ADVANCED LEVEL EXAMINATION

MONDAY 2 NOVEMBER 2020

(3½ HOURS)

CORPORATE REPORTING

This exam consists of **THREE** questions (100 marks).

Marks breakdown

Question 1	42 marks
Question 2	30 marks
Question 3	28 marks

1. Please read the instructions on this page carefully before you begin your exam. If you have any questions, raise your hand and speak with the invigilator before you begin.

2. Please alert the invigilator immediately if you encounter any issues during the delivery of the exam. The invigilator cannot advise you on how to use the software. If you believe that your performance has been affected by any issues which occurred, you must request and complete a candidate incident report form at the end of the exam; this form must be submitted as part of any subsequent special consideration application.

3. Click on the **Start Exam** button to begin the exam. The exam timer will begin to count down. A warning is given five minutes before the exam ends. When the exam timer reaches zero, the exam will end. To end the exam early, press the **Finish** button.

4. You may use a pen and paper for draft workings. Any information you write on paper will not be read or marked.

5. The examiner will take account of the way in which answers are structured. Respond directly to the exam question requirements. Do not include any content or opinion of a personal nature. A student survey is provided post-exam for feedback purposes.

6. Ensure that all of your responses are visible on screen and are not hidden within cells. Your answers will be presented to the examiner exactly as they appear on screen.

The questions in this paper have been prepared on the assumption that candidates do not have a detailed knowledge of the types of organisations to which they relate. No additional credit will be given to candidates displaying such knowledge.

Question 1

You are an ICAEW Chartered Accountant and an audit manager working for Harris and Henshaw (HH), a firm of ICAEW Chartered Accountants. You have been assigned to the audit of SSD plc (SSD) for the year ended 30 September 2020.

SSD is a UK listed company which designs and develops electronic technologies for a range of industries. Planning materiality for SSD is £35 million.

Your colleague, Sheena Green, the former manager on the SSD audit, has been moved to another audit assignment. Sheena identified three audit risk areas which are likely to give rise to key audit matters. She prepared working papers for these risk areas as follows:

- Intangible assets (**Exhibit 1**)
- Issue of bond to ZMedd plc (**Exhibit 2**)
- Sale and leaseback transaction (**Exhibit 2**)

You are the training supervisor and mentor for Chris Yang, who works for HH and is in his first year as an ICAEW trainee Chartered Accountant. Chris is currently assigned to the audit for ZMedd, an international pharmaceutical company and an HH audit client. Chris has sent you an email (**Exhibit 3**).

The audit engagement partner gives you the following instructions:

"Please prepare a briefing document in which you:

"For intangible assets (Exhibit 1):

- evaluate the appropriateness and completeness of SSD's accounting policy as disclosed in the note,
- explain the correct financial reporting treatment for the additions to intangible assets,
- evaluate the adequacy of Sheena's assessment of audit risk and set out the key audit procedures that HH should perform.

"For the issue of the bond to ZMedd and the sale and leaseback transaction (Exhibit 2):

- explain the correct financial reporting treatment in SSD's financial statements for the year ended 30 September 2020; and
- recommend appropriate journal adjustments."

Requirements

1.1 Respond to the audit engagement partner's instructions.

1.2 Identify and explain the ethical issues for HH, Chris Yang and you, the audit manager arising from Chris Yang's email (Exhibit 3). Set out the actions that you should take.

Total: 42 marks

Exhibit 1: Intangible assets audit working paper – prepared by Sheena Green

1. Extract from SSD's draft financial statements for the year ended 30 September 2020

I have extracted this information from an early draft of SSD's financial statements. These have been prepared by the new financial controller, who is inexperienced in financial reporting.

