there are impairment indicators present in many entities. This will require consideration of the following;
    - An investment held in ordinary shares, preference shares, subsidiaries, associates and joint ventures- Consider the **carrying amount** compared to a **best estimate of the assets selling price** at the reporting date.
    - An asset that is a derivative- consider the **carrying value** to **fair value less costs to sell.**
    - For all other financial instruments- Consider the **Carrying amount** compared to the total of estimated net cash flows that can be generated from the asset (present valued if the time value of money is material).

Section 10- Inventories

- Entities are required to measure inventories at the lower of cost and estimated costs to complete. Implicit in this requirement is the requirement to assess whether inventory is impaired at the end of each reporting period. COVID-19 may cause stock to become impaired, particularly where stock is subject to the risk of obsolescence or changes in consumer habits following COVID-19.

Section 12- Property, Plant and Equipment and Investment Property

- Property, Plant and Equipment and Investment Property are measured at cost less depreciation less impairment. The assets should be considered for impairment following COVID-19. Refer to section 22- Impairment of assets.

Section 13- Intangible Assets other than Goodwill

- Intangible Assets other than Goodwill are measured at cost less depreciation less amortisation less impairment. The assets should be considered for impairment following COVID-19. Refer to section 22- Impairment of assets.

Section 14- Business Combinations and Goodwill

- Goodwill acquired in a trade and asset acquisition is measured at cost less amortisation less impairment. The assets should be considered for impairment following COVID-19. Refer to section 22- Impairment of assets.

Section 16- Provisions and Contingencies

- Provisions are recognised only when all of the below conditions are met;
    - The entity has an obligation at the reporting date as a result of a past event.
    - It is probably that the entity will be required to transfer economic benefits in settlement, and;
    - The amount of the obligation can be estimated reliably.
- Examples of provisions which may arise as a result of COVID-19 include;
    - Onerous contracts- This could include, for example where an entity previously leased a property and closed part of its business following COVID-19. If the entity is tied into

this lease for a period of time then the present obligation of the contract is recognised as a provision.
  - Closure of a division costs- Only recognise a provision if the plan to close the division has been communicated.
- No provisions are recognised for future operating losses

Section 18- Revenue

- COVID-19 may impact on sales where there is no probability of receipt of payment. Where customers go out of business or enter into arrangements to restructure debts, then the second criteria above will likely not be met.
- Until the probable threshold has been past no revenue can be recognised.
- Note where at the time of sale where credit is provided by the entity, the likelihood of receiving payment was probable and subsequently after issuing the invoice it now looks like there is doubt about receiving all or some of the sale recognised, the provision booked against the receivable balance should be posted to expenses in the profit and loss and should not be debited against sales.

Section 22- Impairment of Assets

- This is one of the key areas affected by COVID-19 in FRS 105, with many other sections referring into it.
- One of the indicators of impairment as set out in section 22.7(b) of FRS 102 is- "Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated."
- COVID-19 is likely to meet this definition of an external indicator of impairment and as a result, an impairment review of entities assets will be required.
- This may result in a decline in asset values.
- In considering if an asset is impaired, the recoverable amount should be compared to the carrying amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. The carrying amount is the amount that the balance is held at in the balance sheet.
- In determining the recoverable amount, the entity takes the higher of "fair value less costs to sell" and "value in use". In doing this, the entity should first consider what the "fair value less costs to sell" of an asset is.

<u>Fair Value less Costs to sell</u>

Detailed in section 22.12 of FRS 105

"Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The best evidence of the fair value less costs to sell of an asset is a price in a binding sale agreement in an arm's length transaction or a market price in an active market. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry."

If Fair Value less Costs to sell is less than the carrying value then the entity should consider what the value in use of the asset is.

<u>Value in Use</u>

Detailed in section 22.14 of FRS 102

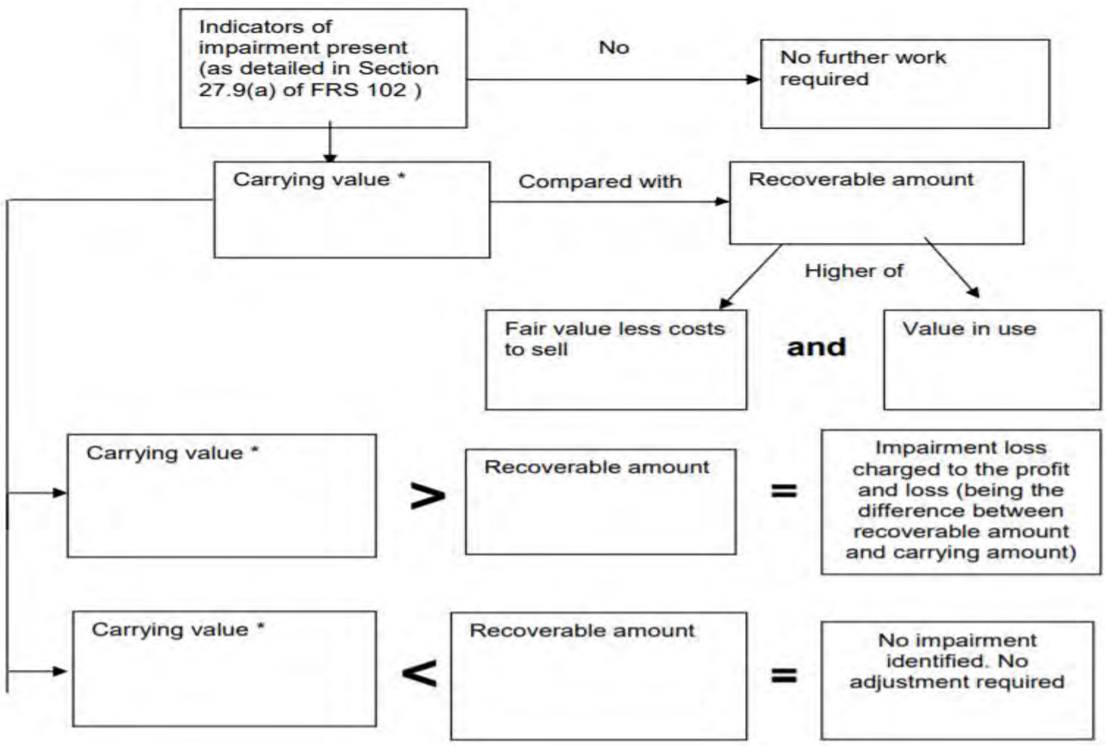
"Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps: (a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and (b) applying the appropriate discount rate to those future cash flows."

If the recoverable amount is less than the carrying value then an impairment is required to be recognised through the profit and loss account.

If the carrying value exceeds the recoverable amount then no impairment is required.

It is likely that any assets with a recoverable amount based on value in use will be impaired following COVID-19 as VIU is based on cashflows which are likely to be negatively affected as a result.

If the impairment has happened after the financial year but before sign off, entities will need to consider the impairment in the context of section 26- Events after then end of the reporting period to determine if the impairment meets the criteria for an adjusting event.



Section 23- Employee Benefits

- Termination payments should be recognised when the entity is demonstrably committed to terminate the employment. To meet the conditions, there must be a formal plan in place and it is not realistic that the firm can withdraw from this. This will usually occur after the staff have been notified in writing.
- Bonuses that become payable greater than 12 months (eg. If deferred by management for 12+ months to preserve cashflow) should be measured at the present value of the benefit obligation at the reporting date.

Section 24- Income Tax

- Note that micro entities do not recognise deferred tax so any similar deferred tax adjustments made under FRS 102 will not be made under FRS 105.

Section 26- Events after the End of the Reporting Period

- The measurement and recognition criteria for post balance sheet events are similar to FRS 102 (ie. the entity should adjust all adjusting post balance sheet events- similarly to if applying FRS 102).
- There is no requirement to disclose non-adjusting post balance sheet events.

Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Events after the end of the reporting period are divided into two types:

- Adjusting events – these provide evidence of conditions that existed at the end of the reporting period; or
- Non-adjusting events – these relate to conditions that arose after the end of the reporting period

Adjusting events require adjustment at the financial reporting date for the effect of the post balance sheet event. Unlike FRS 102, there is no requirement to disclose non-adjusting events under FRS 105.

Examples of adjusting events include:

- the settlement of a court case that retrospectively confirms the existence of a year-end obligation;
- the determination of the value of profit-sharing or bonus payments; and
- the receipt of information indicating that an asset was impaired as at the year

Examples of non-adjusting events include a decline in the market value of investments and a favourable decision on a court case that had been in progress at the year end. If dividends are declared after the year end they are not included as a liability.

The going concern basis of preparation may not be used if management determines after the balance sheet date that it either intends to liquidate or cease trading, or has no realistic alternative but to do so.

This is one of the key sections of FRS 105 impacted by COVID-19 and interacts with many other sections of FRS 105 also. Given the events of early 2020, many companies balance sheet assets and trading activities will be heavily impacted. In addition to this, the sudden decline in economic activity may cause many companies to re-assess the use of the going concern basis and the related disclosures to address this.

Companies who have a year end of, for example, 31 January 2020 will need to consider the effects of COVID-19 on the company up until the date of approval of the financial statements. Where post balance sheet events have occurred after the balance sheet date, such as a debtor going out of business as a result of COVID-19, the company will need to consider whether there was evidence of events or conditions that existed at the end of the reporting period. This consideration is key as it will determine if the matter requires adjustment at 31 January 2020 or not. In the event that it does not require adjustment, the matter will require to be disclosed in the notes to the financial statements.

Practical implications

The first thing to consider is whether the events caused by COVID-19 are adjusting or non-adjusting events.

December 2019 year ends

It is unlikely that the post balance sheet effects of COVID-19 will be adjusting events as although some cases of the virus had been recorded in China, the virus had not become widespread at that point. In addition, the preventative measures taken by many governments in response to COVID-19 had not been put in place at 31 December 2019. A significant amount of human to human transmission of the virus was not recorded at that point.

January 2020 year ends

By the end of the month, there had been a significant increase in the number of recorded cases in China and some cities had been put into lockdown. It is unlikely that adjusting post balance sheet events will occur for January 2020 year ends. However, the particular circumstances around the post balance sheet event will need to be considered. For example, if a debtor based in China were to go out of business in February 2020, it could be argued that this related to events or conditions that existed at 31 January 2020.

February 2020 year ends

By the end of February 2020, COVID-19 was widely recorded across Europe. On 29th February 2020, the first case was recorded in Ireland. It is possible that these events could give rise to events or conditions existing at 29 February 2020 and it is likely that post balance sheet events arising from COVID-19 after this year end will be adjusting.

March 2020 year ends and subsequent

By the end of March 2020, many “non-essential” trading had ceased and other businesses had been severely impacted by measures aimed at containing the virus. At this point it is likely that all post balance sheet events arising from COVID-19 will be adjusting and should be provided for at the year end.

There is no clear distinction of when events become “adjusting” and determining this will require a significant degree of professional judgement. It will also require consideration of events and circumstances (for example, the write off of a debtor based in China will likely be an earlier adjusting event than the write off of a debtor in Ireland).

Corporate Consultants + Tax & Legal + Practice Growth + Education & Training + Practice Support + Corporate Consultants + Practice Support + Corporate Consultants + Tax & Legal + Practice Growth + Education & Training + Practice Support + Corporate Consultants + Tax & Legal + Practice Growth + Education & Training + Practice Support

OmniPro Covid-19 FRS 102 Medium/Large Co Audit Financial Statements

CRO Number - 123456

OmniPro Sample Medium/Large Company Limited (Updated for Companies (Accounting) Act 2017) – not on transition (ILLUSTRATIVE COVID-19 DISCLOSURES HIGHLIGHTED)

Directors' Report & Financial Statements

Year Ended 31 December 2019

Disclaimer

These financial statements are solely illustrative and intended to be used exclusively for educational and training purposes. They provide guidance in relation to the format and contents of FRS 102 company financial statements prepared under FRS 102 using the March 2018 version of FRS 102 and Companies Act 2014 as amended by Companies (Accounting) Act 2017. They do not purport to give definitive advice in any form. Despite taking every care in the preparation of this document OmniPro does not take any legal responsibility for the contents of these financial statements and the consequences that may arise due to any errors or omissions. OmniPro shall therefore not be liable for any damage or economic loss occasioned to any person acting on, or refraining from any action, as a result of or based on the material contained in this publication. **Items in italics and underlined identify the changes.**

Section 280F and Section 280G of CA 2014 as inserted by the Companies (Accounting) Act 2017, sets out that a company qualifies as a medium company if it fulfils at least two of the three qualifying conditions listed below (if the are above these thresholds then it is a large company):

- In relation to its first financial year; or
- In relation to its current financial year and the preceding financial year; or
- In relation to its current financial year and it qualified as a small/medium company in the preceding financial year; or
- In relation to the preceding financial year and it qualified as a small/medium company in the preceding financial year

	Medium Co	**Medium Group**
Turnover	≤€40 million	≤€40 million-net ≤€48 million-gross
Balance Sheet Total	≤€20 million	≤€20 million net ≤€24 million-gross
Employees	≤250	≤250

Under 280F-280G certain entities do not qualify as a medium company even if they meet the size criteria set out above and must prepare statutory financial statements on the basis of the large company provisions. S.280F & 280G does not apply to a company falling within any provision of Schedule 5 of the Act (Eg. Authorised investment firm, insurance intermediary of any other company carrying on of business by which is required to be authorised by the Central Bank) or they are a credit institution or insurance undertaking. The same applies for holding companies of medium groups even where they meet the thresholds if any of the entities in the group come within Schedule 5 etc. then they cannot claim to be a medium company. In addition a company that qualifies for the small & micro companies regime or is a holding company is excluded from being classified as a medium company.

Note CA 2014 as amended by Companies (Accounting) Act 2017 does not permit medium companies to file abridged financial statements.

The only difference between a medium company and a large company in relation to the disclosures in the notes to financial statements is that the medium company is exempt from the requirement to disclose auditors remuneration including fees for other services.

The small companies regime is detailed in Section 15 of CAA Act 2017. CAA 2017 inserts a new Section 280A-280C to CA 2014. The CAA 2017 changes are mandatory for periods commencing on or after 1 January 2017 but Section 14 of that Act permits the small companies regime (and S1A of FRS 102) to be early adopted for all periods commencing on or after 1 January 2015. Note S.1A is optional, it does not have to be applied. This section states that a company qualifies for the small companies regime if it fulfils at least two of the three qualifying conditions listed below:

- In relation to its first financial year; or
- In relation to its current financial year and the preceding financial year; or
- In relation to its current financial year and it qualified as a small/medium company in the preceding financial year; or
- In relation to the preceding financial year and it qualified as a small/medium company in the preceding financial year

	Small Co	**Small Group**
Turnover	≤€12 million	≤€12 million-net ≤€14.4 million-gross
Balance Sheet Total	≤€6 million	≤€6 million net ≤€7.2 million-gross
Employees	≤50	≤50

Note
In order to avail of the audit exemption the company must have met the criteria for audit exemption as set out in Sections 358 to Section 365 inclusive of the Companies Act 2014. For companies availing of the exemption for the first time the auditor's appointment should be terminated in accordance with the requirements of Section 399 of the Companies Act 2014. Specific attention should be paid to the exclusions from audit exemption under Section 362 of the Act.

Under New S.280A(4) and S.280B(5) certain entities do not qualify for the small companies regime/audit exemption even if they meet the size criteria set out above and must prepare statutory financial statements on the basis of the large company provisions and are not entitled to avail of the abridgement options as a small company. S.280A-280C does not apply to a company falling within any provision of Schedule 5 of the Act (Eg. Authorised investment firm, insurance intermediary of any other company carrying on of business by which is required to be authorised by the Central Bank) or they are a credit institution or insurance undertaking. The same applies for the holding company of small groups even where they meet the thresholds if any of the entities in the group come within Schedule 5 etc. then they cannot apply the small companies regime. Note for the purposes of abridged financial statements for such a small company, a holding company that prepares group financial statements cannot file small abridged financial statements under S.352 of CA 2014.

The Companies (Accounting) Act 2017 may be cited as the Companies (Accounting) Act 2017 but the legislative references in the financial statements do not need to be updated

Each set of Financial Statements should be specifically tailored for each client.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Contents

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors and Other Information

Directors	Mr A Director Ms B Director Mr C Director
Secretary	Mr A Director
Company registration number[1]	123456
Auditors	Compliant Accountant & Co, Statutory Audit Firm, Accountants Row, Any County
Bankers	Any Big Bank PLC, Money Street, Moneysville, Any County Deep Pockets Bank, Financial Services Sector, Ballycash, Any County
Solicitors	Legal Eagles & Co., Court Place, Judgestown Any County
Registered Office[2]	Construction Place, Builders Lane, Dunblock Any County

This information is disclosed as best practice, there are no legislative requirements attaching to directors and other information disclosures

[1] Required under S.17 of CA 2017 Act by inserting into S.291&295 of CA 2014
[2] Required under S.17 of CA 2017 Act by inserting into S.291&295 of CA 2014

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Directors and secretary[3]

The names of persons who at any time during the financial year were directors of the company are as follows:

Mr A Director
Mr B Director
Mr C Director

Mr A Director held the position of company secretary for the duration of the financial year.

Principal Activities[4] **and Business Review**[5]

The principal activity of the company is the provision of construction services to both the private and commercial sectors. From their operations base and depot in Construction Place, Builders Lane, Dunblock, Any County they also sell pre-cast concrete products to private individuals and the construction industry. The company is supplied with the pre-cast concrete products by a wholly owned subsidiary company, which operates independently from a separate location.

There have been no significant changes in the company's activities during the financial year but the company's activities have been negatively impacted since the year end by the effects of COVID-19 as described below. The company has continued to improve performance in recent years. Turnover has increased by xx% on prior year allowing the firm to maintain excellent profitability levels in a challenging and rapidly changing industry.

At the end of the year the company has assets of €XXX (2018: €XXX) and liabilities of €XXX (2018:€XXX). The net assets of the company have increased by €XXX (2018: €XXX) and the directors are satisfied with the level of retained reserves at the year end.

The key financial indicators of the company are:

XXX etc. etc.

Environmental and Employee Matters
Include assessment of environmental and employee matters where considered necessary for an understanding of the business.

---

[3] The names of the persons who were directors during the financial year should be included for periods commencing on or after 1st of June 2015. Directors may be required to retire by rotation under the Co.s Constitution [4] S.326(1)(b), CA 2014 – The directors report shall state the principal activities of the company during the year
[5] S.327(1)(a), CA 2014 – The directors report shall include a fair review of the business of the company. As required under S.327(2), CA 2014 this shall include an analysis of the development and performance of the business during the financial year and the assets and liabilities and financial position of the company at the end of the year. Under S.327(3), CA 2014 this review shall be expanded to include financial and non-financial KPIs as needed for large and medium companies when considered necessary for providing the business review.
[6] S.327(5), CA 2014 – The directors report shall include an indication of likely future developments facing the company

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

Future Developments[6]

Illustrative paragraph- mildly affected by Covid-19

The directors are not expecting to make any significant changes in the nature of the business in the near future. At the time of approving the financial statements, the company is exposed to the effects of the Covid-19 pandemic which has had a negative effect on its trading activities since the year end and has resulted in a lower than expected level of trading activity since the year end. In planning its future activities, the directors will seek to develop the company's activities whilst managing the effects of the difficult trading period caused by this outbreak.

Illustrative paragraph- significantly affected by Covid-19

Since the year end, following restrictions placed on the company's business as a result of the outbreak of the Covid-19 pandemic, the company has temporarily ceased trading. This decision was taken to ensure the safety of all staff is preserved and to ensure that government recommendations and restrictions are complied with. The directors intend to recommence trading once all restrictions have been lifted and once it is safe for staff to return to work. Following the planned recommencement of trading, the directors plan to develop the activities of the company so that it will return to normal trading activities as soon as possible. In the intervening period, the company has reduced its cost base so that the burden of costs borne during the non-trading period is mitigated.

Results and Dividends[7]

The retained profit for the financial year amounted to €XXX (2018: €XXX) and this was transferred to reserves at the year end. The directors have not declared a dividend for the year.

Or

The retained profit for the financial year amounted to €XXX (2018: €XXX). An interim dividend of €xx.xx (2018: €XXX) per ordinary share, amounting to €XXX (2018: € XXX) was paid on 1 June 2019. A final dividend of € XXX (2018: € XXX) per ordinary share, amounting to € XXX (2018: € XXX) was declared and authorised on 30 November 2019 and will be paid on 1 March 2018. € XXX was transferred to reserves at the year end.

Principal Risks and Uncertainties[8]

In the first half of 2020, the outbreak of Covid-19 spread throughout Asia, Europe and Worldwide. The initial impact of this has been severe and has resulted in a significant worldwide slowdown in economic activity. In Ireland, the economic impact of this pandemic has been characterised by the temporary closure of many businesses in "non-essential" areas to ensure that people's movements are restricted in order to slow down the spread of the virus. The effect of Covid-19 presents many risks for the company, the effects of which cannot be fully quantified at the time of approving the financial statements.

Although the effects cannot be fully determined, the directors believe that the main risks and uncertainties associated with COVID-19 are as follows;

- a potential reduction in economic activity which may result in reduced consumer spending and demand for the company's services
- a reduction in asset values
- a prolonged period of government restrictions on the movement of people

OmniPro Sample Medium/Large Company Limited operates in a cyclical industry and is affected by factors beyond the control of the company for example level of construction activity.

OmniPro Sample Medium/Large Company Limited faces strong competition in the market and if the company fails to compete successfully market share may decline.

6 © OmniPro

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

Financial Risk Management[9]

Through financial instruments held the company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk.

To maintain stable cash out flows the company maintains 100% (2018: 100%) of its debt at fixed rate and to maintain 50% of its debt payable within one year. The company does not use derivative financial instruments to manage financial risk and no hedge accounting is applied.

Price Risk
The company is exposed to the price risk of commodities through its operations. The directors believe that the cost of managing this risk is in excess of the potential benefits given the size of the company. The directors, however, review the appropriateness of this policy on an annual basis.

Credit Risk
The company requires that appropriate credit checks are carried out on new customers before sales are made. All customers have individual credit limits that are reviewed on an ongoing basis by the board. Provisions for bad debts are made based on historical evidence and any new events which might indicate a reduction in the recoverability of cash flows.

Liquidity Risk
The company maintains a mix of long and short term finance to ensure the company has sufficient funds available to meet obligations as they fall due.

Interest Rate Risk
The company holds both interest bearing assets and liabilities. Assets include cash balances which earn a fixed rate of interest. The company policy is to maintain debt at a fixed rate to ensure future interest cash flows.

Director's & Secretary's interests[10]

The director's and secretary's interests, as at the year end, in the company at the beginning and end of the year were as follows;

Year ended 31 December 2019	Mr A Director €1 ordinary shares	Ms B Director €1 ordinary shares	Total
At the beginning of the year	50,000	50,000	100,000
At the end of the year	50,000	50,000	100,000

Year ended 31 December 2018	Mr A Director €1 ordinary shares	Ms B Director €1 ordinary shares	Total
At the beginning of the year	50,000	50,000	100,000
At the end of the year	50,000	50,000	100,000

[7] S.326(1)(d), CA 2014 – The directors report shall include an indication of interim dividends paid and the amount, if any, that should be paid by way of final dividend
[8] S.327(1)(b), CA 2014 – The directors report shall contain a description of the principal risks and uncertainties facing the company
[9] S.326(3), CA 2014 – Only required where material for an assessment of the companies financial position and the use of financial instruments

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

Events after the Balance Sheet date[11]

Illustrative example- Company in non-essential services who have temporarily ceased trading.

In the first half of 2020, the COVID-19 virus spread worldwide. In common with many other countries, the Irish government issued guidance and restrictions on the movement of people designed to slow the spread of this virus. In early March 2020, many businesses closed voluntarily and throughout the month more restrictions were placed on people and businesses. On 28th March, all "non-essential" businesses were ordered to close temporarily.

The impact on the company has initially been a lower than expected level of trading activity in March 2020 followed by a temporary closure of the business on 28th March 2020. In response to the restrictions, the company has laid off some staff and reduced working hours for some staff with a view to minimising the costs borne by the company during the period of closure. The directors intend to recommence trading when the restrictions are lifted and when it is safe for staff to return to work. Whilst the directors believe that the effect will be negative on the company & the full effect of the events since the balance sheet are difficult to determine, the directors are confident that the company will recommence trading once the period of restriction is lifted.

Illustrative example- Company continuing to trade during the lockdown period but are operating at a reduced level

In the first half of 2020, the COVID-19 virus spread worldwide. In common with many other countries, the Irish government issued guidance and restrictions on the movement of people designed to slow the spread of this virus. In early March 2020, many businesses closed voluntarily and throughout the month more restrictions were placed on people and businesses. On 28th March, all "non-essential" businesses were ordered to close temporarily.

The company reacted to these conditions by closing it's offices with staff working from home. Whilst this has resulted in the company remaining operational during the period, there has been a reduction in trading levels as a result of Covid-19. The directors are confident that the company will be fully operational once the period of restriction is lifted.

Research and Development[12]

The company was engaged in research and development activities in the development of patents, the cost incurred in the year was €xx,xxxx.

[10] S.329 CA 2014 – Disclosure required of person's interests, who were in office at the end of the financial year, in shares and debentures of the company and any group undertaking of that company. References to director's and secretaries interests including shadow and de-factor directors as required under S.329(4), CA 2014.
[11] S326(2)(a), CA 2104 – Disclosure in relation to important events after the balance sheet date are only required where deemed relevant
[12] Disclosure in relation to Research and Development Activity is only required if there have been any activities in this area in accordance with S.326(2)(b) of the Companies Act 2014

Political donations[13]

The company made the following disclosable political donations in the current year:

- Party A - €xx,xxx
- Party B - €xx,xxx
- Party C - €xx,xxx

Payment of Creditors[14]

The directors acknowledge their responsibility for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2012. It is the company's policy to agree payment terms with all suppliers and to adhere to those payment terms.

Accounting Records[15]

The Directors acknowledge their responsibilities under Section 281 to Section 285 of the Companies Act 2014 to keep adequate accounting records for the company.

In order to secure compliance with the requirements of the act, a full time management accountant is employed. The accounting records of the company are kept at the registered office[16] and principal place of business at Construction Place, Builders Lane, Dunblock, Any County.

Directors Compliance Statement[17]
The directors confirm they are responsible for securing the company's compliance with its relevant obligations under Section 224 of the Companies Act 2014 and confirm:

- that a company compliance statement has been developed (Or if it has not state this fact in addition to stating why it has not); and
- have put in appropriate arrangements and structures that are in the directors' opinion designed to secure compliance with the company's relevant obligations; and
- a review of these procedures has been performed in the current financial year (or where a review has not been performed state that fact and the reasons why it has not been performed).

Audit Committee[18]
The directors confirm that the company has established an audit committee in accordance with the requirements of Section 167 of Companies Act 2014.

[13] S.326(2)(d), CA 2014 – Disclose political donations made during the year as required under the Electoral Act 1997, disclosure is only required if political donations are in excess of €200 in the year under Section 17, Electoral (Amendment) (Political Funding) Act 2012

[14] Disclose if the company or suppliers purport to trade under the terms of the EC (Late Payment in Commercial Transactions) Regulations 2012

[15] S.326(1)(c), CA 2014 – The directors report is required to include a statement of measures taken by the directors to secure compliance with S.281 to 285 of the Companies Act 2014 for the keeping of accounting records and the location of those records

[16] S283(1), CA 2014 – A company's accounting records shall be kept at its registered office or at such other place as the directors think fit

[17] S.225, CA 2014 – A directors compliance statement is only required where the company's total assets exceeds €12.5m and turnover exceeds €25m. This is only required to be included for period beginning on or after 1 June 2015.

[18] S.167, CA 2014 – (not applicable to medium companies) Requirement to establish an audit committee or if not established the reasons why the audit committee was not established must be stated. This requirement only applies to company's whose turnover is >=€50 million AND balance sheet is total is >=25 million. This applies to financial statements for periods commencing on or after the 1st of June 2015

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

OR
The directors confirm that the company has not established an audit committee as is permitted in Section 167 of Companies Act 2014. The reasons for the decision not to establish an audit committee is as follows:

XXXX etc etc.

Going Concern- Consider including this if the company has a material uncertainty relating to going concern[1]

The financial statements are prepared on a going concern basis. As outlined in note X, there are material uncertainties relating to the company's ability to continue as a going concern arising from the uncertainty caused by the outbreak of the COVID-19 pandemic.

Statement on Relevant Audit Information[19]

In accordance with Section 330 of the Companies Act 2014:

- so far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with Section 383(2) of the Companies Act 2014, the auditors, Compliant Accountant & Co., Registered Auditors / Statutory Auditors / Statutory Audit Firm, Accountants Row, Any County will continue in office.

On behalf of the board[20]

Mr A Director Director	Ms B Director Director

DATE: ______________

Additional information to be considered for disclosure if applicable

- S319(1), CA 2014 – Financial assistance for the purchase of own shares
- S.326(2)(c), CA 2014 – An indication of the existence of branches of the company outside the state and the country in which they are located.
- S.328, CA 2014 – Acquisition or disposal of own shares during the period. S.44 of CAA 2017 includes an additional requirement to disclosure the reason for the acquisition and a disclosure

[1] S.327 (1)- The directors report shall present a fair review of the business and a description of the principal risks and uncertainties facing the business. It may be appropriate to include a going concern note where there are material uncertainties relating to the company's ability to continue as a going concern

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019

Directors' Report

of % of called up share capital held at the beginning and end of the year

- S.329(1) CA 2014 – Directors or secretaries interests in debentures at the start of the period during the period or in the preceding period

For periods commencing after the 1st of June 2015 a Directors Compliance Statement is required in accordance with S.225 of the Companies Act 2014

Under S.167 of the Companies Act 2014 the Board of Directors of a large company shall establish an audit committee to comply with the requirements of the Act or decide not to establish one.

[19] S.330, CA 2014 – The statement on the provision of relevant audit information applies to financial statements for periods commencing on or after the 1st of June 2015

[20] Where there is only 1 director as a new model private LTD that director may approve the financial statements

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2017

Directors' Responsibilities Statement

The directors' are responsible for preparing the directors' report and the financial statements in accordance with applicable Irish law and regulations.

Irish Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and accounting standards issued by the Financial Reporting Council *[and promulgated by Chartered Accountants Ireland[21]]* including FRS 102 The Financial Reporting Standard applicable in the UK and Ireland (Generally Accepted Accounting Practice in Ireland). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as to the financial year end and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards and note the effect and the reasons for any material departure from those standards
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business [22]

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions[23].

On behalf of the board[24]

______________________	______________________
Mr A Director Director	Ms B Director Director

DATE: _____________

[21] Deemed best practice for firm's regulated by Chartered Accountants Ireland
This statement is based on the illustrative Director's Responsibilities Statement in FRC Bulletin 1(i) and is updated for new terminology as noted in the Companies Act 2014
[22] Include where no separate statement on going concern is made by the directors
[23] Include only- if accounts are available on the company website
[24] Where there is only 1 director as a new model private LTD that director may approve the financial statements

Independent Auditors Report to the Members of OmniPro Sample Medium/Large Company Limited for the year ended 31 December 2019

Audit report removed due to numerous audit report implications/disclosures
See separate guidance documents

Independent Auditors Report to the Members of OmniPro Sample Medium/Large Company Limited for the year ended 31 December 2019

14 © OmniPro

OmniPro Sample Medium/Large Company Limited

Profit and Loss Account

For the Year ended 31 December 2019

	Notes	2019 €	2018 €
Turnover	3	6,074,690	6,236,154
Cost of sales		(2,907,124)	(3,665,856)
Gross profit		**3,167,566**	**2,570,298**
Administration expenses		(1,885,421)	(2,182,133)
Other operating income	5	220,000	230,000
Operating profit	4	**1,502,145**	**618,165**
Interest receivable and similar income	6	14,999	5,307
Interest payable and similar expenses	7	(205,784)	(199,721)
Profit on before taxation		**1,311,360**	**423,751**
Tax on profit	8	(266,994)	(119,414)
Profit for the financial year		**1,044,366**	**304,337**

Statement of Comprehensive Income[32]

For the Year ended 31 December 2019

	Notes	2019 €	2018 €
Profit for the financial year		1,044,366	304,337
Total Comprehensive Income for the year		**1,044,366**	**304,337**

[32] A two statement approach has been adopted in accordance with Section 5 (FRS 102). The Statement of Comprehensive Income (SOCI) is included here for illustration purposes only as there are no movements in the example that require a SOCI. Should a SOCI be required it should be shown on a separate page.
This profit and loss is prepared in accordance with Format 1 of Schedule 3 to CA 2014 as amended by CAA 2017. Formats 2,can also be used. The IFRS format can also be used Sch 3(2)(3) CA 2014 as amended by CAA 2017. This can also be called an income statement

OmniPro Sample Medium/Large Company Limited
Balance Sheet
At December 2019

	Notes	31-Dec 2019 €	31-Dec 2018 €
Fixed assets			
Tangible assets	**11**	2,029,024	411,885
Investment properties [33]	**12**	1,100,725	3,490,201
Financial assets	**13**	185,640	209,200
		3,315,389	**4,111,286**
Current assets			
Stocks	**14**	699,709	392,166
Debtors	**15**	2,456,177	1,458,187
Cash at bank and in hand		356,772	147,723
		3,512,658	**1,998,076**
Creditors: amounts falling due within one year	**16**	**(2,824,570)**	**(3,366,330)**
Net current assets/(liabilities)		**688,088**	**(1,368,254)**
Total assets less current liabilities		**4,035,477**	**2,743,032**
Creditors: amounts falling due after more than one year	**17**	(2,166,210)	(2,129,125)
Provision for liabilities	**19**	(214,206)	(65,212)
Net Assets		**1,623,061**	**548,695**
Capital and reserves			
Called up share capital presented as equity	**22**	120,000	100,000
Share premium account	**23**	10,000	-
*Revaluation reserve ** *	*XX*	*XXX*	*-*
Other reserves	**23**	126,000	128,625
Profit and loss account	**23**	1,367,061	320,070
		1,623,061	**548,695**

The financial statements were approved by the Board of Directors on (Insert date) and authorised for issue on (insert date). They were signed on its behalf by[34]

____
Mr A Director[35]
Director
DATE: ______________

____
Ms B Director
Director

This is prepared in accordance with Format 1 of Schedule 3 to the CA 2014, Format 2 can also be used as can IFRS format per Schedule 3(2)(3) CA 2014 as amended by CAA 2017 as long as it is equivalent to Schedule 3 formats and deals with al matters. This can also be called a statement of financial position. A not for profit entity can adopt the balance sheet and profit and loss account to suit its needs.

