

UK Corporate Finance Update: FCA, PRA and FRC Joint Statement on Coronavirus (COVID-19) Related Measures and Guidance

26 March 2020

Our [UK Corporate Finance Update: Coronavirus \(COVID-19\) – Related Measures and Guidance](#) published earlier this week provided a summary of the initial measures taken, and guidance issued, as a result of the coronavirus (COVID-19) pandemic relevant to London-listed companies and their advisers. This newsflash provides a brief summary of measures announced by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) in a [joint statement](#) issued today to ensure that information continues to flow to investors and to support the continued functioning of the UK's capital markets during the coronavirus pandemic.

FCA grants temporary relief on reporting timetable for listed companies

On 26 March 2020, the [FCA published a statement](#) permitting a delay in the publication of audited annual financial reports by listed companies from 4 to 6 months from the end of the financial year. This will, in effect, extend the deadline by a 2 month period.

- This is a temporary policy in response to the disruption caused by the coronavirus (COVID-19) pandemic and will be kept under review by the FCA.
- All listed companies are encouraged to review their timetables for publication of financial information in order to make appropriate use of the time available within regulatory deadlines to ensure accurate and carefully prepared disclosures.
- Market participants are urged not to draw undue adverse inferences when companies make use of the extra time or temporary relief made available to them.
- Listed companies will still need to observe their other disclosure requirements, in particular those concerning the disclosure of inside information under the Market Abuse Regulation.

FRC guidance for companies preparing financial statements

The [FRC has issued guidance](#) for companies in preparing financial statements and maintaining strong corporate governance in the face of the coronavirus (COVID-19) pandemic. In particular, it encourages boards to:

- develop and implement mitigating actions and processes to ensure that they continue to operate an effective control environment, addressing any key reporting and other controls on which they have placed reliance historically, but which may not prove effective in the current circumstances;
- consider how they will secure reliable and relevant information, on a continuing basis, in order to manage their future operations and those of their workforce and suppliers, including the flow of financial information from significant subsidiary, joint venture and associate group entities;
- pay attention to capital maintenance, ensuring that sufficient reserves are available when a dividend is made, not just proposed; and sufficient resources remain to continue to meet the company's needs; and
- focus on areas of reporting of most interest to investors; and provide clarity on the use of key forward-looking judgements. In particular, guidance is provided on:

- the need for narrative reporting to provide forward-looking information that is specific to the entity and which provides insights into the board's assessment of business viability and the methods and assumptions underlying that assessment;
- going concern and any associated material uncertainties, the basis of any significant judgements and the matters to consider when confirming the preparation of the financial statements on a going concern basis;
- the increased importance of providing information on significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made; and
- judgement required in determining the appropriate reporting response to events after the reporting date and the extent to which qualitative or quantitative disclosures may be appropriate.

In addition, on 26 March 2020 the [PRA issued guidance](#) regarding the approach that should be taken by banks, building societies and PRA-designated investment firms in assessing expected loss provisions under IFRS9.

FRC guidance for audit firms seeking to overcome challenges in obtaining audit evidence

Recognising that the current circumstances with respect to coronavirus (COVID-19) can create obstacles to carrying out audit procedures due to restrictions over accessing information electronically in some jurisdictions, social distancing measures taken in many countries; and the challenges posed by the current uncertain economic environment, the FRC has issued [practical guidance for auditors](#). It provides a non-exhaustive list of factors auditors should be considering when carrying out audit engagements in the current circumstances, along with guidance on how they might be addressed. This includes guidance on communicating with audit committees, access to audit evidence, scope limitations to audit opinions, going concern assessments and setting materiality levels.

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your usual Davis Polk contact.

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