



Interpreting Financial & Accounting Information

Session 1: A Governance Approach To Interpreting Financial Information

Richard Whitmill FCG

- 1** Part 1: The conceptual framework.
4pm - 5pm
- 2** Part 2: the regulatory context
5pm - 6pm
- 3** Part 3: optional practice and discussion
6pm - 6.30pm

- 1 Objectives
- 2 Qualitative Characteristics
- 3 Financial Statements And The Reporting Entity
- 4 The Elements Of Financial Statements
- 5 Recognition And Derecognition
- 6 Measurement
- 7 Presentation And Disclosure
- 8 Capital And Capital Maintenance
- 9 The Conceptual Framework – Summary

01

What Is Financial Reporting?

Providing
information on
the financial
state of the
company.

The objective
is to provide
useful
information to
the end user.

Strategic report

Governance

Financial statements

Additional information

129

Group income statement

		52 weeks ended 24 February 2024			52 weeks ended 25 February 2023 (restated*)		
	Notes	Before adjusting items £m	Adjusting items (Note 4) £m	Total £m	Before adjusting items £m	Adjusting items (Note 4) £m	Total £m
Continuing operations							
Revenue from sale of goods and services		67,673	–	67,673	64,864	–	64,864
Insurance revenue ^(a)	24	514	–	514	458	–	458
Revenue	2	68,187	–	68,187	65,322	–	65,322
Cost of sales		(62,832)	(4)	(62,836)	(60,487)	(1,029)	(61,516)
Insurance service expenses ^(a)	24	(454)	–	(454)	(408)	–	(408)
Net expenses from reinsurance contracts held ^(a)	24	(48)	–	(48)	(37)	–	(37)
Gross profit/(loss)		4,853	(4)	4,849	4,390	(1,029)	3,361
Administrative expenses		(2,024)	(4)	(2,028)	(1,881)	(70)	(1,951)
Operating profit/(loss)	2	2,829	(8)	2,821	2,509	(1,099)	1,410
Share of post-tax profits of joint ventures and associates	13	6	–	6	8	–	8
Finance income	5	267	–	267	87	–	87
Finance costs	5	(825)	20	(805)	(650)	27	(623)
Profit/(loss) before tax from continuing operations		2,277	12	2,289	1,954	(1,072)	882
Taxation	6	(593)	68	(525)	(419)	195	(224)
Profit/(loss) for the year from continuing operations		1,684	80	1,764	1,535	(877)	658
Discontinued operations							
Profit/(loss) for the year from discontinued operations	7	56	(628)	(572)	91	(13)	78
Profit/(loss) for the year		1,740	(548)	1,192	1,626	(890)	736
Attributable to:							
Owners of the parent		1,736	(548)	1,188	1,627	(890)	737
Non-controlling interests		4	–	4	(1)	–	(1)
		1,740	(548)	1,192	1,626	(890)	736
Earnings per share from continuing and discontinued operations							
Basic	9			16.74p			9.94p
Diluted	9			16.56p			9.85p
Earnings per share from continuing operations							
Basic	9			24.80p			8.89p
Diluted	9			24.53p			8.81p

(a) Comparatives have been restated following the adoption of IFRS 17 and to present Banking operations as a discontinued operation. Refer to Notes 1, 7 and 33 for further details.
(b) Following the adoption of IFRS 17, the income statement has been re-presented to separately present insurance revenue, insurance service expenses and net expenses from reinsurance contracts held. Refer to Note 1 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Group balance sheet				
Notes	24 February 2024	25 February 2023 (restated*)	26 February 2022 (restated*)	
	£m	£m	£m	
Non-current assets				
Goodwill and other intangible assets	10	5,066	5,375	5,360
Property, plant and equipment	11	17,221	16,862	17,060
Right of use assets	12	5,478	5,500	5,720
Investment property		24	24	22
Investments in joint ventures and associates	13	102	93	86
Other investments	15	1,546	1,339	1,253
Trade and other receivables	17	36	79	159
Loans and advances to customers	23	–	3,029	3,141
Reinsurance contract assets	24	125	135	171
Derivative financial instruments	26	781	873	942
Post-employment benefit surplus	29	22	6	3,150
Deferred tax assets	6	32	84	88
	30,433	33,399	37,152	
Current assets				
Other investments	15	206	353	226
Inventories	16	2,635	2,510	2,339
Trade and other receivables	17	1,349	1,235	1,218
Loans and advances to customers	23	–	3,948	3,251
Derivative financial instruments	26	55	57	69
Current tax assets		110	63	93
Short-term investments	18	2,128	1,628	2,076
Cash and cash equivalents	18	2,340	2,465	2,345
	8,823	12,259	11,617	
Assets of the disposal group and non-current assets classified as held for sale	7	7,783	210	368
	16,606	12,469	11,985	
Current liabilities				
Trade and other payables	19	(10,264)	(9,762)	(9,040)
Borrowings	21	(1,536)	(1,770)	(725)
Lease liabilities	12	(584)	(596)	(547)
Provisions	22	(306)	(366)	(283)
Insurance contract liabilities	24	(526)	(501)	(588)
Customer deposits and deposits from banks	25	(108)	(4,485)	(4,729)
Derivative financial instruments	26	(25)	(99)	(26)
Current tax liabilities		(1)	(18)	(11)
	(13,350)	(17,596)	(15,949)	
Liabilities of the disposal group classified as held for sale	7	(7,122)	(14)	(14)
Net current liabilities	(3,866)	(5,141)	(3,978)	
Non-current liabilities				
Trade and other payables	19	(39)	(54)	(54)
Borrowings	21	(5,683)	(5,581)	(6,674)
Lease liabilities	12	(7,038)	(7,132)	(7,411)
Provisions	22	(175)	(194)	(183)
Customer deposits and deposits from banks	25	(800)	(2,265)	(1,650)
Derivative financial instruments	26	(241)	(288)	(357)
Post-employment benefit deficit	29	(657)	(400)	(303)
Deferred tax liabilities	6	(269)	(119)	(910)
	(14,902)	(16,033)	(17,542)	
Net assets	11,665	12,225	15,632	
Equity				
Share capital	30	445	463	484
Share premium		5,165	5,165	5,165
Other reserves	30	3,131	3,139	3,080
Retained earnings		2,930	3,469	6,919
Equity attributable to owners of the parent	11,671	12,236	15,648	
Non-controlling interests		(6)	(11)	(16)
Total equity	11,665	12,225	15,632	

* Comparatives have been restated following the adoption of IFRS 17. Refer to Notes 1 and 33 for further details.

The notes on pages 134 to 203 form part of these financial statements.

Ken Murphy Imran Nawaz
Directors

The financial statements on pages 129 to 203 were approved and authorised for issue by the Directors on 9 April 2024.