[33] Sch3 Formats specifically require investment property to be shown separately on the face of the balance sheet and cannot be included within tangible fixed assets

This is prepared in accordance with Format 1 of Schedule 3 to the CA 2014, Format 2 can also be used.

[34] Section 32.9 - A company shall disclose the date when the financial statements were authorized for issue and who gave that authorisation

[35] Where there is only 1 director as a new model private LTD that director may approve the financial statements

** *Where Co. holds property used by other group members, previously accounted as investment property & option taken to treat previously valuation as deemed cost and reclassify to PPE*

OmniPro Sample Medium/Large Company Limited
Statement of Changes in Equity
For the Year Ended 31 December 2019

[36]	Called up Share Capital	Share Premium Account	Other Reserves	Profit and Loss Account	Revaluation reserve	Total Equity
	€	€	€	€	€	€
Balance at 1 January 2018	100,000	-	131,250	13,108	-	244,358
Profit for the year	-	-	-	304,337	-	304,337
Transfers net of deferred tax	-	-	(2,625)	2,625	-	-
Balance at 31 December 2018 and at 1 January 2019	**100,000**	**-**	**128,625**	**320,070**	**-**	**548,695**
Equity Shares Issued	20,000	10,000	-	-	-	30,000
Profit for the year	-	-	-	1,044,366	-	1,044,366
Transfers net of deferred tax	-	-	(2,625)	2,625	(XX)	-
*Transfer from P&L Reserve to revaluation reserve ***	-	-	-	(XXX)	XXX	-
Dividends on ordinary shares paid and declared (€XX per ordinary share)	-	-	-	-	-	-
Dividends on ordinary shares declared but unpaid in year (€XX per ordinary share)	-	-	-	-	-	-
Balance at 31 December 2019	**120,000**	**10,000**	**126,000**	**1,367,061**	**XXXX**	**1,623,061**

[36] Section 6 FRS 102 requires a statement of changes to be presented. For simpler entities where there are only dividends and prior year restatements going through equity, the statement of income and changes in retained earnings is permitted under FRS 102-Section 6. However note Sch 3(53) of CA 2014 requires movement on the profit and loss reserves to be disclosed including details of dividend. Therefore where this SOCE is not presented the movement on P&L reserves must be presented in the notes, on the balance sheet or on the face of the P&L Sch 3(54) requires movement on any reserve to be shown inc revaluation reserves and fair value reserves to. In order to cover off these requirements it would make sense to include a SOCE. If it is not shown in the SOCE it will have to be shown in the notes. Companies Act also requires comparatives for each year showing the movements as per Sch3(5).

** *Where Co. holds property used by other group Co.'s, previously accounted as investment property & option taken to treat previously valuation as deemed cost and reclassify to PPE*

OmniPro Sample Medium/Large Company Limited

Statement of Cashflows
For the Year ended 31 December 2019

	Notes	2019 €	2018 €
Cash flows from operating activities			
Cash generated from operations	**29**	440,343	502,225
Taxation refunded/(paid)		129,719	(88,388)
Net cash generated from operating activities		**570,062**	**413,837**
Cash flows from investing activities			
Payments to acquire Tangible Fixed Assets		(1,568,437)	(198,421)
Cash received on disposal of Investment Property		2,539,476	-
Payments to acquire government bond		(150,000)	-
Cash received on disposal of investments		173,560	-
Payments to acquire intangible assets		-	-
Net cash generated from/(used in) investing activities		**994,599**	**(198,421)**
Cash flows from financing activities			
Interest paid		(197,784)	(199,721)
Preference dividends paid		(8,000)	-
Proceeds received from issue of ordinary shares		30,000	-
Proceeds received from issue of preference shares		100,000	-
Repayment of capital element of finance leases		(57,335)	(3,725)
Movement on loans		(1,222,493)	104,112
Net cash used in financing activities		**(1,355,612)**	**(99,334)**
Net increase in cash and cash equivalents	**30**	**209,049**	**116,082**
Cash and cash equivalents at beginning of year		147,723	31,641
Cash and cash equivalents at end of year		**356,772**	**147,723**

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Accounting Policies

1. ACCOUNTING POLICIES

OmniPro Sample Medium/Large Company Limited is primarily engaged in the provision of construction services to both the private and commercial sectors. From their operations base and depot in Construction Place, Builders Lane, Dunblock, Any County they also sell pre-cast concrete products to private individuals and the construction industry. The company is supplied with the pre-cast concrete products by a wholly owned subsidiary company, which operates independently from a separate location.

The company is a limited liability company incorporated in the Republic of Ireland and its company registration number is XXXX.

The significant accounting policies[37] adopted by the Company and applied consistently[38] in the preparation of these financial statements are as follows:

(a) Basis of preparation

The Financial Statements are prepared on the going concern basis[39], under the historical cost convention, [as modified by the revaluation of certain tangible fixed assets] and comply with the financial reporting standards of the Financial Reporting Council [and promulgated by Chartered Accountants Ireland[40]] including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") [41] and the Companies Act 2014.

The FRC issued amendments to FRS 102 called 'Amendments to FRS 102- Triennial review incremental improvements and classifications adjustments' which can be applied for accounting periods beginning on or after 1 January 2019 with early adoption permitted. These amendments have been reflected in the March 2018 version of FRS 102. The company has early adopted these amendments in these financial statements.

The financial statements are prepared in Euro which is the functional currency of the company.

(b) Consolidation[42]

NOTE: the below is to be included where the parent company is exempt from consolidation due to its immediate parent company (which is in the EEA) preparing consolidated financial statements

Consolidated accounts
The company has not prepared consolidated accounts for the period as, being a wholly owned subsidiary of the ultimate parent company, XXXXXX Limited, it is exempted from doing so under Section 9 of FRS 102 which is accommodated under Section 299 of the Companies Act 2014.

---

[37] Changes in accounting policies must be identified and recorded in accordance with FRS 102, section 10
[38] Para 13, Sch III, CA 2014 – Accounting policies shall be applied consistently from one period to another
[39] Para 12, Sch III, CA 2014 – A company is deemed to be carrying on business as going concern. Sch3(19) requires a disclosure of the fact that it is not being carried on as a going concern to also be disclosed (also stated in S.291 CA 2014). Where uncertainties exist this should be stated.
[40] Deemed best practice for firm's regulated by Chartered Accountants Ireland
[41] Appendix 1AD.1 of FRS 102 encourages a statement of compliance to be included in the notes to the financial statements in order to show a true and fair view also.
Where the entity has made a decision to wind up the entity that is required to be disclosed, there is no choice. Where there is uncertainties about going concern CA 2014 requires this to be disclosed. Appendix D of Section 1A of FRS 102 also encourages this in order to show a true and fair view.
[42] Applicable to Group companies who do not meet the size criteria to prepare consolidated financial statements. Note S.22 of CAA 2017 requires where this exemption is claimed that where the company is owned 90% by one shareholder, the remaining 10% shareholder must also approve the exemption.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Accounting Policies

NOTE: the below is to be included where the parent company is exempt from consolidation due to its ultimate parent company (which is in or outside the EEA) preparing consolidated financial statements

Consolidated accounts
The company has not prepared consolidated accounts for the period as, being a wholly owned subsidiary of the ultimate parent company, XXXXXX Limited, it is exempted from doing so under Section 9 of FRS 102 which is accommodated under Section 300 of the Companies Act 2014.

(c) Currency

(i) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

(d) Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover comprises the fair value of consideration received and receivable exclusive of value added tax and after discounts and rebates.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from the provision of services is recognised in the accounting period in which the services are rendered and the outcome of the contract can be estimated reliably. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

(e) Interest income

Interest income is recognised using the effective interest method.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Accounting Policies

(f) Dividend income

Dividend income from subsidiaries is recognised when the Company's right to receive payment has been established.

(g) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

(h) Government grants

Government grants are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the Company has complied with all attached conditions.

Capital Grants received where the Company has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within Creditors and accruals) and released to income when all attached conditions have been complied with.

Revenue Grants are credited to income so as to match them with the expenditure to which they relate. Government grants received are included in 'other income' in profit or loss.

(i) Taxation

Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax is recognised in the profit and loss account or other comprehensive income depending on where the revaluation was initially posted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Current or deferred taxation assets and liabilities are not discounted.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Accounting Policies

(j) Tangible fixed assets

(i) Cost

Tangible fixed assets are recorded at historical cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes prime cost, overheads and interest incurred in financing the construction of tangible fixed assets. Capitalisation of interest ceases when the asset is brought into use.

Freehold premises are stated at cost [43](or deemed cost for freehold premises held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses

The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from revaluation reserve to retained earnings.

Equipment and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation

Depreciation is provided on Tangible fixed assets, on a straight-line basis, so as to write off their cost less residual amounts over their estimated useful economic lives.

The estimated useful economic lives assigned to Tangible fixed assets are as follows:

Freehold Premises	2% straight line on cost
Motor vehicles	25% straight line on cost
Office Equipment, fixtures & fittings	12½% straight line on cost
Computer equipment	25%/33⅓% straight line on cost
Spare parts	25% straight line on cost

The company's policy is to review the remaining useful economic lives and residual values of Tangible fixed assets on an on-going basis and to adjust the depreciation charge to reflect the remaining estimated useful economic life and residual value.

Fully depreciated property, plant & equipment are retained in the cost of property, plant & equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the profit and loss account.

(iii) Impairment

Assets not carried at fair value are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

[43] Para 20, Sch III, CA 2014 – Fixed assets shall be recorded at its purchase price or production cost

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(k) Investment properties

The company owns a number of freehold office buildings that are held to earn long term rental income and for capital appreciation. Investment properties are initially recognised at cost. Investment properties whose fair value can be measured reliably are measured at fair value. Changes in fair value are recognised in the profit and loss account.

For properties which are owned by the Company but used by other members of the group in which the Company is a part of, the Company accounts for such properties as if they are property, plant and equipment instead of investment property and therefore carries these at deemed cost/ cost less accumulated depreciation and impairment. The Company has availed of the exemption in Section 1.19 of FRS 102 to elect to have the carrying amount of these properties at the 31 December 2018 deemed to be cost of the property.

(l) Investments in subsidiary undertakings

Investments in subsidiary undertakings are shown at historical cost less provision for impairments in value.

(m) Leases

(i) Finance leases
Leases in which substantially all the risks and rewards of ownership are transferred by the lessor are classified as finance leases.

Tangible fixed assets acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments and are depreciated over the shorter of the lease term and their useful lives. The capital element of the lease obligation is recorded as a liability and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis.

Each lease payment is apportioned between the liability and finance charges using the effective interest method.

(ii) Operating leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(iii) Lease incentives
Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of future minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

(n) Stocks

Stocks comprise consumable items and goods held for resale. Stocks are stated at the lower of cost and net realisable value. Cost is calculated on a first in, first out basis and includes invoice price, import duties and transportation costs. Net realisable value comprises the actual or estimated selling price less all further costs to completion or to be incurred in marketing, selling and distribution.

At the end of each reporting period Stocks are assessed for impairment. If an item of stock is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

(o) Trade and other debtors

Trade and other debtors including amounts owed to group companies are recognised initially at transaction price (including transaction costs) unless a financing arrangement exists in which case they are measured at the present value of future receipts discounted at a market rate. Subsequently these are measured at amortised cost less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. All movements in the level of provision required are recognised in the profit and loss.

(p) Other financial assets

Other financial assets include investments which are not investments in subsidiaries, associates or joint ventures. Investments are initially measured at fair value which usually equates to the transaction price and subsequently at fair value where investments are listed on an active market or where non listed investments can be reliably measured. Movements in fair value are measured in the profit and loss.

When fair value cannot be measured reliably or can no longer be measured reliably, investments are measured at cost less impairment.

(q) Preference share capital

Redeemable preference shares have been classified as liabilities in the balance sheet. The preference dividend is charged in arriving at the interest cost in the profit and loss account. (*including the following where applicable)* However, no dividends will be paid on the cumulative preference shares until the company has positive profit and loss reserves.

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short- term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(s) Creditors and accruals

Creditors and accruals are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

Borrowings are recognised initially at the transaction price (present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has a right to defer settlement of the liability for at least 12 months after the reporting date.

(u) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(v) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(w) Employee Benefits [44]

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(x) *Short term benefits*
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) *Annual bonus plans*
The company recognises a provision and an expense for bonuses where the company has a legal or constructive obligation as a result of past events and a reliable estimate can be made.

(iii) *Defined contribution pension plans*

Para 18, Sch III, CA 2014 – If there are special reasons for departing from any of the stated accounting policies the company shall note the reasons for departure and the effect on the balance sheet and profit and loss in that year
[44] This policy relates to a defined contribution scheme, an expanded policy would be required for a defined benefit scheme

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate fund. Under defined contribution plans, the company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to privately administered pension plans on a contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(x) Dividend distribution

Dividend distribution to equity shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the equity shareholders. These amounts are recognised in the statement of changes in equity.

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(aa) Goodwill

Goodwill represents the excess of consideration paid for the acquisition of shares in associates and joint ventures over the fair value of the identifiable assets and liabilities. Goodwill is amortised to the profit and loss account on a straight line basis over its estimated useful life. The estimated useful lives of goodwill on acquired businesses are up to XX years. Useful life is determined by reference to the period over which the values of the underlying businesses are expected to exceed the values of their identifiable net assets.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

(bb) Other Intangible Assets

Acquired intangible assets are capitalised at cost and are amortised using the straight-line basis over their useful lives up to a maximum of XX years.

Intangible assets acquired as part of a business acquisition are capitalised separately from goodwill if the fair value can be measured reliably. Internally generated intangible assets are only recognised where they have a readily ascertainable market value.

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(cc) Prior period adjustment – Change in accounting policy[45]

Following the change made by the March 2018 edition of FRS 102 (which is mandatory for periods beginning on or after 1 January 2019) to not allow an entity to claim the undue cost or effort get out to treat property that would otherwise meet the definition of investment property as property, plant and equipment. As a result of this change, a retrospective adjustment was required to restate these properties to fair value at the 1 January 2017 and 31 December 2018 with the fair value movement being reflected in the profit and loss account. The impact of this change is as follows:

	2018 as previously stated	*Adjustment*	*2018 As restated*
Profit and Loss			
Turnover etc. etc.	*XXX*	*XX*	*XX*
Etc Etc			

DISCLOSE CHANGE IN ACCOUNTING POLICY

(dd) Exceptional item (for illustrative purposes) [46]

Exceptional items are those that the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's' financial performance. The Company believe that this presentation provides a more informative analysis as it highlights one off items. Such items may include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, legislative changes and profit or loss on disposal of investments. The company has adopted an income statement format that seeks to highlight significant items within the company results for the year.

Para 19, Sch 3, CA 2014 as amended by CAA Bill 2016 – If there are special reasons for departing from any of the stated accounting policies the company shall note the reasons for departure (stating why it shows more of a true and fair view where the change is voluntarily) and the effect on the balance sheet and profit and loss in that year and the prior period presented. FRS 102 Section 10.14 also requires the line items affected to be detailed including the aggregate for periods beginning before those presented and an explanation if any of these are impracticable.

[45] S.321 of CA 2014 as amended by S.37 of CAA Bill 2016 requires details of a change in accounting policy to be included in the accounting policy section of the financial statements detailing the reason for the change for it and the impact of the change on the current and prior years.

Para 19, Sch 3, CA 2014 as amended by CAA Bill 2016 – If there are special reasons for departing from any of the stated accounting policies the company shall note the reasons for departure and the effect on the balance sheet and profit and loss in that year

[46] Exceptional item. Sch 3(63)(2) requires disclosure of all exceptional items in the notes to the financial statements so an accounting policy is also required where those exist. This should be adjusted depending on what the entity defines as exceptional.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

The judgements that have had the most significant effect on the amounts recognised in the financial statements are discussed below.

(a) Going concern

Going concern is discussed in detail in note 4. At the time of approving the financial statements, there were restrictions placed on businesses to curtail the movement of people in measures designed to reduce the spread of the COVID-19 virus. This has had an affect on the company's business and the economic environment as a whole. In assessing the reasonableness of the going concern basis, the directors have used judgement in preparing budgets and cashflows for the upcoming 12 months, whilst recognising that there is a degree of judgement and estimation arising from the uncertain nature of the planned response to the COVID-19 pandemic. The judgements used by management in preparing their budgets and cashflows are as follows; TAILOR ACCORDING TO THE COMPANY

- *That the company will be temporarily closed for a period of x months.*
- *That on recommencement of trading, sales will be x% lower than previous year.*
- *That cost reductions entered into during the period of temporary closure will adequately safeguard the company's cash reserves for when they recommence trading.*
- *ENTER ANY ADDITIONAL POINTS OF RELEVANCE.*

(b) Exceptional items

Exceptional items are those that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's' financial performance. The Company believe that this presentation provides a more informative analysis as it highlights one off items. Such items may include significant restructuring costs (add as required). Judgement is required as to what management determine as exceptional items. In the opinion of the directors, the adverse effects caused by the outbreak of the COVID-19 pandemic meet the criteria for exceptional items.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

(a) Establishing useful economic lives for depreciation purposes of tangible fixed assets

Long-lived assets, consisting primarily of Tangible fixed assets, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these asset useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation and amortisation charges for the period. Detail of the useful economic lives is included in the accounting policies.

(b) Impairment review following COVID-19

The COVID-19 pandemic has caused an adverse effect on the economic environment in which the entity operates. In accordance with section 27.9 of FRS 102, this is an impairment indicator and the company has carried out an impairment review of its assets. The factors taken into consideration in performing an impairment review are based on estimates and are subject to uncertainty. Some of the factors taken into consideration when considering impairment are set out below.

(c) Inventory provisioning

When calculating inventory provision, management considers the sales price less costs to complete in comparison to the net realisable value. The level of provision required is reviewed on an on-going basis and has been disclosed in note 16. The company has also taken into consideration the effects COVID-19 has had on its inventories, including the effect of periods of closure caused by the outbreak.

(d) Providing for doubtful debts

The company makes an estimate of the recoverable value of trade and other debtors. The company uses estimates based on historical experience in determining the level of debts, which the company believes, will not be collected. These estimates include such factors as the current credit rating of the debtor, the ageing profile of debtors and historical experience. Any significant reduction in the level of customers that default on payments or other significant improvements that resulted in a reduction in the level of bad debt provision would have a positive impact on the operating results. The company has also specifically considered the effect of COVID-19 on the recovery of its debtors. The level of provision required is reviewed on an on-going basis and has been disclosed in note 17.

(e) Valuation of investment properties

The company revalue its investment property to fair value based on advice from independent expert valuers. See note 14 for details of this valuation. The directors note that there may be a degree of estimation uncertainty regarding the fair value at the year end as there is a limited amount of transactions happening in the property market following the emergence of COVID-19.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

3. GOING CONCERN

Option 1- Going Concern basis is appropriate- consider one of the 3 illustrative examples below

Illustrative example 1- Company affected by Covid-19 but continues to trade. Trade has not been significantly affected and the directors conclude that no material uncertainty exists.

The company made a profit of €xxxxxxxx and has net current assets of €xxxxxx net assets of €xxxxx at the year end.

During the first quarter of 2020, The Covid-19 pandemic has spread initially from Asia to Europe and subsequently worldwide. The initial economic effect of this has been a worldwide slowdown in economic activity and the loss of jobs across many businesses. In Ireland there are restrictions placed on "non-essential" businesses which has resulted in many businesses temporarily closing in measures designed to restrict the movement of people and to slow down the spread of the virus.

Omnipro Sample Medium/Large Company Limited has continued to trade during this period and has not seen a significant effect on its trading activities as a result of the virus. The directors have prepared budgets for the upcoming 12 months which show that the company will continue as a going concern.

The financial statements have been prepared on a going concern basis.

Illustrative example 2- Company affected by Covid-19 but continues to trade. Trade is negatively affected by the virus and the directors have seen a significant reduction in trading activity. Staff costs have been reduced.

The company made a profit of €xxxxxxxx and has net current assets of €xxxxxx net assets of €xxxxx at the year end.

During the first quarter of 2020, The Covid-19 pandemic has spread initially from Asia to Europe and subsequently worldwide. The initial economic effect of this has been a worldwide slowdown in economic activity and the loss of jobs across many businesses. In Ireland there are restrictions placed on "non-essential" businesses which has resulted in many businesses temporarily closing in measures designed to restrict the movement of people and to slow down the spread of the virus.

Like many businesses, Omnipro Sample Medium/Large Company Limited is exposed to the effects of the Covid-19 pandemic. Whilst the company continues to trade during this period, there has been a notable reduction in trading activity and customer demand compared to the same period in the previous financial year. Staff costs have been reduced through the temporary reduction in staff/reduced hours and other costs have been reduced where possible (TAILOR/DELETE AS APPROPRIATE). The company will also use government supports provided to businesses during this time.

Based on the measures taken to reduce costs, the directors believe that the company is well positioned to return to full trading capacity once the period of uncertainty passes. However, the directors believe that the above circumstances represent a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis.

Illustrative example 3- Company affected by Covid-19 and has temporarily ceased trading as a result of Covid-19. There had been a significant reduction in trading activity and staff costs have been reduced.

OmniPro Sample Medium/Large Company Limited

The company made a profit of €xxxxxxxx and has net current assets of €xxxxxx net assets of €xxxxx at the year end.

During the first quarter of 2020, The Covid-19 pandemic has spread initially from Asia to Europe and subsequently worldwide. The initial economic effect of this has been a worldwide slowdown in economic activity and the loss of jobs across many businesses. In Ireland there are restrictions placed on "non-essential" businesses which has resulted in many businesses temporarily closing in measures designed to restrict the movement of people and to slow down the spread of the virus.

Like many businesses, Omnipro Sample Medium/Large Company Limited is exposed to the effects of the Covid-19 pandemic. In March 2020, as a result of the reduction in economic activity and the recommendations and restrictions placed on businesses the company has decided to temporarily cease trading. During this period, the company has laid off staff and reduced working hours for staff who have been retained. Other costs have also been reduced during the non-trading period where possible. The company will also use government supports provided to businesses during this time.

Based on the measures taken to reduce costs, the directors believe that the company is well positioned to return to full trading capacity once the period of uncertainty passes. However, the directors believe that the above circumstances represent a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis.

Option 2- There is no realistic alternative for the company but to permanently cease trading or liquidate. The financial statements have not been prepared on a going concern basis (note- if there is a possibility that the company will continue to trade post Covid-19 then option 1 should be taken)

The company made a loss of €xxxxxxxx, has net liabilities of €xxxxxx and net current liabilities of €xxxxx at the year end.

During the first quarter of 2020, The Covid-19 pandemic has spread from Asia to Europe and worldwide. The initial economic effect of this has been a worldwide slowdown in economic activity and the loss of jobs across many businesses. In Ireland there are restrictions placed on "non-essential" businesses which has resulted in many businesses temporarily closing in measures designed to restrict the movement of people and to slow down the spread of the virus.

The effects of the above have been so severe on the activities of the company that the directors believe that there is no realistic alternative but to cease trading or to liquidate the company.

Accordingly, the financial statements have not been prepared on a going concern basis.

4. TURNOVER[47]

All turnover derives from activities in the Republic of Ireland. The analysis of turnover by activity is as follows[48]:

	2019	2018
	€	€
Construction	4,689,227	4,938,596
Pre-cast Concrete Retail	1,385,463	1,297,558
	6,074,690	**6,236,154**

OmniPro Sample Medium/Large Company Limited

5. OPERATING PROFIT

Operating profit is stated after charging:

	2019	2018
	€	€
Depreciation	149,999	170,037
Amortisation on intangibles	-	-
Directors' remuneration	212,000	225,600
Impairment OR reversal of impairment of assets/goodwill/intangibles	-	-
Loss of disposal of fixed assets/investments	51,299	-
Rentals under operating leases	-	-
Government grants amortised	-	-
Movement on stock provision	4,000	-
Revenue grants	-	-
Research and development expenditure	-	-
Foreign exchange gain/loss	-	-
Auditors' remuneration [49]/[50]		
Audit -	13,000	13,000
Non audit services	3,000	3,000
Tax Advisory	3,225	3,225
~~Stock still recognised as an expense~~ *	-	-

[47] Para 62(1) & (2), Sch III, CA 2014 – Where the company has carried on the business of 2 or more classes, or supplied 2 or more markets, which differ substantially from the other, the company shall state the amount of turnover attributable to that class/market

[48] Para 62(6), Sch III, CA 2014 – Where in the opinion of the directors, the disclosure of separate information as required would be seriously prejudicial to the interests of the company, that information need not be disclosed. The fact that the information has not been disclosed must be stated

[49] S.322(2), CA 2014 – A company shall disclose all fees for both audit and non-audit services received in the year. Remuneration includes benefits in kind, reimbursement of expenses and other payments in cash. There is an exemption for medium companies

[50] S.322(5), CA 2014 – A company which qualifies as small or medium in accordance with S.280F&S.280G CA 2014 as inserted by S.15 of CAA 2017 is not required to state the audit and non-audit fees earned by the company

*No Longer Required

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

6. OTHER OPERATING INCOME

	2019	2018
	€	€
Rent received	70,000	130,000
Fair value gain on movement on fair value of investment properties	150,000	100,000
	220,000	230,000

7. INTEREST RECEIVABLE AND SIMILAR INCOME[51]

Interest and income earned on assets held at amortised cost:		
Interest on Government bond	9,000	-
Interest income on other financial assets	5,999	5,307
	14,999	5,307

8. INTEREST PAYABLE AND SIMILAR EXPENSES[52]

	2019	2018
	€	€
Interest charged on financial liabilities carried at amortised cost:		
On bank loans, overdrafts and other loans wholly repayable within five years[53]	192,384	199,221
Finance lease interest	5,400	500
Preference share dividend	8,000	-
	205,784	**199,721**

9. TAXATION

	2019	2018
	€	€
(a) Tax expense in profit and loss:		
Current tax expense:		
Irish corporation tax on profits for the year	215,500	99,722
Adjustments in respect of prior periods	-	-
	215,500	99,722
Deferred tax expense:		
Origination and reversal of temporary difference	51,494	19,692
	266,994	**119,414**

[51] Sch3(60) CA 2014 requires a split of income from listed and unlisted investments if applicable. FRS 102 Section 11/12 requires a split of income recognised on amortised cost basis or a fair value basis.

[52] Para 60, Sch III, CA 2014 – Required to disclose separately interest and similar expenses and split by amounts due on bank loans and overdrafts, loans from group undertakings and any other interest charged (note FRS 102 requires split further by preference shares treated as interest, finance lease interest etc. and to split amounts charged on amortised cost basis versus fair value basis. If the company capitalises interest into assets, the total interest cost for the year should be shown with the amount capitalised shown as a deduction in arriving at the net amount on the face of the Profit and Loss a/c

[53] If the company capitalises interest into assets, the total interest cost for the year should be shown with the amount capitalised shown as a deduction in arriving at the net amount on the face of the Profit and Loss a/c

(b) Reconciliation of tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in Ireland for the year end 31 December 2019 of 12.5% (2018: 12.5%). The differences are explained below.

	2019	2018
	€	€
Profit on ordinary activities before tax	**1,311,360**	**423,751**
Tax calculated at Irish tax rates of 12.5% (2018: 12.5%)	163,920	52,969
Effects of:		
Non deductible expenses	30,484	8,810
Income taxed at higher rates	19,750	16,250
Deferred tax recognised at higher rate	30,750	20,500
Corporation tax surcharge	22,090	20,885
Tax charge for year	**266,994**	**119,414**

10. EMPLOYEES

The average monthly number of employees was: [54/55]

	2019	2018
Administration	4	4
Distribution	2	2
Construction	8	8
	14	**14**

	2019	2018
Operating costs	**€**	**€**
Staff costs: [56]		
- Wages and salaries	550,567	725,805
- Social welfare costs	61,133	76,189
- Retirement Benefits – defined contribution plans	46,746	43,289
- Other staff compensation – Benefit in Kind	-	-
Net staff costs included in operating costs	**658,446**	**845,283**

[54] S.317(1), CA 2014 – The company is required to disclose details of the average number of people employed in the financial year and the separately distinguish the category within which they were employed
[55] S317(5), CA 2014 – The average number of persons employed by the company shall be determined by dividing the relevant annual number by the number of months in the financial year
[56] S.317(2), CA 2014 – The company shall separately identify employment costs of all staff employed, expanded to include details of amounts capitalised into assets and treated as a revenue cost in the financial year

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

11. DIRECTORS REMUNERATION AND TRANSACTIONS

	2019	2018
	€	€
Remuneration[57]		
Salary	182,000	185,600
Retirement Benefits	30,000	30,000
	212,000	**225,600**

Directors' Loans[58]	Directors A	Director B
Opening Balance	4,332	100,000
Repayments to directors	9,301	-
Advances from directors	1,000	-
Closing balance	**12,633**	**100,000**
% of net assets	**X%**	**X%**

The loan is interest free and is repayable on demand[59]. The amount written off during the year was €XXX (2018: €xxx) [60]. A provision of €XX (2018: €XX) was provided against this loan at year end.

During the year the company paid €XXX (€XXX) for rental of the directors premises[61].

[57] As required by Section 305 of CA 2014, S305, 305A require disclosure of remuneration payable to the directors/de facto directors and shadow directors and connected parties as defined in S.220 CA 2014 including share options exercised. S.305A also requires disclosure of the aggregate amounts including benefits in kind paid or payable to third parties for making require available the services of any person as a director to the company, its subsidiaries or to its holding company or any other person to include the split by each of these four parties. The services also includes services in connection with the management of the company's affairs. A third party is defined as any person other than: a) the director and connected persons; b) a body corporate controlled by that director; or c) the company and any of its subsidiary undertakings. Connected parties are defined by S 220 CA 14 as being connected if they are a) that director's spouse, civil partner, parent, brother, sister or child; b) a person acting in his or her capacity as the trustee of any trust, the principal beneficiaries of which are that director, the spouse (or civil partner) or any children of that director or any body corporate which that director controls; c) or in partnership with that director.

[58] S.307-308 CA 2014 requires disclosure of amounts owed from directors inc. connected persons to the company giving movement in the year by director to also include an provision made against these loans. Disclosure required under S.307(8) CA 2014 of the % the loans represents of the net assets at the beginning and end of each year. In addition where loan amount increased over 10% of the net of assets of the Co. in the year this % should also be stated.

[59] CA 14 S.307(3)(g) & (h) require an indication of the interest rate and the arrangements' other main conditions.

[60] CA 14 S.307 as amended by CAA 2017 require details of amounts written off to be disclosed. The maximum balance in the year does not need to be disclosed.

[61] CA 14 S 309 (1) requires that subject to *section 310 (section 10 relates to credit institutions)* , the entity financial statements of a company shall disclose, both for the current and the preceding financial year, in the notes to the statements the particulars specified in *subsection (3)* of any other arrangement or transaction not dealt with by *section 305* , *307* or *308*entered into by the company in which a person, who at any time during the financial year was a director, a director of its holding undertaking or a person connected with such a director, had, directly or indirectly, a material interest. This can be included in this note or the related party note. It also deals with loans provided by the directors or connected persons to the company.
Where the company is a credit institution refer to S.310-S.312 for further disclosures.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

During the year the company provided construction services to a company called Related Company Limited. Ms B Director who is a director of the company is also a director and 100% shareholder of Related Company Limited. The cost of the services was €XXXX (2018: €XXX).

12. TANGIBLE FIXED ASSETS[62]

	Freehold Premises	Motor Vehicles	Fixtures & Fittings	Computer Equipment	Total
	€	€	€	€	€
Costs					
At beginning of year	507,473	149,039	310,978	157,523	1,125,013
*Transfer from investment property ** *	*XXX*	*-*	*-*	*-*	*XXX*
Additions in year	1,519,000	165,000	99,733	34,704	1,818,437
Disposals in year	-	(93,359)	-	-	(93,359)
At end of year	**2,026,473**	**220,680**	**410,711**	**192,227**	**2,850,091**
Depreciation					
At beginning of year	187,723	111,836	278,802	134,767	713,128
Charge for Year	37,543	26,799	29,015	56,642	149,999
On disposals	-	(42,060)	-	-	(42,060)
At end of year	**225,266**	**96,575**	**307,817**	**191,409**	**821,067**
Net book value					
At 31 December 2019	**1,801,207**	**124,105**	**102,894**	**818**	**2,029,024**
At 31 December 2018	**319,750**	**37,203**	**32,176**	**22,756**	**411,885**

Included within freehold premises above is a property which is owned by the Company but used by another member of the XXX Group of which this Company is a part of. The carrying amount of this property at 31 December 2019 was €XXXX.

The following assets were held under finance lease:

	2019	2018
	€	€
Net Book Value	91,884	129,389
Depreciation Charge for the Year	34,015	11,317

Include the below if the revaluation option on fixed assets is chosen (not applicable here).
[The land and buildings of the company were revalued by [state name], [state qualification] to an open market value basis reflecting existing use [or state alternate basis if appropriate] on [state date] 20XX.

[62] Para 48, Sch III, CA 2014 – Requires the presentation of cost, accumulated depreciation and net book value. Sch 3(5)(2) no longer requires the movement on the prior year fixed asset note to be included
** *Applicable where a company in a group which owns property used by other group members have elected with the option in Section 16.4A of FRS 102 to account for same as property, plant and equipment going forward and to account for the adjustment prospectively.*

The valuation was carried out in accordance with the SCS Appraisal and Valuation Manual. {If the valuer is an officer or employee of the company or a group company this fact must be stated}.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 30th December 2019 resulted in a revaluation surplus of €xx,xxx].[63]

The historical cost, accumulated depreciation and net book value of the freehold premises is as follows. The depreciation charge on the historical cost basis is €XXXX[64]:

	2019	2018
	€	€
Original cost	XXX	XXX
Accumulated depreciation	(XXX)	(XXX)
Net book amount	XXX	XXX

Include the below if the option is capitalise borrowing costs is chosen (not applicable here included for illustrative purposes only).

The company capitalised €XXX (2018: €XXXX) in borrowing costs during the year.

