30 Old Bailey
London
EC4M 7AU

Tel: +44 (0)20 7063 4000
www.mazars.co.uk

Delivered to: ukfrs@frc.org.uk

Date: 4 March 2024

Dear Accounting and Reporting Policy team,

Mazars LLP's response to FRED 85

Mazars LLP is the UK firm of Mazars, an international, integrated and independent organisation specialising in audit, accountancy and advisory services. We welcome the publication of FRED 85 *Draft amendments to FRS 101 Reduced Disclosure Framework* and are pleased to submit our response.

Mazars operates as a truly internationally integrated partnership in more than 100 countries and territories, with 50,000 professionals. In the UK, Mazars is among the largest firms in its sector and a leading auditor to Public Interest Entities (PIEs). It employs over 2,500 people in 15 locations across the UK, providing a balanced perspective and empowered expertise to clients of all sizes, from individuals and SMEs to mid-caps and global players, as well as start-ups and public organisations at every stage of their development.

General remarks

We support the FRC's conclusions on the disclosure exemptions proposed in FRED 85, except for supplier financing arrangements. Qualifying entities should be required to make at least some of the new disclosures on supplier financing arrangements, because they provide relevant information which users may not be able to extract from the consolidated financial statements of the group.

We also suggest that the FRC provides the rationale for its conclusion in respect of the disclosure exemptions relating to the amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates.*

We also believe that the Impact Assessment should be rebalanced and identify the benefits of the additional disclosures, especially in relation to supplier finance arrangements.

Please find our detailed responses to your questions in the Appendix to this letter.

Your sincerely,

[redacted]

Accounting Technical Partner – Mazars LLP

Appendix:

Question 1:
Do you agree with the proposed amendments to FRS 101? If not, why not?

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Qualifying entities, other than financial institutions, are exempt from the application of IAS 7 and IFRS 7 and hence do not have to provide the new disclosures, provided equivalent disclosures are made in the consolidated financial statements of the group in which the qualifying entity is included.

In our response to FRED 84 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements* on practical grounds we supported an exemption for qualifying entities from these disclosures. Upon further reflection, however, we have come to the view that qualifying entities should not be exempted from the disclosures under FRS 101 or FRS 102.

Although the consolidated group financial statements will contain the group's information, it may not be clear which specific entity in a group is reliant upon these arrangements. A user of a qualifying entity's financial statements would not know whether the entity has entered these arrangements and if so, the extent of the entity's reliance on them. Given that the withdrawal of such financing could have significant consequences for a qualifying entity, we believe users of qualifying entity's financial statements should be provided with this information.

We believe not all disclosures required by IAS 7 and IFRS 7 in relation to supplier finance arrangements are necessary in the qualifying entity's financial statements. At a minimum the information required by paragraph 44H (a) and (b)(i) of IAS 7, about the terms and condition of the arrangements, as well as carrying amounts of associated liabilities, should be disclosed.

Lack of Exchangeability (Amendments to IAS 21)

We do not disagree with the FRC's conclusion that no disclosure exemption should be provided, however, we would welcome the FRC's rationale being explained in the Basis for Conclusion, which is currently missing.

Non-current Liabilities with Covenants (Amendments to IAS 1)

We concur with the conclusion in paragraph 13 of the Basis for Conclusion, that no exemptions should be made.

In respect of the amendments proposed on page 6 of FRED 85, we suggest the following drafting change to the footnote to align the words with that in IAS 1:

"For accounting periods beginning before 1 January 2024, the due date is based on when the entity expects to settle the liability or has no unconditional right to defer ~~payment~~ settlement, unless the entity applies Classification of Liabilities as Current or Non-current (Amendments to IAS 1) early".

Question 2:
Do you agree that no other amendments to FRS 101 are required for the IASB projects outlined in paragraph 7 of the Basis for Conclusions?

Yes we agree with the FRC's statements in paragraphs 7 to 9 of the Basis for Conclusion.

Question 3:

Do you agree with the conclusion in the consultation stage impact assessment? If not, why not?

The analysis refers only to the limited population of entities that are likely to have to disclose additional information under the proposed amendments. We note there is no analysis of benefits that could be gained from the new disclosures. In that regard, in our view the benefits of requiring qualifying entities to disclose information about their supplier finance arrangements, as recommended above, are likely to outweigh the costs.