

Accounting for COVID-19 related rent concessions

Response to the FRC's exposure draft – FRED 78

The Association of Investment Companies (AIC) is a trade body for the closed-ended investment company sector. We represent 360 investment companies, managing assets of over £223 billion on 31 March 2021. The AIC's members are predominantly listed on the Premium Segment of the Main Market of the London Stock Exchange. Some have shares on the Specialist Fund Segment; others are quoted on AIM.

The AIC's members include investment trusts, Venture Capital Trusts, UK REITs and non-EU companies. Our non-EU members are primarily domiciled in Guernsey and Jersey.

Closed-ended investment companies are collective vehicles which pool their shareholders' capital and hold a portfolio of assets to spread risk and generate an investment return. Investments include listed securities, private equity, debt, property and infrastructure. Investment in property can be direct or take the form of investment in a company owning property.

The AIC welcomes the [Exposure Draft on COVID-19 related rent concessions](#) published by the Financial Reporting Council (FRC) proposing amendments to Section 20 'Leases' of the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102).

Question 1 - Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?

The AIC agrees with the proposed amendment to extend the availability of paragraph 20.15D(b) by one year, so that it applies to rent concessions for which any reduction in lease payments affects payments due on or before 30 June 2022.

Although there is good news regarding the reduced prevalence of COVID-19 in the UK, there is still much uncertainty for businesses and it is clear the affects will be felt throughout 2021 and into 2022. The AIC is pleased this is being recognised by the FRC, and **recommends** the proposed amendment is adopted.

The AIC has no comment on FRS 105, the Financial Reporting Standard applicable to the micro-entities regime.

Question 2 – 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.

The AIC has no comment on this question.

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To discuss the issues raised in this paper please contact:

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