**The conceptual framework
provides the theoretical
principles that are the
basis for developing
accounting standards**

1

Objectives

What we're trying to achieve

2

Qualitative Characteristics

The key concepts that inform everything

3

Financial Statements And Reporting Entity

What's reported on and over what time

4

Elements

What is actually in financial statements

5

Recognition And Derecognition

When do we put information in the statements

6

Measurement

How we actually turn into numbers

7

Presentation And Disclosure

How we present

8

Capital And Capital Maintenance

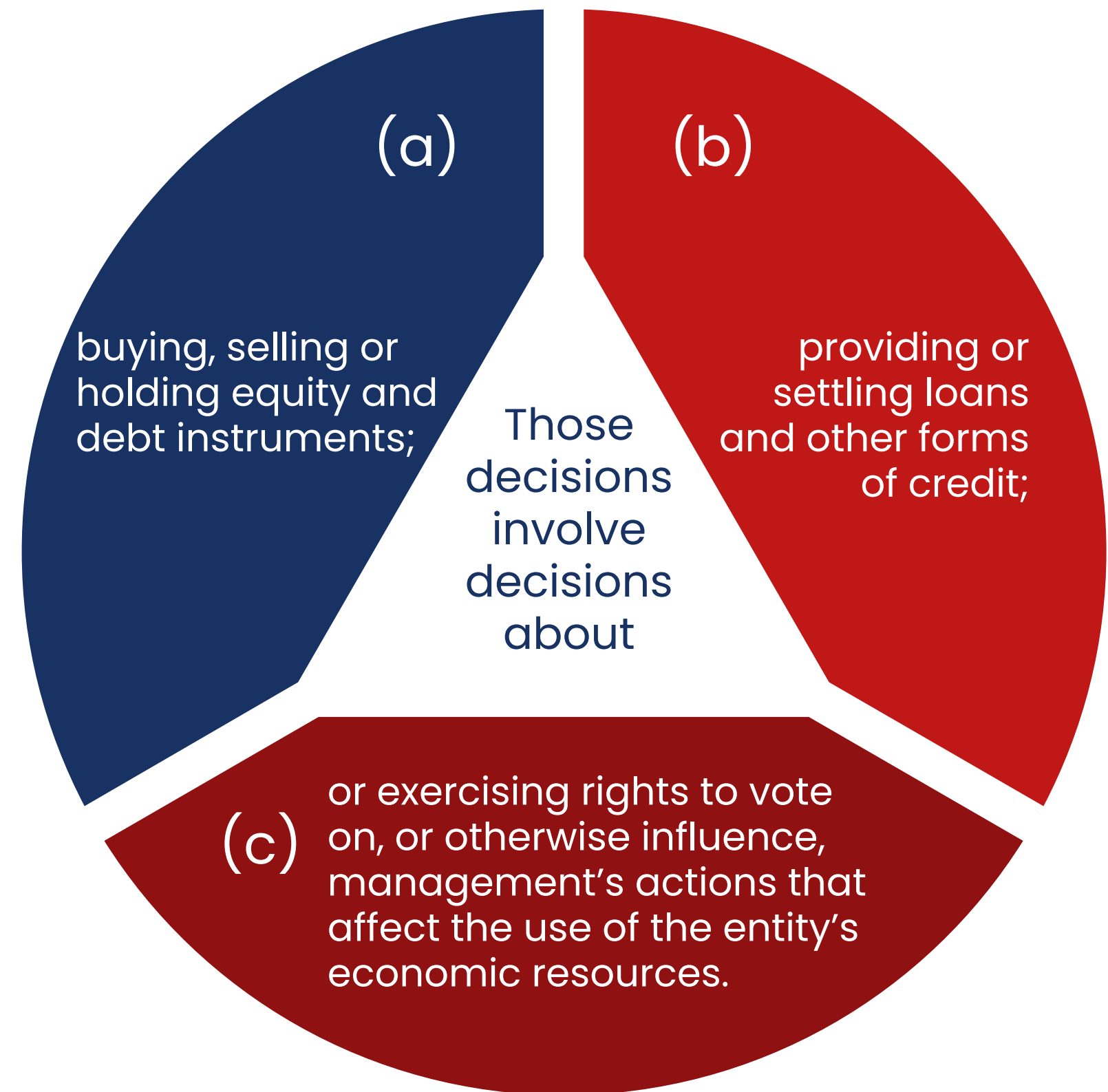
How we define profit

02

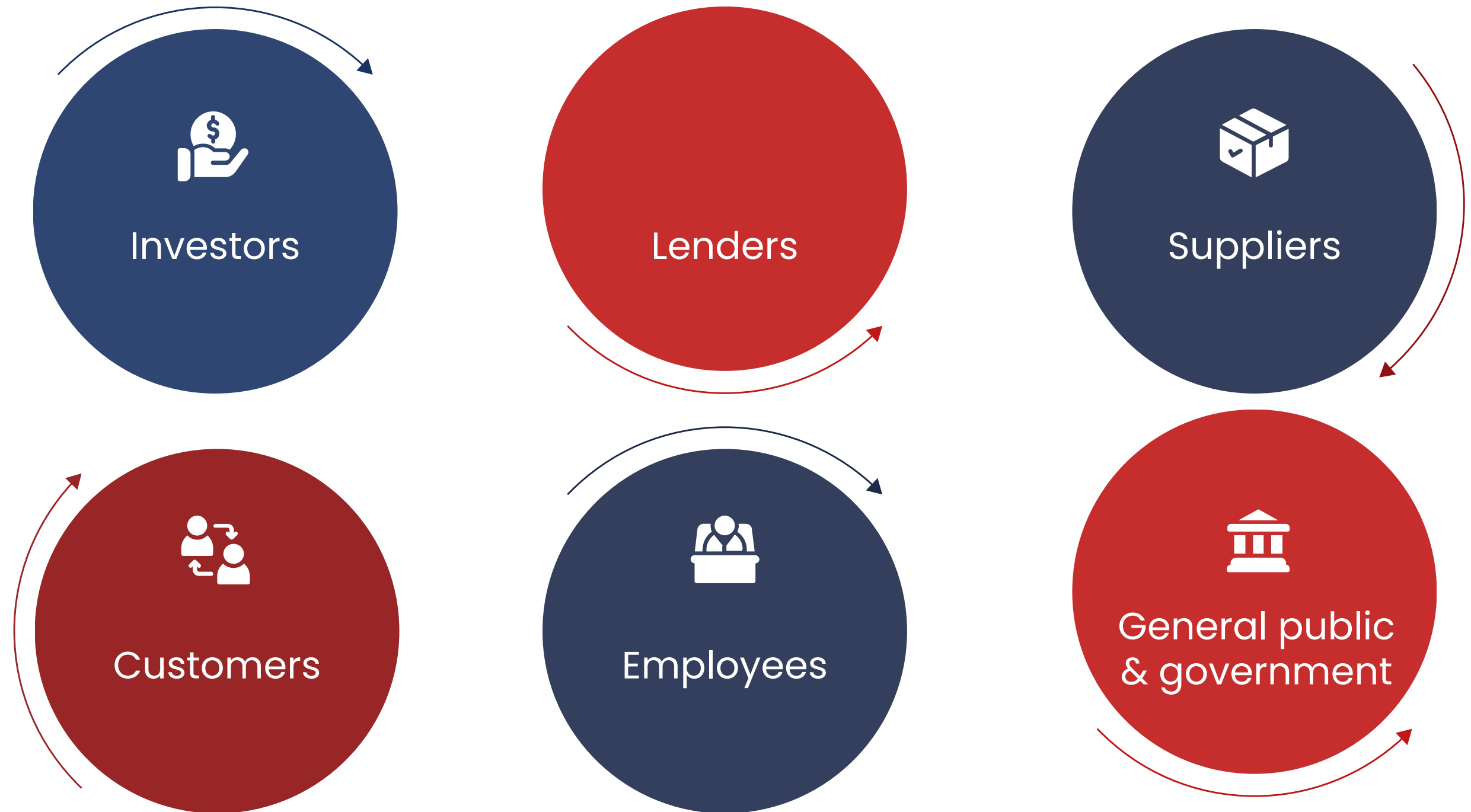
Objectives

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.