Intangible assets

	Purchased intangibles	**Development costs**	**Total**
	£m	**£m**	**£m**
Cost			
At 1 October 2019	350	140	490
Additions	97	117	214
At 30 September 2020	447	257	704
Accumulated amortisation			
At 1 October 2019	94	49	143
Charge for the year	12	5	17
At 30 September 2020	106	54	160
Carrying amount at 30 September 2020	341	203	544

Accounting policy note for intangibles

- Recognition and measurement

Purchased intangibles include licences, patents and databases, and are stated in the statement of financial position at cost less accumulated amortisation.

Development costs comprise internally developed intangibles which are clearly identified and directly attributable to a particular project.

- Amortisation

Licences and patents have finite lives and are amortised on a straight-line basis using estimated useful lives of 3 to 40 years.

Databases have indefinite lives and are subject to annual impairment reviews.

Development costs are amortised based upon the predicted sales revenue derived from the products.

- Impairment reviews

The carrying amounts of development costs are reviewed where there are indications of possible impairment. An impairment review involves a comparison of the carrying amount of the asset with estimated values in use based on the latest management cash flow projections approved by the Board. The cash flows cover a forecast period of five years and the discount rate is based on SSD’s weighted average cost of capital.

2. Assessment of audit risk

We need to focus on the additions to intangible assets because SSD capitalised costs of £214 million in the year ended 30 September 2020. The key audit risk is that expenditure may have been inappropriately capitalised.

3. Additions to intangible assets

I have identified additions of £179 million which will provide audit coverage of 83.6% of the £214 million additions to intangible assets recognised in the year ended 30 September 2020:

	£m
Taste database	87
Project Smart	13
Project Textel	79
Total	179

- Taste Database - £87 million

SSD recognised an addition to purchased intangible assets as follows:

	£m
Debit purchased intangible assets	87
Credit operating costs	
In respect of costs expensed in the year ended:	
30 September 2019	22
30 September 2020	65

On 1 October 2018, SSD acquired the Taste database for £150 million which is recognised in purchased intangible assets at cost.

In November 2018, SSD commenced a research project using this database to develop a machine which uses artificial intelligence to learn to taste. At 30 September 2019, research costs for this project of £22 million were expensed in the statement of profit or loss. No amortisation of the Taste database was charged in the year ended 30 September 2019.

On 1 July 2020, work on this research project ceased because key personnel left the company. Costs incurred to 1 July 2020 of £65 million were initially expensed to profit or loss in the year ended 30 September 2020.

At 30 September 2020, the board estimates that, as a result of the research undertaken by SSD from 1 November 2018 to 1 July 2020, the fair value of the Taste database increased to £237 million. SSD therefore recognised an addition to purchased intangibles of £87 million, giving a total carrying amount of
£237 million.

Because the £22 million relating to the year ended 30 September 2019 is not material, no prior year adjustment has been proposed.

- Project Smart - £13 million

SSD has developed a micro device called Smart, which, when sewn into a sports garment, will measure an athlete's heart rate and aerobic capacity. At 30 September 2019, development costs of £10 million had been capitalised as future economic benefits were probable. In October 2019, a further £13 million of development costs in respect of this project were capitalised. Production and sales of the Smart commenced on 1 December 2019.

At 1 December 2019, SSD produced forecast discounted net operating cash flows under two scenarios as follows:

Year ending 30 September	**Estimated cash flows**	**Discounted cash flows**	
		Scenario A	**Scenario B**
	£000	**£000**	**£000**
2020	7,250	6,590	6,590
2021	8,600	7,104	7,104
2022	4,250	3,192	3,192
2023	3,378	2,307	2,307
2024	2,400	1,490	1,490
2025	2,355	1,328	1,328
2026	2,000	1,026	1,026
		23,037	23,037
2026 onwards			20,000
			43,037

Assumptions

Scenario A

The cash flows for the seven years to 30 September 2026 are discounted using a 10% annual discount rate. This discount rate is SSD's weighted average cost of capital based on the amounts in the financial statements for the year ended 30 September 2019.

Scenario B

The cash flows for the seven years to 30 September 2026 are the same as Scenario A, but it is now assumed that cash flows will continue indefinitely after 30 September 2026 and remain constant.