13. INVESTMENT PROPERTIES[65]

	2019	2018
	€	€
Investment property at fair value at 1 January	3,490,201	3,390,201
Additions	-	-
Uplift in fair value recognised in the profit and loss (see note (i) below)	150,000	100,000
*Transfer to Tangible fixed assets ** *	*(XX)*	*-*
Transfer from Tangible fixed assets (*for illustrative purposes only)	-	-
Transfer from Stocks (*for illustrative purposes only)	-	-
Disposal	(2,539,476)	-
Investment property at fair value at 31 December	1,100,725	3,490,201

(i) The land and buildings of the company were valued by [state name], [state qualification] to open market value reflecting existing use [or state alternate basis if appropriate] on [state date] 20XX. The valuation was carried out in accordance with the SCS Appraisal and Valuation Manual. {If the valuer is an officer or employee of the company or a group company this fact must be stated}. The critical assumptions made relating to the valuations are set out below:

	2019	2018
Yields	4%	4%
Inflation rate	2%	2%

[63] Details of the historical cost of the asset and accumulated depreciation must be disclosed on revalued assets

[64] Details of the historical cost of the asset and accumulated depreciation must be disclosed on revalued assets as well as the additional amount recognised in the revaluation reserve.

[65] Sch 3 Formats as adjusted by CAA 2017 requires investment property to be shown separately from land and buildings..Sch 3 as amended by CAA 2017 no longer requires disclosure of historical cost of investment properties or biological assets.

** *Applicable where a company in a group which owns property used by other group members have elected with the option in Section 16.4A of FRS 102 to account for same as property, plant and equipment going forward and to account for the adjustment prospectively.*

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

14. FINANCIAL ASSETS

	2019	2018
Cost:	€	€
Shares in subsidiary undertakings (see (i) below)	254	254
Other investments (see (ii) below)	185,386	208,946
	185,640	**209,200**
Impairment:		
At beginning of period	XXX	XXX
Additions/reversals	XXX	XXX
At end of period	**XXX**	**XXXX**
Carrying amount	**185,640**	**209,200**

i) Subsidiary[66] undertakings[67]

Company Name	*Country of Incorporation*[68]	*Details of investment*[69]	Proportion held by company	Registered Office [70]	Principle Activity
Precast Concrete Ltd	Ireland	254 €1 ordinary shares	100%	Any Address	Manufacture of pre-cast concrete products

The capital and reserves and profit of the subsidiary was as follows: [71]

	2019	2018
	€	€
Profit	212,387	172,834
Capital and reserves	854,346	641,959

In the opinion of the directors the shares in the company's subsidiary are worth at least the amounts at which they are stated in the balance sheet.

[66] S.7(2), CA 2014 – The definition of a subsidiary is set out under Section 2 of the Companies Act 2014
[67] S.314(1), CA 2014 – Disclose is required of interests in subsidiaries and undertakings of substantial interest (>20% of any class of equity shares)
[68] If the company is unincorporated, the address of the principal place of business must be included
[69] S.314(1)(ii) CA 2014 – The identity of each class of share held by the company in each subsidiary of undertaking of substantial interest and the proportion of the nominal value held must be disclosed
[70] S.314(1)(i) CA 2014 – The name and address of the registered office must be included, if there is no registered office the company must disclose the principal place of business
[71] S.314(1)(iii), CA 2014 – The notes must disclose the aggregate amount of the net assets and profit/loss of the subsidiary or undertaking of substantial interest

ii) Other Investments

	2019	2018
Cost	€	€
At the beginning of the year	208,946	208,946
Purchased during the year	150,000	-
Disposed of during the year	(173,560)	-
At the end of the year	185,386	208,946

The company purchased €150,000 of government bonds during the year. This represents the fair value at 31 December 2019 (2018: €nil). These mature on 1 January 2020.
The other investment relates to an investment made by the company in an unlisted entity where less than a significant influence is held. The fair value of this investment cannot be reliably measured in line with the hierarchy in Section 11 of FRS 102, as a result it is held at cost. The cost of the investment at the year ended 31 December 2019 was €185,336 (2018: €208,946).
The directors are satisfied that no impairment is required.

15. STOCKS

	2019	2018
	€	€
Raw material	33,724	42,108
Work in progress	71,769	84,968
Finished goods	594,216	265,090
	699,709	**392,166**

Stocks are stated after provisions for impairment of €32,000 (2018: €28,000). [72]

16. DEBTORS

	2019	2018
	€	€
Trade debtors	432,789	1,077,815
Other debtors	279,008	57,864
Amounts due from group companies (see (i) below)	1,571,862	191,852
Prepayments	29,795	12,710
Accrued income[73]	-	-
Directors Loans (see note 10)	112,633	104,332
VAT recoverable	30,090	13,614
	2,456,177	**1,458,187**

The fair values of Debtors and Prepayments approximate to their carrying amounts. Trade debtors are stated after provisions for impairments of €105,000 (2018: €113,000).
(i) Amounts owed by group companies and directors are unsecured, interest free and are repayable on demand.

[72] Sch 3 as amended by CAA 2017 no longer requires a disclosure detailing If there is a material difference between the balance sheet amount of stock and its replacement cost.
[73] Sch 3 Formats as amended by CAA 2017 requires accrued income to be shown separately in the notes.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR[74]

	2019	2018
	€	€
Trade creditors	969,675	887,073
Corporation tax due	410,031	64,812
Other taxation and social security (See (i) below) [75]	25,665	26,245
Other creditors and accruals	267,051	284,139
Deferred income	-	-
Amounts owed to credit institutions (see note 21)	1,066,950	2,064,128
Finance Lease (see note 18)	85,198	39,933
	2,824,570	**3,366,330**

(i) Other taxation and social security is made up as follows:

	2019	2018
	€	€
Value added tax	969,675	887,073
Relevant contracts tax	XX	XX
PAYE/PRSI	410,031	64,812
Dividend withholding tax	XX	XX
	25,665	**26,245**

Trade and other creditors are payable at various dates in the next X months in accordance with the usual suppliers usual and customary terms. [76]

Tax and social securities are repayable at various dates over the coming months in line with tax authority guidelines. [77]

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	€	€
Bank Loans (see note 21)	1,903,810	2,129,125
Finance Lease (see note 18)	147,400	-
8% Redeemable Shares (see note 22) presented as a liability	100,000	-
Share Appreciation Rights	15,000	-
Amounts due from parent company (see (i) below)	-	-
	2,166,210	**2,129,125**

[74] Sch 3(4)(7) of CA 2014 requires where an asset or liability relates to more than one of the items listed in either of the balance sheet formats, then its relationship to other items shall be disclosed under the item where it is shown or in the notes to the financial statements. In this instance for example finance leases have been shown separately under creditors within one year and creditors greater than one year. The same point applies for bank loan, grants etc.

[75] Sch 3 formats CA 2014 – requirement to split taxes out by type

[76] Section 11 requires terms of creditors etc. to be disclosed.

[77] Section 11 requires terms of creditors etc. to be disclosed.

(i) The company received loans totalling €XXXX at non market rates from its parent company in 2013 which are interest free and repayable on 31 December 2019. Section 11 requires that all Financial Assets and Liabilities are initially recognised at their fair value. The Company estimates the fair value of interest free loan issued by calculating the present value of all future cash payments discounted using the prevailing rates of interest for a similar instrument. Upon initial recognition, the Company recognised the loan for €XXXX. The difference between the nominal amount of the loan and the initial fair value was €XXX which had reduced to €XXX at 1 January 2018. In accordance with Section 11 of FRS 102 the substance of this agreement is akin to a capital contribution from its parent company and therefore recognised in equity. The movement on the loan in the year of €XXXX (2018: €Nil) represented the unwinding of the discount for the year. The reason for no interest charge in 2018 was due to the fact that the company availed of the exemption in Section 35.10 to only recognise the transition adjustment at the start of the current year[78].

19. FINANCE LEASE CONTRACTS – MATURITY

	2019	**2018**
Future minimum payments under finance lease agreements are as follows:	**€**	**€**
In one year or less	54,000	40,333
In more than one year, but not more than five years	193,198	-
In greater than 5 years	-	-
Total gross payments	**247,198**	**40,333**
Less finance lease charges included above	(14,600)	(400)
	232,598	**39,933**

20. PROVISION FOR LIABILITIES

	Warranty Provision (see note (i))	**Deferred tax** (See note (ii))	**Total**
	€	**€**	**€**
At 1 January 2018	-	45,520	45,250
Utilised during the year	-	-	-
Charged in the year	-	19,692	19,692
At 31 December 2018	-	65,212	65,212
	€	**€**	**€**
At 1 January 2019	-	65,212	65,212
Utilised during the year	-	-	-
Charged in the year	97,500	51,494	148,994
At 31 December 2019	97,500	116,706	214,206

[78] Not specifically required

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

(i) Warranty provision

A provision is recognised on warranty claims on certain products sold during the year. The warranty given by the company is for 3 years and the premium is based on the company's best estimate (using previous years' warranty claim details) and as such the amount included in the financial statements is expected to be fully utilised with 24 months of the year end. (€32,500 expected to be utilised in 2018 and €65,000 in 2019).

(ii) Deferred tax

The deductible and taxable temporary differences at the year end dates in respect of which deferred tax has been recognised are analysed as follows:

	2019	**2018**
	€	**€**
Deferred tax liabilities/(assets) (deductible temporary differences)		
Accelerated capital allowance	20,856	22,462
Revaluation on investment property	107,250	57,750
Provisions	(11,400)	(15,000)
	116,706	65,212

Movement in deferred tax assets and liabilities, during the year, were as follows:

	Accelerated Capital allowances	Provisions	Revaluation on investment property	Total
	€	€	€	€
2019				
At 1 January 2019	22,462	(15,000)	57,750	65,212
Recognised in profit and loss	(1,606)	3,600	49,500	51,494
Recognised in other comprehensive income (for illustrative purposes)	-	-	-	-
Disposals	-	-	-	-
At 31 December 2019	20,856	(11,400)	107,250	116,706

	Accelerated Capital allowances	Provisions	Revaluation on investment property	Total
	€	€	€	€
2018				
At 1 January 2018	29,933	(9,163)	24,750	45,520
Recognised in profit and loss	(7,471)	(5,837)	33,000	19,692
Acquisitions	-	-	-	-
Recognised in other comprehensive income	-	-	-	-
Disposals	-	-	-	-
Foreign exchange and other	-	-	-	-
At 31 December 2018	22,462	(15,000)	57,750	65,212

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

i. The net deferred tax liability expected to reverse in the 2018 year is €XXXX. The reversal relates to the timing difference on tangible fixed assets and capital allowances through depreciation and amortisation.

ii. The unused tax losses at year end are detailed above. There are no unused tax credits. There is no expiration date with regard to these losses (for illustrative purposes).

21. BORROWINGS[79]//[80]

	Within 1 year	Between 1 & 2 years	Between 2 & 5 years	After 5 years	Total
	€	€	€	€	**€**
Repayable other than by installments					
Bank Overdrafts	-	-	-	-	-
Repayable by installments					
Term loan (variable rate of %) [81]	-	-	-	-	2,970,860

The bank facilities[82] are secured by a debenture incorporating fixed and floating charges over the assets of the company and personal guarantees from the Directors.

The facilities expiring within one year are annual facilities subject to review at various dates during 2019/2020.

22. SHARE CAPITAL

	2019	2018
	€	€
Authorised Equity		
1,000,000 ordinary shares of €1 each	1,000,000	1,000,000
100,000 8% redeemable preference shares of €1 each	100,000	-
	1,100,000	1,000,000
Alloted, called up and fully paid– presented as equity		
120,000 ordinary shares of €1each (see (i) below)	120,000	100,000

[79] Para 56(1)(a), Sch III, CA 2014 – Details of debts repayable after 5 years from the year end date. Provide details of interest rate, terms of payment or repayment. S11.42 of FRS 102 requires this but in addition the repayment schedule should be provided and any restrictions that the debt instrument imposes. FRS 102 also requires this details for all debt instruments not just those debt instruments repayable after 5 years which is what only company law requires.
Sch 3(56)(4) requires disclosure of the aggregate amount included in creditors where assets are pledged as security
[80] Para 56(3), Sch III, CA 2014 – If the number of debts would result in a note of excessive length, it will be sufficient to give a general indication of the terms of payment/repayment and the interest rates applicable
[81] Company assets pledged as security should be disclosed here, where the security is pledged in a personal capacity by the company directors this should be disclosed in the related party note (required by Sch3(56)(4) and Section 11 FRS 102)
[82] Company assets pledged as security should be disclosed here, where the security is pledged in a personal capacity by the company directors this should be disclosed in the related party note (required by Sch3(56)(3) and Section 11 FRS 102)

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

Alloted, called up and fully paid– presented as liabilities		
100,000 8% redeemable preference shares of €1each (see (ii) below)	100,000	-

(i) On 1 April a further 20,000 ordinary shares were issued at €1.50 each. A premium of €10,000 was recognised on the issue of these shares.

(ii) The redeemable preference shares are classified as liabilities in accordance with Section 22 (liabilities and equity). The rights attaching to these preference shares are as follows[83]:

- to payment of a fixed dividend of an amount equivalent to 8% of the nominal value of such shares held; the shares are mandatorily redeemable on 31 December 2019 at par.
- on a winding up of the company or on a redemption thereof or repayment of capital thereon to a return of capital paid up or deemed paid up on each such share and otherwise shall not be entitled to participate further in the assets or profits of the company
- the preference shares carry no right to vote at general meetings of the company.

[83] Sch 3 & FRS 102 requires rights of shares to be disclosed where there is more than one class of share

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

23. RESERVES[84]

	Called Up Share Capital €	Share Premium Account €	Other Reserves	Profit and Loss Account €	*Revaluation reserve* €	Total Equity €
Balance at 1 January 2018	100,000	-	-	162,000	-	487,000
Profit for the year	-	-	-	362,818	-	362,818
Balance at 31 December 2018	**100,000**	**-**	**131,250**	**317,445**	**-**	**548,695**
Balance at 1 January 2019	**100,000**	**-**	**-**	**317,445**	**-**	**548,695**
Equity Shares Issues	20,000	10,000			-	30,000
Profit for the year				1,044,366	-	1,044,366
*Transfer from P&L Reserve to revaluation reserve ***	-	-	-	(XXX)	XXX	-
Dividends on ordinary shares paid and declared (€XX per ordinary share) [85]	-	-	-	-	-	-
Dividends on ordinary shares declared but unpaid in year (€XX per ordinary share) [86]	-	-	-	-	-	-
Balance at 31 December 2019	**120,000**	**10,000**	**131,250**	**1,361,811**	**XXX**	**1,623,061**

i) **Other reserves**[87]

This reserve arose on transition to FRS 102, where the entity applied the exemption in Section 35 of FRS 102 to deem a previous revaluation on property as deemed cost. The amount included in the reserve is net of deferred tax at the rate the asset is expected to be realised. The transfer in the year related to the transfer of the depreciation charge on the profit net of deferred tax recognised in the profit and loss account to the other reserve to reflect the fact that this amount is a realised profit.

[84] If a statement of changes in equity is not presented and instead a statement of income and retained earnings was only presented on the face of the P&L (Sch 3(53) of CA 2014 requires not only movement on the profit and loss reserves to be disclosed (which would be dealt with in the statement of income and retained earnings) but in addition Sch3(54) requires an analysis of the movement in the all reserves inc. the revaluation reserve and fair value reserve and shareholders funds, then in order to cover off these requirements it would make sense to include the above reserves note (assuming an SOCE has not been presented). Companies Act also requires comparatives for each year showing the movements as per Sch3(5).

[85] Para 53 of Sch 3, CA 2014– disclosure of dividend declared and paid in year and any dividend declared but accrued at year end. This can be disclosed in a separate note if preferred.

[86] Para 53 of Sch 3, CA 2014 – disclosure of dividend declared and paid in year and any dividend declared but accrued at year end. This can be disclosed in a separate note if preferred.

[87] Section 6 FRS 102 requires a narrative for how the reserves originally arose and what the movements on the reserves related to during the years

*** Arises if a change of accounting policy is required (e.g. no longer able to claim undue cost of effort for investment property)*

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

ii) **Share premium**
The share premium reflects the premium received on shares issued by the company. The increase arises due to the allotment of 20,000 shares above par during the year as detailed in Note 24.

iii) ***Revaluation reserve***[88]
This reserve arose on adoption of the March 2018 version of FRS 102 where the entity adopted the policy to account for property owned by the Company but used by another company in the group in which the Company is a member as property plant and equipment instead of investment property as is permitted by Section 16.4A of FRS 102. Prior to the adoption of the March 2018 version of FRS 102 the Company treated this as an investment property and carried it at fair value with movement in fair value recognised in the profit and loss account. The Company availed of the exemption in Section 1.19 of FRS 102 to deem a previous valuation on investment property as deemed cost and to account for this prospectively. As a result a revaluation reserve was created as is required by Company law. The amount included in the reserve is net of deferred tax at the rate the asset is expected to be realised. The transfer in the year related to the transfer of the depreciation charge on the profit net of deferred tax recognised in the profit and loss account to the other reserve to reflect the fact that this amount is a realised profit.

24. CONTINGENCIES

A legal action is pending against the company for alleged unfair dismissal. The directors under advisement from their legal team expect that the claim will be successfully defended. Should the company be unsuccessful in the action the maximum estimated settlement is not expected to exceed €10,000.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

The company has entered into a guarantee for the benefit of its subsidiary/holding company/sister company/joint venture/associate. The total amount of this guarantee was €XX[89].

25. CAPITAL COMMITMENTS

There were no capital commitments at the year ended 31 December 2019.

[88] Section 6 FRS 102 requires a narrative for how the reserves originally arose and what the movements on the reserves related to during the years
[89] Only applicable if company adopts a policy to treat property rented or used by other group members as property plant and equipment under Section 17 of FRS 102 and there was an uplift on the property prior to the adoption of this policy.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

26. COMMITMENTS

At 31 December 2019, the company had the following commitments under non-cancellable operating leases that expire as follows:

	2019	2018
	€	€
Within one year	145,000	145,000
Within two to five years	100,000	100,000
Greater than five years	-	-
Total	XXXX	XXXX

ii) An amount of €XX was included in accruals for future payments required to fund a deficit which the company has committed to[90].

iii) An amount of €XX (2018:€XX) was included in accruals with regard to pension contributions payable to the pension scheme for past directors of the company[91].

27. DIRECTORS' SECRETARY'S INTERESTS

The director's interests in the company at the beginning and end of the year were as follows;

	Mr A Director €1 ordinary shares	Ms B Director €1 ordinary shares	Total
At the beginning of the year	50,000	60,000	100,000
At the end of the year	60,000	60,000	120,000

28. RETIREMENT BENEFITS INFORMATION[92]

	2019	2018
	€	€
Retirement Benefit costs	46,746	43,289

The company operates an externally funded defined contribution scheme that covers substantially all the employees of the company. The assets of the scheme are vested in independent trustees for the sole benefit of these employees.

[Provide an explanation of any material variation in the pension charge from that of the previous period. Provide also any commitment by the company to make additional contributions for a limited number of years – for example, the pension charge for the year 2019 included €(AMOUNT) in respect of past

[90] Para 58, Sch 3, CA 2014
[91] Para 58, Sch 3, CA 2014 requires commitment to pension for past directors to be disclosed separately
[92] Note is applicable to defined contribution schemes only, defined benefit schemes require further detailed disclosures.

service liabilities that are being written off over ten years being the average remaining service les of the current employees.] Contributions outstanding at year end amounted to €1,000 (2018: €500).[93] [94]

29. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019	2018
	€	**€**
Profit after taxation	1,044,366	304,337
Addback/Deduct		
Tax expense	266,994	119,414
Interest receivable and similar income	(14,999)	(5,307)
Interest cost	205,784	199,721
Operating Profit	**1,502,145**	**618,165**
Adjustment for		
Depreciation	149,999	170,037
Movement in fair value of investment properties	(150,000)	(100,000)
Notional interest on financial assets		
carried at amortised cost	5,999	5,307
Loss on disposal of tangible fixed assets	51,299	-
Changes in working capital		
(Increase)/decrease in Stocks	(307,543)	61,023
Increase in debtors and prepayments	(988,990)	(623,857)
Increase in creditors and accruals	177,434	376,857
Cash generated from operations	**440,343**	**502,225**

[93] Section 28 FRS 102 requires the nature of the scheme, contributions paid during the year and the amount outstanding at year end disclosed. Sch 3(58) requires disclose of pension items included in accruals
[94] Note is applicable to defined contribution schemes only, defined benefit schemes require further detailed disclosures.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

30. ANALYSIS OF CASH & CASH EQUIVALENT AND NET DEBT[95]

	At 31 Dec 2018	Cash flow	Other non-cash items	At 31 Dec 2019
	€	€	€	€
Cash in hand	147,723	209,049	-	356,772
Bank Overdraft	-	-	-	-
	147,723	209,049	-	356,772
Loans due within one year	*(2,064,128)*	*997,178*	*-*	*(1,066,980)*
Loans due after one year	*(2,129,125)*	*225,315*	*-*	*(1,903,810)*
Finance leases	*(39,933)*	*(57,335)*	*(250,000)*	*(232,598)*
Total	***(4,193,253)***	***1,488,877***	***(250,000)***	***(3,203,358)***

(i) The non-cash item refers to assets purchased on finance lease which did not result in an out flow of cash.

Reconciliation of net cash flow to movement in net debt	*2019*	*2018*
	€	*€*
Increase in cash	*209,049*	*XXX*
Loan movement	*(1,222,493)*	*XXX*
Movement in finance leases and hire purchase agreements	*57,335*	*(XXX)*
Movement in directors' loans	*(XXX)*	*(XXX)*
Changes in net debt	*(956,109)*	*(XXX)*
Net debt at 1 January	*(XXX)*	*(XXX)*
Net debt at 31 December	***(XXXXX)***	*(XXXX)*

- ~~*No Financial Instruments Note Required*~~

[95] Net debt rec is not specifically required under FRS 102. The analysis of cash and cash equivalents is only required where the cash movements cannot be seen from reviewing the balance sheet.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

31. RELATED PARTY TRANSACTIONS[96]/[97]/[98]

The company regards OmniPro plc, a company incorporated in Ireland, as the ultimate parent company.

The following transactions were carried out with related parties which are not 100% wholly owned within the group:

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	€	€	€	€
Entities with control, joint venture or significant influence over the Company				
2019	-	-	-	-
2018	-	-	-	-
Entities over which the company has control, joint control or significant influence				
2019	-	-	-	-
2018	-	-	-	-

[96] Para 65(1), Sch III, CA 2014 - Financial statements should disclose transactions with related parties which are material and which have not been concluded under normal market conditions, disclosures should include:

a. the names of the transacting related parties;
b. a description of the relationship between the parties;
c. a description of the transactions;
d. the amounts involved;
e. any other elements of the transactions necessary for an understanding of the financial statements;
f. the amounts due to or from related parties at the balance sheet date and the provisions for doubtful debts due from such parties at that date; and
g. amounts written off in the period in respect of debts due to or from related parties.

Note FRS 102 Section 33 goes further and requires disclosures of all transactions regardless of whether they were concluded under normal market conditions. It requires disclosure of amounts due from goup companies which were not 100% owned within the group including the transactions during the year. These can be done in total where seprate disclosure is not required to show a true and fair view. Section 33 does not require disclosure of transactions with companies owned 100% within the group however the year end balance in total must be disclosed (this disclosure in total is usually shown in the debtors/creditors note i.e. amounts due from/to group undertakings).
Note as per Section 33.1A FRS 102 and Sch 3(65)(3) of CA 2014 does not require disclosure where the transactions are with 100% owned companies within the group.

[97] Para 65(2), Sch II, CA 2014 – The provision of particulars and other information about individual transactions may be aggregated according to their nature, except where separate information is required is necessary for an understanding of the effects of related party transactions on the financial position of the company

[98] Para 65(3), Sch III, CA 2014 – Disclosure of related party transactions is not required between group members where any party to the transactions is a wholly owned subsidiary

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

The following transactions were carried out with other related parties:

	2019	2018
	€	€
Other related parties		
Sales of goods and services		
OmniPro plc		119,632
Other related parties		
Purchase of goods and services		
OmniPro plc		15,987
Year end balances arising from sale/purchase of goods/services		
Receivable from related parties		
OmniPro plc	1,571,862	191,852

[99]*Key management includes the Board of Directors (executive and non-executive), all members of the Company Management and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:*

	2019	2018
	€	€
Key management compensation		
Salaries and other short-term employee benefits	*268,000*	*257,000*
Post-employment benefits	*19,000*	*12,000*
	287,000	***269,000***

No provision has been made in 2019 and 2018 for the loans made to key management personnel.

32. HOLDING OF OWN SHARES/HOLDING COMPANY SHARES (for illustrative purposes)

The company holds the following class of its own shares[100]:

	2019	2019	2018	2018
A Ordinary shares of €1 each	**€**	**Number**	**Number**	**€**
At 1 January (consideration paid of €XXX)	XX	XXX	XXXX	XX
Cancellations	(XX)	(XX)	(XXXXX)	(XX)
Redemptions from members	XX	XXXXX	XXXXX	XX
Closing balance	XXX	XXXXX	XXXXX	XXX
% of own shares held		X%	X%	

The amount of profits available for distribution which are restricted as a result is €XXX (2018:€XX).

[99] This note is only required where the directors and key management personnel are not the same persons and the directors remuneration is required to be disclosed under Company Law. Section 33.7A of FRS 102 refers.
[100] S.320(4) and S.328 of CA 2014 requires disclosure of the details of owns shares by class held including movement in the year, a disclosure of the restrictions on profits as a result of this and the reason for acquisition of own shares in the year and the % of called up share capital held at beginning and end of each year.

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

The reason for the acquisition/redemption of shares in the year was due to the buyback of shares from its former shareholder and director in order to allow him to retire etc. etc.

The company holds the following class of its parent company shares[101]:

	2019	2018
A Ordinary shares of €1 each	**Number**	**Number**
At 1 January	XXX	XXXX
Acquisitions	(XX)	(XXXXX)
Disposals	XXXXX	XXXXX
Closing balance	XXXXX	XXXXX

The amount of profits available for distribution which are restricted as a result is €XXX (2018:€XX).

33. POST BALANCE SHEET EVENTS[102]

Where COVID-19 is a non-adjusting event (use for periods up to 31 December 2019 & consider thereafter)

In the first half of 2020, the COVID-19 virus spread worldwide. In common with many other countries, the Irish government issued guidance and restrictions on the movement of people designed to slow the spread of this virus. In early March 2020, many businesses closed voluntarily and throughout the month more restrictions were placed on people and businesses. On 28th March, all “non-essential” businesses were ordered to close temporarily.

This has had a negative impact on the company since the year end and trading activity has reduced as a result.

Choose one of the below
Where an estimate of the financial effect cannot be made
At the time of approving the financial statements, there is uncertainty regarding how long working restrictions will be in place until and the full extent of the impact that this will have on the financial statements for the year and as a result a an estimate of its financial effect cannot be made.

Or

Where an estimate of the financial effect can be made
In light of the above event, the directors believe that the financial effects of Covid-19 between the year end and the date of approving the financial statements are as follows;

- Decline in market value of property plant and equipment- €xxxx
- Decline in value of stock due to Impairment of stock- €xxxx
- Impairment of trade debtors balance of €xxxxx

As it is the directors opinion that Covid-19 is a non-adjusting event, the above financial effects have not been adjusted for the impact of the above events since the balance sheet date.

Where Covid-19 is an adjusting event (consider for periods of 31 January 2020 and after)[2]

In the first half of 2020, the Covid-19 virus spread worldwide. In common with many other countries, the Irish government issued guidance and restrictions on the movement of people designed to slow the spread of this virus. In early March 2020, many businesses closed voluntarily and throughout the month

[2] Section 32.4 of FRS 102 requires entities to adjust the amounts recognised in its financial statements, including related disclosures, to reflect adjusting events after the end of the reporting period. If preferable, this could be addressed in the individual note affected.

more restrictions were placed on people and businesses. On 28th March, all "non-essential" businesses were ordered to close temporarily.

This has had a negative impact on the company since the year end and trading activity has reduced as a result.

The following adjustments relate to events or conditions that existed at the balance sheet date and as a result have been adjusted for in these financial statements;

- Decline in market value of property plant and equipment- €xxxx
- Decline in value of stock due to Impairment of stock- €xxxx
- Impairment of trade debtors balance of €xxxxx

34. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of OmniPro Holdings Limited a company incorporated in Ireland with a registered office at XXX[103].

35. TRANSITION TO FRS 102[104]

The company previous to this had originally applied FRS 102 but in 201X, the directors decided to change to the FRS 105/IFRS framework for the following reasons:

-*XXX*

-*XXX*

The company has this year decided to re-transition to FRS 102 from FRS 105/IFRS/FRS 101 for the following reasons:

-*XXXX*

XXXX

---

[101] S.320(4) of CA 2014 requires disclosure of the details of shares of its holding company held by class including movement in the year, a disclosure of the restrictions on profits as a result of this and the reason for acquisition of own shares in the year

[102] Required by S.32 FRS 102 and Sch 3(67) CA 2014

[103] When the reporting entity is controlled by another party, there should be disclosure of the related party relationship and the name of that party and, if different, that of the ultimate controlling party. If the controlling party or ultimate controlling party of the reporting entity is not known, that fact should be disclosed.

[104] Section 35 of FRS 102 requires this disclosures on top of the usual transition disclosures. If this is a transition, then this note would also give detail of whether there was or was not adjustments and details of what they were

OmniPro Sample Medium/Large Company Limited

Year Ended 31 December 2019
Notes to the Financial Statements

36. APPROVAL OF THE FINANCIAL STATEMENTS

The directors approved the financial statements on________________________________.

+ Practice Support + Corporate Consultants + Tax & Legal + Practice Growth + Education & Training

Contents

European Union (Qualifying partnerships: Accounting and Auditing) Regulations 2019 Quick Guide

The European Union (Qualifying partnerships: Accounting and Auditing) Regulations 2019 was signed into law at the end of November 2019. The effect of these Regulations is to give further effect to the EU Directive 2013/34 which brings the statutory financial reporting and filing obligations of certain "qualifying partnerships" more in line with those of companies formed and registered under the Companies Act 2014 (the 2014 Act), the main aspect being the requirement for qualifying partnerships to file and make public their financial statements.

When is the commencement date?

The mandatory commencement date is for periods beginning on or after 1 January 2020.

What are the key points?

- The 1993 Regulations are now superseded by the 2019 Partnership Regulations with effect from the commencement date.
- The Regulations include a new definition of a 'qualifying partnership'. It has been reworded to include the other entity types in Companies Act 2014. It includes partnerships (both general and limited), of whose partners and in the case of limited partnerships, all of whose general partners are:
    i. Limited companies (members have limited liability)
    ii. Designated unlimited companies (ULCs)
    iii. Partnerships, other than limited partnerships, in which the members are limited companies or designated ULCs
    iv. Limited partnerships, in which the general partners are limited or designated ULCs, or
    v. Partnerships, including limited partnerships, in which the direct or indirect members include any combination of undertakings referred to above, such that the ultimate beneficial owners of the partnership enjoy the protection of limited liability.
- The key difference under the 2019 Regulations is that qualifying partnerships now include the above comparable entity types even if they are registered outside the EU.
- Prior to these regulations, partnership structures with a member outside the EU (such as the Isle of Man) did not come within the scope of the filing regime with the CRO.
- Qualifying partnerships will be required to prepare and file financial statements with the CRO which will then be filed with the partnerships annual return.

What are the other relevant points?

- In assessing whether an entity is comparable, it must be considered if the liability of the person(s) holding shares in the undertaking is limited. Section 275(3) CA 2014 states in the case of an entity without share capital, the reference to shares is interpreted as a reference to a right to share in the profits of the entity.
- The 'ultimate beneficial owner' means the natural person or persons who ultimately own or control, directly or indirectly, the partnership or undertaking.
- Part 6 of the Companies Act 2014 which contains laws applicable to Companies on financial statements, annual returns and audits will apply to qualifying partnerships. Specific company

terminology referred to in Part 6 will apply to Partnerships as if they were companies (ie. "Director" references should be construed as "Member of Qualifying Partnership").

- Part 6 of the Companies Act 2014 will not apply to qualifying partnerships that are either a credit institution or an insurance undertaking.
- A qualifying partnership that has debentures admitted to trading on a regulated market in an EEA state must prepare a corporate governance statement.
- A qualifying partnership involved in the mining extractive or logging industries ae required to prepare an annual report on payments of €100,000 or more which have been made to governments of any country.
- The European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings by certain large undertakings and groups) Regulations 2017 apply to qualifying partnerships. Qualifying partnerships for the purpose of the regulation will be treated as a company. This requires relevant large companies and groups on an annual basis to prepare a non-financial statement on environmental matters, social and employee matters, respect for human rights and bribery and corruption.
- The majority of offences as specified in the regulations will be punishable as follows:
    i. On summary conviction to a class A fine or imprisonment for a term not exceeding 12 months or both, or
    ii. On conviction on indictment, to a fine not exceeding €50,000 or imprisonment for a term not exceeding 3 years or both

What do Accountants need to know?

If you have partnership clients which have complex corporate structures in place, where the ultimate beneficial owners have limited liability and these partnerships do not prepare or file financial statements with the CRO, then consideration should be given to whether the 2019 Partnership Regulations now apply.

Carton Bros Unlimited Company

Directors' Report and Financial Statements

Financial Year Ended 31 December 2019

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of Carton Bros Unlimited Company ("the company") for the year ended 31 December 2019. The prior year comparatives relate to the 12 month period ended 31 December 2018.

Principal activities, business review and future developments in the business

The principal activities of the company are poultry processing, distribution of poultry and chilled products, feed manufacture, and the manufacture and distribution of value added poultry products.

The principal risks and uncertainties facing the company are similar to those facing other companies in the industry sector, namely disease, cost increases, availability of finance, competition and significant reliance on key suppliers and customers. Significant investment in plant, production processes and customer relationship management has enabled the company to mitigate these risks. The company is one of the largest chicken processors in Ireland, providing a wide range of safe, competitively priced products to customers.

Key performance indicators which are focused on by management include; sales value, sales volume, net sales value per kg, production volume, raw material cost per tonne, food conversion rate (FCR), average live weight (ALW), day old cost, weight give away, production yield, labour, packaging, collection and repair costs per kg, grower performance, stocks, profitability, capital expenditure, EBITDA and cash headroom.

The directors are satisfied with the performance of the company for the year and have no plans to change the current activities of the company.