(IASB Conceptual Framework for Financial Reporting, 2018)
© IFRS Foundation



Useful information – for whom?



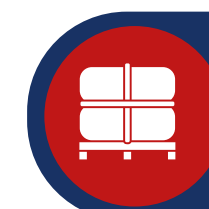
03

Qualitative Characteristics



Relevance

Key concept



Materiality

Faithful representation

Key concepts

Complete

Neutral

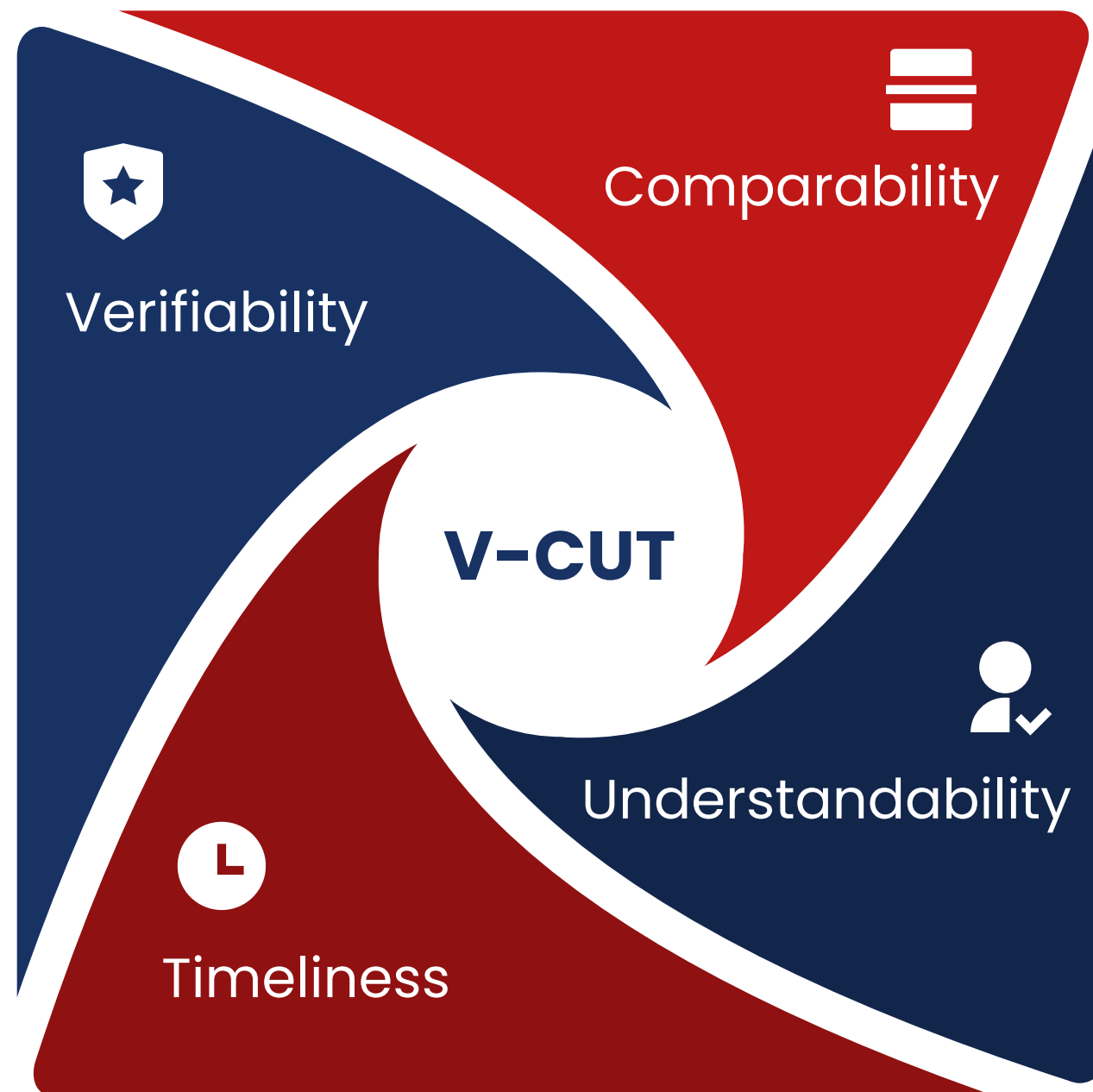
Free from error

Supporting concepts

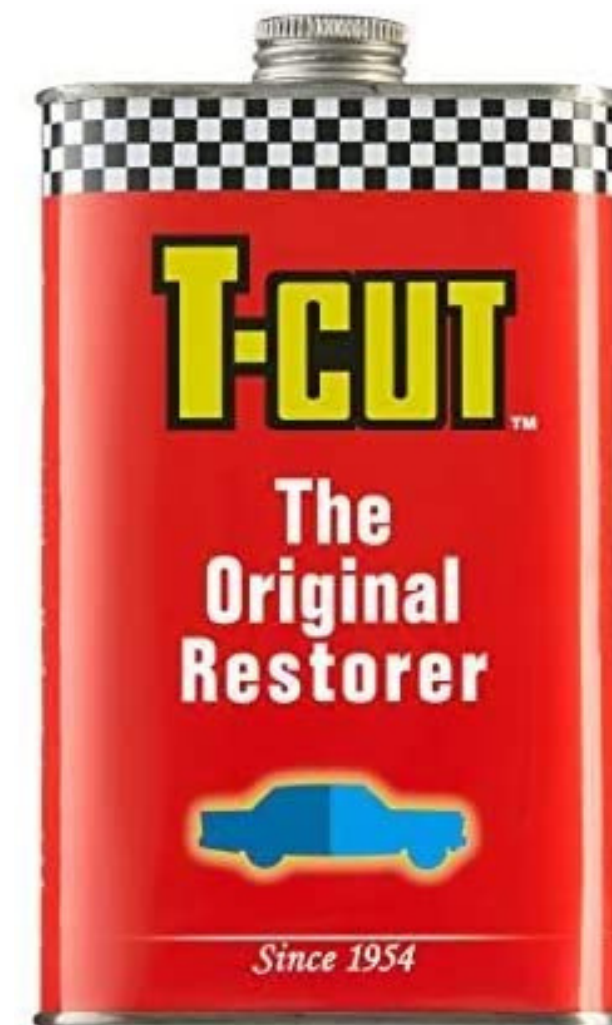
Prudence
(exercise of caution under
conditions of uncertainty)

