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Draft UK Endorsement Board Comment Letter: Exposure Draft ED/2021/10 Supplier Finance Arrangements

We welcome the opportunity to provide input on the UK Endorsement Board's ("UKEB") Draft Comment Letter. KPMG LLP is part of a global network of firms. Views on IFRSs are developed globally by KPMG International Standards Group. Please note the KPMG network of firms' response to the ED has not yet been finalised and will be provided publicly to the IASB in due course. In advance of the finalisation of global network views, the comments in this letter are the preliminary views of KPMG LLP only.

Overall, we share the UKEB's support for the proposals in the ED to provide investors with additional information that would help them understand better the effects reverse factoring and similar arrangements have on an entity's liabilities, cash flows, liquidity risk and risk management. Given the importance to investors of transparency of the impacts of these arrangements on cash flow statements, we also support the UKEB's proposal of adding a specific requirement to disclose (where material) an entity's accounting policy for the presentation of cash flows that are part of supplier finance arrangements, and the amounts of those cash flows.

We also agree with the UKEBs concern that factoring arrangements may be inadvertently included in the scope of these disclosures and we suggest that the IASB ring-fence the scope more clearly for the purpose of this narrow scope amendment.

As well as supporting these amendments to address an immediate need for enhanced disclosures on supplier finance arrangements, we also emphasise the importance of revisiting this matter in the future as part of a broader project on the cash flow statement and ongoing deliberations on the primary financial statements project.

Please contact us if you wish to discuss this response further. Contact details are set out in a separate document.

Yours faithfully

KPMG LLP

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