Financial instruments

Due to the nature of its business, the company is exposed to the effects of fluctuation in foreign currency exchange rates and contain commodity prices. In order to manage these exposures, the company has entered into various hedging arrangements with its banker and suppliers. These arrangements comprise the use of forward currency contracts and forward purchase contracts for certain commodities. Further details are set out in note 15 to these financial statements.

Results and dividends

The results for the year are set out in the profit and loss account on page 9. Dividends of €nil were declared by the directors during the year (2018: €nil).

Research and development

The company is involved in research and development activities and during the period incurred €117,173 (2018: €116,354) of research costs that were expensed.

Directors and Secretary and their interests

Leif Bergvall Hansen owned 717,891 shares in Scandi Standard AB at 31 December 2019. Vincent Carton has a shareholding in Themvar Holding ULC, which holds 6 million shares in Scandi Standard AB through a subsidiary, Themvar 8. Other than these, the directors had no interests in the shares of the company or fellow group companies.

The names of the persons who were directors at any time during the year are set out below. Except where indicated, they served as directors for the entire period:

Vincent Carton
Leif Bergvall Hansen
Anders Hagg (part period to May 19)
Julia Lagerqvist (part period from May 19)

Political and charitable donations

The company made no political or charitable donations during the period nor incurred any political expenditure during the year.

DIRECTORS' REPORT - continued

Post balance sheet events

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. The earliest known infection occurred on 17 November 2019 in Wuhan, China. The World Health Organization (WHO) declared the 2019–20 coronavirus outbreak a Public Health Emergency of International Concern (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020.

We have considered the risks that coronavirus poses to the company and the actions we are taking to mitigate the impact. Although all non - essential services are temporarily closed in Ireland at this time, the services provided by Carton Bros are considered to be essential, and we are continuing to operate, albeit that we have had to introduce various social distancing and other health and safety protocols while continuing operations. At this time, it is unclear how long the government mandated closures and social distancing measures will be in place for, however it is likely that they will continue to impact on how our operations are performed for some time.

To date, although we have had a number of suspected cases of COVID 19 in our workforce and have had to introduce a number of changes to our work practices, we are continuing to operate with new protocols in place. We have a COVID 19 task force in place, which meets virtually every day. Overall demand continues to be broadly in line with 2019 with decreases in food service being offset by an increase in retail.

We have no experience of a similar crisis so there is no way of predicting the extent that the full effect coronavirus will have on the company in general, our customers and the resulting demand for our products. It is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on availability of staff.

Our priority is to do all we can to keep our workplace as safe as possible for staff. We are likely to remain at risk to the possibility that members of our teams could go out sick, resulting in the need for other members of the team to self-isolate, and thereby require additional staff to fill vacancies. So far, we have been able to fill any such vacancies from within our own staff complement.

We have modelled the likely effects of COVID 19 on our cash forecast for the next 12 months, and we are comfortable that there is unlikely to be any significant impact on our revenues, and that any incremental COVID related costs will be manageable.

We have also considered various measures we could take to control costs and conserve cash within the company, if certain activities were to be temporarily suspended, which we do not see as likely.

Management are comfortable that the forecasts they have prepared have considered a number of sensitivities, including a range of outcomes, and that in all cases there remains sufficient mitigation measures available to management to ensure that cash-flows are managed and that the company can continue to meet its obligations as they fall due for the period of at least 12 months from signing the financial statements.

There will be many challenges to our working practices as the pandemic develops and we are continuing to put plans in place to protect our employees and to comply with differing levels of Government restrictions and cope with illness throughout the company. In particular, we are adapting our procedures to facilitate home working among our administration and finance staff. We are confident that as a company we have the ability to manage through this challenging time.

Accounting records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the company are maintained at Bracetown Business Park, Clonee, Co. Meath.

DIRECTORS' REPORT - continued

Relevant audit Information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the company's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the company's auditor is unaware.

Audit committee

As required by Section 167(3) of the Companies Act 2014, the directors confirm that the company has not established an audit committee. The company's parent holding company, Scandi Standard AB, has established an audit committee which has at least the responsibilities specified in Section 167(7) and otherwise meets the requirements of Section 167 in relation to Scandi Standard AB. Scandi Standard AB consolidates the financial performance of the company and its other subsidiaries into its group financial statements, and as a result, the scope of the Scandi Standard AB audit committee oversight function necessarily extends to oversight and review of group subsidiaries including the company. Furthermore, any proposal of the board of directors of the company with respect to the appointment of statutory auditors to the company shall be based on a recommendation made to the board by the audit committee of Scandi Standard AB. For these reasons, the directors believe that the oversight of the company by Scandi Standard AB's audit committee is sufficient such that a company specific audit committee is not required.

Statutory auditors

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board

Julia Lagerqvist

Vincent Carton

Vincent Carton

June 5, 2020

NOTES TO THE FINANCIAL STATEMENTS – continued

23 Ultimate parent undertaking

The company is a wholly owned subsidiary of Scandi Standard AB, a company registered and operating in Sweden.

The results of the company are consolidated into the financial statements of Scandi Standard AB. The financial statements of Scandi Standard AB are available to the public at www.scandistandard.com.

24 Post balance sheet event

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. The earliest known infection occurred on 17 November 2019 in Wuhan, China. The World Health Organization (WHO) declared the 2019–20 coronavirus outbreak a Public Health Emergency of International Concern (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020.

We have considered the risks that coronavirus poses to the company and the actions we are taking to mitigate the impact. Although all non - essential services are temporarily closed in Ireland at this time, the services provided by Carton Bros are considered to be essential, and we are continuing to operate, albeit that we have had to introduce various social distancing and other health and safety protocols while continuing operations. At this time, it is unclear how long the government mandated closures and social distancing measures will be in place for, however it is likely that they will continue to impact on how our operations are performed for some time.

To date, although we have had a number of suspected cases of COVID 19 in our workforce and have had to introduce a number of changes to our work practices, we are continuing to operate with new protocols in place. We have a COVID 19 task force in place, which meets virtually every day. Overall demand continues to be broadly in line with 2019 with decreases in food service being offset by an increase in retail.

We have no experience of a similar crisis so there is no way of predicting the extent that the full effect coronavirus will have on the company in general, our customers and the resulting demand for our products. It is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on availability of staff.

Our priority is to do all we can to keep our workplace as safe as possible for staff. We are likely to remain at risk to the possibility that members of our teams could go out sick, resulting in the need for other members of the team to self-isolate, and thereby require additional staff to fill vacancies. So far, we have been able to fill any such vacancies from within our own staff complement.

We have modelled the likely effects of COVID 19 on our cash forecast for the next 12 months, and we are comfortable that there is unlikely to be any significant impact on our revenues, and that any incremental COVID related costs will be manageable.

We have also considered various measures we could take to control costs and conserve cash within the company, if certain activities were to be temporarily suspended, which we do not see as likely.

Management are comfortable that the forecasts they have prepared have considered a number of sensitivities, including a range of outcomes, and that in all cases there remains sufficient mitigation measures available to management to ensure that cash-flows are managed and that the company can continue to meet its obligations as they fall due for the period of at least 12 months from signing the financial statements.

There will be many challenges to our working practices as the pandemic develops and we are continuing to put plans in place to protect our employees and to comply with differing levels of Government restrictions and cope with illness throughout the company. Amongst other initiatives we are adapting our procedures

Hostelworld.com Limited

Reports and Financial Statements for the financial year ended 31 December 2019

REGISTERED NUMBER 337103

The directors present the audited financial statements for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of software and data processing services which facilitates hostel, hotel, B&B and other accommodation bookings worldwide.

BUSINESS REVIEW

The directors consider that the overall business performed satisfactorily during the financial year covered by the financial statements.

On 12 March 2019, the Company purchased intellectual property assets from WRI Nominees DAC, a fellow group company at fair market value of €151m.

In July 2019, the Company purchased 7,645,554 shares (49% of the share capital) of Goki Pty Limited, an Australian resident company. Goki Pty Limited's principal activity is software development and principal place of business is Australia (note 13).

RESULTS AND DIVIDENDS

The results for the financial year and state of affairs of the Company are set out in the income statement and statement of financial position on pages 13 and 15 respectively. No dividends were paid or recognised during the current or prior financial year.

DIRECTORS AND SECRETARY

The directors and secretary, who served at any time during the financial year except as noted, were as follows:

Directors:
Gary Morrison
TJ Kelly

Secretary:
John Duggan

The current directors are listed on page 2.

DIRECTORS COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Company's compliance with the Company's "relevant obligations" within the meaning of section 225 of the Companies Act 2014 (described below as the "Relevant Obligations").

The directors confirm that they have:

(a) drawn up a compliance policy statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the Company's compliance with its Relevant Obligations;

(b) put in place appropriate arrangements or structures that, in the opinion of the directors, provide a reasonable assurance of compliance in all material respects with the Company's Relevant Obligations; and

(c) during the financial year to which this report relates, conducted a review of the arrangements or structures that the directors have put in place to ensure material compliance with the Company's Relevant Obligations.

AUDIT COMMITTEE

The Company has not established an audit committee on the basis that the Company is part of a group which has an Audit Committee. The Group Audit Committee performs the relevant functions as required by the Companies Act 2014 on a group wide basis, including periodic review of procedures and review of the Company's financial performance by the Group finance function.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary who held office at 31 December 2019 had no interest in the share capital of the Company at 31 December 2019 and 1 January 2019.

The directors and secretary who held office at the end of the financial year have advised that as of 31 December 2019 they hold some shares in the Company's ultimate parent company, Hostelworld Group plc, however none of the directors or secretary hold 1% or more of the voting shares in Hostelworld Group plc or in any of Hostelworld Group's subsidiaries.

FUTURE DEVELOPMENTS

The COVID-19 pandemic has resulted in significant trading disruption for our business and the global travel industry. We entered the year in a strong position, having delivered a return to net bookings growth during Q4 2019, however, COVID-19 drove a sharp reduction in our trading performance. We reacted swiftly and purposefully to protect the business and to enable us to navigate through this crisis. Our initial efforts were focussed on cash preservation and in June we took action to strengthen our balance sheet, via a debt facility and a capital contribution received from Hostelworld Group PLC. Together these actions provide the Company with the financial strength to operate through this crisis and beyond.

Over the last few months we have taken the opportunity to accelerate our Roadmap for Growth program to strengthen our core platform, completing items planned for H2 2020 and 2021 ahead of schedule. Consistent with our growth strategy, which builds on our Roadmap for Growth, we also intend to broaden the catalogue of experiences and social features we offer our customers, beyond hostel accommodation. Given the current trading backdrop, we remain focused on organic initiatives in the near term, until a resumption of normal trading. While the short-term outlook for the travel industry remains extremely challenging, we remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before.

KEY PERFORMANCE INDICATORS

The directors view the number of bookings and EBITDA as their key performance indicators.

PRINCIPAL RISKS AND UNCERTAINTIES

In light of the COVID-19 pandemic the Company has considered the impact of COVID-19 on the business and reassessed risk factors accordingly.

The following risks and uncertainties could have an impact on the Company's future performance:

Macroeconomic conditions - Revenue is derived from the wider leisure travel sector. Perceived or actual economic conditions, including slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs could impair customer spending and adversely affect travel demand. In addition, events beyond our control such as unusual or extreme weather, travel related health concerns including pandemics and epidemics or travel-related accidents can disrupt travel and result in declines in travel demand.

COVID-19 impact: Given the recent COVID-19 pandemic, management have had to mitigate against the risk and through taking necessary actions to conserve cash. Cash conservation measures include vendor management; review of internal and external resources; review of customer refund policies; review of direct marketing spend; and sourcing of alternate forms of funding.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Impact of terrorism threat on leisure travel - The continued threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips particularly to certain geographies, resulting in declining revenues. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.

Competition – The business operates in a highly competitive marketplace and our relative scale and size could impact our ability to keep pace with changes in customer behaviour and technology change. Failure to continue to innovate on our product offering and to compete effectively in our marketplace could have an adverse effect on our market share and the future growth of the business. Increased competition from other online travel agents ("OTAs") or from the alternative accommodation sector via websites, or a disruptive new entrant such as large hotel chains into the hostel segment or loss of key accommodation suppliers could impact revenue due to potential loss of traffic and/or could increase traffic and therefore customer acquisition costs. Demand for our services could suffer, reducing revenue and margins.

Search engines algorithms - A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel-related keywords (paid search). We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. This could result in a decrease in bookings and thus revenue. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins.

Brand - Consumer trust in the Hostelworld brand is essential to ongoing revenue growth. Negative publicity around our products or services could negatively impact on traveller and accommodation provider confidence and result in loss of revenue.

COVID-19 impact: There is a risk that our brand could be impacted through measures we have taken through COVID-19, including our refund policy. Our brand portfolio is managed through social media channels and customer service team. There is a Crisis Management Policy in place which includes appropriate escalation where there is a risk of brand damage. Our Exceptional Refund Policy details COVID-19 refunds which are issued on a case-by-case.

Data security - We capture personal data from our customers, including credit card details and retain this on our systems. There is always a risk of a cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third party suppliers. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial and/or other penalties.

COVID-19 impact: The shift to remote working during COVID-19 (beginning 12 March 2020) changed the risk profile of certain data processing activities and gives rise to ongoing data security challenges. As we plan for a level of return of colleagues to our offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The GDPR places significant data security and regulatory compliance obligations on us when processing such data. We manage these risks through level 1 PCI compliance with the guidelines of the payment card industry and preparing to comply with certain aspects of Payment Services Directive 2 (PSD2) in 2021 as it relates to customer payment – customer authentication security measures. We have in place a Comprehensive privacy compliance programme to align with our on-going obligations under the GDPR compliance. We have reviewed the impact on servers of increased remote access loads with teams working from home. We have issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Regulation - The global nature of the business means exposure to issues regarding competition, licensing of local accommodation, language usage, web-based trading, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions. Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage.

COVID-19 impact: COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focussed companies and may have an impact on the Company's brand if the Company's sales practices were investigated and assessed to be non-compliant. COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace. The GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority. We have responded to these evolving risks by monitoring the regulations and evolving landscape closely. In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment.

Tax - The taxation of e-commerce businesses is constantly being evaluated and developed by tax authorities around the world. The taxation of online transactions in the travel space remains unsettled. Due to the global nature of the business, tax authorities in other jurisdictions may consider that taxes are due in their jurisdiction. This could result in the Company having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Company's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Company considers relevant. Changes to tax legislation or the interpretation of tax legislation or changes to tax laws based on recommendations made by the OECD in relation to its Action Plan on Base Erosion and Profits Shifting ("BEPS") or national governments may result in additional material tax being suffered by the Group or additional reporting and disclosure obligations.

Business continuity - Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with an adverse impact to our customer service.

COVID-19 impact: The outbreak of COVID-19 led to substantial business and operational disruptions across the Company and resulted in Hostelworld and our third-party suppliers seeking to suspend or be excused from certain contractual obligations. We updated our standard contractual terms in early 2020 to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/ pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time). As Part of COVID-19 BCP invocation all employees have been working from home via Hostelworld secured endpoint devices that were configured and rolled out in 2019. All teams had tested access and functionality and only small adjustment was needed to have all teams operational very quickly. All laptops are encrypted and protected with anti-virus and anti-malware software.

People – The Company is dependent on its ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.

Brexit – The Company is exposed to Brexit-related risks and uncertainties in relation to its continued impact on global markets and currency exchange rate fluctuations. The uncertainties in relation to the movement of people may result in the reduction of bookings particularly into and from the UK travel market which could impact on revenue. Overall a decline in macroeconomic conditions in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider leisure travel sector.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk - Cash flow forecasting is monitored by rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach covenants on any of its facilities. Such forecasting takes into consideration the Company's debt financing plans.

Interest rate risk - The Company is not materially exposed to interest rate risk.

Credit risk and foreign exchange risk - The directors monitor the credit rate risks associated with loans, trade receivables and cash and cash equivalent balances on an on-going basis. The majority of the Company's trade receivable balances are due for maturity within 5 days and largely comprise amounts due from the Company's payment processing agents. Accordingly, the associated credit risk is determined to be low. These trade receivable balances, which consist of Euro, US dollar and Sterling amounts, are settled within a relatively short period of time, which reduces any potential foreign exchange exposure risk. At 31 December 2019, all material cash balances are held with banks with a minimal credit rating of BBB-, as assigned by international credit rating agencies. As a result, the credit risk on cash balances is limited. The carrying value of trade receivables, trade payables and cash and cash equivalents is a reasonable approximation of their fair value. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Emerging risks

Going Concern - Risk that the Company will not be able to continue in operation and meet its liabilities as they fall due and that the company will not be able to source additional financing to remain viable. Risk that the travel sector will not return to trading volumes in line with expectations. Given that trading volumes are impacted, there is a risk that intangible assets may need to be impaired as cashflows don't support their current carrying values.
Management response: Robust assessment by Directors of principal risks facing group including those that threaten its business model, future performance, solvency or liquidity. Focus on working
capital management, cash generation and managing supplier and customer relationships. Review of all P&L, cashflow and balance sheet forecasting over short and medium term, including robust review of assumptions therein, with active accountability for performance established. Key metrics and reporting reviewed regularly in management accounts and at management meetings.

Capital Structure - The Company has reviewed its capital structure and strengthened its capital base with two landmark transactions in June 2020 – an Equity Placing resulting in a capital contribution being made from Hostelworld Group PLC to Hostelworld.com Limited and Debt Raising. Equity Placing leads to higher scrutiny from shareholders both participating and non-participating. Debt creates repayment obligations and covenants and requires constant monitoring of HWG leverage and liquidity.
Management response: We have corporate finance advisers regularly consulted to discuss optimal capital structure, we have adopted prudent forecasting of cash resources and we closely monitor of financial obligations created by debt raising.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The Company's accounting records are maintained at the Company's registered office at Floor 2, One Central Park, Leopardstown, Dublin 18.

STATEMENT OF RELEVANT AUDIT INFORMATION

In the case of each of the persons who are directors at the time the Directors' Report and financial statements are approved:

(a) So far as the directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and

(b) Each director has taken all steps appropriate to make themselves aware of any relevant audit information, and to establish that the Company's statutory auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

AUDITORS

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

DocuSigned by:
TJ Kelly
0CC9B9D163214DB...

TJ Kelly
Director

DocuSigned by:
05B6426DED40418...

Gary Morrison
Director

17-Sep-20 | 12:53 PM BST

Date

HOSTELWORLD.COM LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	**2019** **€**	2018 €
Fixed assets			
Intangible assets	*10*	**165,400,026**	23,586,315
Property, plant and equipment	*11*	**4,480,993**	2,356,781
Investments in subsidiaries	*12*	**550**	499
Investment in associates	*13*	**2,838,834**	-
Deferred tax assets	*14*	**268,374**	98,575
		172,988,777	26,042,170
Current assets			
Debtors	*15*	**3,573,498**	37,894,365
Cash and cash equivalents		**18,627,219**	18,892,095
		22,200,717	56,786,460
Creditors: Amounts falling due within one year	*16*	**(12,725,329)**	(31,060,093)
Net current assets		**9,475,388**	25,726,367
Total assets less current liabilities		**182,464,165**	51,768,537
Creditors: Amounts falling due after more than one year	*17*	**(125,033,865)**	-
Net assets		**57,430,300**	51,768,537
Capital and Reserves			
Called up share capital presented as equity	*18*	**196**	196
Share premium		**33,503,904**	33,503,904
Capital contribution		**5,301,125**	-
Retained earnings		**18,625,075**	18,264,437
Shareholders' funds		**57,430,300**	51,768,537

The financial statements were approved and authorised for issue by the Board of Directors on 17-Sep-20 | 2:32 PM BST .... and signed on its behalf by:

DocuSigned by:
TJ Kelly
0CC9B9D163214D8...
TJ Kelly
Director

DocuSigned by:
GMMorrison
0566426DED40418...
Gary Morrison
Director

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

BASIS OF PREPARATION

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value measurements, share based payments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, financial risk management, impairment of assets, related party transactions, leases and key management remuneration.

Hostelworld.com Limited is a private company limited by shares incorporated in Ireland under the Companies Act 2014. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the Directors' Report on pages 3-8. These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements by virtue of Section 299 of the Companies Act 2014, because it is included in the group accounts of Hostelworld Group plc ("the Group").

Where relevant, equivalent disclosures have been given in the group accounts of Hostelworld Group plc. The group accounts of Hostelworld Group plc are available to the public and can be obtained as set out in note 22.

The financial statements are prepared on the historical cost basis.

GOING CONCERN

Subsequent to the financial year end, the outbreak of COVID-19 became a global pandemic, which resulted in the company incurring both operational and cashflow losses due to significant reductions in bookings and revenues. Immediate action was taken by the Directors in response to the breakout of COVID-19 to preserve the Company's cash position. Actions taken include a redundancy program, reduced hours and deferred pay for our employees and directors, the renegotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports.

The Company operates as the main revenue generating component within the Group. Since mid-March 2020 when the full force of the COVID-19 outbreak was felt on trading, the Group has been reforecasting on a bi-weekly basis its cash position for 2020 and 2021. The directors have reviewed a number of stress case cash flow scenarios which have evolved over time. These scenarios reflect changes in key assumptions in areas such as timing of recovery, cost conservation and availability of alternate sources of capital.

- Our base-case cashflow scenario assumes a moderate uptick in net bookings from H2 2020, with a steady yet modest recovery through 2021.
- Our 2nd wave case assumes a more conservative performance in 2020, with signs of progressive recovery from Q2 2021 onwards.

These scenarios include various mitigation measures including the deferral of certain cashflows supported by creditors and additional cost cutting measures. In both scenarios, there are sufficient cash reserves available to continue in operation for 12 months from the signing of the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (CONTINUED)

The Company has received a letter of support from the Group confirming that it will continue to support the Company's financial position for a period of 1 year from the date of signing of the financial statements.

The directors have taken steps to ensure adequate liquidity is available to the Company for the likely duration of the crisis and the recovery period. The Company has a cash balance of €23.3 million as at 31 August 2020 and has committed undrawn funds available of €7 million relating to a revolving credit facility. This funding was secured in June 2020. The Company availed of a short-term liquidity loan amounting to €3.5m in June 2020. The Company received a Capital Contribution of €14.6 million from Hostelworld Group in July 2020.

The Directors recognise that, there remains uncertainty around how the COVID-19 pandemic will evolve in the future and, thus, uncertainty around when the travel industry will return to substantial activity levels. This has been determined to represent a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company will be able to successfully navigate the present uncertainties and are satisfied to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would be required if the Company were unable to continue as a going concern.

Having considered the cash flow forecasts, current and anticipated trading volumes, together with company current and anticipated levels of cash, debt and the availability of committed borrowing facilities, the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and accordingly, they continue to adopt the going concern basis in preparing the financial statements.

CHANGES IN ACCOUNTING POLICIES – IFRS 16

In the current year, the Company has applied IFRS 16 Leases which replaced IAS 17 Leases and related interpretations. IFRS 16 provides guidance on the classification, recognition and measurement of leases. The standard has primarily affected the accounting for the Company's operating leases relating to office premises. The Company has applied IFRS 16 from its effective date, 1 January 2019.

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right of use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses are removed from the income statement and are replaced with finance costs on the lease liability and depreciation on the right of use asset. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Company adopted the new standard by applying the modified retrospective approach and availed of the recognition exemption for short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company has not restated the prior period on adoption, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On transition, the lease liability was based on the present value of remaining lease payments and the right of use asset was an amount equal to the lease liability adjusted for prepaid/accrued payments.

1. ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The additional depreciation in the current year due to the change in estimated useful life amount to €135,286. In future periods the depreciation charge will also be higher reflecting the change in useful life.

Leasehold improvements are improvements made to buildings leased by the Group when it has the right to use these leasehold improvements over the term of the lease. The improvements will revert to the lessor at the expiration of the lease.

The cost of a leasehold improvement is depreciated over the shorter of:
1. the remaining lease term, or
2. the estimated useful life of the improvement.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the directors review the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

FINANCIAL ASSETS

(a) Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value. The directors assess at each reporting date whether there is any objective evidence that a financial asset is impaired. If objective evidence of impairment is identified, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's effective interest rate. Impairment of financial assets is reported in the income statement.

20. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension charge represents contributions payable by the Company to the fund and amounted to €270,051 (2018: €212,097). There was an outstanding contribution at 31 December 2019 of €39,705 (2018: €Nil).

21. CONTINGENCIES

In the normal course of business, the Company may be subject to indirect taxes on its services in certain foreign jurisdictions. The Company performs on-going reviews of potential indirect taxes in these jurisdictions. Although the outcome of these reviews and any potential liability is uncertain, no provision has been made in relation to these taxes as the directors believe that it is not probable that a material liability will arise.

22. PARENT UNDERTAKING

The Company's immediate parent undertaking is Hostelworld Group plc, a company incorporated in the United Kingdom. The smallest group in which the results of the Company are consolidated is that controlled by Hostelworld Group plc. Copies of the consolidated financial statements of Hostelworld Group plc are available from their registered office at Floor 2, 52 Bedford Row, London, WC1R 4LR, United Kingdom.

23. SUBSEQUENT EVENTS

As disclosed within the Directors report and our accounting policy for going concern the COVID-19 pandemic has had a significant impact on the business. Given the constantly evolving situation the Directors are not in a position to quantify the financial impact of COVID-19 on the Company at this time.

On 22 June 2020, the Company drew down on a 'Prompt Pay' (AIB Product Name) short term invoice financing facility with Allied Irish Banks PLC repayable in full by 23 April 2021. Total amount drawn down amounted to €3,454k. Hostelworld.com Limited must ensure it maintains a certain cash balance for the periods ending 30th September 2020, 31 December 2020 and 31 March 2021. We are not in breach of any covenants.

In June 2020 the Company also entered a three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. The facility is guaranteed by fixed and floating debenture over the assets of Hostelworld.com Limited to include proprietary interest in any Hostelworld booking platform, technology and intellectual property, group guarantees for the full amount of borrowings and a subordination deed between Hostelworld.com Limited, Hostelworld Group Plc and the Bank subordinating the repayment of all monies due by Hostelworld.com Limited to Hostelworld Group Plc in accordance with the provisions contained therein. There are some covenants attached to this facility being minimum cash balances and minimum tangible net worth. The availability of the facility can be drawn down in three tranches and are stepped in tranches based on incremental growth quarter on quarter for bookings numbers and revenue.

On 6th July 2020 a capital contribution of €14,564,296 was made from Hostelworld Group PLC to Hostelworld.com Limited.

The Directors deem the above subsequent events to be non-adjusting events.

c&c group plc

Annual Report 2020

Strategic Report - Management of Risks and Uncertainties (continued)

COVID-19

Prior to the year-end, the emergence of COVID-19 began to have an impact on global economies and on businesses generally. This impact has increased significantly since the end of the 2020 financial year on 29 February. Similar to businesses across many sectors and specifically the drinks industry, Government imposed restrictions, while necessary to slow the spread of COVID-19, have had a significant impact on many of the Group's outcomes, principally the on-trade, as well as the Group's employees, many of whom have been furloughed. Our primary concern is for the welfare of our people, their families and the communities in which we operate. To that end, we have followed the advice from the respective governments at all times and will continue to do so to protect our people and our operations.

The Audit Committee and the Board have assessed the potential impact of COVID-19 on the business and worked closely with the executive team to put in place near-term measures to protect the business and its prospects, in the best interests of all stakeholders. The Board has added COVID-19 to the register of principal risks and uncertainties; is closely monitoring the development of COVID-19 and the guidance of Governments and health authorities; and is overseeing all business continuity actions being undertaken by the Group's management team.

Risk Movement ○ New ■ Unchanged ▲ Increased ▼ Decreased

Risk & Uncertainties	Impact	Mitigation	Risk Trend
COVID-19	The Group is exposed to the impact of the recent COVID-19 virus pandemic and the measures taken by governments to minimise the spread and immediate impact of Coronavirus. With the Irish and UK governments passing legislation to close pubs, bars, restaurants and clubs, there is a significant risk to our on-trade business and the overall viability of the hospitality industry. Operations may be impacted as staff self-isolate if they or anyone within their homes develop symptoms. In addition, employees may be required to be temporarily or permanently furloughed during the period.	The Group has acted quickly to respond to the emergence of the COVID-19 virus to protect the health and wellbeing of employees and the interests of all stakeholders; and ensure it is in compliance with local Government and health authority guidelines. The Group has implemented its business continuity planning and restricted all unnecessary access to its operations in line with government and health service guidelines and consistent with industry best-practice. All travel has been suspended unless business critical, gatherings (such as customer tastings) are suspended and visitors are no longer allowed on site. Staff are also not allowed to move between production facilities to minimise exposure risk. The Group is ensuring that all employees who can work from home are doing so. The Group is also offering support to employees who have children in school and has put in place additional measures to aid personal wellbeing. The Group has strengthened its financial position through the drawdown of additional financial resources; and through the diversification of its funding sources. The Group has suspended all unnecessary capital expenditure, reduced marketing spend, reduced other operating costs and implemented a range of working capital controls to protect liquidity including furloughing all non-essential employees. The Group has put in place measures to help affected customers including a three month holiday on capital and interest repayments to loan customers, full credit or "new for old" on un-broached kegs, together with a dedicated helpline to offer advice and guidance around government support initiatives that have been introduced and how to access them. The Group will continue to monitor guidance from governments and health authorities and implement measures in line with best practice.	▲ ○

Strategic Report - Management of Risks and Uncertainties (continued)

Risk Movement ○ New ■ Unchanged ▲ Increased ▼ Decreased

Risk & Uncertainties	Impact	Mitigation	Risk Trend
Change in customer and consumer dynamics and Group performance	Consumer preference may change, new competing brands may be launched and competitors may increase their marketing or change their pricing policies. Failure to respond to competition and/or changes in customer preferences could have an adverse impact on sales, profits and cash flow within the Group. COVID-19 may have an impact on the viability of a certain cohort of the Group's customers and on underlying consumer behaviour and preferences.	Through diversification, innovation and strategic partnerships, we are developing our product portfolio to enhance our offering of niche and premium products to satisfy changing consumer requirements including the production of low and non-alcoholic variants of our brands. The Group has a programme of brand investment, innovation and product diversification to maintain and enhance the relevance of its products in the market. The Group also operates a brand-led model in our core geographies with a comprehensive range to meet consumer needs. In order to specifically assist customers manage the impact of COVID-19, the Group has introduced a three month holiday on capital and interest repayments to loan customers, full credit or "new for old" on un-broached kegs, together with a dedicated helpline to offer advice and guidance around government support initiatives that have been introduced and how to access them.	▲
People and culture	The Group's performance is dependent on the skills and experience of its high-performing colleagues throughout the business, which could be affected by their loss or the inability to recruit or retain them. Failure to continue to evolve our culture, diversity and inclusion could impact our reputation and delivery of our strategy.	The Group seeks to mitigate this risk through appropriate remuneration policies and succession planning. The Group also seeks to ensure good employee relations through engagement and dialogue. In respect of the impact of COVID-19 on employees, the Group has implemented an extensive range of measures to provide the safest working environment possible for our people. These measures include reducing all unnecessary access to the Group's operating facilities and ensuring that all employees who can work from home are doing so. The Group is also offering support to employees who have children in school and has put in place additional measured to aid personal wellbeing.	▲
Health and Safety	A health and safety related incident could result in serious injury to the Group's employees, contractors, customers and visitors, which could adversely affect our operations and result in reputational damage, criminal prosecution, civil litigation and damage to the reputation of the Group and its brands. The emergence of COVID-19 presents a new and specific risk to the health and welfare of the Group's employees.	The Group has a Safety, Health and Environmental (HSE) team who are responsible for ensuring that the Group complies with all environmental, health and safety laws and regulations with ongoing monitoring, reporting and training. The Group has established protocols and procedures for incident management and product recall and mitigates the financial impact by appropriate insurance cover. The Group has enacted specific business continuity plans and a range of measures to protect the business and the health and wellbeing of employees including strict safety, hygiene and two metre social distancing measures. The safety and well-being of our employees has been and continues to be our overriding priority. Executive management are monitoring events closely with regular Board oversight evaluating the impact and designing appropriate response strategies.	▲

Risk & Uncertainties	Impact	Mitigation	Risk Trend
Product Quality and Safety	The quality and safety of our products is of critical importance and any failure in this regard could result in a recall of the Group's products, damage to brand image and civil or criminal liability. The COVID-19 virus presents additional risk to the safe production of the Group's products.	The Group has implemented quality control and technical guidelines which are adhered to across all sites. Group Technical continually monitor quality standards and compliance with technical guidelines. The Group also has quality agreements with all raw material suppliers, setting out our minimum acceptable standards. Any supplies which do not meet the defined standards are rejected and returned. The Group has enacted specific business continuity plans and a range of measures to protect the business in line with the advice of governments and local health authorities; and ensure the safe production and distribution of the Group's products.	▲
Supply Chain Operations and Costs	Circumstances such as the prolonged loss of a production or storage facility, disruptions to its supply chains or critical IT systems and reduced supply of raw materials may interrupt the supply of the Group's products, adversely impacting results and reputation. COVID-19 also poses the risk of an interruption to the supply of raw materials or to the effective operation of the Group's manufacturing facilities. Also, there is a risk of increased input costs due to poor harvest and price of inputs.	The Group seeks to mitigate the operational impact of such an event through business continuity plans, which are tested regularly to ensure that interruptions to the business are prevented or minimised and that data is protected from unauthorised access, contingency planning, including involving the utilisation of third party sites and the adoption of fire safety standards and disaster recovery protocols. The Group seeks to mitigate the financial impact of such an event through business interruption and other insurance covers. The Group has enacted specific business continuity plans including a range of measures to protect the integrity of production and distribution facilities and increased packaging capacity to meet increased take home demand. To date we have maintained strong levels of service into our customer base. We have taken action to ensure our facilities are staffed sufficiently, that our production plans optimise the capacity available at each of our sites and that we prioritise the SKUs that current consumer demand requires. The Group is also working closely with its suppliers to protect the integrity and consistency of supply of raw materials. The Group seeks to minimise input risks through long-term or fixed price supply agreements. The Group does not seek to hedge its exposure to commodity prices by entering into derivative financial instruments.	▲

Strategic Report - Management of Risks and Uncertainties (continued)

Risk Movement — New — Unchanged — Increased — Decreased

Risk & Uncertainties	Impact	Mitigation	Risk Trend
Financial and Credit Risks	The Group is subject to a number of financial and credit risks such as adverse exchange and interest rate fluctuations, availability of supplier credit, credit management of customers and possible increase to pension funds deficits and cash contributions.	The Group seeks to mitigate currency risks, where appropriate, through hedging and structured financial contracts to hedge a portion of its foreign currency transaction exposure. It has not entered into structured financial contracts to hedge its translation exposure on its foreign acquisitions. In relation to pensions, continuous monitoring, taking professional advice on the optimisation of asset returns within agreed acceptable risk tolerances and implementing liability-management initiatives.	▲
	Non-conformities of accounting and financial controls could impair the accuracy of the data used for internal reporting, decision-making and external communication.	A range of credit management controls are in place and regularly monitored by management to minimise the risk and exposure. A range of key internal financial controls, such as segregation of duties, authorisations and detailed reviews are in place with regular monitoring by management to ensure the accuracy of the data for reporting purposes.	
	COVID-19 may have an impact on the Group's customers' ability to honour their obligations. COVID-19 may also impact the Group's ability to access supplier credit.	The Group is working with all customers and suppliers to minimise the adverse impact of COVID-19 on the business.	