Substance over form

Key concept



Enhancing characteristics



OR

- Truly verified
- Comparability
- Understandability
- Timeliness

04

Financial Statements And The Reporting Entity



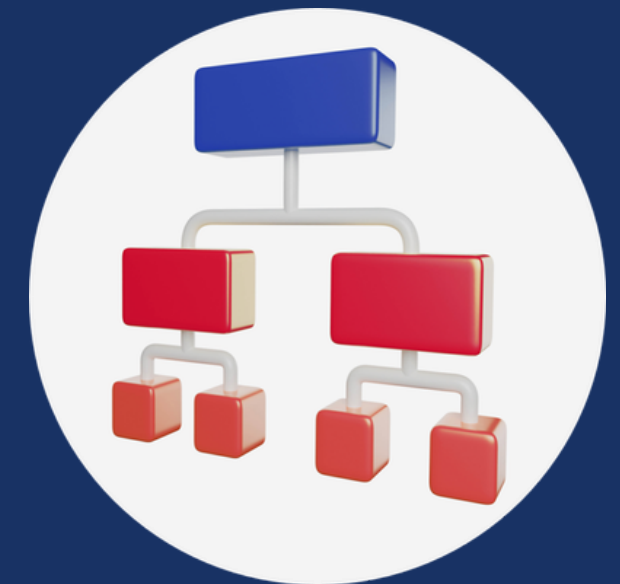
Objectives



Reporting period



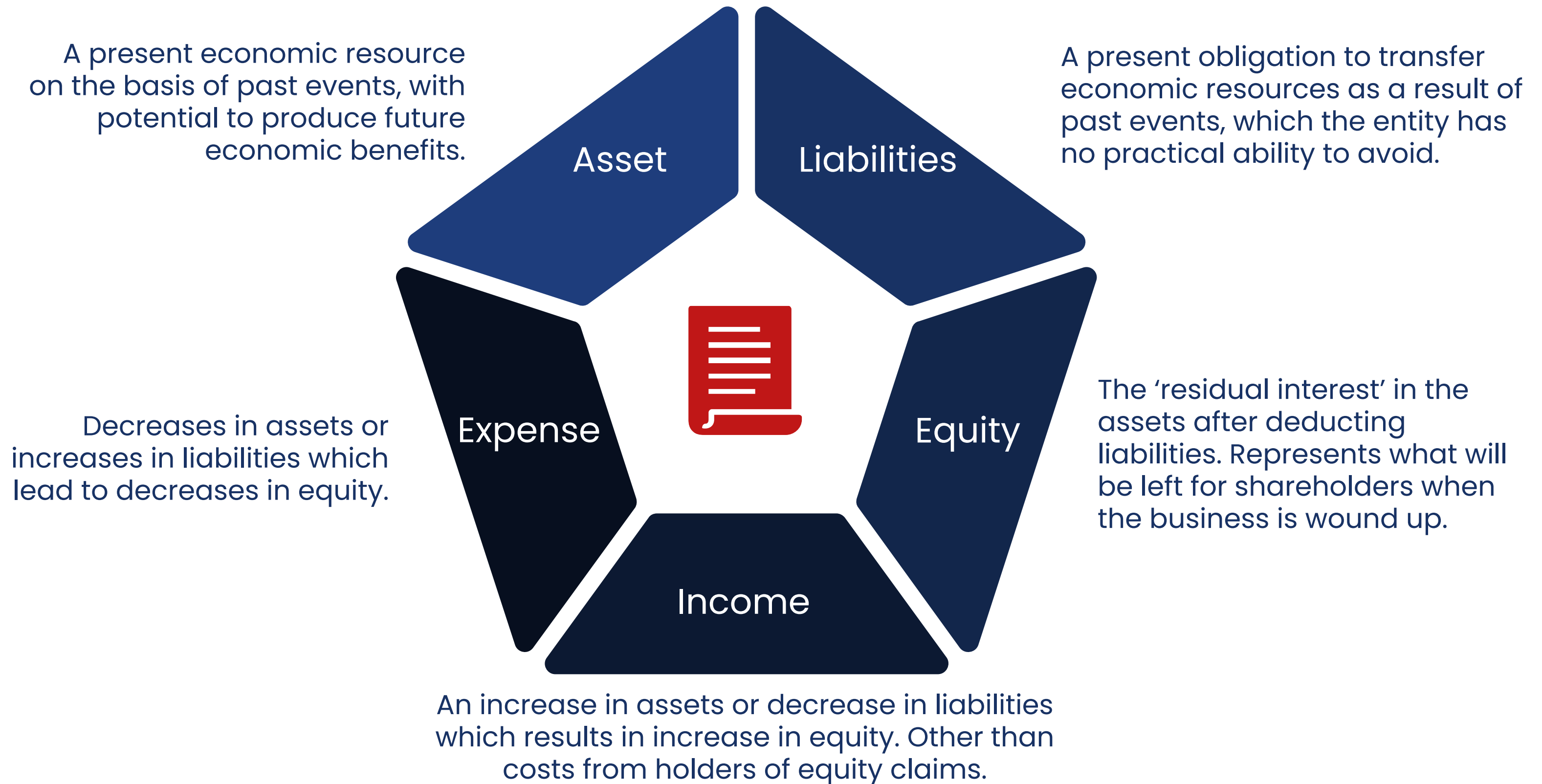
Going Concern



Reporting entity

05

The Elements Of Financial Statements



06

Recognition And Derecognition

Assets + Liabilities

+

Income - expenses

=

Assets + Liabilities = Equity

Statement of Financial
Position at beginning

Statement of Profit or Loss and Other
Comprehensive Income

Statement of Financial
Position at end

Key concepts:

- recognition links the elements together
- Substance over form

	Recognition	De-recognition
Asset	If potential for future economic benefit When control gained	When control lost
Liability	When there is an obligation	When there is no longer an obligation
Equity	Based on the above	
Income	Revenue or gains on assets NOT equity contributions	
Expenses	Both day to day expenses and increased liabilities or reduced assets	

Key concepts:

only recognised when useful

07

Measurement

01 Historical cost

What You Paid
For It

02 Current value

What You Expect It To Be Worth

Fair value.
Reflects current
expectations.

**Value in use /
fulfilment value.**
Present value based
on future cash flows.

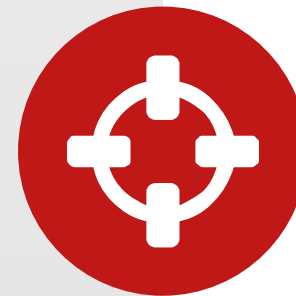
Current cost
What it would
cost to replace.

08

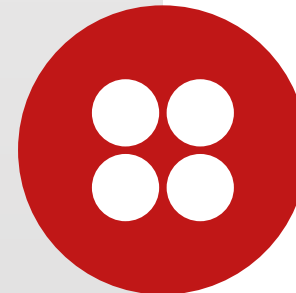
Presentation And Disclosure

Presenting and disclosing in financial statements is how we communicate to users

The key is supporting the objectives and qualitative characteristics



Focus on principles over rules



Group similar items together



Don't aggregate in such a way that information is obscured

09

Capital And Capital Maintenance

Links the concepts we have just learned to profit

Profit can only be recognised if assets at the end of the reporting period exceed assets at the beginning.

Financial concept

Profit earned if financial value of assets increases (minus any distribution)

Money – takes into account time value of money.

Real – does not.

Physical concept

Profit is earned if productive capacity increases.