Since 1 December 2019, a rival company has brought to market a copy of the Smart device. As a result, cash flows of the Smart device for the period from 1 December 2019 to 30 September 2020 were only £4.2 million.

The financial controller told me that the total Smart development costs of £23 million were not impaired because the present value of the forecast cash flows, prepared on 1 December 2019, ranged from £23.037 million to £43.037 million. Even the lower end of this range is greater than the carrying amount of the Smart development costs at 30 September 2020.

- Project Textel - £79 million

SSD has recognised the following amounts as development costs for the year ended 30 September 2020 in respect of the Textel research project.

Period	**£m**
1 October 2019 – 1 March 2020	32
1 March 2020 – 30 September 2020	47
	79

This research project commenced in July 2019. SSD developed a material called Textel with integrated electronic fibres. When worn by a person, the material will identify warning signs of heart disease. Research costs prior to 1 October 2019 were expensed to profit or loss because the project outcomes were uncertain.

On 1 March 2020, SSD presented Textel at a medical conference in Geneva. As a result of interest expressed by ZMedd, one of the pharmaceutical companies at the conference, Textel was deemed commercially viable. To take Textel to market, SSD raised finance (see Exhibit 2).

Exhibit 2: Working paper on the issue of a bond and a sale and leaseback transaction – prepared by Sheena Green

I have identified two significant transactions which will increase debt recognised in the statement of financial position by over 75%:

- issue of a bond to ZMedd
- sale and leaseback transaction

I have proposed journals but I am not sure that they are correct.

Issue of a bond

On 1 April 2020, one month after the Geneva conference, SSD issued a zero-coupon bond for £20.25 million to ZMedd. Transaction costs of £100,000 have been charged to the statement of profit or loss at 1 April 2020. The bond will be redeemed on 31 March 2023 for £24 million. The bond has been recorded as follows:

	£m
Dr Cash	20.15
Dr Profit or loss	0.10
Cr Non-current liability	20.25

The annual effective interest rate on the bond is 6%.

Sale and leaseback transaction

On 1 April 2020, SSD sold an office building to YB bank for its fair value of £40 million. The building is used by SSD's research department. The carrying amount of the building at 1 April 2020 was £30 million. As SSD intended to continue to use the building, it entered into a contract with YB bank to lease back the building for 10 years for annual payments in arrears of £3.6 million. The annual implicit interest rate in the lease has been correctly calculated at 5%. The SSD financial controller has recorded this as follows:

	£m
Dr Cash	40
Cr PPE	30
Cr Profit or loss	10

Being recognition of profit on disposal of building

	£m
Dr Leased asset	27.8
Cr Liability	27.8

Being recognition of the building and lease liability corresponding to 10 annual payments of £3.6 million discounted at 5% per annum.

Exhibit 3: Email from Chris Yang

Hi,

I know that you are currently auditing SSD so I thought you might be interested in some information I have discovered while auditing ZMedd.

I was asked to review the ZMedd board minutes. These include approval of ZMedd's purchase of a zero-coupon bond, issued by SSD for £20.25 million. I thought it would be useful for you to know that this transaction was approved by ZMedd's board.

Immediately prior to the purchase of the bond, the ZMedd board signed a contract with SSD for the sole distribution rights for Textel. The board noted that wearing Textel will lead to a significant increase in the predicted number of heart disease cases as a result of an increase in monitoring. This will increase the sales of a heart drug produced by ZMedd called Atrilfib, generating additional revenue of around £300 million for ZMedd.

I also came across an article published in a technical magazine which I thought might be of use to you on the SSD audit. Here is an extract from the article:

> "Research conducted by a university concluded that Textel garments will identify warning signs of heart disease in many people who will not go on to develop any symptoms. Unnecessarily treating these people with heart drugs such as Atrilfib could seriously damage their long-term health."