Assessment of the Group's Prospects

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. That expectation factors in the current and expected impact of COVID-19. Please refer to the "Going Concern" section of the Audit Committee Report on Page 69 of this Annual Report for further detail. The going concern assessment indicated that even if a return of on-trade business was extended beyond the Group's estimate of summer 2020, to the end of the going concern assessment period, that the Group has sufficient access to liquidity to operate over this assessment period.

Accordingly, we continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

Viability Statement

As set out in Provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group and its ability to meet its liabilities as they fall due over the medium-term. Specifically, the Directors have assessed the viability of the business over a three year period to February 2023, taking account of the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's Principal Risks and Uncertainties as set out above and how these are identified, managed and mitigated. Key metrics such as cash flow, including working capital and the restoration of working capital improvements following the expected outflows in FY2021, interest cover, liquidity, covenant compliance and headroom in covenants, were subject to sensitivity testing by flexing a number of the key financial assumptions in order to assess the impact of the Group's Principal Risks, particularly in respect of the extent and timing of the recovery in the on-trade business from the impact of the COVID-19 pandemic.

The scenarios, which have been modelled encompass the Group's Principal Risks. The hypothetical impacts are deliberately severe in terms of timing and extent and designed to test the viability of the Group and to understand the level of performance decline that the Group could withstand. In the case of these impacts, various options are available to the Group in order to maintain liquidity. These include reducing non-essential capital expenditure, short

Directors Compliance Statement (Made In Accordance With Section 225 of the Companies Act, 2014)

The Directors acknowledge that they are responsible for securing compliance by the Company with its relevant obligations as are defined in the Companies Act, 2014 (the 'Relevant Obligations').

The Directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the Directors' opinion, are appropriate to the Company with respect to compliance by the Company with its relevant obligations.

The Directors further confirm the Company has put in place appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with its relevant obligations including reliance on the advice of persons employed by the Company and external legal and tax advisers as considered appropriate from time to time and that they have reviewed the effectiveness of these arrangements or structures during the financial year to which this report relates.

Financial Instruments

In the normal course of business, the Group has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk, and credit risk. The Company's financial risk objectives and policies are set out in Note 23 of the financial statements.

Post Balance Sheet Events

As outlined in the Group's viability statement on pages 20 to 21, COVID-19 is having a material impact on the Group's business post year end. In response to this, the Group has implemented a series of measures to reduce operating costs, maximise available cash flow, and maintain and strengthen the Group's liquidity position.

In March 2020, the Group completed the successful issue of approximately €140 million of new US Private Placement ('USPP') notes.

The Group has also received confirmation from the Bank of England that it is eligible to issue commercial paper under the COVID-19 Corporate Financing Facility scheme. The Group had not drawn down on this facility as at 3 June 2020.

Due to the emergence of COVID-19 and the impact this has on global economies and on business generally, the Board concluded, post year-end, that it was not appropriate to pay a final dividend for FY2020.

See note 29 (Post Balance Sheet Events) to the financial statements for further information.

Annual General Meeting

Your attention is drawn to the letter to shareholders and the notice of meeting accompanying this report which set out details of the matters which will be considered at the Annual General Meeting. In particular, please ensure to read additional disclosures relating to restrictions at the Annual General Meeting due to government and health authority guidance on COVID-19 social distancing.

Other Information

Other information relevant to the Director's Report may be found in the following sections of the Annual Report:

Information	Location in the Annual Report
Results	Financial Statements – pages 104 to 110.
Principal risks & uncertainties including risks associated with recent emergence of COVID-19	Principal Risks & Uncertainties – pages 13 to 21.
Directors' remuneration, including the interests of the directors and secretary in the share capital of the Company	Directors' Remuneration Report – pages 77 to 92.
Long-Term Incentive Plan, share options and equity settled incentive schemes	Directors' Remuneration Report – pages 77 to 92.
Significant subsidiary undertakings	Financial Statements – Note 28.

The Directors' Report for the year ended 29 February 2020 comprises these pages and the sections of the Annual Report referred to under 'Other information' above, which are incorporated into the Directors' Report by reference.

Signed
On behalf of the Board

Stewart Gilliland
Interim Executive Chairman

Jonathan Solesbury
Group Chief Financial Officer

3 June 2020

Consolidated Income Statement
For the financial year ended 29 February 2020

	Notes	Year ended 29 February 2020 Before exceptional items €m	Exceptional items (note 5) €m	Total €m	Year ended 28 February 2019 Before exceptional items €m	Exceptional items (note 5) €m	Total €m
Revenue	1	**2,145.5**	**-**	**2,145.5**	1,997.3	-	1,997.3
Excise duties		**(426.2)**	**-**	**(426.2)**	(422.4)	-	(422.4)
Net revenue	1	**1,719.3**	**-**	**1,719.3**	1,574.9	-	1,574.9
Operating costs	2	**(1,598.5)**	**(91.0)**	**(1,689.5)**	(1,470.4)	(7.8)	(1,478.2)
Group operating profit/(loss)	1	**120.8**	**(91.0)**	**29.8**	104.5	(7.8)	96.7
Profit on disposal	5	**-**	**0.9**	**0.9**	-	-	-
Finance income	6	**0.5**	**-**	**0.5**	0.1	-	0.1
Finance expense	6	**(20.3)**	**-**	**(20.3)**	(15.7)	-	(15.7)
Share of equity accounted investments' profit/(loss) after tax	13	**3.1**	**(2.4)**	**0.7**	4.0	(3.3)	0.7
Profit/(loss) before tax		**104.1**	**(92.5)**	**11.6**	92.9	(11.1)	81.8
Income tax (expense)/credit	7	**(12.3)**	**9.8**	**(2.5)**	(10.8)	1.1	(9.7)
Group profit/(loss) for the financial year		**91.8**	**(82.7)**	**9.1**	82.1	(10.0)	72.1
Attributable to:							
Equity holders of the parent		**91.8**	**(82.7)**	**9.1**	82.3	(10.0)	72.3
Non-controlling interests		**-**	**-**	**-**	(0.2)	-	(0.2)
Group profit/(loss) for the financial year		**91.8**	**(82.7)**	**9.1**	82.1	(10.0)	72.1
Basic earnings per share (cent)	9			**2.9**			23.4
Diluted earnings per share (cent)	9			**2.9**			23.4

All of the results are related to continuing operations.

Consolidated Balance Sheet
As at 29 February 2020

	Notes	2020 €m	2019 €m
ASSETS			
Non-current assets			
Property, plant & equipment*	11	**223.4**	144.5
Goodwill & intangible assets	12	**652.9**	683.7
Equity accounted investments	13	**83.9**	71.4
Retirement benefits	22	**8.8**	9.0
Deferred tax assets	21	**11.9**	4.0
Trade & other receivables	15	**25.8**	25.7
		1,006.7	938.3
Current assets			
Inventories	14	**145.8**	184.1
Trade & other receivables	15	**166.0**	162.6
Cash		**123.4**	144.4
		435.2	491.1
TOTAL ASSETS		**1,441.9**	1,429.4
EQUITY			
Capital and reserves			
Equity share capital	24	**3.2**	3.2
Share premium	24	**171.0**	152.6
Treasury shares	24	**(36.6)**	(37.1)
Other reserves	24	**102.4**	96.4
Retained income		**315.4**	383.7
Equity attributable to equity holders of the parent		**555.4**	598.8
Non-controlling interests		**-**	(0.8)
Total Equity		**555.4**	598.0
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	**74.4**	-
Interest bearing loans & borrowings	19	**323.8**	390.8
Retirement benefits	22	**16.7**	12.2
Provisions	17	**5.1**	11.1
Deferred tax liabilities	21	**16.5**	16.9
		436.5	431.0
Current liabilities			
Lease liabilities	18	**18.9**	-
Derivative financial liabilities	23	**0.3**	2.0
Trade & other payables	16	**390.7**	336.3
Interest bearing loans & borrowings	19	**33.2**	55.2
Provisions	17	**4.1**	4.6
Current income tax liabilities		**2.8**	2.3
		450.0	400.4
Total liabilities		**886.5**	831.4
TOTAL EQUITY & LIABILITIES		**1,441.9**	1,429.4

* Includes leased right-of-use assets with net carrying amount of €76.7m (see note 18).

On behalf of the Board

S Gilliland
Interim Executive Chairman

J Solesbury
Chief Financial Officer

3 June 2020

Statement of Accounting Policies
For the year ended 29 February 2020 (continued)

reflected in the Group's consolidated tax charge and provision and any such differences could have a material impact on the Group's income tax charge and consequently financial performance. The determination of the provision for income tax is based on management's understanding of the relevant tax law and judgement as to the appropriate tax charge, and management believe that all assumptions and estimates used are reasonable and reflective of the tax legislation in jurisdictions in which the Group operates. Where the final tax charge is different from the amounts that were initially recorded, such differences are recognised in the income tax provision in the period in which such determination is made.

Deferred tax assets in respect of deductible temporary differences are recognised only to the extent that it is probable that taxable profits or taxable temporary differences will be available against which to offset these items. The recognition or non-recognition of deferred tax assets as appropriate also requires judgement as it involves an assessment of the future recoverability of those assets. The recognition of deferred tax assets is based on management's judgement and estimate of the most probable amount of future taxable profits and taking into consideration applicable tax legislation in the relevant jurisdiction.

Impact of COVID-19

There is a significant judgement in whether the impact of COVID-19 should be considered in the measurement of assets and liabilities at year end. This judgement is based on whether COVID-19 is considered an adjusting or non-adjusting event, which is based on the facts and circumstances at the balance sheet date. The global spread of COVID-19 began before the balance sheet date and the Group concluded that the impact of COVID-19 should be reflected in the measurement of assets and liabilities in the Consolidated Balance Sheet.

Sources of estimation uncertainty

Business combinations

Upon acquisition, the Group makes estimates to determine the purchase price of businesses acquired, taking into account contingent consideration, as well as its allocation to acquired assets and liabilities. The Group is required to determine the acquisition date and fair value of the identifiable assets acquired, including intangible assets such as brands, customer relationships and liabilities assumed. The estimated useful lives of the acquired amortisable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Group's future profit or loss.

The Group did not make any acquisitions in the current year. In the prior year the Group acquired the entire share capital of Matthew Clark (Holdings) Limited and Bibendum PLB (Topco) Limited. Significant estimates were made in the prior year as to the fair value of acquired assets and liabilities on acquisition as discussed in the Group's Annual Report for the financial year ended 28 February 2019.

Recoverable amount of goodwill

The impairment testing process requires management to make significant estimates regarding the future cash flows expected to be generated by cash-generating units to which goodwill has been allocated. Future cash flows relating to the eventual disposal of these cash-generating units and other factors may also be relevant to determine the fair value of goodwill. Management periodically evaluates and updates the estimates based on the conditions which influence these variables. The assumptions and conditions for determining impairments of goodwill reflect management's best assumptions and estimates (discount rates, terminal growth rates, forecasted volume, net revenue, operating profit) but these items involve inherent uncertainties described above, many of which are not under management's control. As a result, the accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in future accounting periods.

The inputs to the value-in-use calculations are disclosed in note 12.

Incremental borrowing rates on leases

Management use estimation in determining the incremental borrowing rates for leases which has a significant impact on the lease liabilities and right-of-use assets recognised. The incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease and the term and currency of the lease. The weighted average incremental borrowing rate applied to lease liabilities on the Consolidated Balance Sheet on transition was 4.07% at 1 March 2019.

Pension valuation
Significant estimates are used in the determination of the pension obligation, the amounts recognised in the Income Statement and Statement of Other Comprehensive Income and the valuation of the defined benefit pension net surplus or deficit are sensitive to the assumptions used. The assumptions underlying the actuarial valuations (including discount rates, rates of increase in future compensation levels, mortality rates, salary and pension increases, future inflation rates and healthcare cost trends), from which the amounts recognised in the Consolidated Financial Statements are determined, are updated annually based on current economic conditions and for any relevant changes to the terms and conditions of the pension and post-retirement plans. These assumptions can be affected by (i) for the discount rate, changes in the rates of return on high-quality corporate bonds; (ii) for future compensation levels, future labour market conditions and (iii) for healthcare cost trend rates, the rate of medical cost inflation in the relevant regions. The weighted average actuarial assumptions used and sensitivity analysis in relation to the significant assumptions employed in the determination of pension and other post-retirement liabilities are contained in note 22 to the Consolidated Financial Statements.

Whilst management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the obligations and expenses recognised in future accounting periods. The assets and liabilities of defined benefit pension schemes may exhibit significant period-on-period volatility attributable primarily to changes in bond yields and longevity. In addition to future service contributions, cash contributions may be required to remediate past service deficits. A sensitivity analysis of the change in these assumptions is provided in note 22.

Expected credit losses
Further to the impact of COVID-19 on the Group, estimates have been made around the credit losses expected to be incurred on the Group's financial assets – principally being trade receivables and trade loans. In determining the expected credit losses, the Group has considered different sources of financial information, including comparisons to the financial crash and current market data, and concluded a suitable benchmark as being credit default swaps on industry-appropriate companies. Market data for credit default swaps on listed entities in the on-trade has been adjusted for yield-curves and Group customer risk weightings in determining an appropriate proxy for expected credit losses.

For international, listed customers, without evidence to the contrary, (known as "low risk") the expected credit loss is considered to be similar to the credit risk implied from credit default swaps of similar entities. However, for smaller, regional customers with less access to finance, the expected credit loss applied is leveraged by reference to historical Group losses for these customers as a ratio to Group losses for "low risk" customers.

Provision for obsolete stock
As a result of COVID-19, the Group has been required to consider its provision for obsolete inventory. For inventory which has no alternate use or right of return to the supplier, and is not expected to be sold during lockdown, the provision for obsolescence has been calculated by reference to the shelf life of products compared with the expected period of lockdown. The Group has made an estimate of the period of lockdown based on the Geography of its operations on a case-by-case basis. The period of lockdown estimated for any region is not in excess of six months from year end.

Notes forming part of the financial statements
(continued)

4. SHARE-BASED PAYMENTS (continued)

A summary of activity under the Group's equity settled share option schemes with the weighted average exercise price of the share options is as follows:-

	2020 Number of options/ equity Interests	2020 Weighted average exercise price €	2019 Number of options/ equity Interests	2019 Weighted average exercise price €
Outstanding at beginning of year	**5,491,198**	**1.33**	3,250,587	1.39
Granted/correction to opening balance	**1,415,187**	**-**	2,708,599	1.04
Exercised	**(259,166)**	**1.40**	(64,445)	-
Forfeited/lapsed	**(1,859,083)**	**1.16**	(403,543)	-
Outstanding at end of year	**4,788,136**	**1.00**	5,491,198	1.33

The aggregate number of share options/equity Interests exercisable at 29 February 2020 was 345,015 (2019: 113,045).

The unvested share options/equity Interests outstanding at 29 February 2020 have a weighted average vesting period outstanding of 1.3 years (2019: 1.8 years). The weighted average contractual life outstanding of vested and unvested share options/equity Interests is 7.1 years (2019: 7.5 years).

The weighted average market share price at date of exercise of all share options/equity Interests exercised during the year was €4.39 (2019: €3.11); the average share price for the year was €4.03 (2019: €3.17); and the market share price as at 29 February 2020 was £3.28 or €3.84 euro equivalent (28 February 2019: €3.06 or £2.63 sterling equivalent).

5. EXCEPTIONAL ITEMS

	2020 €m	2019 €m
Operating costs		
COVID-19 (a)	**(47.6)**	-
Impairment of intangible assets (b)	**(34.2)**	-
Contract termination (c)	**(4.4)**	-
Restructuring costs (d)	**(3.0)**	(5.3)
Impairment of property, plant & equipment (e)	**(1.0)**	(0.4)
Acquisition related expenditure (f)	**(0.2)**	(2.1)
Other (g)	**(0.6)**	-
Operating profit exceptional items	**(91.0)**	(7.8)
Profit on disposal (h)	**0.9**	-
Share of equity accounted investments' exceptional items (i)	**(2.4)**	(3.3)
Total loss before tax	**(92.5)**	(11.1)
Income tax credit (j)	**9.8**	1.1
Total loss after tax	**(82.7)**	(10.0)

(a) COVID-19

The Group has accounted for the COVID-19 pandemic as an adjusting event in the current financial year and has incurred an exceptional charge of €47.6m at 29 February 2020 in this regard. In light of the closure of on-trade premises in both Ireland and the UK, the Group reviewed the recoverability of its debtor book and advances to customers and booked an expected credit loss provision directly associated with COVID-19 of €19.4m and €5.8m respectively. The Group also reviewed the stock balances and in particular stock that was due to expire in the short to medium term and booked a provision of €10.6m. The balance of €11.8m relates to trade and marketing contracts now deemed to be onerous of €9.4m and the write off of an IT intangible asset where the project will now not be completed, as a direct consequence of COVID-19, of €2.4m.

5. EXCEPTIONAL ITEMS (continued)

(b) Impairment of intangible assets

To ensure that goodwill and brands considered to have an indefinite useful economic life are not carried at above their recoverable amount, impairment reviews are performed annually or more frequently if there is an indication that their carrying amount(s) may not be recoverable, comparing the carrying value of the assets with their recoverable amount using value-in-use computations.

With regard to the Group's North America segment and in particular the Woodchuck suite of brands, the projected cash flows no longer supported the carrying value of the brand and an impairment of €34.1m was taken at 29 February 2020. Despite some signs of volume growth last summer on the back of innovation launches, the Woodchuck brands continue to struggle in an ever more crowded market place. The overall Cider category remains under pressure and is declining in value terms. The success of the relatively new Hard Seltzers' category in particular has squeezed other categories and resulted in less space being made available for our brands. In the short and medium term the outlook is not positive for growth in Cider in the US and the COVID-19 crisis and linked restrictions has further restricted our ability to innovate and trade our way back to sustainable profit growth.

An impairment of €0.1m was taken with respect to the Group's Matthew Clark Bibendum cash generating unit directly attributable to a discontinued brand.

(c) Contract termination

During the current financial year, the Group terminated a number of its long term apple contracts incurring a cost of €4.4m. These apple contracts were deemed surplus to requirements.

(d) Restructuring costs

Restructuring costs of €3.0m were incurred in the current financial year. These costs were primarily relating to severance costs arising from the acquisition and subsequent integration of Matthew Clark and Bibendum of €2.3m. Restructuring costs of €0.5m related to the centralisation of accounting services. Other restructuring initiatives across the Group in the current financial year resulted in a further charge of €0.2m.

In the prior financial year, restructuring costs of €5.3m were incurred primarily relating to severance costs arising from the acquisition and subsequent integration of Matthew Clark and Bibendum and the previously acquired Orchard Pig into the Group, of €3.4m and €0.5m respectively. Other restructuring initiatives across the Group in the prior financial year resulted in a further charge of €1.4m.

(e) Impairment of property, plant & equipment

Property (comprising land and buildings) and plant & machinery are valued at fair value on the Balance Sheet and reviewed for impairment on an annual basis. During the current financial year, as outlined in detail in note 11, the Group engaged external valuers to value the freehold land & buildings and plant & machinery at the Group's Clonmel (Tipperary), Wellpark (Glasgow), Vermont (USA) and Portugal sites, along with the Group's various Depots. Using the valuation methodologies, this resulted in a net revaluation loss of €1.0m accounted for in the Income Statement and a gain of €1.1m accounted for within Other Comprehensive Income.

In the prior financial year, the Group took the decision to impair an element of its IT system at a cost of €0.4m which had become redundant following a system upgrade.

(f) Acquisition related expenditure

During the current financial year, the Group incurred €0.2m of costs associated with a previous acquisition.

During the prior financial year, the Group incurred €2.1m of acquisition and integration related costs, primarily with respect to professional fees associated with the acquisition and subsequent integration of Matthew Clark and Bibendum into the Group.

(g) Other

Other costs of €0.6m were incurred during the current financial year with respect to incremental costs related to the dual running of warehouse management systems in Scotland due to system implementation delays.

12. GOODWILL & INTANGIBLE ASSETS (continued)

Other intangible assets

Other intangible assets have been attributed to operating segments (as identified under IFRS 8 *Operating Segments*) as follows:

	Ireland €m	Great Britain €m	International €m	MCB €m	Total €m
Cost					
At 1 March 2018	2.0	2.5	-	-	4.5
Additions	1.7	-	-	1.4	3.1
Arising on acquisition of Matthew Clark and Bibendum (note 10)	-	-	-	10.3	10.3
Reclassification from property, plant & equipment (note 11)	3.1	13.2	0.3	-	16.6
Translation adjustment	-	0.1	-	0.1	0.2
At 28 February 2019	6.8	15.8	0.3	11.8	34.7
Additions	**-**	**2.1**	**-**	**2.4**	**4.5**
Disposals	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Translation adjustment	**-**	**-**	**-**	**0.1**	**0.1**
At 29 February 2020	**6.8**	**17.9**	**0.3**	**14.2**	**39.2**
Amortisation and impairment					
At 1 March 2018	0.5	1.2	-	-	1.7
Reclassification from property, plant & equipment (note 11)	1.1	12.3	0.2	-	13.6
Amortisation charge for the year	0.5	0.7	-	1.2	2.4
At 28 February 2019	2.1	14.2	0.2	1.2	17.7
Disposals	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Impairment charge for the year	**-**	**-**	**-**	**2.4**	**2.4**
Amortisation charge for the year	**0.7**	**0.2**	**0.1**	**1.5**	**2.5**
At 29 February 2020	**2.8**	**14.4**	**0.3**	**5.0**	**22.5**
Net book value					
At 29 February 2020	**4.0**	**3.5**	**-**	**9.2**	**16.7**
At 28 February 2019	4.7	1.6	0.1	10.6	17.0

At year end, the Group wrote off an IT intangible asset where the project will now not be completed, as a direct consequence of COVID-19 of €2.4m.

In the prior year, due to the acquisition of Matthew Clark and Bibendum, the Group acquired trade relationships which were valued at fair value at the date of acquisition in accordance with the requirements of IFRS 3 *Business Combinations* by independent professional valuers. These trade relationships have a finite life and are subject to amortisation on a straight-line basis.

Other intangible assets also comprise the fair value of trade relationships acquired as part of the acquisition of TCB Wholesale during FY2015, the Gleeson trade relationships acquired during FY2014 and 20 year distribution rights for third party beer products acquired as part of the acquisition of the Tennent's business during FY2010. These were valued at fair value on the date of acquisition in accordance with the requirements of IFRS 3 (2008) Business Combinations by independent professional valuers. The intangible assets have a finite life and are subject to amortisation on a straight-line basis.

During the prior financial year, the Group reclassified assets from property, plant & equipment which were deemed to be more appropriately classified as intangible assets. This assets primarily related to software and licences.

The amortisation charge for the year ended 29 February 2020 with respect to intangible assets was €2.5m (2019: €2.4m).

Notes forming part of the financial statements
(continued)

12. GOODWILL & INTANGIBLE ASSETS (continued)

Impairment testing

To ensure that goodwill and brands that are considered to have an indefinite useful economic life are not carried at above their recoverable amount, impairment testing is performed comparing the carrying value of the assets with their recoverable amount using value-in-use computations. Impairment testing is performed annually or more frequently if there is an indication that the carrying amount may not be recoverable. Where the value-in-use exceeds the carrying value of the asset, the asset is not impaired.

As permitted by IAS 36 *Impairment of Assets*, the value of the Group's goodwill has been allocated to groups of cash generating units, which are not larger than an operating segment determined in accordance with IFRS 8 *Operating Segments*. These business segments represent the lowest levels within the Group at which the associated goodwill is monitored for management purposes.

The recoverable amount is calculated using value-in-use computations based on estimated future cash flows discounted to present value using a discount rate appropriate to each cash generating unit and brand. Terminal values are calculated on the assumption that cash flows continue in perpetuity.

The key assumptions used in the value-in-use computations using level 3 inputs in accordance with fair value hierarchy are:-

- Expected volume, net revenue and operating profit growth rates – cash flows for each CGU and brand are based on detailed financial budgets and plans. These plans were recalculated post year end in light of COVID-19 and reflect the best estimate of the Group's projected cash flows over the next five years;
- Long-term growth rate – cash flows after the first five years were extrapolated using a long-term growth rate, on the assumption that cash flows for the first five years will increase at a nominal growth rate in perpetuity;
- Discount rate.

The key assumptions were based on management assessment of anticipated market conditions for each CGU both in the current financial year and over the next five years in light of COVID-19. A terminal growth rate of 1.75%-2.00% (2019: 1.75%-2.00%) in perpetuity was assumed based on an assessment of the likely long-term growth prospects for the sectors and geographies in which the Group operates. The resulting cash flows were discounted to present value using a range of discount rates between 5.6%-8.3% (2019: 6.0%-8.3%); these rates are in line with the Group's estimated pre-tax weighted average cost of capital for the three main geographies in which the Group operates (Ireland, Great Britain and North America), arrived at using the Capital Asset Pricing Model as adjusted for asset and country specific factors.

In formulating the budget the Group takes into account historical experience, an appreciation of its core strengths and weaknesses in the markets in which it operates and external factors such as macro-economic factors, inflation expectations by geography, regulation and expected changes in regulation (such as expected changes to duty rates and minimum pricing), market growth rates, sales price trend, competitor activity, market share targets and strategic plans and initiatives. The key macro-economic factor that influenced the cash flows was undoubtedly COVID-19 and the Group's assessment of how a recovery takes place.

With regard to the Group's North America segment and particular the Woodchuck suite of brands, the projected cash flows no longer supported the carrying value of the brand and an impairment of €34.1m was taken at 29 February 2020. Despite some signs of volume growth last summer on the back of innovation launches, the Woodchuck brands continue to struggle in an ever more crowded market place. The overall Cider category remains under pressure and is declining in value terms. The success of the relatively new Hard Seltzers' category in particular has squeezed other categories and resulted in less space being made available for our brands. In the short and medium term the outlook is not positive for growth in Cider in the US and the COVID-19 crisis and linked restrictions has further restricted our ability to innovate and trade our way back to sustainable profit growth.

Notes forming part of the financial statements
(continued)

13. EQUITY ACCOUNTED INVESTMENTS/FINANCIAL ASSETS (continued)

Canadian Investment

During the current financial year, the Group disposed of its equity accounted investment in a Canadian company for cash proceeds of €6.1m, realising a profit of €2.6m on disposal.

Whitewater Brewing Company Limited

On 20 December 2016, the Group acquired 25% of the equity share capital of Whitewater Brewing Company Limited, an Irish Craft brewer for £0.3m (€0.3m).

Other

During the current financial year, on 5 March 2019, the Group made a 10% investment in an English registered entity Jubel Limited, a craft beer producer for €0.3m (£0.3m).

In the current financial year, the Group made an additional investment in CVBA Braxatorium Parcensis of €0.2m following on from a less than €0.1m investment in the prior year. The Group has a 33% investment in the Belgium entity.

The Group also has an equity investment in Shanter Inns Limited, Beck & Scott (Services) Limited (Northern Ireland) and The Irish Brewing Company Limited (Ireland). The value of each of these investments is less than €0.1m in the current and prior financial year.

(b) Financial Assets – Company

	2020 €m	2019 €m
Equity investment in subsidiary undertakings at cost		
At beginning of year	**982.1**	980.2
Capital contribution in respect of share options granted to employees of subsidiary undertakings	**2.5**	1.9
At end of year	**984.6**	982.1

The total expense of €2.5m (2019: €1.9m) attributable to equity settled awards granted to employees of subsidiary undertakings has been included as a capital contribution in financial assets.

In the opinion of the Directors, the shares in the subsidiary undertakings are worth at least the amounts at which they are stated in the Balance Sheet. Details of subsidiary undertakings are set out in note 28.

14. INVENTORIES

	2020 €m	2019 €m
Group		
Raw materials & consumables	**46.2**	47.2
Finished goods & goods for resale	**99.6**	136.9
Total inventories at lower of cost and net realisable value	**145.8**	184.1

An analysis of the Group's cost of sale expense is provided in Note 2 to the financial statements.

Inventory write-down recognised within operating costs amounted to €2.2m (2019: €3.2m). The inventory write-down in the current financial year was with respect to breakages and write off of damaged and obsolete stock. The inventory write-down in the prior financial year of €3.2m was primarily due to the write-down of obsolete stock of €1.7m as a result of a change in a distribution company and the write-down of obsolete stock in our newly acquired distribution business of €1.5m due to a discontinued product. During the current financial year, the Group has reviewed the stock balances and in particular stock that was due to expire in the short to medium term and booked a provision of €10.6m as a result of COVID-19 (note 5).

Notes forming part of the financial statements
(continued)

15. TRADE & OTHER RECEIVABLES (continued)

The Group applies the simplified approach permitted by IFRS 9 *Financial Instruments* to measure expected credit losses for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables are assessed collectively in groups that share similar credit risk characteristics, such as customer segments, historical information on payment patterns, terms of payment and days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on customer specific and macroeconomic factors, which affect the ability of customers to settle receivables. COVID-19 had a material impact on the assessment of credit losses of the Group's receivables balances at year end and the Group booked an exceptional provision of €19.4m in this regard (note 5).

Regarding advances to customers, the Group applies the general approach to measure expected credit losses which requires a loss provision to be recognised based on twelve month or lifetime expected credit losses, provided a significant increase in credit risk has occurred since initial recognition. The Group assesses the expected credit losses for advances to customers based on historical information on payment patterns, monitoring customer ordering activities, concentration maturity, and information about the current or forecasted general economic conditions, which affect the ability of customers to settle advances. The credit risk on advances to customers can be reduced through the value of security and/or collateral given. COVID-19 had a material impact on the assessment of credit losses with regard to advances to customers at year end and the Group booked an exceptional provision of €5.8m in this regard (note 5).

Trade receivables are on average receivable within 21 days (2019: 18 days) of the balance sheet date, are unsecured and are not interest bearing. For more information on the Group's credit risk exposure refer to note 23.

The movement in the allowance for impairment in respect of trade receivables and advances to customers during the year was as follows:

	Trade receivables 2020 €m	Advance to customers 2020 €m	Total 2020 €m	Total 2019 €m
Group				
At beginning of year	**11.5**	**5.7**	**17.2**	13.3
Arising on acquisition	**-**	**-**	**-**	6.9
Recovered during the year	**(3.9)**	**-**	**(3.9)**	(6.5)
Provided during the year	**25.6**	**6.7**	**32.3**	6.3
Written off during the year	**(3.6)**	**(2.0)**	**(5.6)**	(2.7)
Translation adjustment	**-**	**-**	**-**	(0.1)
At end of year	**29.6**	**10.4**	**40.0**	17.2

At 29 February 2020, regarding the impact of the expected loss model on trade receivables and advances to customers, the Group has provided for expected credit losses over the next twelve months of €22.3m (2019: €1.4m) and expected lifetime losses of €17.7m (2019: €15.8m).

25. COMMITMENTS

(a) Capital commitments

At the year end, the following capital commitments authorised by the Board had not been provided for in the financial statements:-

	2020 €m	2019 €m
Contracted	**2.3**	3.8
Not contracted	**7.7**	15.7
	10.0	19.5

The contracted capital commitments at 29 February 2020 primarily relate to an improved drainage system and waste water treatment plant in Clonmel amounting to €1.4m (2019: €0.7m), a waste water treatment plant in Wellpark of €0.7m (2019: €2.1m) and other of €0.2m (2019: €1.0m).

(b) Other commitments

At the year end, the value of contracts placed for future expenditure was:-

2020

	Apples €m	Glass €m	Marketing* €m	Barley €m	Aluminium €m	Polymer €m	Wheat €m	Sugar/ glucose €m	Natural gas	Electricity	Total** €m
Payable in less than one year	**8.1**	**4.7**	**7.6**	**7.6**	**0.8**	**0.3**	**0.9**	**7.5**	**0.3**	**0.1**	**37.9**
Payable between 1 and 5 years	**13.3**	**-**	**6.4**	**14.8**	**-**	**-**	**-**	**-**	**-**	**-**	**34.5**
Payable greater than 5 years	**23.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23.6**
	45.0	**4.7**	**14.0**	**22.4**	**0.8**	**0.3**	**0.9**	**7.5**	**0.3**	**0.1**	**96.0**

* An element of committed marketing spend is now deemed to be onerous in light of COVID-19 (note 5).
** Commitment obligations range from between 1 year to 25 years.

2019

	Apples €m	Glass €m	Marketing €m	Barley €m	Aluminium €m	Polymer €m	Wheat €m	Sugar/ glucose €m	Natural gas	Electricity	Total* €m
Payable in less than one year	7.6	3.0	4.2	7.8	0.6	0.2	0.9	7.9	-	0.7	32.9
Payable between 1 and 5 years	11.7	-	3.4	17.9	-	-	-	-	-	-	33.0
Payable greater than 5 years	23.0	-	-	-	-	-	-	-	-	-	23.0
	42.3	3.0	7.6	25.7	0.6	0.2	0.9	7.9	-	0.7	88.9

* Commitment obligations range from between 1 year to 26 years.

