COVID 19 –
How CMAAS Can Help

April 2020

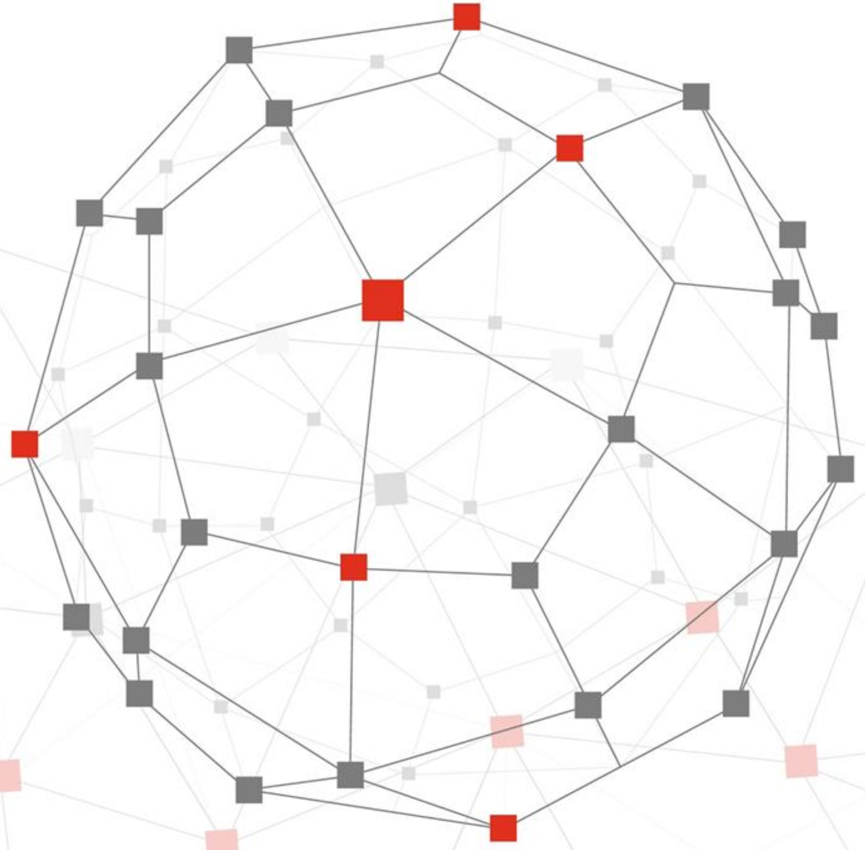
pwc

How CMAAS Can Help

The outbreak of the COVID-19 virus has been declared by ***the World Health Organisation*** as a public health emergency of international concern, which has a significant impact on communities and entities all around the world. We can assist you and answer your questions.

We are **uniquely positioned to assist you** through the COVID 19 crisis by helping you:

- Assess and respond to the accounting, reporting and deal implications
- Mitigate their resource constraints by deploying a remote team (leveraging technology) to ensure they meet their financial close deadlines



COVID-19 – Accounting and Reporting Considerations

The following challenges are consistent with those commonly seen in deals (e.g., acquisitions, divestitures) and other transformative events, which is familiar territory for PwC.

Business issue	Financial reporting implications
Availability of resources to continue business operations for the foreseeable future	**Going concern** Financial statements should be prepared in accordance with IFRS on the basis of going concern principle, which assumes realisation of assets and repayment of obligations in the normal course of the business in the foreseeable future. Management will need an assessment of liquidity and resources to continue business operations for the foreseeable future due to the impact of COVID-19. Throughout the period under review, a cash flow analysis may be required to maintain a position above the minimum required working capital. We can help an entity assess the dependence of liquidity on various internal and external factors, taking into account the impact of the crisis, and assist in the implementation of appropriate reliable and reasonable calculations of forecast cash flows.

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Business issue	Financial reporting implications
Liquidity	**Additional financing and refinancing debt considerations** Entities may require additional financing or changes to existing debt agreements due to lost revenue, uninsured losses or losses for which insurance claims have not yet been received. In this case, an entity may try to change the terms of existing debt agreements with its creditors in order to increase the amount of borrowed funds on a temporary or permanent basis, change the interest rate or other contractual terms of the agreement. Such changes will need to be analysed to determine whether they constitute a restructuring of bad debt, a modification of the debt or, possibly, its repayment, for each of which there are different accounting consequences. We can help an entity analyse various scenarios and evaluate the consequences in accordance with IFRS. As the crisis continues, discussions with lenders about covenants of debt agreements and liquidity, as well as discussions between buyers and sellers, will likely require a reliable and reasonable calculation of the impact of the crisis on historical results and future forecasts. We can help the organization to assess the impact on historical results and future forecasts.