When I was auditing entertainment costs, I came across a large amount spent at the March 2020 medical conference in Geneva. ZMedd paid for the hotel and travel costs of an SSD research team and two main board members of SSD. The expenses were correctly authorised at board level, but I wonder if this is an ethical issue. Please advise me what I should do.

Question 2

You are Sam Kota and you work as the assistant to the finance director at Beta World plc (BW plc), an AIM-listed company based in the UK. BW plc is in the travel and leisure industry and prepares financial statements to 30 September.

The BW plc finance director gives you the following briefing:

“On 1 April 2020 BW plc decided to buy 45% of the ordinary shares in Flyline, a listed airline based in Australia. Having consulted with their technical department, the BW auditors have advised the BW board that Flyline must be treated as a subsidiary. As this is BW plc’s first acquisition, consolidated financial statements will be prepared for the year ended 30 September 2020. Both BW plc and Flyline have a 30 September year end.

“The BW board wants to understand why, if BW plc only owns 45% of the ordinary shares in Flyline, Flyline should be treated as a subsidiary. I have provided you with details of BW plc’s acquisition of Flyline and the consideration for the acquisition
(**Exhibit 1**).

“The BW plc financial accountant prepared a working paper which includes extracts from the draft statements of comprehensive income for the year ended 30 September 2020 for BW plc and Flyline. She asked for help with the consolidation of Flyline and advice about some financial reporting issues (**Exhibit 2**).

“I would like you to prepare a briefing paper for the board in which you:

(1) In respect of the acquisition of Flyline (Exhibit 1):

- Explain why Flyline should be treated as a subsidiary in the BW consolidated financial statements for the year ended 30 September 2020.
- Set out and explain how the investment in Flyline should be recognised in the BW plc individual company financial statements for the year ended 30 September 2020.

(1) Set out and explain the appropriate financial reporting treatment of the issues identified by the BW plc financial accountant for the year ended 30 September 2020 (Exhibit 2). Include relevant journal adjustments.

(2) Calculate the goodwill on the consolidation of Flyline to be included in the BW consolidated financial statements at 30 September 2020; and

(3) Prepare a revised draft consolidated statement of profit or loss and other comprehensive income for BW for the year ended 30 September 2020. Include your recommended adjustments for (1), (2) and (3) above. Identify separately the amount attributable to the non-controlling interest at 30 September 2020.”

Requirement

Prepare the briefing paper requested by the BW plc finance director.

Total: 30 marks

Exhibit 1: Information about the acquisition of Flyline and the consideration for the acquisition – prepared by BW plc finance director

On 1 April 2020, BW plc acquired 45 million of the 100 million ordinary shares in Flyline, a company located in Australia. The currency in Australia is the A$. Ten shareholders each own 5.5 million of the remaining ordinary shares in Flyline.

The initial consideration for 45 million ordinary shares of A$238 million was settled on 1 April 2020.

The terms of the acquisition agreement are:

- A further A$60 million in cash is payable on 1 October 2021 provided that Flyline's EBITDA increases by 5%. The fair value of this additional consideration at 1 April 2020 was A$50 million and remained unchanged at 30 September 2020.
- BW plc has the right to appoint all members of the Flyline board.
- BW plc has an option to buy a further 30% of the ordinary shares in Flyline from its existing shareholders at any time before 1 December 2021. The exercise price for the shares under this option is 5% lower than the price per share BW plc paid to acquire the 45% shareholding on 1 April 2020.

<u>Cost of investment in Flyline</u>

The A$238 million initial cost for Flyline is recognised in the statement of financial position of BW plc and comprises:

	£000
Shares in BW plc	40,000
Cash	70,000
Professional fees for the acquisition	9,000
	119,000

The exchange rate at 1 April 2020 was £1 : A$2

<u>Issue of ordinary shares in BW plc</u>

On 1 April 2020, BW plc issued 5 million £1 ordinary shares to the shareholders of Flyline as a share for share exchange as part consideration for 45 million ordinary shares in Flyline. The market value of BW plc's ordinary shares at that date was £8 per share. A journal entry was made to increase BW plc's ordinary share capital by £40 million and increase the cost of the investment in Flyline in the BW plc statement of financial position.

