June 2020

Financial Reporting Supervision

Financial Reporting Decisions

IAASA

Irish Auditing & Accounting Supervisory Authority

MISSION

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest.

Contents

1. Background & introduction

In accordance with its Policy Paper on Publication of IAASA's Financial Reporting Enforcement Findings, IAASA publishes this compendium of financial reporting decisions with the aim of promoting high quality financial reports.

The financial reporting decisions included in this compendium were deemed by IAASA to be 'significant' and, therefore, are published in this document, as they met one or more of the following publication criteria:

(a) refers to financial reporting matters with technical merit;

(b) has been discussed at EECS as an emerging issue;

(c) has been submitted to the EECS Decision Database;

(d) will be of interest to other European accounting enforcers;

(e) indicates to IAASA that there is a risk of significant differences in the financial reporting treatments applied by issuers;

(f) is likely to have a significant impact on other Irish or European issuers;

(g) is taken on the basis of a provision not covered by a specific financial reporting standard; or

(h) otherwise meets IAASA's mission of promoting high quality financial reporting.

2. Aminex plc

Issuer	Aminex plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2018
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	• IFRS 6 *Exploration for and Evaluation of Mineral Resources* • IFRS 9 *Financial Instruments* • IFRS 7 *Financial Instruments: Disclosures* • IAS 24 *Related Party Disclosures*

Summary

Aminex plc ('the issuer') is an upstream oil and gas company with gas exploration and development operations in Tanzania.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2018.

IAASA concluded that the issuer had not complied, in full, with the requirements of a number of financial reporting standards. The issuer provided IAASA with undertakings to provide additional disclosures in future financial statements.

Outline of financial reporting treatment applied by the issuer and outline of decisions made by IAASA

Set out below is an outline of the financial reporting treatments applied by the issuer, the financial reporting decisions made by IAASA, and the corrective actions to be undertaken by the issuer.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
1. IFRS 6 – indication of impairment exploration and evaluation assets	
The issuer has four cash generating units (CGUs), three of which are classified as exploration and evaluation (E&E) assets. One E&E asset was fully impaired during the year. The remaining E&E assets were reviewed for impairment but not tested for impairment as the issuer determined no impairment test was required. IFRS 6 requires that entities consider whether the facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amounts and, if so, perform an assessment of impairment, which may or may not result in an actual impairment charge.	IAASA concluded that changes in the facts and circumstances of the issuer indicate that E&E assets should have been tested for impairment in accordance with the requirements of IFRS 6.18, IFRS 6.20, IFRS 6.BC37 and BC39. This decision is concerned with the requirement for testing of E&E assets for impairment and is not a judgement as to whether or not such an impairment assessment would have resulted in an impairment charge. The issuer confirmed that it held a different view to IAASA and maintained it has complied with the requirements of IFRS 6.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
That is to say, the indicators of impairment [IFRS 6.20] and a change in the facts and circumstances [IFRS 6.18 and BC37] determine whether or not an impairment test of E&E assets are required. The list in IFRS 6.20 is described as not an exhaustive list. Changes in the facts and circumstances of the issuer that were observed included: (a) the expiry of one of two operating licences; (b) uncertainty associated with finalisation of the farm-out agreement; (c) changes in Tanzanian Natural Wealth and Resources Act (July 2017) allowing Tanzanian Authorities to renegotiate existing production sharing agreement (PSA) contracts and the fact that all Tanzanian PSAs are being reviewed by the authorities; (d) uncertainty related to unfulfilled drilling commitments and potential penalties; and (e) the on-going discussions with the Tanzanian Petroleum Development Corporation (TPDC) over amounts due to and from TPDC.	The issuer confirmed to IAASA that: (a) it had taken on board IAASA's view and would be mindful of future compliance with the requirements of IFRS 6 [i.e. IFRS 6.18, IFRS 6.20, IFRS 6.BC37 and BC 39 refer]; and (b) it would voluntarily undertake to increase the level of disclosure of E&E impairment assessments in future financial statements.
2. IFRS 9 – expected credit losses on overdue trade receivables	
The issuer disclosed that gross trade receivables amounting to US$6.7m were past due by between 8 to 18 months. The issuer stated that invoiced gas sales were not disputed and the customer, the TPDC, had delayed settling amounts due as discussions continue in relation to the TPDC's request for payment of certain liabilities arising on revenues from gas sales. The issuer disagrees and does not accept the amounts sought by the TPDC. The issuer calculates interest on late payments. However, it otherwise expects to receive the full amount of invoiced trade receivables due and does not agree there has been an increase in the credit risk attaching to the overdue trade receivables.	IAASA concluded that the issuer's measurement of ECLs on trade receivables was not in full compliance with IFRS 9.5.5.17 and IFRS 9.5.5.18. The issuer asserted that it calculated an ECL on the trade receivables using reasonable and supportable information. The issuer has provided an undertaking to IAASA that future financial statements will comply, in full, with the requirements of IFRS 9 (i.e. the recognition and measurement requirements of ECLs on trade receivables).