Notes forming part of the financial statements
(continued)

28. SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS (continued)

Equity accounted investments

	Notes	Nature of business	Class of shares held as at 29 February 2020 (100% unless stated)
Joint venture			
Beck & Scott (Services) Limited (Northern Ireland)	(a)	Wholesale of drinks	Ordinary, 50%
Brady P&C Limited (England)	(b)	Holding Company	Ordinary, 49.9%
Drygate Brewing Company Limited (Scotland)	(c)	Brewing	B Ordinary, 49%
The Irish Brewing Company Limited (Ireland)	(d)	Non-trading	Ordinary, 45.61%
Associate			
CVBA Braxatorium Parcensis	(e)	Brewing	33.33%
Shanter Inns Limited (Scotland)	(f)	Public houses	Ordinary, 33%
Whitewater Brewing Co. Limited (Northern Ireland)	(g)	Brewing	25%
Jubel Limited	(h)	Brewing	10%

Notes:
(a) – (h)
The address of the registered office of each of the above equity accounted investments is as follows:
(a) Unit 1, Ravenhill Business Park, Ravenhill Road, Belfast, BT6 8AW, Northern Ireland.
(b) 49 Berkeley Square, 2nd Floor, London W1J 5AZ.
(c) 85 Drygate, Glasgow, G4 0UT, Scotland.
(d) Bulmers House, Keeper Road, Crumlin, Dublin 12, D12 K702, Ireland.
(e) 3001 Leuven-Heverlee, Abdij van Park 7, Belgium.
(f) 230 High Street, Ayr, KA7 1RQ, Scotland.
(g) Lakeside Brae, Castlewellan, Northern Ireland, BT31 9RH.
(h) Office 311 Edinburgh House, 170 Kennington Lane, London, England, SE11 5DP.

29. POST BALANCE SHEET EVENTS

As outlined in the Group's viability statement on page 20, COVID-19 is having a material impact on the Group's business and the Group has accounted for this as an adjusting event in the current year's financial statements. Post year end COVID-19 continues to have an impact on the Group's financial statements. In response to this, the Group has implemented a series of measures to reduce operating costs, maximise available cash flow, and maintain and strengthen the Group's liquidity position.

In March 2020, the Group completed the successful issue of approximately €140 million of new US Private Placement ('USPP') notes. The unsecured notes have maturities of 10 and 12 years and diversify the Group's sources of debt finance. The Group's Euro term loan included a mandatory prepayment clause from the issuance of any Debt Capital Market instruments. A waiver of the prepayment was successfully negotiated post year end in addition to a waiver of a July 2020 repayment which now becomes payable with the last instalment in July 2021. The Group also received a waiver on its debt covenants from its lending group for FY2021, to be replaced by a minimum liquidity covenant and monthly gross debt cap.

The Group has also received confirmation from the Bank of England that it is eligible to issue commercial paper under the COVID-19 Corporate Financing Facility ('CCFF'') scheme. The Group had not drawn down on this facility as at 3 June 2020.

C&C group plc

Bulmers House, Keeper Road, Crumlin, Dublin 12, D12 K702.
www.candcgroupplc.com

Annual Report 2019

Royal Dutch Airlines

KLM 100

Financial Statements financial year 2019

Notes to the consolidated financial statements

General

Koninklijke Luchtvaart Maatschappij N.V. (the "Company" or "the Group") is a public limited liability company incorporated and domiciled in The Netherlands. The Company's registered office is located in Amstelveen.

The Company is a subsidiary of AIR FRANCE KLM S.A. ("AIR FRANCE KLM"), a company incorporated in France. The Company financial statements are included in the financial statements of AIR FRANCE KLM which can be obtained from the AIR FRANCE KLM Financial communication department. AIR FRANCE KLM's shares are quoted on the Paris and Amsterdam stock exchanges.

These financial statements have been authorised for issue by the Board of Managing Directors on April 8, 2020 and will be submitted for approval to the Annual General Meeting (AGM) of shareholders on April 23, 2020.

Subsequent events and going concern

COVID-19 impact and uncertainties

The worldwide spreading of COVID-19 in the first quarter of 2020 has had and continues to have a major impact on air traffic around the world. Many countries have taken increasingly stringent measures in an attempt to slow the expansion rate of the epidemic. Some countries have imposed constraints on the movement of travellers from the Netherlands or, more broadly from Europe. Consequently, air traffic to most of KLM's destinations will be significantly reduced for a period of time to some 20 to 10 per cent of normal traffic levels. KLM's financial performance for at least 2020 will be affected severely by a loss of revenue, sales of tickets and significant negative cash flows to an extent and for a duration that are currently uncertain.

As at the date of this Annual Report, the crisis is still evolving, bringing many uncertainties, which makes it impossible to predict the scale of impact of the COVID-19 crisis on KLM and its future including our operations, financial performance and liquidity. Various scenarios are possible with no consensus on how the recovery will actually evolve, when the direct impact will end and how the economy will recover.

Marks and Spencer Group plc
Annual Report & Financial Statements
+ Notice of Annual General Meeting 2020

M&S
EST. 1884

COVID-19 IMPACT

Group revenue decreased 1.9%, largely as a result of lower UK Clothing & Home sales, including an adverse revenue impact of c.£83.5m in March which we largely attribute to Covid-19. Group statutory profit before tax declined 20.2% to £67.2m. This was largely driven by a decline in Clothing & Home operating profit as a result of lower sales. Statutory profit before tax includes an estimated total impact of £264.7m for Covid-19. This comprises a trading impact of £51.9m in March which we largely attribute to the pandemic, in addition to £212.8m of charges in adjusting items which includes the recognition of additional inventory provisions of £157.0m and the impairment of stores and goodwill of £49.2m.

As part of its scenario planning to mitigate the effects of Covid-19 the Group is planning a significant reduction in costs and a number of cash management initiatives, which are detailed on page 05 of this report.

REPORTING OF ACCOUNTABLE BUSINESSES

During the year, the Group completed a comprehensive review of the way operating costs are allocated between the businesses, allowing management to review the operating profit of each business. As a result, the Group now recognises three operating segments, being UK Clothing & Home, UK Food and International (previously UK and International). This allows the financial information to align to the way the business is managed and holds leadership appropriately to account. The review has resulted in a reallocation of £13.3m of central costs from the previous UK segment to International (£12.6m) and M&S Bank (£0.7m). In addition, certain M&S.com flagship websites, which last year generated £37.5m of revenue and £2.9m of operating profit before adjusting items have been reclassified from UK Clothing & Home to International.

UK: FOOD

52 weeks ended	28 March 20 £m	30 March 19 Restated £m	Change %
Revenue	6,028.2	5,903.4	2.1
Operating profit before adjusting items	**236.7**	**212.9**	**11.2**
Operating profit margin	3.9%	3.6%	

UK Food revenue increased 2.1% and operating profit before adjusting items increased 11.2%, due to lower costs. We estimate a positive effect on March revenue of £17.7m and operating profit of £3.7m, largely related to Covid-19.

Like-for-like revenue was up 1.9%. Performance was particularly strong in quarter four with growth of 3.7% in the two months to February before increased demand related to Covid-19 in March. As we executed our strategy to broaden appeal and make M&S more accessible to more customers by removing promotions and lowering prices, total full year volumes were up 3.3%. As expected, the contribution from new space was largely offset by full line store closures.

The table below sets out the drivers of the movement in operating profit margin before adjusting items, which increased 0.3%:

	%
2018/19 operating profit margin	**3.6**
Gross margin	-0.5
Store staffing	0.3
Other store costs	0.3
Distribution and warehousing	-0.2
Central costs	0.4
2019/20 operating profit margin	**3.9**

Gross margin decreased 50bps which was more than expected, as continued investment in price and inflationary headwinds were not fully offset by reduced promotions and the programme to lower costs.

The reduction in gross margin was more than offset by operating costs, which reduced overall and as a percent of sales. Store staffing and other store costs were slightly down as efficiencies more than offset the pay review and cost inflation. Distribution costs increased largely due to cost inflation, impacting margin. The reduction in central costs was largely driven by lower depreciation, partly due to a system write off in the prior year.

UK: CLOTHING & HOME

52 weeks ended	28 March 20 £m	30 March 19 Restated £m	Change %
Revenue	3,209.1	3,499.8	-8.3
Operating profit before adjusting items	**223.9**	**355.2**	**-37.0**
Operating profit margin	7.0%	10.1%	

UK Clothing & Home revenue declined 8.3% and operating profit before adjusting items was down 37.0%. We estimate an adverse effect on March revenue of £78.1m and operating profit of £43.8m, largely related to Covid-19.

Like for like revenue declined 6.2%, of which an estimated 2.2% related to the adverse movement in March, largely due to Covid-19. After a disappointing first half, revenue performance both in store and online began to improve in the second half, supported by better availability and growth in key categories in Womenswear and Kidswear. Menswear experienced some initial problems as the range moved towards a more contemporary style and fit.

The table below sets out the drivers of the movement in Clothing & Home operating profit margin before adjusting items which was down 3.1%:

	%
2018/19 operating profit margin	**10.1**
Gross margin	-1.2
Store staffing	-0.5
Other store costs	-0.6
Distribution and warehousing	-0.3
Central costs	-0.5
2019/20 operating profit margin	**7.0**

Gross margin decreased 120bps which was more than planned, as a result of sourcing headwinds including raw materials and labour and the adverse impact of higher than expected promotional sales and shorter clearance periods.

COVID-19 ADJUSTING ITEMS

Following the declaration by the World Health Organisation of the Covid-19 global pandemic and the subsequent UK and International government restrictions, Clothing and Home has been unable to trade from full line stores, M&S outlet stores and a number of Food franchises have temporarily closed and trade in Food has had to continue with social distancing measures in place. As a result, charges of £212.8m have been recognised relating to the Covid-19 pandemic. The charges relate to stock provisioning, impairments of intangible assets, property, plant and equipment and onerous contract provisions, cancellation charges and one-off costs. Should the estimated charges prove to be in excess of the amounts required, the release of any amounts previously provided would be treated as adjusting items.

The impact that Covid-19 has had on underlying trading is not recognised within adjusting items.

The charges relate to:

- Stock provisioning: £157.0m.
- Incremental impairments of intangibles and PP&E: £49.2m.
- Onerous contract provisions, cancellations, one-off costs: £6.6m.

Following a detailed assessment of all retail inventory, a charge of £157.0m has been recognised (C&H: £145.3m; Food: £6.0m and International: £5.7m). The provision relates to items from previous seasons which are unlikely to be saleable when stores reopen; items in the summer sale that are likely to be cleared below cost and the cost associated with hibernating stock to Spring/Summer 2021. The provision in Food includes charges related to unsaleable seasonal goods as a result of the lockdown of activity in late March.

As a direct result of the Covid-19 pandemic, following a reperformance of all impairment assessments using the cash flows in the Covid-19 scenario, incremental impairment charges have been recognised of £49.2m (Store impairments: £24.2m, per una: £13.4m and UK store estate programme: £11.6m).

£6.6m of charges have been recognised relating to onerous contracts and other provisions, cancellation charges and impairment and write-off of intangible assets in the course of construction following project cancellations.

TAXATION

The effective tax rate on profit before tax and adjusting items was 20.7% (last year 20.7%). This was lower than the expected effective tax rate due to an increase in the estimated deferred tax assets of the Group which resulted from a change to the previously enacted UK corporate tax rate of 17% back to 19%. The effect of this increase is not expected to impact future years. The effective tax rate is higher than the UK statutory rate due to the recapture of previous tax relief under the Marks and Spencer Scottish Limited Partnership ("SLP") structure. The effective tax rate on statutory profit before tax was 59.3% (last year 46.2%) due to the impact of disallowable adjusting items.

EARNINGS PER SHARE

Basic earnings per share were 1.3p (last year 2.5p), due to the decrease in profit year-on-year and the increase in weighted average shares outstanding. The weighted average number of shares in issue during the period was 1,894.9m (last year restated for the bonus factor related to the rights issue: 1,698.1m), reflecting the issuance of 325m shares following the completion of the rights issue.

Adjusted basic earnings per share decreased 29.5% to 16.7p largely due to lower adjusted profit year-on-year and the increase in weighted average shares outstanding.

CAPITAL EXPENDITURE

52 weeks ended	28 March 20 £m	30 Mar 19 £m	Change £m
UK store remodelling	60.3	26.0	34.3
New UK stores	33.3	40.1	(6.8)
International	12.3	11.0	1.3
Supply chain	39.2	48.7	(9.5)
IT & M&S.com	84.5	88.2	(3.7)
Property asset replacement	102.4	69.0	33.4
Capital expenditure before disposals	**332.0**	**283.0**	**49.0**
Proceeds from property disposals	(2.7)	(48.1)	45.4
Capital expenditure	**329.3**	**234.9**	**94.4**

Group capital expenditure before disposals increased £49.0m to £332.0m.

UK store remodelling spend increased £34.3m largely reflecting the investment in five 'test and learn' trial stores. Spend on UK store space was down as 13 fewer owned Food stores opened compared with the prior year.

Supply chain expenditure reflects investment in the expansion of the Bradford distribution centre. Spend has reduced due to the significant prior year investment in the Welham Green national distribution centre.

IT and M&S.com spend decreased largely due to the completion of the technology transformation programme. Property asset replacement increased £33.4m due to the initiation of an asset replacement programme in stores.

STATEMENT OF FINANCIAL POSITION

Net assets were £3,708.5m at the year end, an increase of 50.2% on last year largely due to the investment in Ocado and the increase in the net retirement benefit surplus.

1 ACCOUNTING POLICIES

General information

Marks and Spencer Group plc (the "Company") is a public Company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW.

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations is as a Clothing & Home and Food retailer.

These financial statements are presented in sterling, which is also the Company's functional currency, and are rounded to the nearest hundred thousand. Foreign operations are included in accordance with the policies set out within this note.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Marks and Spencer Scottish Limited Partnership has taken an exemption under paragraph 7 of the Partnership (Accounts) Regulations 2008 from the requirement to prepare and deliver financial statements in accordance with the Companies Act.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the directors have considered the business activities as set out on pages 2 to 26, and the principal risks and uncertainties as set out on pages 34 and 43, including by modelling a Covid-19 scenario.

Given the global political and economic uncertainty resulting from the Covid-19 pandemic, coupled with the already fast paced changes taking place across the retail sector, we expect to see significant volatility and business disruption reducing our expected performance in 2020/21. We have already felt the impact of the government's guidelines on lockdown, with our Food stores open and trading (albeit with social-distancing rules in place), but with Clothing & Home unable to trade from stores, and all sales therefore predominantly coming from online sales and Click & Collect in stores.

The Covid-19 scenario assumes that the current government guidelines continue for a period of at least four months, resulting in a significant decline in sales for the remainder of 2020/21 as follows:

- On average, a 70% decline in Clothing & Home sales vs budget for the four months to July 2020, followed by a slow recovery back to budget by February 2021, reducing expected revenue by £1.5bn for the financial year.
- A 20% decline in Food sales vs budget for the four months to July, impacting annual revenue by £384m.
- International sales following a similar profile to Clothing & Home, with a significant decline in April due to closures, and a recovery back to budget extended to March 2021, impacting annual revenue by £214m.

Further downside sensitivities which extend the length of the social-distancing measures or increase the depth of the impact on sales and margin were also considered, as explained in the Viability Statement. In addition, reverse stress testing has also been applied to the model, which represents a significant decline in sales compared to the Covid-19 scenario. Such a scenario, and the sequence of events which could lead to it, is considered to be remote.

The Covid-19 scenario reflects the actions already taken by management, including:

- Cost-saving initiatives, such as reducing marketing spend, freezing pay and recruitment, and technology and operating expenditure cuts.
- Reducing the capital expenditure budget to c.£140m.
- Reducing the supply pipeline of Clothing & Home stock by c.£560m, and lengthening payment terms.
- Ceasing to pay the final dividend payment for 2019/20 and for 2020/21, resulting in a total anticipated cash saving of c.£340m.

The Group will also benefit from c.£172m of business rates relief in 2020/21 and the government's job retention scheme to help meet the cost of furloughed roles in stores, distribution and support centres, which should generate cash savings of c.£50m up to 30 June 2020.

In addition, the following further steps have also been taken:

- Formal agreement has been reached with the lending syndicate of banks providing the £1.1bn revolving credit facility to remove or substantially relax the covenant conditions for the tests arising in September 2020, March 2021 and September 2021.
- The Group confirmed on 23 April 2020 its eligibility under the UK government's Covid Corporate Financing Facility (CCFF) and allocated an issuer limit of £300m, providing significant further liquidity headroom.

The agreement with the banks combined with the other measures taken means that, even under the Covid-19 scenario, the business would continue to have significant liquidity headroom on its existing facilities and against the revolving credit facility financial covenant. As at 28 March 2020 the financial covenant was met.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 31 March 2019:

- IFRS 16 Leases.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

The Group also elected to adopt the following amendments early:

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform.

1 ACCOUNTING POLICIES CONTINUED

Determining whether forecast purchases are highly probable

The Group is exposed to foreign currency risk, most significantly to the US dollar as a result of sourcing Clothing & Home products from Asia which are paid predominantly in US dollars. The Group hedges these exposures using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, which include that a forecast transaction must be "highly probable".

The Group has applied judgement in assessing whether the forecast purchases remain "highly probable", particularly in light of the decline in expected sales resulting from the Covid-19 pandemic and the related store closures.

At the reporting date, a £2.9m gain has been recognised in the income statement as a result of US$76.6m notional forecast purchases no longer expected to occur in relation to the Clothing & Home Autumn and Winter season requirement. In making this assessment, the Group has considered the most recent budgets and plans, including the Covid-19 scenario. The Group's policy is a "layered" hedging strategy where only a small fraction of the forecast purchase requirements are initially hedged, approximately 15 months prior to a season, with incremental hedges layered on over time, as the buying period for that season approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, reducing the supply pipeline of Clothing & Home inventory, as described in the basis of preparation, does not immediately lead to over-hedging and the disqualification of "highly probable". If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

Key sources of estimation uncertainty

UK store estate programme

The Group is undertaking a significant strategic programme to review its UK store estate resulting in a net charge of £29.3m (last year: £216.5m (restated)) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgement that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years depending on decisions made about further store closures and the successful delivery of the transformation programme.

Where a store closure has been announced there is a reduced level of estimation uncertainty as the programme actions are to be taken over a shorter and more immediate timeframe. Further significant estimation uncertainty arises in respect of determining the recoverable amount of assets and the costs to be incurred as part of the programme. Significant assumptions have been made including:

- Reassessment of the useful lives of store fixed assets and closure dates.
- Estimation in respect of the expected shorter-term trading value in use, including assumptions with regard to the period of trading as well as changes to future sales, gross margin and operating costs. In light of the ongoing Covid-19 pandemic, the Group's cash flow projections over the three-year strategic plan period have been revised and include a Covid-19 overlay in year 1 (see the basis of preparation section and the glossary for details on this Covid-19 scenario).
- Estimation of the sale proceeds for freehold stores which is dependent upon location-specific factors, timing of likely exit and future changes to the UK retail property market valuations.
- Estimation of the value of dilapidation payments required for leasehold store exits, which is dependent on a number of factors including the extent of modifications of the store, the terms of the lease agreement, and the condition of the property.

The assumptions most likely to have a material impact are closure dates and changes to future sales. See notes 5 and 15 for further detail.

Useful lives and residual values of property, plant and equipment and intangibles

Depreciation and amortisation are provided to write down the cost of property, plant and equipment and certain intangibles to their estimated residual values over their estimated useful lives, as set out above. The selection of the residual values and useful lives gives rise to estimation uncertainty, especially in the context of changing economic and market factors, the channel shift from stores to online, increasing technological advancement and the Group's ongoing strategic transformation programmes. The useful lives of property, plant and equipment and intangibles are reviewed by management annually. See notes 14 and 15 for further details. Refer to the UK store estate programme section above for specific sources of estimation uncertainty in relation to the useful lives of property, plant and equipment for stores identified as part of the UK store estate programme. Due to the nature of the Group's property, plant and equipment, it is not practicable to provide a meaningful sensitivity analysis.

Impairment of property, plant and equipment and intangibles

Property, plant and equipment and computer software intangibles are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life brands are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections over the three-year strategic plan period, the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. In light of the ongoing Covid-19 pandemic, the Group's cash flow projections over the three-year strategic plan period have been revised and include a Covid-19 overlay in year 1 (the Covid-19 scenario), focusing on the external impact of social-distancing measures, and the internally controllable mitigating actions the Group is taking to protect the business.

The assumption that cash flows continue into perpetuity (with the exception of stores identified as part of the UK store estate programme) is a source of significant estimation certainty. A future change to the assumption of trading into perpetuity for any Cash-Generating Unit (CGU) would result in a reassessment of useful economic lives and residual value and could give rise to a significant impairment of property, plant and equipment and intangibles, particularly where the store carrying value exceeds fair value less cost to sell. See notes 14 and 15 for further details on the Group's assumptions and associated sensitivities.

5 ADJUSTING ITEMS

The total adjusting items reported for the 52-week period ended 28 March 2020 is a net charge of £335.9m (last year: £427.5m (restated)). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2020 £m	2019 (Restated) £m
Strategic programmes – UK store estate[1]	15, 22	**29.3**	216.5
Strategic programmes – Organisation	15, 22	**13.8**	4.9
Strategic programmes – Operational transformation		**11.6**	16.4
Strategic programmes – UK logistics	15, 22	**10.2**	14.3
Strategic programmes – Changes to pay and pensions	22	**2.9**	6.2
Strategic programmes – International store closures and impairments	22	**2.2**	5.3
Strategic programmes – IT restructure	22	**0.4**	15.6
Directly attributable (gains)/expenses resulting from the Covid-19 pandemic[1]		**163.6**	–
Store impairments and other property charges[1]	15, 22	**78.5**	103.5
Goodwill impairment – per una[1]	14	**13.4**	–
M&S Bank charges incurred in relation to insurance mis-selling and Covid-19 forward economic guidance provision		**12.6**	20.9
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited		**16.8**	–
Establishing the investment in Ocado Retail Limited		**1.2**	3.4
Remeasurement of contingent consideration including discount unwind		**2.9**	–
Other		**(23.5)**	–
GMP and other pension equalisation	11, 22	**–**	20.5
Adjustments to profit before tax[2]		**335.9**	427.5

1. Gains/expenses directly attributable to the Covid-19 pandemic in the current year are presented below; this includes the resulting incremental impairment charge disclosed within the strategic programmes above related to the UK store estate, UK store impairments, International store impairments and the impairment of per una goodwill.

UK store estate impairments	11.6
Store impairments	24.2
Goodwill impairment – per una	13.4
Directly attributable (gains)/expenses resulting from the Covid-19 pandemic	163.6
Total Covid-19 charges	**212.8**

2. All adjusting items are included within operating profit with the exception of £2.9m (last year: £nil) relating to the remeasurement of contingent consideration including discount unwind which is included within finance costs and a gain of £2.9m (last year: £nil) relating to forecast purchases no longer expected to occur, within directly attributable (gains)/expenses resulting from the Covid-19 pandemic, which is included within finance income.

Strategic programmes – UK store estate (£29.3m)

In November 2016, the Group announced a strategic programme to transform the UK store estate. During 2017/18, the Group announced its intention to accelerate this programme in line with the strategic aim of significantly growing the online share of sales, as well as better than expected levels of sales transfer achieved from recent store closures. This acceleration of the UK store estate programme resulted in an acceleration of the timing of recognition of the associated costs, primarily driven by a shortening of the useful economic life, for impairment testing purposes, of those stores identified as part of the transformation plans.

The Group has recognised a charge of £29.3m (of which, £11.6m represents the directly attributable incremental impairment due to Covid-19 (see below for further details)) in the period in relation to those stores identified as part of its transformation plans to make the store estate fit for the future. The charge primarily reflects an updated view of latest store exit routes and assumptions underlying estimated store closure costs, as well as revised cash flows to reflect the impact of Covid-19. The charge primarily relates to impairment of buildings and fixtures and fittings and depreciation as a result of shortening the useful economic life of stores based on the latest approved exit routes. Refer to notes 15 and 22 for further detail on these charges.

Further material charges relating to the closure and re-configuration of the UK store estate are anticipated as the programme progresses, the quantum of which is subject to change throughout the programme period as decisions are taken in relation to the size of the store estate and the specific stores affected. Following restatement for IFRS 16 and the updated view of store closure costs, future charges of up to c.£110m are estimated within the next two financial years, giving post-IFRS 16 total programme charges of up to £680m in line with previous disclosures.

5 ADJUSTING ITEMS CONTINUED

Store impairments and other property charges (£78.5m)

The Group has recognised a number of charges in the period associated with reductions to the carrying value of items of property, plant and equipment.

In response to the ongoing pressures impacting the retail industry, as well as reflecting the Group's strategic focus towards growing online market share, and in light of the ongoing Covid-19 pandemic, the Group has revised future cash flow projections for UK and international stores (excluding those stores which have been captured as part of the UK store estate programme). As a result, UK store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £78.5m (of which, £24.2m represents the directly attributable incremental impairment due to Covid-19 (see below for further details)) has been incurred primarily in respect of the impairment of assets associated with these stores. Refer to note 15 for further details on the impairments.

The charges have been classified as an adjusting item on the basis of the significant quantum of the charge in the period to the results of the Group.

M&S Bank charges incurred in relation to insurance mis-selling and Covid-19 forward economic guidance provision (£12.6m)

The Group has an economic interest in Marks and Spencer Financial Services plc, a wholly owned subsidiary of HSBC UK Bank plc, trading as M&S Bank, by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group does not share in any losses of M&S Bank and is not obliged to refund any profit share received from HSBC, although future income may be impacted by significant one-off deductions.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share income from M&S Bank has been reduced by the deduction of the estimated liability in both the current and prior years. In addition, further charges have been recognised by M&S Bank in relation to forward economic guidance provisions recognised as a result of Covid-19. In line with the accounting treatment under the Relationship Agreement, there is a cap on the amount of charges that can be offset against the profit share in any one year, whereby excess liabilities carried forward are deducted from the Group's future profit share from M&S Bank. The deduction in the period is £12.6m.

The Group considers this cost to be an adjusting item, despite its recurring nature, as the charges are significant in nature and value in each period to the results of the Group. While the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue into 2020/21 and beyond as the Group's share of the total charge since September 2013 of £327.6m exceeds the total offset against profit share of £242.7m to date. The Group therefore expects future adjusting items charges of c.£100m – predominantly related to PPI mis-selling claim liabilities – which will be offset against the share of M&S Bank profits in future years.

Establishing the investment in Ocado Retail Limited (£1.2m)

In the prior year, the Group recognised a charge of £3.4m in adjusting items relating to due diligence for the Ocado Retail transaction. As part of the preparation for the launch in September 2020, the Group has incurred £1.2m of one-off charges that will not be part of the day-to-day operational costs of our business with Ocado Retail.

An estimated further £1m–2m of "getting ready" costs are expected in H1 2020/21 prior to launch in September 2020. These "getting ready" costs, combined with the costs recognised in 2018/19 relating to setting up the investment in Ocado Retail, bring the total expected one-off charges relating to Ocado Retail up to in the range of £6m-7m.

These costs are adjusting items as they relate to a major transaction and but for the transaction the business would not have incurred these costs and as a result prior to the Ocado "go-live" in September 2020 are not considered to be normal operating costs of the business.

Amortisation of intangible assets and fair value adjustments on property, plant and equipment arising as part of the investment in Ocado Retail Limited (£11.7m) and related deferred tax adjustments (£5.1m)

The identifiable net assets of Ocado Retail Limited that were acquired included intangible assets (a brand and customer relationships) with a fair value of £366.0m, which is recognised as part of the cost of the investment in associate. In addition, fair value adjustments of £2.3m were made to property, plant and equipment on acquisition. A related deferred tax liability of £63.3m has also been recognised on acquisition as part of the cost of the investment in associate. The amortisation of these intangible assets and fair value adjustments and changes in the related deferred tax liability are included within the Group's share of the profit or loss of the associate and are considered to be adjusting items as they are based on judgements about their value and economic life and are not related to the Group's underlying trading performance. Identifying these items as adjusting allows greater comparability of underlying performance. These adjusting items will be recognised over their useful economic lives of 10-40 years.

Remeasurement of contingent consideration including discount unwind (£2.9m)

Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. The change in fair value and the related unwind of discounting is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The charge for 2019/20 of £2.9m represents the unwind of discounting from acquisition to the year end. Discount unwind will be charged to adjusting items until the final contingent consideration payment is made in 2023/24.

5 ADJUSTING ITEMS CONTINUED

Directly attributable gains/(expenses) resulting from the Covid-19 pandemic

In March 2020, following the declaration by the World Health Organization of the Covid-19 global pandemic and subsequent UK government restrictions, while the Group has been able to continue to trade its Food business (albeit with social-distancing rules in place), Clothing & Home has been unable to trade from full-line stores, with any sales therefore predominantly coming from online sales and Click & Collect in stores. All M&S Outlets stores and a number of Food franchise stores have also closed. Given the global political and economic uncertainty resulting from the Covid-19 pandemic, coupled with the already fast-paced changes taking place across the retail sector, the Group expects to see significant volatility and business disruption, reducing the expected performance in 2020/21. As set out in the basis of preparation on page 116, the Board has approved a Covid-19 scenario budget and three-year plan, which assumes that the current government guidelines continue in place for a period of at least four months, and results in a significant decline in sales for the remainder of 2020/21.

As a result, in order to improve the transparency and usefulness of the financial information presented and improve year-on-year comparability, the Group has identified charges of £212.8m relating to directly attributable gains and expenses resulting from the Covid-19 pandemic. The charges relate to three separately identifiable areas of accounting judgement and estimates: the write-down of inventories to net realisable value; impairments of intangible assets and property, plant and equipment; and onerous contract provisions, cancellation charges and one-off costs. Should the estimated charges prove to be in excess of the amounts required, the release of any amounts previously provided would be treated as adjusting items.

The impact that Covid-19 has had on underlying trading is not recognised within adjusting items.

Write-down of inventories to net realisable value (£157.0m)

The Group has performed a detailed assessment of all retail inventory, including all items in our stores, warehouses and outlets, taking into consideration the period of trading disruption, current sales and sell through plans and considered the impact on the stock holding at year end. The review concluded that there was a need to provide for items from previous seasons which are unlikely to be saleable when stores reopen; that items in the summer sale are likely to be cleared below cost and the need to provide for hibernated stock (stock that will be stored within our warehouses) at reduced prices when we look to sell it in Spring/Summer 2021.

The Group has recognised an incremental write-down of inventory to net realisable value of £157.0m (UK Clothing & Home: £145.3m; UK Food: £6.0m and International: £5.7m), reflecting management's best estimate of the impact on the Group of the Covid-19 pandemic. The total UK Clothing & Home inventory provisions represent 33% of UK Clothing & Home inventory. A 5% increase in the UK Clothing & Home inventory provision would result in a reduction in inventory held on the balance sheet of £26.0m and would result in a corresponding reduction to recognised profit before tax in 2019/20.

Impairments of intangible assets and property, plant and equipment (£49.2m)

As a direct result of the Covid-19 pandemic, all impairment assessments were reperformed using the cash flows resulting from the Board-approved Covid-19 scenario detailed above. Incremental impairment charges as a direct result of Covid-19 have been recognised for the following assets: Goodwill – per una (£13.4m); Strategic programme – UK store estate (£11.6m); and Store impairments (£24.2m).

Refer to notes 14 and 15 for further details on the impairment charges relating to per una goodwill and stores, as well as note C6 of the Company accounts.

Onerous contract provisions, cancellation charges and one-off costs (£6.6m)

The Group has incurred a total of £6.6m of one-off charges relating to onerous contract and other provisions, and cancellation charges incurred pre-year end as a result of the disruption caused by Covid-19 to normal operating activities. In addition, a number of projects have been cancelled, leading to the impairment and write-off of intangible assets in the course of construction recognised up to 28 March 2020.

The £212.8m directly attributable net charges from the Covid-19 pandemic are considered to be adjusting items as they meet the Group's established definition, being both significant in nature and value to the results of the Group in the current period. Further charges are anticipated during 2020/21 to reflect actions that will be taken as a direct result of the length of time that the government restrictions are in place, and trade and consumer behaviour is impacted. Any future credits relating to these items will also be classified as adjusting.

Other (£23.5m credit)

In 2017/18, a provision was recorded to cover the potential costs of probable liabilities for certain employee-related matters. During the period, the Group paid £0.6m in settlement of the liability for these employee-related matters, resulting in a £23.5m release of the provision.

FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS CONTINUED

Impairment testing

Goodwill is not amortised but is tested annually for impairment with the recoverable amount being determined from value in use calculations.

Goodwill for India is monitored by management at a country level, including the combined retail and wholesale businesses, and has been tested for impairment on that basis.

The per una brand is a definite life intangible asset amortised on a straight-line basis over a period of 15 years. The brand intangible was acquired for a cost of £80.0m, and is held at a net book value of £nil (last year: £2.8m). The per una goodwill and brand are considered together for impairment testing purposes and are therefore tested annually for impairment.

The cash flows used for impairment testing are based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. The Board-approved Budget and Three-Year Plan reflect a more conservative view of the short-term future performance of the per una assets and the Board-approved Covid-19 scenario further significantly reduces sales and profits in 2020/21. A proportion of UK Clothing & Home operating costs are allocated to per una based on the sales mix.

Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on the Group's current view of achievable long-term growth. The Group's current view of achievable long-term growth for per una is 0.7%, which is a reduction from the overall Group long term growth rate of 2%, reflecting the risk associated with the early stage of the relaunch of the per una brand and the potential impact of the Covid-19 pandemic. This is lower than the long-term growth rate used in the prior year (2.3%). The Group's current view of achievable long-term growth for India is 5.9%.

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each asset or CGU. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital (WACC) which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The post-tax WACC is subsequently grossed up to a pre-tax rate and was 9.7% for per una (last year: 9.1%) which reflects the additional risk of Covid-19 as at 28 March 2020 and 14.3% for India (last year: 17.3%).

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions, both individually and in combination. Management has considered reasonably possible changes in key assumptions that would cause the carrying amounts of goodwill or brands to exceed the value in use for each asset.

For India, there is no reasonably possible change in key assumptions that would lead to an impairment and the assumptions do not give rise to a key source of estimation uncertainty.

per una

The future cash flows applied in the per una calculation reflect the Group's plans to grow the per una brand over the next three years; however, adjustments have been made to reflect the impact of Covid-19 on the Clothing & Home business and the proximity of the brand relaunch to the disruption caused by Covid-19. The plan assumes a sales decrease of 46.4% in 2020/21 (reflecting the Covid-19 scenario of 70% decline in Clothing & Home sales compared with budget in the four months to July 2020, followed by a slow recovery back to budget by February 2021), followed by a significant increase in sales in 2021/22 of 82.6% (returning to the original levels planned for the year) and a 0.7% increase in 2022/23. The success of these plans will determine the strategic role of the brand within the Group.

The outcome of the value in use calculation is an impairment of £13.4m.