<u>Other information</u>

BW plc has decided to use the fair value method to measure non-controlling interest.

At 1 April 2020, the fair value of the remaining 55 million ordinary shares in Flyline was A$5.55 per share. At 30 September 2020, the fair value of these remaining 55 million ordinary shares was A$6.50 per share.

Relevant exchange rates are as follows:

At 1 April 2020	£1 : A$2.00
Average for the six-month period to 30 September 2020	£1 : A$1.88
At 30 September 2020	£1 : A$1.75

Exhibit 2: Working paper prepared by BW plc financial accountant

I have set out below extracts from the draft statements of comprehensive income for the year ended 30 September 2020.

	BW plc	**Flyline**
	£000	**A$000**
Revenue	427,000	578,000
Cost of sales	(254,000)	(371,000)
Gross profit	173,000	207,000
Operating expenses	(54,600)	(118,500)
Finance costs	(15,000)	-
Profit before tax	103,400	88,500
Tax	(19,600)	(16,000)
Profit for the year	83,800	72,500
Other comprehensive income	-	-
Total comprehensive income for the year	83,800	72,500

Other financial information

Retained earnings		
At 30 September 2019	180,600	173,800
Profit for the year	83,800	72,500
At 30 September 2020	264,400	246,300

Ordinary share capital		
- £1 shares (see Exhibit 1)	140,000	
- A$1 shares		100,000

Financial reporting issues

I am preparing the translation of Flyline's financial statements for the year ended 30 September 2020 from its functional currency, the A$, to the BW Group's presentation currency, £ sterling, in preparation for its consolidation.

I need your advice on the appropriate financial reporting treatment of the following issues for the financial statements of Flyline and for the BW consolidated financial statements for the year ended 30 September 2020.

Purchase of aircraft

On 1 May 2020, Flyline received delivery of aircraft it had purchased from Petang KL, a company based in Malaysia, for RM56 million (RM is the currency in Malaysia). Flyline recorded the cost of the aircraft in assets and the corresponding liability to Petang KL at the exchange rate on 1 May 2020 which was A$1 : RM2.8.

On 1 July 2020 Flyline paid Petang KL an amount of RM26 million, which was translated to A$8,125,000. At 30 September 2020, the balance on the Petang KL payable account in Flyline's draft statement of financial position is A$11,875,000.

After complying with local regulations, the aircraft was available and came into use on 1 October 2020.

No depreciation was provided as Flyline was not sure what exchange rate to use for the depreciation charge. The estimated useful life of the aircraft is 10 years with a zero residual value. The exchange rate is A$1 : RM3.3 at 30 September 2020.

Hedged transaction

Aviation fuel is priced in US$ on the commodity market. The Flyline board was concerned about the foreign currency risk of buying aviation fuel and Flyline entered into a hedging transaction.

Flyline has a contractual commitment with a supplier to purchase 40,000 tonnes of aviation fuel on 10 November 2020 at a fixed price per tonne of US$700.

On 1 June 2020, to hedge the foreign currency risk, Flyline entered into a forward contract at a zero price to purchase US$28 million for A$42 million on 10 November 2020. At 30 September 2020, a new forward contract at a zero price for the purchase of US$28 million on 10 November 2020 could have been entered into at A$44 million.

Documentation has been prepared and the conditions satisfy the requirements of IFRS 9 to treat this as a hedged transaction.

I understand that Flyline has an accounting policy choice regarding this transaction. The board wants to adopt the accounting policy which minimises the impact on profit or loss and on reserves for the year ended 30 September 2020.

Question 3

You are the manager for the audit of GlamFood plc for the year ended 30 September 2020. GlamFood is a listed company and next week it plans to announce its results for the year ended 30 September 2020. GlamFood supplies catering for events.

Your firm, Gupta & Rowe (GR) has audited GlamFood for four years.