	£ (000)
Opening balance	50
Sales income	60
Cost of inventory	50
New cost of inventory	55

Calculate the retained profit

	£ (000)
Financial concept	
Physical concept	

Financial concept
(sales income – cost of sales)

Physical concept
(sales income – new cost of inventory)

	£ (000)
Opening balance	50
Sales income	60
Cost of inventory	50
New cost of inventory	55

Calculate the retained profit

	£ (000)
Financial concept	10
Physical concept	5

Financial concept
(sales income – cost of sales)

Physical concept
(sales income – new cost of inventory)

Break and Q&A

- 1 What is Financial Reporting?
- 2 Why is financial reporting important?
- 3 The framework
- 4 Harmonisation
- 5 Summary



The objective of Financial reporting is to provide useful information to the end user



Important part of the corporate governance framework – providing transparency and accountability



IFRS is designed to provide a consistent approach worldwide – and is the framework we will be using



There is still variation in practice globally

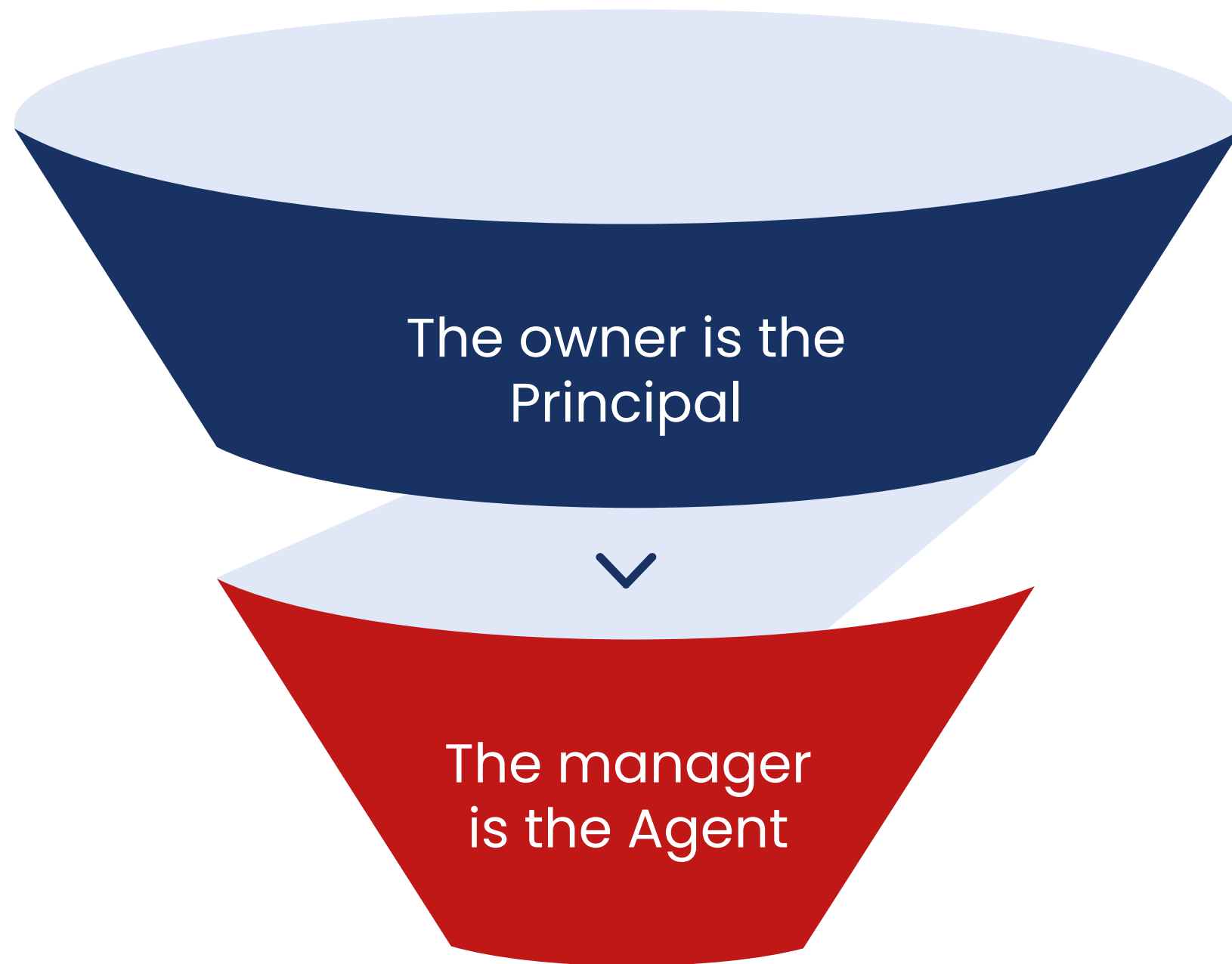
10

**Why Is Financial
Reporting Important?**



The Principles of Corporate Governance





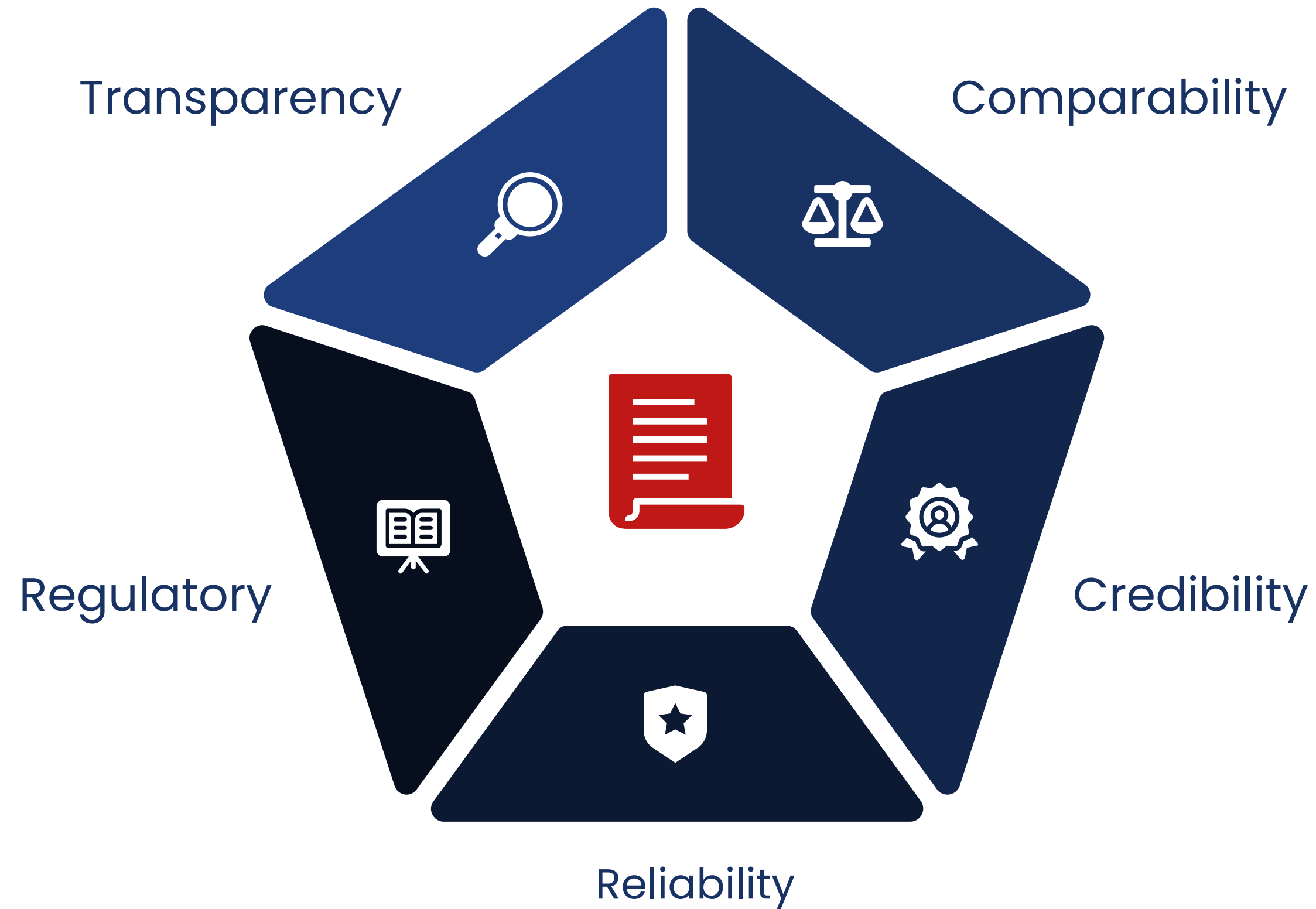
Manager behaviour may not be in the interest of the owner