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Business issue	Financial reporting implications
Disruption of supply chains and reduction in customer spending	**Revenue recognition** *Estimates of variable consideration including updates for possibly changed targets.* An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event, for example, achieving the target level of gross profit on resale by the distributor. At the end of each reporting period, an entity shall update the estimate of the transaction price (including updating the analysis of whether variable consideration should be limited). An entity shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Management should consider whether the recognition threshold is met and update its estimate of variable consideration accordingly. We can help an entity with the analysis of variable consideration under contracts with customers and evaluate the recognition thresholds of variable consideration in accordance with IFRS. *Assessment of the probability of payment and assessment of the need to recognise expected credit losses.* An entity may continue to sell products and services to customers affected by coronavirus disruptions. An entity should not only evaluate the need to write off or create reserves for trade receivable balances, but also assess whether it has the right to recognise revenue for new sales, as there is a necessary condition - compensation should be probable. We can help an entity recognise revenue for new contracts and update expected credit losses in accordance with IFRS.

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Business issue	Financial reporting implications
Significant supplier or customer disruptions, including decreased demand and business interruption	**Impairment - Goodwill and Intangibles** *Potential impairment test.* An entity may need to evaluate whether an impairment has occurred as a result of exposure to coronavirus. The entity's current financial performance or its estimate of future revenue may be materially affected by the loss of a significant supplier or customer whose operations have been affected by the recent events. The guidance requires goodwill and indefinite-lived intangible assets to be tested for impairment at a minimum every year, and other non-financial assets whenever there is an indicator those assets might be impaired. An entity shall assess whether there is any indicator of impairment of assets and, if so, follow the applicable guidelines. We can help an entity evaluate whether there are any indicators of impairment in accordance with IFRS. *Update of key assumptions, especially financial forecasts* An entity should consider how key assumptions in financial projections may be affected by declining demand for their products / services or prolonged interruptions in the supply chain, manufacturing operations, or workforce. We can help an entity analyse the impairment test prepared for compliance with IFRS.

COVID-19 – Accounting and Reporting Considerations

The following challenges are consistent with those commonly seen in deals (e.g., acquisitions, divestitures) and other transformative events, which is familiar territory for PwC.

Business issue	Financial reporting implications
Idle capacity or vacant facilities	**Inventory & long-lived asset valuation issues** An entity may need to evaluate whether property, plant and equipment are impaired or goods should be valued lower than cost as a result of idle capacity or vacant facilities. Inventory should be valued at the lower of cost or net realisable value. We can help an entity with valuation of inventory in accordance with IFRS. Property, plant and equipment should to be tested for impairment whenever there is an indicator they might be impaired. An entity shall assess whether there is any impairment indicator and, if so, follow the applicable guidelines. We can help an entity evaluate whether there are any indicators of impairment and analyse the impairment test prepared for compliance with IFRS.

COVID-19 – Accounting and Reporting Considerations

The following challenges are consistent with those commonly seen in deals (e.g., acquisitions, divestitures) and other transformative events, which is familiar territory for PwC.

Business issue	Financial reporting implications
Idle capacity or vacant facilities	**Accounting for overheads and depreciation** Reduced production levels can affect accounting for fixed production overheads. An entity may have idle capacity if their staff is forced to stay at home. In the periods of normal capacity, fixed overhead costs should be allocated to the cost per unit of output. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. However, in the low production or downtime periods, excess overhead should not be charged to the cost of production but instead be recognised as an expense in the period in which they are incurred. Facilities that are temporarily free or idle should continue to be depreciated. Depreciation can only be discontinued if the asset is disposed. We can help an entity recognise overheads and depreciation in accordance with IFRS during the periods of downtime or low capacity, taking into account the specifics of its business, and if necessary, help an entity update its accounting policies for such cases.

COVID-19 – Accounting and Reporting Considerations

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Business issue	Financial reporting implications
Idle capacity or vacant facilities	**Restructuring** Significant operational disruptions caused by the outbreak of coronavirus in certain regions may prompt entities to diversify their geographic concentration of suppliers, operations, personnel, or inventory. Management's actions in relation to the virus should be accounted for as a provision only to the extent that there is a present obligation for which the outflow of economic benefits is probable and can be reliably estimated. The intention to implement a plan by itself, as a rule, does not create an existing obligation. Many expenses, including travel expenses, cannot be charged before they are incurred. The calculation of the redundancy costs and termination of the contract is complex and should be based on specific facts and circumstances. We can help an entity analyse the existing facts and circumstances, including documents and plans for restructuring, taking into account the dates of decision-making, for correct accounting in accordance with IFRS.