You receive the following briefing from the audit partner:

"There is still a lot of work to complete on the GlamFood audit before the company announces its results next week. My review of the audit team's work identified some matters of concern (**Exhibit 1**). Audit planning materiality is £150,000 based on GlamFood's profit before tax of £3 million.

"I am not satisfied with the substantive analytical procedures carried out by the audit assistant (**Exhibit 2**). He has performed some analysis but has neither used the results nor included all the key analyses I expected to see. We need to demonstrate that we have done enough audit work in this area. In particular, there is a new incentive scheme for directors, based on achieving target levels of revenue and profit that should be examined more closely.

"In addition to resolving the matters arising from my review, we need to perform audit procedures to address going concern risk. I have received a going concern paper from the GlamFood finance director (**Exhibit 3**), which provides some relevant information. However, it will be important to take into account your findings from the audit procedures in other areas.

"What I want you to do is:

(1) For each of the matters of concern identified in Exhibit 1:

  a. Set out and explain the correct financial reporting treatment, identifying any additional information you require; and

  b. Explain the key audit risks that arise.

(2) Using the information in Exhibit 2:

  a. Identify and justify which entries should be the subject of further audit investigation; and

  b. Set out and explain the additional key substantive analytical procedures and other key audit procedures that GR should perform on revenue and on journal entries.

(3) For each of the elements of the GlamFood finance director's paper on going concern (Exhibit 3):

  a. Evaluate the finance director's comments and identify any factors you believe give rise to significant doubt about GlamFood's ability to continue as a going concern; and

b. Set out any additional information you require to complete your assessment of going concern."

Note: Take into account your findings in (1) and (2).

Requirement

Respond to the audit partner's requests.

Total: 28 marks

Exhibit 1: Matters of concern – prepared by audit partner

From my review of the audit working papers, I identified the following matters where I have concern about both the financial reporting treatment and the lack of adequate audit procedures.

(1) GlamFood Club

Revenue has increased due to the success of a new incentive scheme, the GlamFood Club (the Club). The Club was introduced on 1 October 2019 and closed to new members on 31 March 2020.

During the six months to 31 March 2020, customers who booked catering for an event were invited to pay an annual membership fee of £500 for the Club at the time of booking. This entitles Club members to a discount of 20% for any additional events they book within one year of joining the Club. All booked events under the discount scheme must take place before 30 September 2022.

Many customers have signed up for the Club. Membership fees totalling £900,000 were received and recognised as revenue in the year ended 30 September 2020.

In the year ended 30 September 2020, Club members booked additional events totalling £3 million, after deducting the 20% discount. At the time of booking, Club members are required to pay a deposit of 50% of the total amount for the event, which is non-refundable. These deposits have been recognised in revenue in the year ended 30 September 2020.

(2) Share options

During the year ended 30 September 2020, GlamFood issued share options to a key supplier rather than paying them in cash. A comment in the Board minutes suggests that the total value of the goods received by GlamFood in return for the options was £1.2 million and the share options issued had a fair value of £1.1 million.

No entries were recorded for the share options issued or for the goods received, as the options cannot be exercised until 31 October 2022.