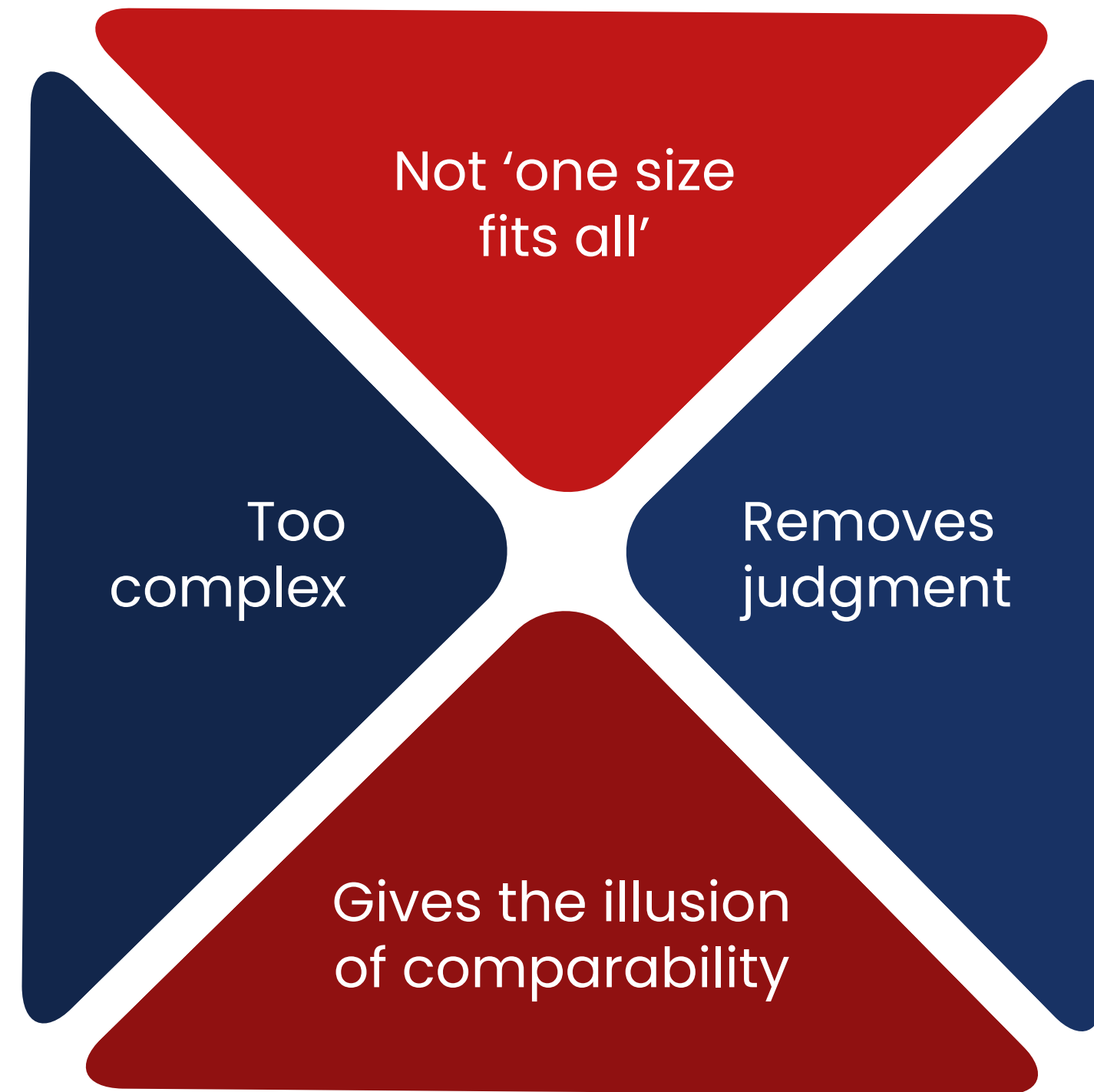


Solved by monitoring and corrective action



This includes accurate financial statements and the role of audit





11

The Framework

**National and
company law**

**International
Financial Reporting
Standards**

**Country specific
financial regulation**

**Industry specific
and securities
exchange**

**Corporate
governance
frameworks**

**Environmental and
social reporting**

**National and
company law**

International Financial
Reporting Standards

Country specific
financial regulation

Industry specific and
securities exchange

Corporate governance
frameworks

Environmental and
social reporting

Requirement
to prepare
accounts is
enacted by
company law

Companies
Act 2006
requires use of
either IFRS or
UK FRS

Listed and AIM
companies
must use IFRS.
Others can
choose

Different
thresholds of
reporting
depending on
type and size

National and company
law

**International
Financial Reporting
Standards**

Country specific
financial regulation

Industry specific and
securities exchange

Corporate governance
frameworks

Environmental and
social reporting

Principles based

International Accounting Standards Board (IASB)
Sets the standards

Conceptual framework
Sits at the heart

International Financial Reporting Standards (IFRS)
Provide detail

International Accounting Standards (IAS)
Provide detail

National and company
law

International Financial
Reporting Standards

**Country specific
financial regulation**

Industry specific and
securities exchange

Corporate governance
frameworks

Environmental and
social reporting

EU	UK	US
EU Commission	Set by Financial Reporting Council	Set by Financial Accounting Standards Board (FASB)
IFRS	FRS 100 – 105	Generally Accepted Accounting Principles (GAAP)
IFRS obligatory for EU listed companies	Non-listed companies can choose this or IFRS	All US Companies must use
	Converging with IFRS	No convergence Rules based

National and company
law

International Financial
Reporting Standards

Country specific
financial regulation

**Industry specific and
securities exchange**

Corporate governance
frameworks

Environmental and
social reporting

e.g. Financial
Conduct
Authority
(FCA)

Listing Rules
and Disclosure
and
Transparency
Rules

London Stock
Exchange
regulations

Charities
Statement of
Recommend
ed Practice
(SORP)

