

11 August 2022

Jenny Carter
Financial Reporting Council
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125 London Wall
London
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By email: ukfrs@frc.org.uk

Dear Jenny,

FRED 80: Draft amendments to FRS 100 Application of Financial Reporting Requirements

Deloitte LLP welcomes the opportunity to comment on *FRED 80: Draft amendments to FRS 100 Application of Financial Reporting Requirements* (FRED 80).

We agree with the proposed changes. Although the guidance is drafted at a high level, we appreciate that this is out of necessity and that judgement will be required to determine equivalence in some situations.

The lack of clarity over the status of UK-adopted IFRS Standards and UK GAAP in the European Union (EU) poses a challenge for a number of UK companies, particularly those with EU subsidiaries and those with securities admitted to trading in the EU. We encourage the FRC to work with the UK government and its EU counterparts to obtain confirmation that UK-adopted IFRS Standards and UK GAAP are deemed equivalent to EU-adopted IFRS Standards and/or accounts drawn up under the EU Accounting Directive.

If you have any questions, please contact Mary Holden on 020 7303 0204 or mholden@deloitte.co.uk or Anne Warner on 020 7007 5636 or annewarner@deloitte.co.uk.

Yours sincerely,



Veronica Poole
UK National Head of Accounting and Corporate Reporting
Deloitte LLP

Q1. Do you agree with the proposed amendments to the Application Guidance *The Interpretation of Equivalence to FRS 100*? If not, why not?

Yes, we agree. Although the guidance is drafted at a high level, we appreciate that this is out of necessity and that judgement will be required to determine equivalence in some situations.

We note that AG22 gives the example of UK-adopted IFRS Standards as being closely related to IFRS as adopted by the EU for the purpose of entities established in the Republic of Ireland. We suggest that similar examples could be provided for UK companies in AG14, such as Australian GAAP or Canadian GAAP.

Q2. In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

We consider that the guidance is necessary for companies in the UK and Republic of Ireland and have no specific comments on the impact assessment.

However, we observe that the current lack of clarity over the status of UK-adopted IFRS Standards and UK GAAP in the EU is presenting a challenge for a number of UK companies, particularly those with EU subsidiaries and those with securities admitted to trading (or seeking to admit securities to trading) in the EU, and this is leading to increased costs and time spent by directors and auditors in assessing what requirements apply and whether exemptions are available.

For example, an EU intermediate parent company may previously have taken an exemption from preparing consolidated accounts on the grounds that it was included in a UK parent company's consolidated accounts. Not all EU Member States have taken the option in Article 23(5) of the EU Accounting Directive to offer exemptions to EU intermediate parents with a non-EU (e.g. UK) parent. However, for those that have, the lack of a Commission equivalence decision in respect of UK-adopted IFRS Standards or UK GAAP may pose an issue.

Whilst, currently, it is almost always possible for an entity adopting UK-adopted IFRS Standards to also state compliance with EU-adopted IFRS Standards (there being no practical differences at this time), the timing of endorsement in the EU and the UK may vary in future and there is the potential that the frameworks could diverge in time. The status of FRS 102 is also proving problematic; although it is (and the underlying requirements of UK company law are) consistent with the EU Accounting Directive, and FRS 102 is Irish GAAP as well as UK GAAP, the Commission has not yet acknowledged this by issuing an equivalence decision.

We are also aware of one new situation which has emerged based on the Prospectus Delegated Regulation 2019/980. Some EU securities regulators have insisted that FRS 101 and FRS 102 both trigger the requirement for debt issuers to prepare a narrative description of all the differences between these standards and EU-adopted IFRS Standards (see Item 11.1.3 of Annex 7 and Item 8.2.a.1 of Annex 9) – again, despite these standards being Irish GAAP as well as UK GAAP.

We understand that this decision is currently part of a broader discussion at UK-EU level on financial services equivalence. We urge the FRC to continue to push for decoupling accounting and auditing equivalence from the wider debate which is around cross-border access to financial services, rather than the costs of operating existing cross-border structures. We also encourage the FRC to work with the UK government and its EU counterparts to obtain confirmation that UK-adopted IFRS Standards and UK GAAP are deemed equivalent to EU-adopted IFRS Standards and/or accounts drawn up under the EU Accounting Directive.