Exhibit 2: Substantive analytical procedures – prepared by audit assistant

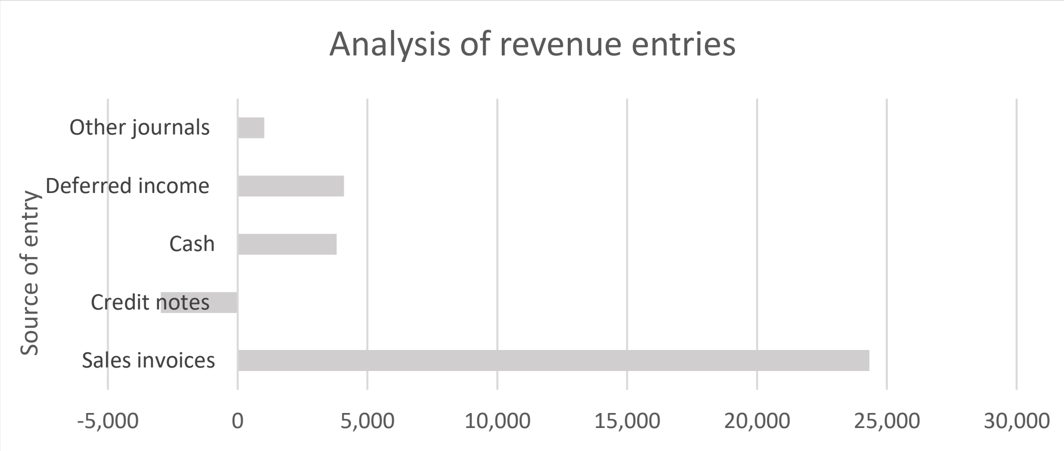
We have used substantive analytical procedures to identify and investigate high-risk items from the population of transactions recorded in the GlamFood nominal ledger during the year ended 30 September 2020.

Our work focused on revenue and journal entries and the results are summarised below:

Analysis of revenue

The chart below analyses the transactions which comprise GlamFood's total revenue of £30.285 million for the year ended 30 September 2020.

The deferred income column shows the net value of amounts transferred from and to deferred income during the year. All invoiced income is initially posted to revenue and month-end adjustments are made to defer income which has not yet been earned or release income deferred in previous months.



	Sales invoices	Credit notes	Cash	Deferred income	Other journals
Series	24,321	-2,960	3,805	4,091	1,028