National and company law

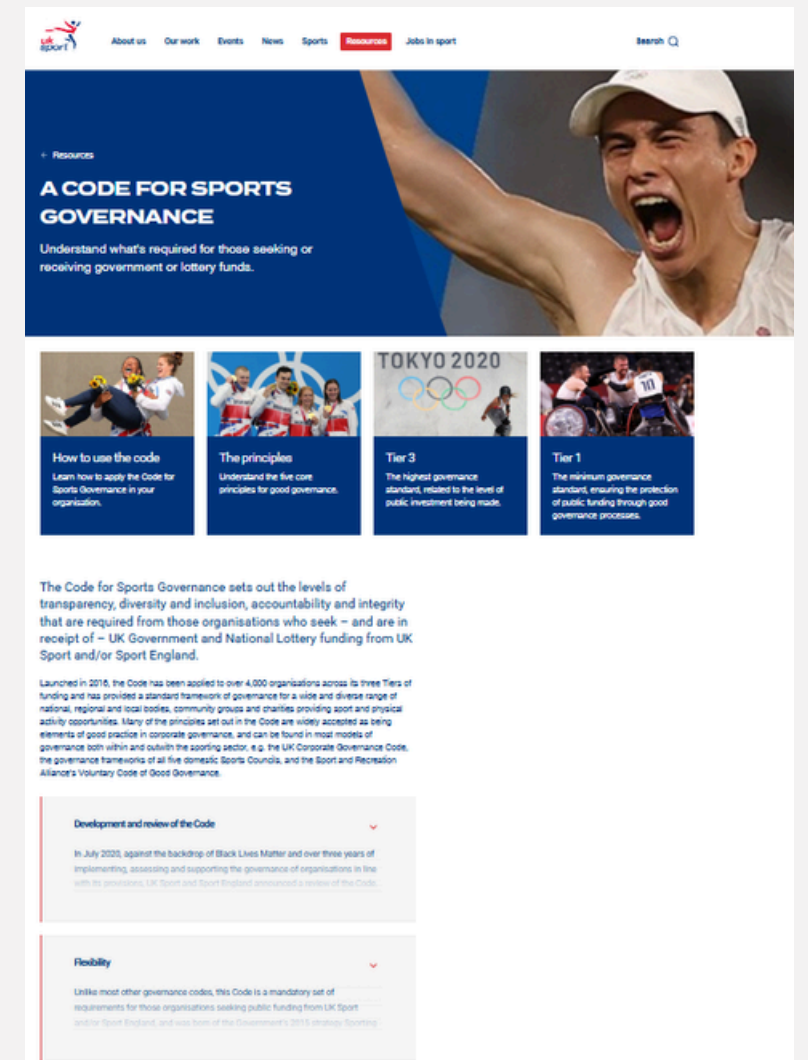
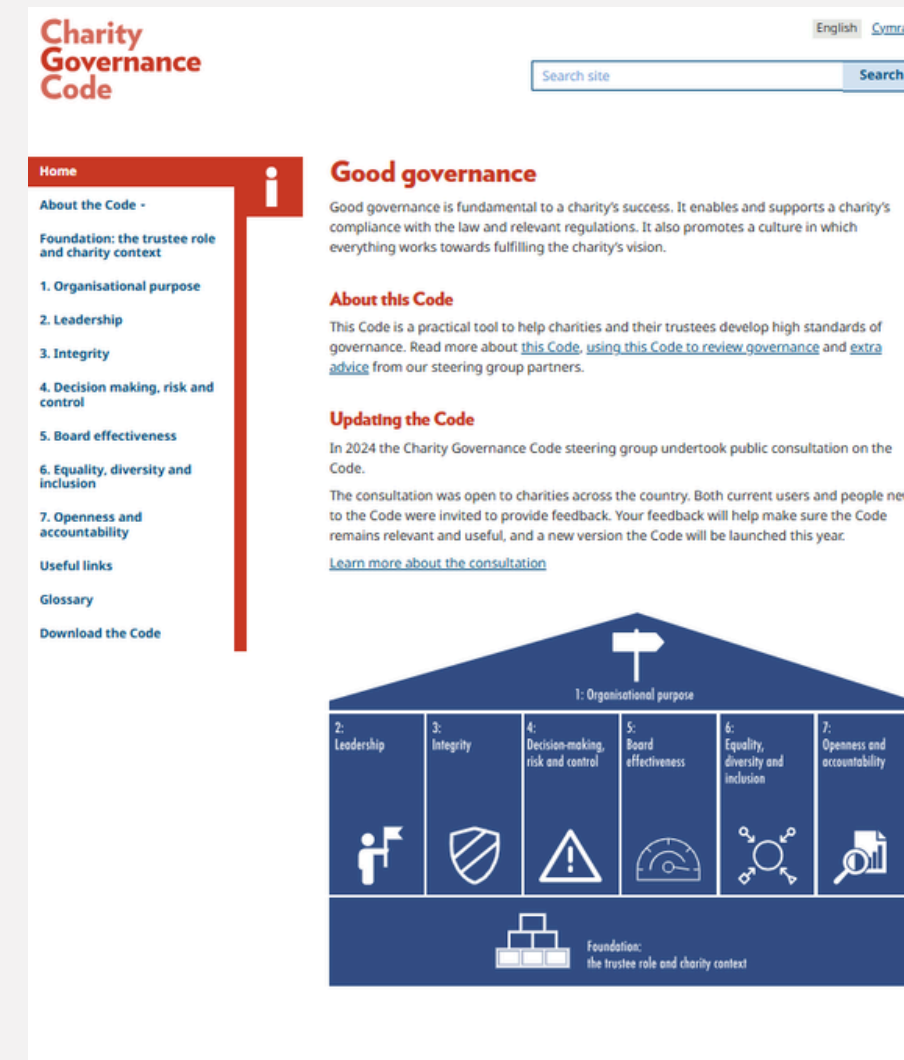
International Financial Reporting Standards

Country specific financial regulation

Industry specific and securities exchange

Corporate governance frameworks

Environmental and social reporting



National and company
law

International Financial
Reporting Standards

Country specific
financial regulation

Industry specific and
securities exchange

Corporate governance
frameworks

**Environmental and
social reporting**

Environmental reporting is the process of communicating the environmental effect of the organisation's economic actions

