



By email to: ukfrs@frc.org.uk
Easton Bilsborough
Financial Reporting Council
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EC2Y 5AS

1 September 2020

FRED 76: Covid-19-related rent concessions

Dear Sir,

We welcome the opportunity to comment, on behalf of PricewaterhouseCoopers LLP, on FRED 76 “Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime COVID-19-related rent concessions”.

Overall, we agree with the proposed changes, but we do have some suggestions in respect of the wording as noted in our responses to the specific questions asked by the FRC in the Appendix to this letter.

If you have any questions or would like to discuss any of the comments we have made in this letter, please contact Jessica Taurae on 07740 166459.

Yours sincerely,

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP' in a cursive, flowing script.

PricewaterhouseCoopers LLP

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Appendix

Question 1

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

We generally agree with the proposed amendments to FRS 102 and FRS 105. We think recognising the rent concessions in the periods in which they are intending to compensate, rather than spreading it forward to future periods, provides useful information to a user of the financial statements. We also welcome the FRC including lessors in addition to lessees in the scope of this proposed guidance.

However, we do not believe that the application of the amendments should be mandatory. Unlike for lessees, the models between FRS 102 and IFRS 16 for lessors are broadly similar. If mandatory application is required, this will cause an operational burden for IFRS group reporters that are lessors where a different treatment will be applied in the group accounts compared to any subsidiary accounts prepared under FRS 102. We are aware of many real estate groups with extensive subsidiary structures where they would have to work out the different accounting across multiple sets of accounts. It's unclear whether the FRC has fully considered this in the context of providing useful information in these circumstances.

Question 2

Do you agree with the proposed effective date for these amendments? If not, what difficulties do you foresee?

We agree with the effective date subject to our comments above about making the proposed amendments optional.



Question 3

The proposed amendments to FRS 102 require a lessee to disclose those changes in lease payments recognised in accordance with paragraph 20.15C. The Basis for Conclusions describes the reasons for this proposal and the existing disclosures required by FRS 102 relevant to this transaction. Do you consider that these disclosure requirements are sufficient to meet the needs of users?

We consider that these disclosure requirements are sufficient to meet the needs of users as they will provide information about rent concessions that were granted as a result of COVID-19 in the period in which they were intended to compensate rather than being spread forward into future periods.

Question 4

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.

Other than our concern about making the application of these amendments mandatory, we agree with the impact assessment as set out in FRED 76.