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions for the per una brand. Neither a 50 basis point increase in the WACC rate nor a reduction in the perpetuity growth rate to 0% would cause a significant increase in the impairment charge. A 20% reduction in operating profit over the whole three-year plan period would cause an £11.2m increase in impairment and in combination, these reasonably possible changes in the key assumptions would cause an increase of £17.0m in the impairment charge.

15 PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment of £5,494.2m (last year: £5,662.3m) consists of owned assets of £3,863.9m (last year: £3,986.9m) and right-of-use assets of £1,630.3m (last year: £1,675.4m).

PROPERTY, PLANT AND EQUIPMENT – OWNED

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 31 March 2018				
Cost	2,932.5	7,003.4	96.8	10,032.7
Accumulated depreciation, impairments and write-offs	(532.2)	(5,102.2)	(18.0)	(5,652.4)
Net book value	2,400.3	1,901.2	78.8	4,380.3
Year ended 30 March 2019				
Opening net book value	2,400.3	1,901.2	78.8	4,380.3
Additions	0.9	30.9	170.1	201.9
Transfers and reclassifications	(7.8)	166.7	(168.8)	(9.9)
Disposals	(2.5)	(0.4)	–	(2.9)
Asset impairments	(18.6)	(74.6)	–	(93.2)
Asset write-offs	(35.3)	(8.6)	–	(43.9)
Depreciation charge	(85.5)	(356.1)	–	(441.6)
Exchange difference	(2.7)	(1.1)	–	(3.8)
Closing net book value	2,248.8	1,658.0	80.1	3,986.9
At 30 March 2019				
Cost	2,885.9	5,673.6	98.1	8,657.6
Accumulated depreciation, impairments and write-offs	(637.1)	(4,015.6)	(18.0)	(4,670.7)
Net book value	2,248.8	1,658.0	80.1	3,986.9
Year ended 28 March 2020				
Opening net book value	**2,248.8**	**1,658.0**	**80.1**	**3,986.9**
Additions	**2.1**	**27.7**	**244.9**	**274.7**
Transfers and reclassifications	**22.2**	**183.6**	**(205.0)**	**0.8**
Asset impairments	**(48.2)**	**(20.3)**	**–**	**(68.5)**
Asset write-offs	**(1.8)**	**(7.1)**	**–**	**(8.9)**
Depreciation charge	**(62.0)**	**(267.2)**	**–**	**(329.2)**
Exchange difference	**6.3**	**1.8**	**–**	**8.1**
Closing net book value	**2,167.4**	**1,576.5**	**120.0**	**3,863.9**
At 28 March 2020				
Cost	**2,887.5**	**5,457.1**	**138.0**	**8,482.6**
Accumulated depreciation, impairments and write-offs	**(720.1)**	**(3,880.6)**	**(18.0)**	**(4,618.7)**
Net book value	**2,167.4**	**1,576.5**	**120.0**	**3,863.9**

Asset write-offs in the year include assets with gross book value of £680.5m (last year: £1,467.9m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.

Right-of-use assets

From 31 March 2019, the Group has adopted IFRS 16 Leases. Refer to notes 1 and 29 for the accounting policy and restatements respectively. The right-of-use assets recognised on adoption of the new leasing standard are reflected in the underlying asset classes of property, plant and equipment.

15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 31 March 2018	1,762.5	46.8	1,809.3
Additions	187.1	1.3	188.4
Transfers and reclassifications	4.6	–	4.6
Disposals	(68.6)	–	(68.6)
Right-of-use asset impairments	(93.2)	–	(93.2)
Depreciation charge	(153.2)	(10.5)	(163.7)
Exchange difference	(1.4)	–	(1.4)
As at 30 March 2019	**1,637.8**	**37.6**	**1,675.4**
Additions	**140.3**	**40.4**	**180.7**
Transfers and reclassifications	**0.2**	**(0.2)**	**–**
Disposals	**(18.9)**	**–**	**(18.9)**
Right-of-use asset impairments	**(34.2)**	**–**	**(34.2)**
Depreciation charge	**(155.9)**	**(18.7)**	**(174.6)**
Exchange difference	**1.8**	**0.1**	**1.9**
As at 28 March 2020	**1,571.1**	**59.2**	**1,630.3**

Impairment of property, plant and equipment and right-of-use assets

For impairment testing purposes, the Group has determined that each store is a separate CGU, with the exception of Outlets stores, which are considered together as one CGU. Click & Collect sales are included in the cash flows of the relevant CGU.

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. Stores identified within the Group's UK store estate programme are automatically tested for impairment (see note 5). The UK government trade restrictions implemented on 23 March 2020 as a result of the Covid-19 pandemic are considered an impairment trigger and as a result all stores have been tested for impairment.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure detailed fully in note 5. The forecasts used to calculate the value in use have been updated to take into account the Board-approved Covid-19 scenario. This assumes a significant impact on 2020/21 revenues and profits.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12% to 17% (last year: 9% to 21%). If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairments – UK stores (excluding the UK store estate programme)

During the year, the Group has recognised an impairment charge of £69.3m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: £103.0m (restated)). These stores were impaired to their 'value in use' recoverable amount of £105.5m, which is their carrying value at year end. These impairments have been recognised within adjusting items (see note 5).

For UK stores, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2%. The rate used to discount the forecast cash flows for UK stores is 8.6% (last year: 9.1%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store portfolio.

A reduction in sales of 5% from the three-year plan in years 2 and 3 to reflect a potential recession would result in an increase in the impairment charge of £72.7m and a 20 basis point reduction in gross profit margin throughout the plan period would increase the impairment charge by £2.5m. In combination, a 1% fall in sales and a 10 basis point fall in gross profit margin would increase the impairment charge by £7.1m. Reasonably possible changes of the other key assumptions, including a 50 basis point increase in the discount rate or reducing the long-term growth rate to 0% across all stores, would not result in a significant increase to the impairment charge, either individually or in combination.

Impairments – UK store estate programme

During the year, the Group has recognised an impairment charge of £75.2m and impairment reversals of £51.0m relating to the on-going UK store estate programme (last year: £83.4m (restated)). These stores were impaired to their 'value in use' recoverable amount of £289.0m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 5).

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 8.6% (last year: 9.1%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment models for the UK store estate programme are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store estate programme.

A delay of 12 months in the probable date of each store exit would result in a decrease in the impairment charge of £36.8m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge of £22.9m. Neither a 50 basis point increase in the discount rate, a 20 basis point reduction in management gross margin during the period of trading nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

Impairments – International stores

During the year, the Group has recognised an impairment charge of £9.0m in Ireland and £0.2m in the Czech Republic as a result of store impairment testing (last year: £nil).

For Irish and Czech Republic stores, cash flows beyond the three-year period are extrapolated using a long-term growth rate of 0%. The rate used to discount the forecast cash flows for Irish stores is 14.1% (last year: 10.4%) and for Czech Republic stores is 12.4% (last year: 10.7%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions.

For Irish stores, a reduction in sales of 5% from the three-year plan in years 2 and 3 to reflect a potential recession would result in an increase in the impairment charge of £6.5m. Reasonably possible changes in other key assumptions, including a 20 basis point reduction in gross profit margin throughout the plan period, a 50 basis point increase in the discount rate or a 1% fall in sales combined with a 10 basis point fall in gross profit margin would not result in a significant increase to the impairment charge. Reasonably possible changes in key assumptions for Czech Republic stores do not lead to a significant increase in the impairment charge.

30 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES CONTINUED

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ocado Retail Limited recognised in the consolidated financial statements:

	As at 28 Mar 2020 £m
Ocado Retail Limited	
Net assets	**23.6**
Proportion of the Group's ownership interest	**11.8**
Goodwill	**449.1**
Brand	**255.7**
Customer relationships	**98.9**
Other adjustments to align accounting policies	**(66.4)**
Acquisition costs	**5.7**
Carrying amount of the Group's interest in Ocado Retail Limited	**754.8**

The contingent consideration arrangement requires Ocado Retail Limited to achieve a target level of earnings in the financial year ending in November 2023, for specified capacity levels to be achieved and utilised within a specific customer fulfilment centre (CFC) by November 2023 and to begin providing service to customers from a new CFC. The potential undiscounted amount of all future payments that the Group could be required to pay under the contingent consideration arrangement is up to £187.5m plus 4% interest. The fair value of the contingent consideration arrangement of £202.4m was estimated by applying an appropriate discount rate to the expected future payments which are based on the current five-year plan for Ocado Retail Limited.

In addition, the Group holds immaterial investments in joint ventures totalling £5.6m (last year: £4.0m). The Group's share of losses totalled £0.9m (last year: £0.5m loss).

31 SUBSEQUENT EVENTS

The impact of the Covid-19 pandemic on the Group's operations is discussed within the principal risks and uncertainties on page 34 as well as set out within note 1 and the basis of preparation on page 116 which summarises the Covid-19 scenario modelled by the Group.

Subsequent to the balance sheet date, the Group has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions). No adjustments to the key estimates and judgements that impact the balance sheet as at 28 March 2020 have been identified. Where any material changes in key estimates and judgements have been identified updates have been made to the financial statements as adjusting post balance sheet events.

The following non-adjusting events have occurred since 28 March 2020:

- Use of the UK government's Coronavirus Job Retention Scheme to furlough c.27,000 colleagues across our Clothing & Home business and Support centres, which should generate cash savings of c.£50m up to 30 June 2020.
- On 28 April, the Group announced that formal agreement had been reached with the lending syndicate of banks providing the £1.1bn revolving credit facility to remove or substantially relax the covenant conditions for the tests arising in September 2020, March 2021 and September 2021.
- The Group received confirmation from the Bank of England that it was an eligible issuer under the UK government's Covid Corporate Financing Facility (CCFF) and allocated an issuer limit of £300m.
- In addition, the Group implemented extended payment terms for suppliers in Clothing & Home.

Review of the key financial assumptions relating to the Group's defined benefit pension schemes subsequent to the balance sheet date indicate that fluctuations in obligations fall within the range of sensitivities described in note 11 of the financial statements. The fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions.

Beyond Limits

BT Group plc
Annual Report 2020

Group performance continued

	Outlook provided in July 2019[a]	Result	Performance in line with outlook
Change in adjusted[b] revenue	Down c.2%	down 2.7%	✘
Adjusted[c] EBITDA	£7.9bn - £8.0bn	£7.9bn	✔
Capital expenditure[d] (excluding BDUK clawback)	£3.7bn - £3.9bn	£3.9bn	✔
Normalised free cash flow[e]	£1.9bn - £2.1bn	£2.0bn	✔

[a] Outlook originally provided in May 2019 was updated in July 2019 for the effect of IFRS 16. The range of group adjusted[b] EBITDA was updated from £7.2bn - £7.3bn to £7.9bn - £8.0bn.
[b] Items presented as adjusted are stated before specific items. See page 204 for more information.
[c] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.
[d] Additions to property, plant and equipment and intangible assets in the period.
[e] Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items.

Alternative performance measures
We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the nearest prepared measure in line with IFRS on pages 204 to 206. The alternative performance measures we use may not be directly comparable with similarly-titled measures used by other companies.

IFRS 16
IFRS 16 'Leases' replaced IAS 17 'Leases' with effect from 1 April 2019. We present current year results on the new IFRS 16 basis but prior year comparatives on an IAS 17 basis. For this reason, certain measures may not be directly comparable. EBITDA has increased under IFRS 16 because operating lease expense has been replaced by interest expense and depreciation. See note 1 to the financial statements for further information.

Performance

Overall our results for the year were in line with guidance.

Reported revenue was £22.9bn, down 2% and adjusted[b] revenue was £22.8bn, down 3%. This mainly reflects the impact of regulation, declines in legacy products, strategic reductions of low margin business and divestments. This was partially offset by growth in new products and services and higher rental bases of fibre-enabled products and Ethernet.

Reported profit before tax was £2.4bn, impacted by the higher upfront interest expense associated with IFRS 16 lease liabilities recognised on 1 April 2019.

Adjusted[c] EBITDA of £7.9bn was up 7%. This was mainly driven by the impact of IFRS 16. Excluding this, adjusted[c] EBITDA was down 3%, mainly driven by the fall in revenue, increased business rates, investments in customer experience and increased salary costs in Openreach to support FTTP rollout and better service, partially offset by savings from our ongoing transformation programme.

We have recognised £95m of Covid-19 impacts on various balance sheet items as a specific item. These primarily relate to an increase in our expected credit loss provisions against trade receivables and contract assets, mainly within our enterprise units.

Outlook for 2020/21

Given the uncertainty created by Covid-19 we will not be providing an outlook statement for 2020/21.

Covid-19 will have an impact on our business. The full impact on the group will depend on the duration of this unique crisis and how deeply it impacts the economy, with a range of potential outcomes too large to provide a meaningful quantification at this point.

This fiscal year and beyond we expect the primary trading impact in five areas:

- We are seeing lower revenue from our BT Sport propositions in Consumer, due to the impact of customer credits, pubs and clubs closures, and reduced advertising revenues. We will continue to offer bill credits while there isn't live sport.
- We expect an impact from sharply reduced business activity and rising insolvencies, specifically among the SME segment served by Enterprise and to a lesser extent Global.
- We are seeing an adverse impact on Openreach trading. While we anticipate lower churn, we expect significant reductions in the volume of broadband and Ethernet upgrades and provisioning, due to reduced business activity, including fewer new site builds, and restrictions on provisioning activity under current stay-at-home guidelines.
- Retail trading in Consumer and the volume end of Enterprise is being adversely impacted, with fewer sales and upgrades across fixed and mobile products, partly offset by lower churn. In addition, we are seeing lower mobile roaming volumes.
- We are seeing a reduction in spending and a more cautious approach from our multinational customers resulting in cancellations and delays to purchasing cycles, primarily impacting trading in Global.

Of these, we expect the vast majority of the financial impact will derive from lower revenue from the impacts on our BT Sport propositions, the SME segment and Openreach trading.

We will continue to evaluate the potential impacts as the situation develops further and hope to provide an outlook statement later in the year.

Dividend

To create capacity for BT's value-enhancing investment opportunities, including our strategic intent for an accelerated FTTP build and our extensive transformation and modernisation programme, coupled with the shorter term impact of Covid-19, the Board has decided that it is appropriate to suspend the final dividend for 2019/20 and all dividends for 2020/21. The Board expects to resume dividend payments in 2021/22 at 7.7 pence per share.

The Board expects to continue with a progressive dividend policy from this re-based level for future years. The Board continues to expect to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend. The Board believes that suspending and re-basing the dividend and then maintaining a progressive dividend policy is the right thing to do for the long-term future of BT and that the headroom generated by this decision is prudent given the Covid-19 pandemic, while the investments will create significant additional value for shareholders.

Simon Lowth
Chief Financial Officer
6 May 2020

Group performance continued
Our customer-facing units continued

Global

Adjusted[b] revenue
£4,361m
(8)%

Adjusted[b] operating profit
£155m
+135%

Year ended 31 March	2020 (IFRS 16) £m	2019[a] (IAS 17) £m	Change £m	Change %
Adjusted[b] revenue	**4,361**	4,735	(374)	(8)
Adjusted[b] operating costs	**3,727**	4,291	(564)	(13)
Adjusted[c] EBITDA	**634**	**444**	**190**	**43**
Depreciation & amortisation	**479**	378	101	27
Adjusted[b] operating profit	**155**	**66**	**89**	**135**
Capital expenditure	**223**	245	(22)	(9)
Normalised free cash flow[d]	**255**	235	20	9

Revenue[b] for the year was down 8% reflecting our strategic decisions to reduce low margin business, divestments and legacy portfolio declines, partially offset by growth in Security and a £13m positive impact from foreign exchange movements.

EBITDA[c] was up 43%, primarily reflecting the impact of IFRS 16. Excluding IFRS 16 EBITDA[c] was up 5% as lower revenue was more than offset by a reduction in operating costs[b] reflecting ongoing transformation and certain one-offs.

Depreciation and amortisation and operating profit movements primarily reflect the impact of IFRS 16.

Capital expenditure was down 9% reflecting ongoing rationalisation and our strategy to become an asset light business. Normalised free cash flow[d] improved by £20m to an inflow of £255m, reflecting higher EBITDA[c] and lower capital expenditure offset by adverse working capital.

Order intake was £4.3bn, up 32% benefiting from a number of large renewals but also reflecting increased new business wins. We expect a slow down in order intake during 2020/21 due to a reduction in expected renewals, combined with the impact of Covid-19 on growth opportunities.

Covid-19 has not materially impacted our 2019/20 trading results, although additional loss provisions of around £35m were taken against trade receivables and contracts at 31 March 2020 primarily in relation to SME and regional enterprise customers where the insolvency risk is expected to be more pronounced. These provisions were recognised through specific items and are therefore not reflected in the above results which are on an adjusted basis.

Looking forward, we are seeing a reduction in spending and a more cautious approach from our multinational customers resulting in cancellations and delays to purchasing cycles impacting trading.

Openreach

Adjusted[b] revenue
£5,112m
+1%

Adjusted[b] operating profit
£1,146m
(15)%

Year ended 31 March	2020 (IFRS 16) £m	2019[a] (IAS 17) £m	Change £m	Change %
Adjusted[b] revenue	**5,112**	5,075	37	1
Adjusted[b] operating costs	**2,254**	2,331	(77)	(3)
Adjusted[c] EBITDA	**2,858**	**2,744**	**114**	**4**
Depreciation & amortisation	**1,712**	1,398	314	22
Adjusted[b] operating profit	**1,146**	**1,346**	**(200)**	**(15)**
Capital expenditure	**2,108**	2,081	27	1
Normalised free cash flow[d]	**670**	1,006	(336)	(33)

Revenue[b] growth was driven by higher rental bases in fibre-enabled products (driven by commercial offers), up 20%, and Ethernet, up 11%. This was partially offset by price reductions (both the impact of Openreach's commercial offer of fibre volume discounts, and regulated price reductions), and higher service level guarantee payments due to implementation of auto-compensation.

Operating costs[b] were down 3% driven by the impact of IFRS 16. Excluding this, operating costs[b] were up 5% primarily driven by higher business rates and higher salary costs as Openreach invested in more colleagues to support FTTP rollout and better service, and pay inflation. These drivers were partly offset by efficiency savings and certain one-off items. Excluding the impact of IFRS 16, EBITDA[c] was down 3% reflecting the above.

Depreciation and amortisation and operating profit movements primarily reflect the impact of IFRS 16.

Capital expenditure was up 1%, however excluding BDUK gainshare, it was up £223m, or 12%, driven by investments in the network (predominantly fibre enabled infrastructure) partially offset by efficiency savings. Normalised free cash flow[d] was down 33% due to higher cash capital expenditure and costs, and timing of working capital.

Looking forward, Openreach is seeing an adverse impact on trading as a result of Covid-19. While Openreach anticipate lower churn, significant reductions in the volume of broadband and ethernet upgrades and provisioning are expected, due to reduced business activity, including fewer new site builds, and restrictions on provisioning activity under current stay-at-home guidelines. Openreach is prioritising service and maintenance to support vulnerable customers.

[a] All prior year comparatives have been restated for the change in the allocation of group overhead costs and the transfer of the Emergency Services Network contract from Consumer to Enterprise. For more information please see note 1 to the financial statements on page 129.
[b] Adjusted measures exclude specific items, as explained in the Additional information on page 204.
[c] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense), as explained in the Additional information on page 204.
[d] Free cash flow after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items as explained in the Additional information on page 206.

Our principal risks and uncertainties

Covid-19 pandemic

Movement NEW

- Covid-19 is impacting our colleagues, operations, suppliers and customers, with the extent dependent on factors including, but not limited to, length of UK and international lockdowns, levels of employee absence, virus recurrence, insolvency rates, unemployment levels, nature and extent of any government interventions, severity of economic effects and the speed and nature of the recovery.

Link to business model

F P C N B R I S

Link to strategy

1 2 3

Link to KPIs

1 2 3 5 6 7 8 11

How this could impact our strategy or business model

- Adverse impacts on sales activity and demand, including reduced roaming and continued suspension of sport; impacts are likely to be partially offset by reduced churn and increasing use of connectivity products.
- Disruption to our ability to deliver products and services to customers in the event of supply shortages and/or widespread loss of key employee resource, with adverse impacts on customer volumes and experience.
- Prolonged economic downturn could materially increase our pension deficit and associated contributions.
- Material bad debts if a significant number of our SME and large corporate customers experience financial distress or insolvency.
- Adverse impacts on our cash position and ability to fund investment projects and ongoing operations.

Examples of how we manage this risk

- An *Executive Committee* Command group meet regularly to identify emerging exposures and review our ability to manage them, defining and agreeing actions as required. The group is supported by an operational working group, and equivalent command groups in each customer-facing and corporate unit.
- Introduction of various measures to protect the health and safety of our colleagues, ensuring continuity of critical services, and our customers; measures are continually evaluated and adjusted to reflect World Health Organisation, Public Health England, European Centre for Disease Prevention and Control and UK Government guidelines.
- Response planning to manage any prolonged unavailability of key resources in our network and field engineering teams, maintaining existing network resilience levels.
- Close dialogue with our critical suppliers, with sufficient inventories held to deal with anticipated scenarios.
- Provision of flexible arrangements to vulnerable households and businesses that are at risk of harm and/or financial distress to ensure they remain connected.

Focus areas for 2020/21

- Continued modelling of Covid-19 scenarios to identify and evaluate financial impacts, with an assessment of potential liquidity mitigation options.
- Conduct risk assessments for each customer-facing unit to identify potential strategic, operational, regulatory and colleague related exposures.
- Define 2020/21 assurance activities.
- Review our Covid-19 response for 'lessons learned', implementing identified opportunities to strengthen our crisis management capability.

Notes to the consolidated financial statements continued

2. Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying our accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. Management has discussed its critical accounting estimates and associated disclosures with the *Audit and Risk Committee*. The areas involving a higher degree of judgement or complexity are described in the applicable notes to the financial statements. Critical accounting estimates and key judgements can be identified throughout the notes by the following symbol .

We have the following critical accounting estimates (E) and key judgements (J):
- Current and deferred income tax, see note 10 (E, J).
- Goodwill impairment, see note 13 (E, J).
- Government grants relating to Building Digital UK (BDUK) contracts, see note 14 (J).
- Reasonable certainty and determination of lease terms, see note 15 (J).
- Provisions and contingent liabilities, see note 19 (E, J).
- Pension obligations, see note 20 (E, J).

Judgements made in assessing the impact of Covid-19 on the financial statements

We have exercised judgement in evaluating the impact of Covid-19 on the financial statements. A number of areas have been recognised as being potentially affected. These are identified throughout the notes by the following symbol .
- The impact on our contract loss provisions, see notes 5, 19 & 31.
- Impairment of contract assets, see note 5.
- One-off charges arising from Covid-19 meeting the criteria for classification as specific items, see note 9.
- Impact on future cash flows included within our value in use calculations used in impairment assessments, see note 13.
- Impact on reasonable certainty used in determining the lease term, see note 15.
- Retirement benefit plans, see note 20.
- Programme rights assets and commitments affected by postponement or cancellation of events, see notes 16 & 31.
- Assumptions within our expected credit losses on trade receivables, see note 17.
- Impact on hedge effectiveness for any cash flow hedges if cash flows are no longer 'highly probable', see note 28.
- Contingent liabilities, see note 31.

3. Significant accounting policies that apply to the overall financial statements

The significant accounting policies applied in the preparation of our consolidated financial statements are set out below. Other significant accounting policies applicable to a particular area are disclosed in the most relevant note. We have applied all policies consistently to all the years presented, unless otherwise stated.

Basis of consolidation

The group financial statements consolidate the financial statements of BT Group plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting. The group recognises its direct rights to (and its share of) jointly held assets, liabilities, revenues and expenses of joint operations under the appropriate headings in the consolidated financial statements.

All business combinations are accounted for using the acquisition method regardless of whether equity instruments or other assets are acquired. No material acquisitions were made in the year.

A subsidiary is an entity that is controlled by another entity, known as the parent or investor. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and non-controlling share of changes in equity since the date of the combination, are not material to the group's financial statements.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated in full on consolidation.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The profit or loss on disposal is recognised as a specific item.

Inventories

Network maintenance equipment and equipment to be sold to customers are stated at the lower of cost or net realisable value, taking into account expected revenue from the sale of packages comprising a mobile handset and a subscription. Cost corresponds to purchase or production cost determined by either the first in first out (FIFO) or average cost method.

Government grants

Government grants are recognised when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received.

Grants for the purchase or production of property, plant and equipment are deducted from the cost of the related assets and reduce future depreciation expense accordingly. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of the BDUK programme and other rural superfast broadband contracts are described in note 14.

Notes to the consolidated financial statements continued

5. Revenue continued

Contract assets and liabilities

Significant accounting policies that apply to contract assets and liabilities

We recognise contract assets for goods and services for which control has transferred to the customer before consideration is due. These assets mainly relate to mobile handsets provided upfront but paid for over the course of a contract. Contract assets are reclassified as receivables when the right to payment becomes unconditional and we have billed the customer.

Contract liabilities are recognised when we have received advance payment for goods and services that we have not transferred to the customer. These primarily relate to fees received for connection and installation services that are not distinct performance obligations.

Where the initial set-up, transition or transformation phase of a long-term contract is considered to be a distinct performance obligation we recognise a contract asset for any work performed but not billed. Conversely a contract liability is recognised where these activities are not distinct performance obligations and we receive upfront consideration. In this case eligible costs associated with delivering these services are capitalised as fulfilment costs, see note 17.

We provide for expected lifetime losses on contract assets following the policy set out in note 17.

Contract assets and liabilities recognised are as follows:

Year ended 31 March	2020 £m	2019 £m
Contract assets		
Current	1,442	1,353
Non-current	279	249
	1,721	**1,602**
Contract liabilities		
Current[a]	972	1,225
Non-current[a]	179	200
	1,151	**1,425**

[a] Contract liabilities recognised at 31 March 2019 include balances relating to Openreach, the majority of which are now presented as trade and other payables following adoption of IFRS 16 on 1 April 2019, see note 1.

£1,094m of the contract liability recognised at 31 March 2019 was recognised as revenue during the year (2018/19: £1,216m). Impairment losses of £59m were recognised on contract assets during the year (2018/19: £36m).

These impairment losses included £21m of impairments to contract assets recognised at 31 March 2020 reflecting increased expected credit losses above our standard provisioning policies as a result of Covid-19. This increase above our standard contract loss provisioning policies was recorded as a specific item (note 9).

9. Specific items

Significant accounting policies that apply to specific items

We separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence (termed 'specific items'). Specific items are used to derive the adjusted results as presented in the consolidated income statement presented on page 124. Adjusted results are consistent with the way that financial performance is measured by management and assist in providing an additional analysis of the reporting of the trading results of the group. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include acquisitions/disposals of businesses and investments, retrospective regulatory matters, historical insurance or litigation claims, business restructuring programmes, asset impairment charges, property rationalisation programmes, net interest on pensions and the settlement of multiple tax years.

In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. We have also included the impacts of Covid-19 on various balance sheet items as at 31 March 2020 as specific. The impact of Covid-19 on underlying trading is recognised in our underlying (adjusted) results and not as a specific item.

Year ended 31 March	**2020 £m**	2019 £m	2018 £m
Revenue			
Retrospective regulatory matters	(81)	31	23
	(81)	**31**	**23**
Operating costs			
Restructuring charges	322	386	287
Divestment-related items	199	5	(1)
Covid-19	95	–	–
Property rationalisation	(131)	36	28
Spectrum annual licence fee refund	(82)	–	–
Retrospective regulatory matters	9	(4)	26
Italian business investigation	2	(55)	22
Provision for claims	(5)	–	–
Pension equalisation costs	–	26	–
EE acquisition warranty claims	–	–	225
	409	**394**	**587**
Operating loss	**328**	**425**	**610**
Net finance expense			
Interest expense on retirement benefit obligation	145	139	218
Interest on spectrum annual license fee refund	(5)	–	–
	140	**139**	**218**
Associates and joint ventures	39	–	–
Net specific items charge before tax	**507**	**564**	**828**
Taxation			
Tax credit on specific items above	(73)	(112)	(87)
Tax charge on re-measurement of deferred tax	156	–	–
	83	**(112)**	**(87)**
Net specific items charge after tax	**590**	**452**	**741**

Notes to the consolidated financial statements continued

9. Specific items continued

Restructuring charges
During the year we incurred charges of £322m (2018/19: £386m, 2017/18: £287m), primarily relating to leaver costs. These costs reflect projects within our group-wide cost transformation programme. Of this £8m (2018/19: £29m; 2017/18: £46m) relates to the completion of our EE integration activities and £22m (2018/9: £23m; 2017/2018: nil) costs to close the BT Pension Scheme and provide transition payments to affected employees.

Divestment-related items
During the year we entered into agreements to sell our domestic operations in France, our domestic operations in Spain and selected domestic operations and infrastructure in 16 countries in Latin America. These divestments are expected to complete in financial year 2020/21. We have classified the assets and liabilities of these operations as held for sale at the lower of their carrying amount and fair value less costs to sell, which has resulted in an impairment charge of £127m relating to the France and Latin America divestments. See note 23.

In addition we have recognised losses on disposal of £36m (2018/19: £5m) relating to the completed divestments of BT Fleet Solutions and Tikit, and £36m of costs relating to ongoing divestment projects.

Covid-19
During the year we recognised one-off charges of £95m relating to the impact of Covid-19 on various balance sheet items as at 31 March 2020. This comprises an £88m increase in our expected credit loss provisions for receivables due from customers and contract assets, and £7m contract loss provisions in respect of revenue contracts that are expected to become loss-making as a result of Covid-19 impacts.

Should we recover the amounts owed, for which we have provided, this recovery would be reversed back through the income statement as a specific item.

Property rationalisation costs
We have recognised a net credit of £(131)m (2018/19: charge £36m, 2017/18: charge £28m) relating to the rationalisation of the group's property portfolio under our Better Workplace Programme including the gain on sale of BT Centre of £115m.

Spectrum annual licence fee refund
In May 2019 we received a payment of £87m from Ofcom, relating to overpaid fees that were charged during the period 2015-2017 under the previous 2015 fees regulation that was quashed by the Court of Appeal in 2017. Ofcom obtained permission to appeal the judgment to the Court of Appeal and in February 2020 the Court of Appeal ruled in our favour. Ofcom have informed us that they are not planning to pursue an appeal to the Supreme Court and we have therefore released our £87m provision and recognised this in the income statement as a specific item including interest on the refund of £5m.

Retrospective regulatory matters
We have recognised a net credit of £(72)m (2018/19: charge £27m, 2017/18: charge £49m) in relation to regulatory matters. This reflects the settlement of various matters. Of this, £(81)m credit is recognised in revenue and £9m charge in operating costs.

Italian business investigation
During the year we recognised £2m costs relating to the historical investigation in our Italian business (2018/19: a credit of £(55)m, 2017/18: a charge of £22m).

Provision for claims
We have recognised a credit of £5m (2018/19: £nil) in relation to release of provisions for claims created through specific items in 2012/13 which have now been fully settled.

Pension equalisation costs
During 2018/19 we recognised a charge of £26m in relation to the high court requirement to equalise pension benefits between men and women due to guaranteed minimum pension (GMP).

EE acquisition warranty claims
In 2017/18 we reached settlements with Deutsche Telekom and Orange in respect of any warranty claims under the 2015 EE acquisition agreement, arising from the issues previously announced regarding our operations in Italy. This represents a full and final settlement of these issues and resulted in a specific item charge of £225m.

Interest expense on retirement benefit obligation
During the year we incurred £145m (2018/19: £139m, 2017/18: £218m) of interest costs in relation to our defined benefit pension obligations. See note 20 for more details.

Associates and joint ventures
Following renegotiation of a contract, an amount of £39m (2018/19: £nil, 2017/18: £nil) owed by an associate has been determined irrecoverable. The resulting impairment has been recognised as a specific item.

Tax on specific items
A net tax charge of £83m (2018/19: credit of £112m, 2017/18: credit of £87m) was recognised in relation to specific items. During the period, legislation was enacted to maintain the UK corporation tax rate at 19% (see note 10). Accordingly the group has re-measured its deferred tax balances which has resulted in a charge of £156m.

13. Intangible assets

Significant accounting policies that apply to intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the group, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill, over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight line method is used.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets (including intangible assets) of the acquired business. Our goodwill impairment policy is set out later in this note.

Acquired intangible assets – customer relationships and brands
Intangible assets such as customer relationships or brands acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. Assumptions are used in estimating the fair values of these relationships or brands and include management's estimates of revenue and profits to be generated by them.

Telecommunications licences
Licence fees paid to governments, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period or where our usage can extend beyond the initial licence period, over the period we expect to benefit from the use of the licences, which is typically 20 years. Licences acquired through business combinations are recorded at fair value at the date of acquisition and subsequently carried at amortised cost. The fair value is based on management's assumption of future cash flows using market expectations at acquisition date.

Computer software
Computer software comprises computer software licences purchased from third parties, and also the cost of internally developed software. Computer software licences purchased from third parties are initially recorded at cost. We only capitalise costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is capitalised as an intangible asset on the balance sheet. Costs which do not meet these criteria and research costs are expensed as incurred.

Our development costs which give rise to internally developed software include upgrading the network architecture or functionality and developing service platforms aimed at offering new services to our customers.

Other
Other intangible assets include website development costs and other licences. Items are capitalised at cost and amortised on a straight line basis over their useful economic life or the term of the contract.

Estimated useful economic lives
The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

– Computer software	2 to 10 years
– Telecommunications licences	2 to 20 years
– Customer relationships and brands	1 to 15 years

Impairment of intangible assets
Intangible assets with finite useful lives are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant cash generating unit and the fair value less costs to dispose.

Goodwill is reviewed for impairment at least annually as described below. Impairment losses are recognised in the income statement, as a specific item. If a cash generating unit is impaired, impairment losses are allocated firstly against goodwill, and secondly on a pro-rata basis against intangible and other assets.