Tools

ISO 14000

EU Eco-
Management
System and Audit
Scheme

National and company law

International Financial Reporting Standards

Country specific financial regulation

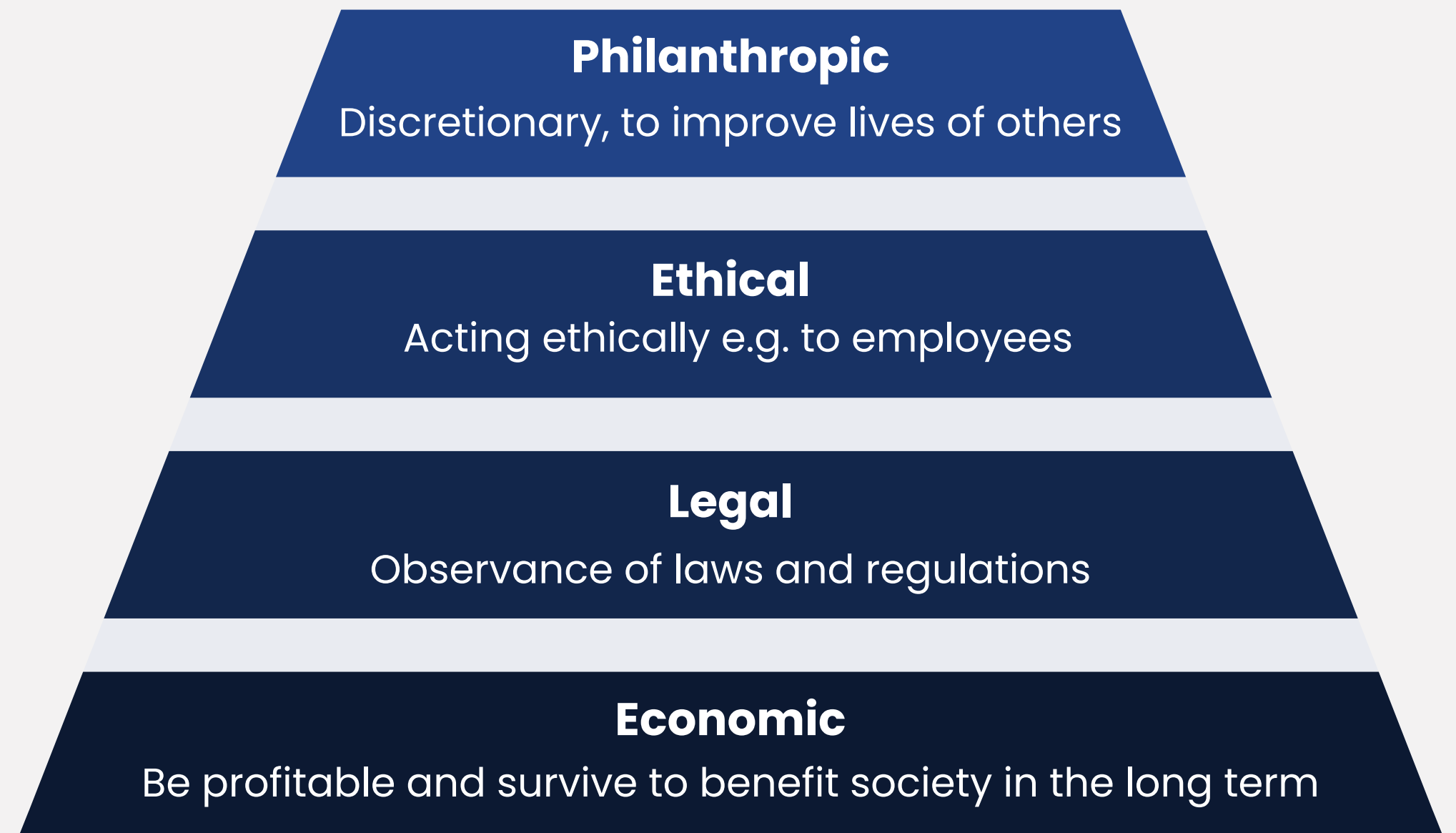
Industry specific and securities exchange

Corporate governance frameworks

Environmental and social reporting

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
(United Nations Industrial Development Organisation)

Carroll's CSR pyramid



**National and
company law**

**International
Financial Reporting
Standards**

**Country specific
financial regulation**

**Industry specific
and securities
exchange**

**Corporate
governance
frameworks**

**Environmental and
social reporting**

12

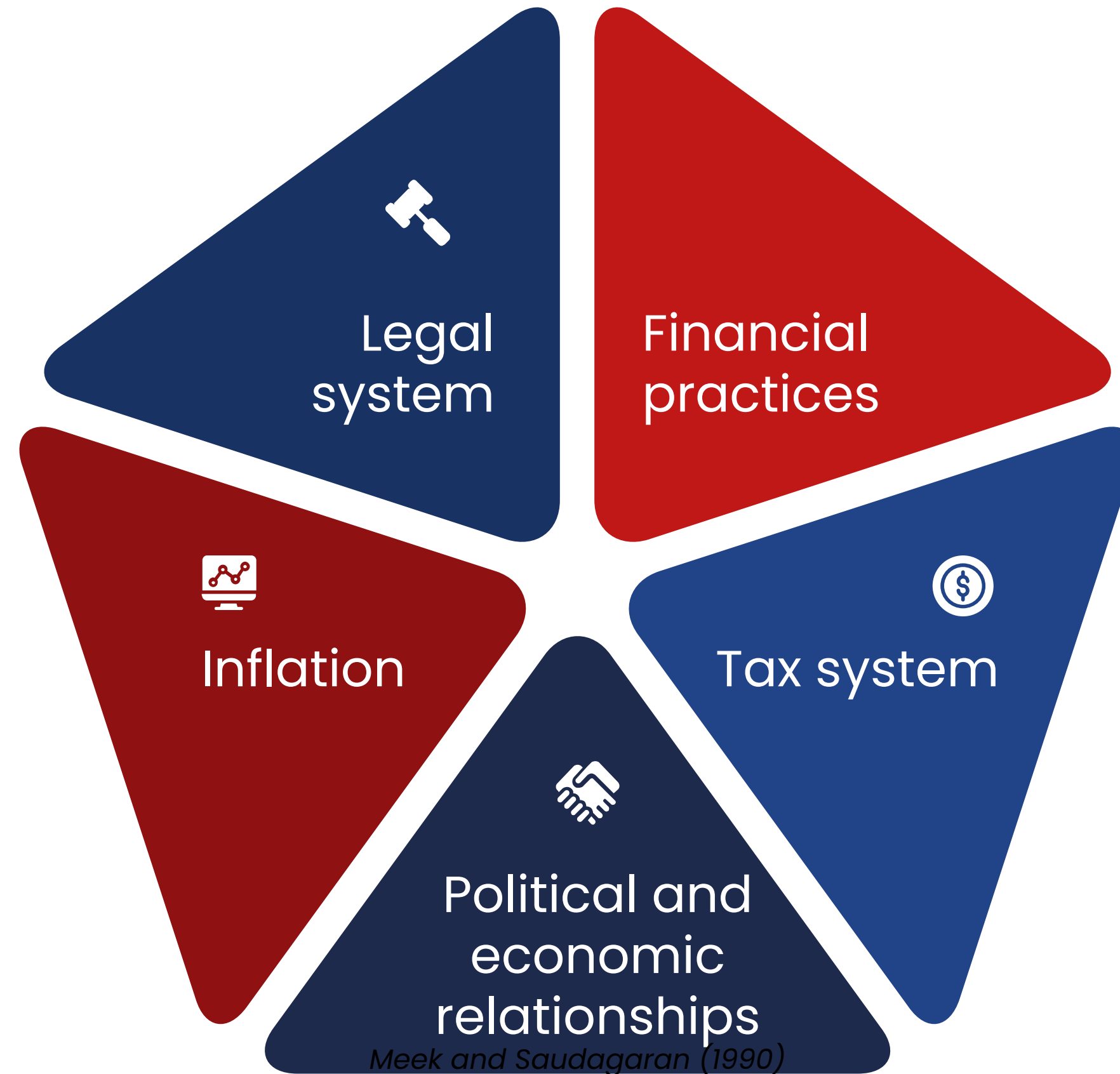
Harmonisation

✓
Easier to
compare globally

✓
Better for
multinationals

- Common accounting language
- Reduction in audit costs

✓
Easier to
appraise for
mergers and
acquisitions



01

Developed over time

02

Don't focus on standards
that don't need
improving

03

Replace standards
most in need of
convergence

e.g. From 1 January 2026, FRS 102 changes to:

- Revenue recognition
- Lease accounting

13

Summary

1

Objectives

To provide useful information to users

2

Qualitative Characteristics

The key concepts that inform everything

3

Financial Statements And Reporting Entity

What they are
Reporting period
Going concern
Entity

4

Elements

Assets
Liabilities
Equity
Income
Expenditure

5

Recognition And Derecognition

Elements are recognised when they meet the definition.

6

Measurement

Historical cost
Current value

7

Presentation And Disclosure

Effective communication

8

Capital And Capital Maintenance

Financial
Physical



The objective of Financial reporting is to provide useful information to the end user



Important part of the corporate governance framework – providing transparency and accountability



IFRS is designed to provide a consistent approach and forms part of the governance framework



There is still variation in practice globally



See you at the next session!