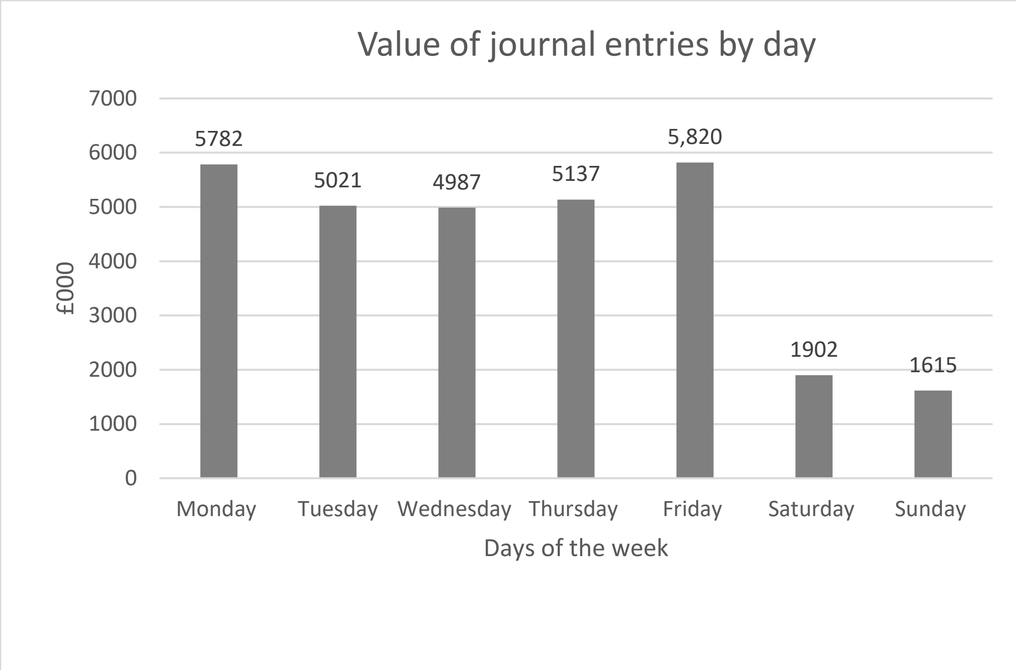
£000

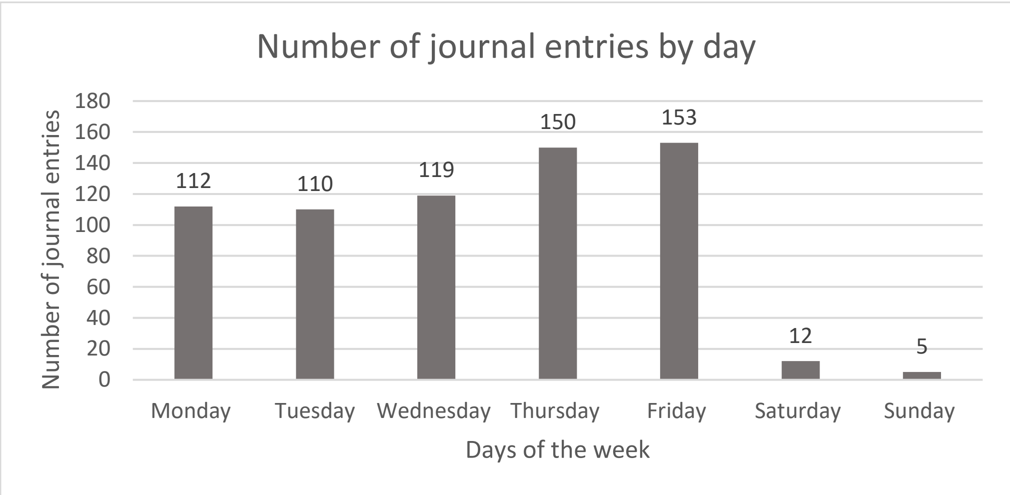
Duplicate entries

Our search for revenue entries with the same reference number and value identified sales invoices with a total value of £476,000 which appear to have been posted twice. We discussed these with the GlamFood accountant who told us that it was not unusual to have a series of stage payments for the same event.

Day of journal posting

The charts below analyse the total debit value of all journal entries by the day of the week on which they were posted. Normal working days for the GlamFood accounts team are Monday to Friday.





Unexpected double entry

A data analytics search for entries in which the combination of debit and credit entries appeared unusual identified the following item.

Dr Cash £2 million
Cr Deferred income £2 million

The GlamFood accountant explained that this entry relates to a loan received on 30 September 2020. The lender is a key GlamFood customer. GlamFood invoices this customer approximately £100,000 each month for catering services.

Invoices to be issued to the customer during the year ended 30 September 2021 will be offset against the loan, so the loan has been classified as deferred income. Any remaining loan balance at 30 September 2021 will be payable on that date, together with interest of £300,000.

Exhibit 3: Going concern paper – prepared by GlamFood finance director

This paper sets out the board's assessment of GlamFood's ability to continue as a going concern. We have considered a period of two years from 30 September 2020.

Revenue and profitability

GlamFood's draft financial statements for the year ended 30 September 2020 show revenue of £30.285 million which is 5% higher than in the previous financial year and in line with market expectations. Our forecasts show that revenue growth is expected to continue at an annual rate of 5% for the next two years.

The profit before taxation in the draft financial statements is £3 million. This is 8% higher than in the previous financial year. Our forecasts show profit growth at an annual rate of 10% for the next two years. There is no reason why we cannot achieve this with our cost-cutting programme and loyal customer base.

Cash

At 30 September 2020 GlamFood had cash of £1.9 million. This is a similar level to the cash balance at 30 September 2019. Our forecasts show that the cash balance is not expected to fall below zero at any point in the next two years.

Obligations

No long-term liabilities or loans are recorded in the financial statements at 30 September 2020.

There is a pension fund deficit of £4.7 million (£3.2 million at 30 September 2019). The increase in the deficit is due to reduced employer contributions paid during the year ended 30 September 2020. We hope to continue to pay the reduced level of contributions for the next few years.

Deferred income, which represents amounts billed to customers in advance, totalled £2.3 million at 30 September 2020 (2019: £6.4 million).

Conclusion

The board believes that GlamFood will continue as a going concern.