COVID-19 – Accounting and Reporting Considerations

The following challenges are consistent with those commonly seen in deals (e.g., acquisitions, divestitures) and other transformative events, which is familiar territory for PwC.

Business issue	Financial reporting implications
The completeness of disclosures in the financial statements	**Disclosures in the financial statements** Additional disclosures regarding the impact of COVID-19 may be required as result of: (i) direct effects on a company's operations, and (ii) potential second-order effects (e.g., changes in demand for products or services, the effects on supply chains, etc.) Entities should, at a minimum, consider the following disclosures in the financial statements: • Disclosure of risks and uncertainties • Evaluate whether subsequent events occurred that require disclosure We can help an entity prepare the above disclosures in the financial statements in accordance with IFRS.

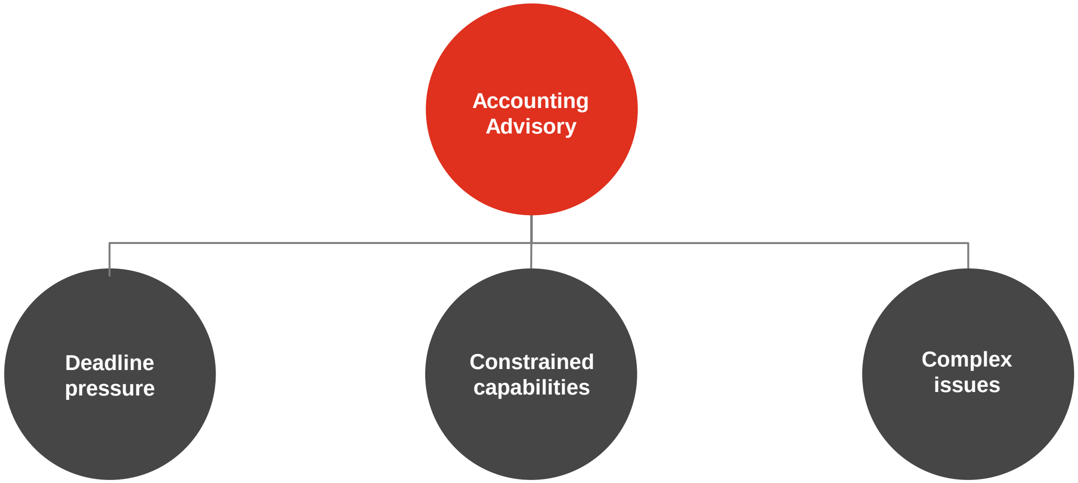
CMAAS Workforce Disruption Assistance

The well-established remote working model at PwC

A **crisis** like a viral outbreak can reveal immediate **infrastructure gaps**, while also necessitating an **accelerated timeline** requiring more work activities to occur remotely. **CMAAS** can provide significant **value** when clients are under deadline pressure, have constrained technical and resource capabilities, and are facing accounting or business issues that are complex in nature, such as the impacts of COVID-19.

Due to the well-established remote working model at PwC, we can effectively provide our consulting services on accounting issues. We can:

- continue to provide reliable business consultancy by helping you respond to the potential impact of COVID-19 on time
- assist in assessing the impact of COVID-19, including complex accounting and disclosure issues across a wide range of topics - see previous slides
- assist in closing the reporting periods



CMAAS Workforce Disruption Assistance

Providing remote resources to assist with financial reporting needs

PwC has a proven and well established remote working model and can provide a variety of resources and assistance to companies during these uncertain times, such as:

- Assisting in executing the financial reporting close process on a timely basis, including:
  - Technical accounting analyses and suggesting related journal entries
  - Account reconciliations
  - Technical accounting memos on a wide range of topics- see prior slide
  - Using our suite of digital tools to accumulate, aggregate and analyze data to support accounting requirements
- Drafting disclosures using tools and templates to ensure compliance with disclosure requirements
- Facilitating seamless collaboration through a *suite of digital platforms* to ensure seamless communication in a remote environment, enabling us to communicate visually and audibly with our clients
- Project management assistance to ensure the close process is executed effectively and efficiently, in advance of filing deadlines

Whether navigating a deal such as an acquisition or an IPO, or navigating the day-to-day complexities of running a business, COVID-19 causes workforce disruption. Luckily, our significant investment in technological tools, specifically those provide remote technological abilities, can provide value to you during this period of uncertainty. PwC has been focused on providing our employees with the flexibility and ability to work remotely while still delivering quality - this will enable us to help you minimize the overall disruption to your workforce and productivity.

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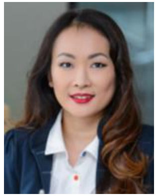

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Thank you

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