Notes to the consolidated financial statements continued

13. Intangible assets continued

	Goodwill £m	Customer relationships and brands £m	Telecoms licences and other £m	Internally developed software[a] £m	Purchased software £m	Total £m
Cost						
At 1 April 2018	7,945	3,410	2,951	4,822	1,574	20,702
Additions	–	–	304	520	160	984
Disposals and adjustments[b]	(2)	–	(3)	(945)	(141)	(1,091)
Transfers	–	–	4	120	(80)	44
Exchange differences	63	7	(4)	1	(8)	59
At 31 March 2019	**8,006**	**3,417**	**3,252**	**4,518**	**1,505**	**20,698**
Reclassification of assets held under finance leases[c]	–	–	(185)	–	–	(185)
At 1 April 2019	**8,006**	**3,417**	**3,067**	**4,518**	**1,505**	**20,513**
Additions	–	–	–	598	192	790
Disposals and adjustments[b]	(30)	(28)	(34)	(765)	(541)	(1,398)
Transfers	–	–	(2)	14	(3)	9
Exchange differences	52	8	1	2	10	73
Transfer to assets held for sale[d]	(83)	–	–	(13)	(45)	(141)
At 31 March 2020	**7,945**	**3,397**	**3,032**	**4,354**	**1,118**	**19,846**
Accumulated amortisation						
At 1 April 2018	–	1,191	421	3,680	963	6,255
Charge for the year	–	377	142	525	110	1,154
Disposals and adjustments[b]	–	–	(3)	(941)	(147)	(1,091)
Transfers	–	–	3	(43)	43	3
Exchange differences	–	3	(3)	–	(8)	(8)
At 31 March 2019	**–**	**1,571**	**560**	**3,221**	**961**	**6,313**
Reclassification of assets held under finance leases[c]	–	–	(115)	–	–	(115)
At 1 April 2019	**–**	**1,571**	**445**	**3,221**	**961**	**6,198**
Charge for the year	–	373	177	538	85	1,173
Disposals and adjustments[b]	–	(22)	(49)	(786)	(529)	(1,386)
Transfers	–	–	–	(15)	15	–
Exchange differences	–	8	1	1	9	19
Transfer to assets held for sale[d]	–	–	–	(8)	(39)	(47)
At 31 March 2020	**–**	**1,930**	**574**	**2,951**	**502**	**5,957**
Carrying amount						
At 31 March 2020	**7,945**	**1,467**	**2,458**	**1,403**	**616**	**13,889**
At 31 March 2019	8,006	1,846	2,692	1,297	544	14,385

a Includes a carrying amount of £538m (2018/19: £668m) in respect of assets in course of construction, which are not yet amortised.
b Fully depreciated assets in the group's fixed asset registers were reviewed during the year, as part of the group's annual asset verification exercise, and certain assets that were no longer in use have been written off, reducing cost and accumulated depreciation by £1.1bn (2018/19: £1.0bn).
c On adoption of IFRS 16 on 1 April 2019, assets held under finance leases were reclassified as right-of-use assets. See note 1.
d Assets transferred to held for sale during 2019/20 relate to our domestic operations in France, our domestic operations in Spain and selected domestic operations and infrastructure in 16 countries in Latin America. On reclassification to held for sale, goodwill associated with the France and Latin America disposals was impaired by £58m, and other intangible assets associated with these disposals were impaired by £1m. See note 23.

Impairment of goodwill

Significant accounting policies that apply to impairment of goodwill

We perform an annual goodwill impairment review.

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash generating unit (CGU) level. These CGUs represent the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. Our CGUs are deemed to be legacy BT Consumer, legacy EE, Enterprise, and Global.

We allocate goodwill to each of the Cash Generating Units (CGUs) that we expect to benefit from the business combination. Each CGU to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

The value in use of each CGU is determined using cash flow projections derived from financial plans approved by the Board covering a five-year period. They reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the fifth year have been extrapolated using perpetuity growth rates.

13. Intangible assets continued

Critical accounting estimates and key judgements made in reviewing goodwill for impairment

Determining our CGUs
The determination of our CGUs is judgemental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. This involves consideration of how our core assets are operated and whether these generate independent revenue streams. The legacy BT Consumer and EE CGUs remain as two separate CGUs due to their having independent cash flows.

Estimating value in use
Our value in use calculations require estimates in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows, and the discount rate for each CGU. Future cash flows used in the value in use calculations are based on our latest Board-approved five-year financial plans which reflect the anticipated impact of Covid-19. Expectations about future growth reflect the expectations of growth in the markets to which the CGU relates. The future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money. The discount rate used in each CGU is adjusted for the risk specific to the asset, including the countries in which cash flow will be generated, for which the future cash flow estimates have not been adjusted.

We tested our goodwill for impairment as at 31 March 2020. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed below.

Cost	Legacy BT Consumer £m	Legacy EE £m	Enterprise £m	Business and Public Sector £m	Wholesale and Ventures £m	Global £m	Total £m
At 1 April 2018	1,183	2,768	–	2,562	942	490	7,945
Transfer	–	–	3,504	(2,562)	(942)	–	–
Exchange differences	–	–	5	–	–	58	63
Acquisitions and disposals	–	–	–	–	–	(2)	(2)
At 31 March 2019	**1,183**	**2,768**	**3,509**	**–**	**–**	**546**	**8,006**
Exchange differences	–	–	4	–	–	48	52
Acquisitions and disposals	–	–	(30)	–	–	–	(30)
Transfer to assets held for sale	–	–	–	–	–	(83)	(83)
At 31 March 2020	**1,183**	**2,768**	**3,483**	**–**	**–**	**511**	**7,945**

In connection with disposals of BT Fleet Ltd and Tikit Ltd, £30m of goodwill in the Enterprise CGU has been eliminated. As discussed in note 23, we have recorded the net assets of certain Global businesses as held for sale. As a result, goodwill impairment charges of £58m in respect of France and Latin America have been recorded, and £25m of goodwill related to Spain has been reclassified. There are no reasonably possible changes to our assumptions that would result in the carrying value exceeding the value in use.

What discount rate have we used?
The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group's weighted average cost of capital are benchmarked to externally available data. The pre-tax discount rate used in performing the value in use calculation in 2019/20 was 8.0% (2018/19: 8.2%). We've used the same discount rate for all CGUs except Global where we have used 8.6% (2018/19: 8.7%) reflecting higher risk in some of the countries in which Global operates.

What growth rates have we used?
The perpetuity growth rates are determined based on the forecast market growth rates of the regions in which the CGU operates, and they reflect an assessment of the long-term growth prospects of that market. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the expected long-term average growth rates for those markets or sectors. We used a perpetuity growth rate of 2.4% (2018/19: 2.4%) for Global and 2.0% (2018/19: 2.0%) for Enterprise and our legacy BT Consumer and EE CGUs.

Has Covid-19 had a material impact on the impairment assessment?
Covid-19 is not considered to have a significant impact on the assessment of impairment. Its impact on the group is considered to be short-term, and it is not anticipated to have a significant impact on the terminal year which is a key driver of our value in use calculations.

Notes to the consolidated financial statements continued

14. Property, plant and equipment

Significant accounting policies that apply to property, plant and equipment

Our property, plant and equipment is included at historical cost, net of accumulated depreciation, government grants and any impairment charges. Property, plant and equipment acquired through business combinations are initially recorded at fair value and subsequently accounted for on the same basis as our existing assets. We derecognise items of property, plant and equipment on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The difference between the sale proceeds and the net book value at the date of disposal is recognised in operating costs in the income statement.

Included within the cost of network infrastructure and equipment are direct and indirect labour costs, materials and directly attributable overheads.

We depreciate property, plant and equipment on a straight line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

Estimated useful economic lives

The estimated useful lives assigned to principal categories of assets are as follows:

Land and buildings	
– Freehold buildings	14 to 50 years
– Short-term leasehold improvements	Shorter of 10 years or lease term
– Leasehold land and buildings	Unexpired portion of lease or 40 years, whichever is the shorter
Network infrastructure	
Transmission equipment	
– Duct	40 years
– Cable	3 to 25 years
– Fibre	5 to 20 years
Exchange equipment	2 to 13 years
Other network equipment	2 to 20 years
Other assets	
– Motor vehicles	2 to 9 years
– Computers and office equipment	3 to 7 years

Residual values and useful lives are reassessed annually and, if necessary, changes are recognised prospectively.

Network share assets

Certain assets have been contributed to a network share arrangement by both EE and Hutchison 3G UK Limited, with legal title remaining with the contributor. This is considered to be a reciprocal arrangement. Our share of the assets on acquisition of EE were recognised at fair value within tangible assets, and depreciated in line with policy. Subsequent additions are recorded at cost.

Impairment of property, plant and equipment

We test property, plant and equipment for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, we assess the recoverable amount by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less costs to dispose. If it is not possible to determine the recoverable amount for the individual asset then we assess impairment by reference to the relevant cash generating unit as described in note 13.

Key judgements made in accounting for our BDUK contracts

We receive government grants in relation to the Building Digital UK (BDUK) programme and other rural superfast broadband contracts. Where we have achieved certain service levels, or delivered the network more efficiently than anticipated, we have an obligation to either re-invest or repay grant funding. Where this is the case, we assess and defer the income with a corresponding increase in capital expenditure.

Assessing the timing of whether and when we change the estimated take-up assumption is judgemental as it involves considering information which is not always observable. Our consideration on whether and when to change the base case assumption is dependent on our expectation of the long-term take-up trend.

Our assessment of how much grant income to defer includes consideration of the difference between the take-up percentage agreed with the local authority and the likelihood of actual take-up. The value of the government grants deferred is disclosed in note 18.

16. Programme rights

Significant accounting policies that apply to programme rights

Programme rights are recognised on the balance sheet from the point at which the legally enforceable licence period begins. They are initially recognised at cost and are amortised from the point at which they are available for use, on a straight line basis over the programming period, or the remaining licence term, as appropriate, which is generally 12 months. Programme rights are tested for impairment in accordance with our impairment policy as set out in note 13.

Additions reflect TV programme rights for which the legally enforceable licence period has started during the year. Rights for which the licence period has not started are disclosed as contractual commitments in note 31. Payments made to receive commissioned or acquired programming in advance of the legal right to broadcast the programmes are classified as prepayments (see note 17).

	Total £m
At 1 April 2018	272
Additions	879
Amortisation	(841)
At 1 April 2019	**310**
Additions	870
Amortisation	(870)
At 31 March 2020	**310**

£310m of programme rights recognised on the balance sheet at 31 March 2020 relate to sporting events postponed as a result of Covid-19. These are not considered to be impaired at the balance sheet date as sporting governing bodies, for example the Premier League and UEFA, are still determining how, or if, to complete the current season. Whether and how the seasons are completed could have an impact on whether there is any impairment. The majority of programme rights assets affected by Covid-19 relate to domestic and European football leagues which are amortised over 12 months from August and which will be fully amortised by July 2020. If any impairment is recognised in future periods we would also seek compensation in respect of rights which have not been fulfilled. Until this is established any potential recoveries would represent contingent assets and would not meet the criteria for recognition until this is virtually certain.

Covid-19 is not anticipated to have an impact on commissioned or acquired programming for which we have made an advance payment. At 31 March 2020 these total £110m and are classified as prepayments within trade and other receivables (note 17).

17. Trade and other receivables

Significant accounting policies that apply to trade and other receivables

We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions, this includes the impact of Covid-19. Allowances are calculated by individual customer-facing units in order to reflect the specific nature of the customers relevant to that customer-facing unit.

Following the outbreak of Covid-19 we have reassessed our expected loss provisions including assessing the risk factors associated with various industry sectors and applying a risk weighting to each sector.

Contingent assets such as any insurance recoveries, or prepaid programme rights which we expect to recoup, have not been recognised in the financial statements as these are only recognised within trade and other receivables when their receipt is virtually certain.

20. Retirement benefit plans continued

How is the BTPS governed and managed?
BT Pension Scheme Trustees Limited (the Trustee) has been appointed by BT as an independent trustee to administer and manage the BTPS on behalf of the members in accordance with the terms of the BTPS Trust Deed and Rules and relevant legislation (principally the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004).

Under the terms of the Trust Deed there are nine Trustee directors, all of whom are appointed by BT, as illustrated below. Trustee directors are usually appointed for a three-year term but are then eligible for re-appointment.

Chairman of the Trustees
Appointed by BT after consultation with, and with the agreement of, the relevant trade unions.

Member nominated Trustees
Appointed by BT based on nominations by trade unions.

Employer nominated Trustees
Appointed by BT. Two normally hold senior positions within the group and two normally hold (or have held) senior positions in commerce or industry.

BTPS assets

Critical accounting judgements and key estimates made when valuing our pension assets

Under IAS19, plan assets must be valued at the bid market value at the balance sheet date. Our pension assets include quoted and unquoted investments. A portion of unquoted investments are valued based on inputs that are not directly observable, which require more judgement. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

Valuation of main quoted investments
- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds that are regularly traded are valued using broker quotes.
- Exchange traded derivative contracts are valued based on closing bid prices.

Valuation of main unquoted investments (prior to estimated adjustments)
- Equities are valued using the IPEVC guidelines where the most significant assumptions are the discount rate and earnings assumptions.
- Property investments are valued on the basis of open market value by an independent valuer. The significant assumptions used in the valuation are rental yields and occupancy rates. In light of the negative impact of the Covid-19 pandemic on financial markets, the independent valuers included material uncertainty clauses in respect of £2bn of the UK Property asset valuations. The directors still consider these valuations to be the best estimate of the valuation of the Property investments, but there is a higher degree of uncertainty compared to previous years.
- Bonds that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Over the counter derivatives are valued by an independent valuer using cashflows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- Holdings in investment funds are valued at fair value which is typically the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach. The significant assumptions used in the valuation are the discount rate and the expected cash flows.
- The value of the longevity insurance contract held by the BTPS is measured by discounting the projected cash flows payable under the contract (projected by an actuary, consistent with the terms of the contract). The significant assumptions used to value the asset are the discount rate and the mortality assumptions.

Estimated adjustments to the valuation of main unquoted investments
Under IAS 19, around £6bn of these unquoted assets have been initially measured using the most recent valuations, adjusted for cash movements between the last valuation date and 31 March 2020. As the latest valuations for these assets precede the negative impact of the Covid-19 pandemic on financial markets, we have applied an estimated adjustment by reference to either market indices or estimated 31 March 2020 valuations provided by the portfolio investment manager.

BT Beyond Limits Brand Launch, London, Wembley Arena. October 2019. BT launched its new brand ambition – Beyond Limits – with an epic World Record-breaking indoor drone show coded by school children from St Joseph's School, Islington.

BT Group plc
Registered office: 81 Newgate Street, London EC1A 7AJ
Registered in England and Wales No. 4190816
Produced by BT Group

PHME 85847
Printed in England by Pindar Scarborough Ltd
Design by emperor.works
Typeset by Donnelley Financial Solutions
Printed on Revive 50 Silk which is made from 50% de-inked, post-consumer waste and 50% virgin fibre

bt.com

MIX
Paper from responsible sources
FSC® C011127

Please recycle

By Appointment to
Her Majesty The Queen
Suppliers of Communications, Broadband and Networked Services
BT
London

Trócaire (Northern Ireland)
(a company limited by guarantee)

Annual Report and Financial Statements
for the financial year ended
29 February 2020

COMPANY NUMBER:	NI021482
HMRC NUMBER:	XR10431
NI CHARITY COMMISSION NUMBER:	NIC103321

CONTENTS

Counter Modern Slavery and Trafficking in Persons

Trócaire (Northern Ireland) welcomes The UK Modern Slavery Act 2015 (as well as donor requirements) and the duty it places on organisations, including Trócaire (Northern Ireland), to disclose publicly the steps they are taking to prevent modern slavery in their own organisations and in their supply chains.
Trócaire (Northern Ireland) considers that modern slavery and trafficking in persons both abuses and exploits an individual and will therefore not tolerate this within any of our programmes or activities or by any person representing Trócaire (Northern Ireland), including partner organisations whether within or external to our programmes and activities. Trócaire (Northern Ireland) recognises there is more work to be done. We are committed to continuing to review, monitor and evaluate our policies, procedures, agreements and training to ensure modern slavery and trafficking in persons does not occur in Trócaire (Northern Ireland)'s work.

RISK MANAGEMENT AND INTERNAL CONTROL

Trócaire (Northern Ireland) has established a comprehensive risk management process which ensures that the organisation is not exposed to preventable, unacceptable risk. This risk management process is an integral part of the company's organisational governance system.

The risk oversight process begins with the Directors as they are primarily responsible for risk management within Trócaire (Northern Ireland). They are aware of the major risks to which the charity is exposed and are satisfied that systems are in place to mitigate exposure to the major risks. The risk management process explicitly takes account of uncertainty, the nature of that uncertainty and how it can be addressed. Risk management is systematic, structured and timely. The risk management framework involves risk identification, analysis, control, review and reporting.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing Trócaire (Northern Ireland) are as follows:

Covid-19: The risk an unprecedented global pandemic causes major disruption to our employees and operations impacting business continuity, going concern, strategy, staff well-being, public income, donor income, cashflow and all front-line activities.

The annual Lent Campaign is the largest source of unrestricted income in Trócaire (Northern Ireland) and was disrupted in March and April 2020 due to the rising severity of Covid-19 and the implementation of restrictions on business and operations. A Crisis Management Team (CMT) has been activated to manage, monitor and mitigate the risks posed. Throughout March, April and May 2020 the CMT met daily to review this risk. Business continuity planning has been put in place, with an outline business continuity plan developed and activated for Trócaire (Northern Ireland). Strong measures were taken to protect staff from the risk of Covid-19 infection. Staff worked remotely for a number of months in line with government guidelines. After government restrictions were relaxed staff were only returned to the office in cases where it was not possible to continue working from home and a strict return to work process was put in place. Staff mental health and well-being is a key priority area for Trócaire (Northern Ireland) and mitigations are being put in place to support staff as they face increased uncertainty and change both at home and work as a result of the impact of Covid-19.

Financial stability: The risk that Trócaire (Northern Ireland) is unable to secure the funds and income required to fund the organisation's work in a sustainable way.

The principal financial challenges facing Trócaire (Northern Ireland) are in the areas of public fundraising and institutional funding. Trócaire (Northern Ireland) is entirely dependent on the goodwill of the public and on governments and co-funders. The fundraising environment remains very challenging and this is expected to increase following the economic impact of Covid-19. Trócaire (Northern Ireland) is also considering the negative impact of Brexit on public income with the economic impact of Brexit yet to be fully understood. Trócaire (Northern Ireland) has developed an Ireland Strategy alongside our colleagues in HQ which outlines the key areas and key performance indicators to drive income, engagement and awareness over the coming years. Investments are also being made in fundraising to grow more sustainable income sources. Trócaire (Northern Ireland) works within the organisation institutional funding strategy and seeks to continue to identify and apply for new sources of funding. As the funding landscape continues to change and evolve, Trócaire (Northern Ireland) engages with funders, key membership organisations and funding advisory groups to stay informed and up to date on funding opportunities. In order to continue to effectively manage financial stability, Trócaire (Northern Ireland) works continually to reduce costs to ensure that it gets the best value for money in all its expenditure. Voluntary redundancies were agreed during the year to strengthen the financial stability of Trócaire (Northern Ireland). Trócaire (Northern Ireland) is also continually reviewing and assessing its investment strategy to reduce its exposure to fluctuations and risk in financial markets. In addressing the risk of fraud, Trócaire (Northern Ireland) has developed financial management and reporting systems to help mitigate this risk, which are reviewed on a regular basis.

Governance and management: The risk that the organisation doesn't have sufficient measures in place to ensure good governance and management oversight.

Trócaire (Northern Ireland) has appropriate governance structures and procedures in place to ensure appropriate decision-making and the implementation of decisions. The increasing rate of change in the external environment highlights the continuing need for organisational renewal. Senior management and the board are aware of the potential for adverse effects resulting from the ineffective implementation and management of the risk related to major organisational change or initiative overload. All organisational change, initiatives and projects are regularly reviewed by senior management and discussed with the board.

Reputation and Public Trust: The risk that negative public sentiment about charities in general or on overseas aid negatively impacts Trócaire (Northern Ireland)'s reputation.

Trócaire (Northern Ireland) works to increase our ability to demonstrate the impact of our work in a measurable and demonstrable way in order to be truly accountable to donors and beneficiaries, to guarantee the achievement of strategic objectives and to attract future funding support. Trócaire management and staff continue to proactively manage relationships across our key stakeholders including the Church, volunteers and local communities and continue to be vigilant to how we communicate and deliver our work, so that it aligns with the ethos and values of the Catholic Church. 'Accountability' is prominent and strong on the Trócaire website and includes FAQs (frequently asked questions). Trócaire (Northern Ireland) has an effective complaints policy and process in place that is reviewed regularly. In the last year we received 81 complaints, the majority of which were in relation to the number of mailings received and from November 2019 complaints were focused more on Trócaire's presence at a human rights rally in Dublin. 95% of complaints were successfully closed and 5% in the process of being closed. Trócaire (Northern Ireland) is also accountable to the Fundraising Regulator and ensures compliance to best standards and practice in fundraising and supporter communications.

Safeguarding Children and Vulnerable Adults: The risk that children and vulnerable adults can be exploited or abused by our staff, volunteers, people working on our behalf or our partner organisations.

As detailed earlier on page 9, in August 2019 the Head of Safeguarding provided training to the NI staff and reviewed the safeguarding policies and practise with the staff. In addition to group-wide Trócaire global safeguarding policies, policies and procedures have been developed to address specific safeguarding considerations associated with our work in Northern Ireland. These include a Policy on Communicating with Supporters who may be Vulnerable and a Visitors Policy. It also extends to our work in schools and with youth organisations. Training on safeguarding and associated policies forms part of induction for all staff, board members volunteers. On 27th August 2019 Trócaire's Head of Safeguarding visited the Trócaire (Northern Ireland) office to review safeguarding practise and provide training to the team. Further information on Safeguarding in Trócaire (Northern Ireland) is included on pages 9-10.

Information security and continuity: The risk that Trócaire (Northern Ireland) isn't effective in managing information security and enabling the right technology to support operations.

Trócaire (Northern Ireland) is dependent on several IT systems for processing and storing its data. These systems are primarily managed by its parent entity, Trócaire. In partnership with Trócaire, Trócaire (Northern Ireland) actively reviews and upgrades its IT software, systems and processes to mitigate risk relating to IT management. It also collaborates with other INGOs to be consistent with best practice and obtain better value for its expenditure. Trócaire (Northern Ireland) regularly reviews its compliance to GDPR and is an active participant in the wider organisation Information Security & Data Protection Working Group.

Brexit: The risk of disruption to Trócaire's operations as a result of Brexit.

Trócaire (Northern Ireland) has continued to monitor the potential risks from the UK's exit of the European Union. Trócaire (Northern Ireland) and its parent entity Trócaire brought together a cross-organisational Brexit risk committee and maintained a specific Brexit risk register. The Financial Stability risk above references Brexit. As well as financial risk such as economic disruption, the impact on institutional donors and currency fluctuation, Brexit-related risks also include non-financial matters such as restricted media and political space for communications campaigns and advocacy, divergence in regulation across the jurisdictions on the island of Ireland, as well as the impact of Brexit on global trade. Mitigations were put in place where possible.

Compliance and regulation: Significant damage to Trócaire (Northern Ireland)'s reputation could be caused due to non-compliance with laws, regulations or policies.

Trócaire (Northern Ireland) has established policies and procedures, and Codes of Practice to ensure compliance with statutory, regulatory and labour law requirements. These are reviewed in line with changes in requirements and updated where required.

COMMITMENT TO STANDARDS IN FUNDRAISING PRACTICE

Trócaire (Northern Ireland) is fully committed to achieving the standards contained within the Code of Fundraising Practice as set out by the Fundraising Regulator in the UK. The Code of Fundraising Practice sets the standards that apply to fundraising carried out by all charitable institutions and third-party fundraisers in the UK.

The purpose of the Code of Practice is to:

- promote a consistent, high standard of fundraising;
- make sure charitable institutions, their governing bodies and fundraisers know what is expected of them;
- set out the standards to use when considering complaints;
- provide a benchmark for organisations and fundraisers to assess their practices against;
- develop a culture of honesty, openness and respect between fundraisers and the public.

Trócaire (Northern Ireland) continues to work to meet the standards as set out in the Code of Practice which was updated in 2019 by the UK Fundraising Regulator.

Examples of impact under this Goal include:

- In Gaza, 764 women survivors of violence received appropriate legal services, while 439 women and 294 men and boys received mental health supports.
- 3,484 Palestinian women and men received legal representation or psycho-social support.
- In Guatemala, legal support was provided resulting in the release of indigenous HRD Abelino Chub Caal from pre-trial detention in April 2019. Abelino had spent more than 2 years in prison on charges of aggravated land-grabbing, arson and illicit association, for trying to protect his community's ancestral lands. He was fully absolved of all charges.
- In Honduras, 2,600 HRDs gained new knowledge and were trained in techniques to defend human rights and measures for their own security and protection.
- 261 actions to access justice and assert peoples civil, political and social rights were supported in Honduras.

Looking forward:

The COVID-19 crisis is expected to contribute to a further deterioration of human rights. The crisis has led to an increased militarisation in some countries, while some minority groups have been blamed for spreading the virus. Human Rights Defenders have been left vulnerable due to a lack of protection and access to the courts.

In Ireland, we will continue with two campaigns aimed at supporting human rights overseas. Trócaire will continue to push for the implementation of the Occupied Territories Bill to ban trade with occupied territories. We will also campaign for Ireland to support the UN Treaty on Business and Human Rights.

The above indicators are considered satisfactory and in line with the expectations of the Directors.

STATE OF AFFAIRS AND EVENTS SINCE THE BALANCE SHEET DATE
After the balance sheet date the emergence of Covid-19 as a global pandemic posed multiple challenges to Trócaire (Northern Ireland). Over the medium-term Covid-19 presents serious challenges for the management of the financial sustainability of Trócaire (Northern Ireland). The Covid-19 restrictions in Ireland disrupted the Lent 2020 campaign, the major fundraiser for the financial year 2020/2021. The impact of Covid-19 on the Irish, UK and global economies threatens both public income and institutional funding for the foreseeable future. A programme of work called 'Securing the Organisation's Future' was developed at a Group level to respond to the risk of Covid-19 to the financial sustainability of Trócaire.

At a post-year end meeting on 16th June 2020 the Directors considered revised income forecasts for the year adjusted for the expected impact of Covid-19. This revised income forecast indicated a fall in public income of approximately 10% compared to the original budget for the financial year 2020/2021. However, between the date of that meeting and the date of the signing of this Annual Report income performance has improved. A series of mitigating actions by Trócaire (Northern Ireland) and Trócaire have mitigated the scale of the loss of income and reduced expenditures.

As noted on page 4 on 1st March 2020 the status of the parent company changed. Also as noted on page 4 the constitution of Trócaire (Northern Ireland) was amended on 3rd April 2020.

TAXATION STATUS
The company is a recognised charity within the meaning of the Income and Corporation Taxes Act 1988.

GOING CONCERN
The financial statements have been prepared on a going concern basis following the Board's review of Trócaire (Northern Ireland)'s results for the year, the year-end financial position, the approved 2020/21 budget, the revision of income forecasts for Covid-19 and the expected performance for a period of at least 12 months from the date of approval of the financial statements. There is a deficit in unrestricted reserves recorded in the financial year ended 29th February 2020. However, as noted on pages 36-37 the level of reserves is above the Board's new targeted range.

Trócaire (Northern Ireland) has the support, if it is required, of its parent entity Trócaire. While Trócaire (Northern Ireland) has a strong reserves position independent of its parent entity, it is heavily dependent on the structures of the parent company in order to carry out its operations. As noted on page 4, Trócaire (Northern Ireland) leverages significant support from its parent entity including HR, Finance, ICT and management support. Trócaire (Northern Ireland) carries out most of its international programme work through the Country Offices of Trócaire, which are branches of the parent entity registered in their respective countries in Africa, Central America, Asia and the Middle East. Trócaire (Northern Ireland) has a services and funding agreement in place with Trócaire, the parent body, which grants responsibility to Trócaire for the development and overall management of the overseas programmes within the framework of its strategic direction, policies and standards.

Cost reduction measures are underway across the group including in Trócaire (Northern Ireland). Post-year end some income streams have fallen compared to budget. However, measures have been taken to mitigate the scale of these income reductions. Costs have also been reduced as a response. As noted on page 11 voluntary redundancies were agreed during the year in order to strengthen Trócaire (Northern Ireland)'s financial sustainability.

Due to these planned cost reduction measures, the support of its parent entity and the high level of reserves at year end the Board believe that the charity has adequate resources to continue in operational existence for the foreseeable future and consequently believe there are sufficient resources to manage any operational or financial risks. There is no material uncertainty about the ability to continue.

POLITICAL DONATIONS
There were no political donations made during this financial year or the previous financial year.

DIRECTORS AND SECRETARY
The membership of the board during the year and up to the signing of the financial statements is set out on page 2.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS
Each of the persons who is a director at the date of approval of this report confirms that:

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Based on its results for the current, and prior, financial year Trócaire (Northern Ireland) qualifies as a Medium Sized Company under the Companies Act 2006 and is entitled to the exemptions available to medium sized companies in preparations of its directors' report.

INDEPENDENT AUDITORS
Deloitte Ireland LLP, who were reappointed during the year have expressed their willingness to continue in office as auditors and a resolution to reappoint Deloitte Ireland LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:
Karen Gallagher
A8A0ADF1F0684DF...

Date: 25th August 2020

20. TAXATION

Trócaire (Northern Ireland) is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities. All of its income falls within the various exemptions available to registered charities.

21. FINANCIAL INSTRUMENTS

The carrying value of the company's financial assets and liabilities are summarised by category below:-

	2020 £	2019 £
Financial Assets		
Measured at undiscounted amount receivable		
Amounts due from parent	**446,053**	-
Donor income accrued	**263,576**	699,055
Other debtors	**-**	30,818
Deposit income accrued	**1,027**	3,150
Financial Liabilities		
Measured at undiscounted amount payable		
Sundry creditors and accruals	**456,313**	298,146
Amounts due to parent	**-**	2,466,136

22. SUBSEQUENT EVENTS

The most significant event affecting the company is the emergence of Covid-19 as a global pandemic since the financial year end. Details of this impact are included on page 38 together with other subsequent events concerning the structure of the group and changes to the company constitution. These are non-adjusting subsequent events.

23. ULTIMATE CONTROLLING PARTY

Since the establishment of Trócaire (Northern Ireland), the company has been deemed to be a subsidiary undertaking of Trócaire, a registered charity in the Republic of Ireland. This has been based on the control exercised by Trócaire, particularly in the appointment of the company members of Trócaire (Northern Ireland). On 1st March 2020 Trócaire (Northern Ireland) as a subsidiary company was transferred from Trócaire "The Trust" transferred to Trócaire "Company Limited by Guarantee (CLG)" together with all of the operations, assets and liabilities of Trócaire "The Trust". As of 3rd April 2020 Trócaire "Company Limited by Guarantee (CLG)" has become the sole company member of Trócaire (Northern Ireland). Both Trócaire "The Trust" and Trócaire "Company Limited by Guarantee (CLG)" are agencies of the Irish Episcopal Conference.

Trócaire (Northern Ireland) is a subsidiary of Trócaire, the largest and smallest group for which group accounts are drawn up is Trócaire. Copies of the group accounts are available to the public on Trócaire's website www.trocaire.org

Grafton Group plc

2019

Grafton Group plc
Annual Report and Accounts 2019

Risk Management (continued)
Key Risks

The Audit and Risk Committee and the Board have carried out a robust assessment of the principal risks facing the Group. It is not practical to document every risk that could affect the Group in this report. The risks identified below are those that could have a material adverse effect on the Group's business model, future performance, solvency or liquidity. The actions taken to mitigate the risks cannot provide assurance that other risks will not materialise and adversely affect the operating results and financial position of the Group.

These principal risks are incorporated into the modelling activity performed to assess the ability of the Group to continue in operation and meet its liabilities as they fall due for the purposes of the Viability Statement on page 74.

Macro-Economic Conditions in the UK, Ireland and the Netherlands including the impact of Brexit

Risk movement

-	=	+

Link to Strategy

- Strong Financial Base
- Organic Growth and Acquisitions

Risk Description

Trading in the Group's businesses is influenced by macro-economic conditions in the UK, Ireland, and the Netherlands. The Group's markets are cyclical in nature and a proportion of revenue is dependent on the willingness of households to incur discretionary expenditure on home improvement projects. Investments of this nature closely correlate with general economic conditions. A deterioration in economic conditions in the UK, Ireland, or the Netherlands could result in lower demand in the Group's businesses.

The Group's customers are mainly professional tradespeople engaged in residential, commercial and industrial maintenance and new-build projects. These markets are affected by trends in improvements, remodelling and maintenance and construction. Demand in these markets is also influenced by economic factors including interest rates, the availability of credit, inflation, changes in property values, demographic trends, tax policy, employment levels and gross domestic product. Any negative movement in one or more of these factors could adversely affect demand in the Group's business.

The result of the UK referendum to leave the European Union ("EU") has created significant uncertainty about the near term outlook and prospects for the UK economy. Due to this uncertainty it is not possible to assess with confidence the likely impact on the UK economy of the UK leaving the EU or the extent to which any possible fall in investment and a potentially softer housing market could impact employment and household spending. This uncertainty could negatively impact the UK economy, reduce demand in the Group's markets, impact the Group's workforce and adversely affect the financial performance of the Group.

In addition, the potential disruption to the Group's supply chain which could result from Brexit could have a short-term impact on the ability of businesses in both the UK and Ireland to meet their customers' product requirements and could consequently lead to a reduction in revenue and profit.

Mitigation

The Group has taken significant action in previous years in response to the downturn in its markets to increase the operating efficiency of its business which leaves it well positioned to benefit from the continuing recovery. Exposure to the more resilient and less cyclical Repair, Maintenance and Improvement ("RMI") market has increased through ongoing expansion of the network of Selco stores particularly in the Greater London Area.

The merchanting branches in Ireland were refocused on the residential RMI market during the downturn but are equally well positioned to respond to an increase in the new house build markets. Branch showrooms have been upgraded and the product portfolio expanded to meet the needs of customers engaged in residential RMI projects which currently account for a higher proportion of revenue.

The mitigation strategy also incorporates proactive cost control in response to changes in market conditions. An assessment of macro-economic, construction and residential market conditions informs the allocation of capital resources to new projects.

With specific regard to the risks relating to Brexit, the Group has performed a robust risk assessment and established a set of actions to address the key risks identified. These include working with suppliers to provide for continuity of supply of key products and where practical building up stock level of certain lines; evaluating the impact of changes to tariffs and customs arrangements to the Group; making appropriate provision for any data flows between the UK and EU; and actions to assist EU nationals working in the UK businesses in obtaining settled status.