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
IFRS 9.5.5.17(c) states that an entity shall measure expected credit losses (ECLs) of a financial instrument in a way that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9.B5.5.41 states that an estimate of ECLs shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. The issuer's ECL calculation on trade receivables was based upon a single outcome – a full recovery of all cash flows within 6 months. This resulted in no material ECL being recognised in the financial statements. IAASA noted that the unit of account for the measurement of ECLs on trade receivables is the invoiced amount of trade receivables [rather than the net amount receivable after payments to partners by the issuer]. This is on the basis that there are no contractual terms or legal agreements that permit a right to offset of trade receivables against other liabilities and which should be considered in measuring the ECLs on trade receivables [IFRS 9.B5.5.55].	
3. IFRS 7 – liquidity risk maturity table for financial liabilities	
The issuer disclosed a liquidity risk maturity table in the notes to the financial statements. The issuer reported negative cash flows from operations in 2018 and had net current liabilities. IFRS 7.39(a) states that an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities. The carrying amount of trade and other payables in the liquidity risk maturity table (US$7.2m) excluded accruals (US$3.3m) compared to aggregate trade and other payables on the statement of financial position (US$10.5m).	IAASA concluded that the disclosure requirements of IFRS 7.39 has not been complied with in full, on the basis that the liquidity risk maturity table excluded accruals amounting to US$3.3m. The accruals amount was separately disclosed in note 16 - Trade and Other Payables. The exclusion of accruals in the liquidity risk maturity table has no measurement impact on the financial statements and relates to disclosure only. The issuer provided an undertaking to IAASA that future financial statements would include accruals in future liquidity risk maturity tables [IFRS 7.39(a)]. It is IAASA's expectation that prior year comparatives will also be restated in accordance with the requirements of IAS 1.41 or IAS 8.49. The issuer has voluntarily agreed to restate the prior year comparatives in the liquidity risk maturity table to enhance comparability.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
4. IAS 24 – related party disclosures	
The issuer disclosed that in July 2018, it signed a Farm-Out agreement with the Zubair Corporation. A material investor in the issuer is part of the Zubair Corporation. However, the related party note did not identify: (a) Zubair Corporation, and the material investor linked to Zubair, as related parties of the issuer; or (b) the Farm-Out agreement as a related party transaction. IAS 24.18 states that if an entity has related party transactions during the year covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions. IAS 24.19 states that the disclosures required by IAS 24.18 shall be made separately for entities with joint control of, or significant influence over the entity's subsidiaries and associates.	IAASA concluded that the disclosure requirements of IAS 24.18 and 19 were not complied with, in full. The issuer noted the omission of the fact that the Farm-Out transaction is with a related-party. However, the issuer stated the transaction was identified as being with a related party in other public announcements, press releases and the shareholder circular for the transaction. The issuer provided undertakings to IAASA that future financial statements would disclose: (a) the fact that the Farm-Out agreement transaction is with a related party; and (b) all related party transactions and balances in accordance with the disclosure requirements of IAS 24.19.

3. Astute Capital plc

Issuer	Astute Capital plc
Report type	Annual financial statements
Reporting period	Year ended 31 March 2019
Financial reporting framework	UK GAAP
Applicable financial reporting standards	FRS 102 *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*
Regulations	Transparency Directive 2004/109/EC Regulations (S.I. No. 277 of 2007) (as amended) ('the Regulations')

Summary

The issuer was established to raise funds through a secured limited recourse bond programme listed on Euronext Dublin. The funds raised are advanced to the issuer's Collateral Manager, an asset backed finance provider. The Collateral Manager uses the proceeds received from the issue of each bond to advance or acquire loans to borrowers meeting eligibility criteria. The loans are secured against real estate assets which produce funds sufficient to service any payments due on the bonds issued.

IAASA undertook an unlimited scope examination of the annual financial statements of the issuer for the year ended 31 March 2019.

Outline of financial reporting treatment applied by the issuer and outline of decisions made by IAASA

Set out below is an outline of the more significant financial reporting treatments applied by the issuer, the financial reporting decisions made by IAASA, and the corrective actions to be undertaken by the issuer.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
1. Management Report – fair review of the business [Regulation 5(4)(c)(ii)]	
Regulation 5(4)(c)(ii) requires that the Management Report includes a fair review of the development and performance of the business and the position of the issuer. Certain matters were noted during IAASA's examination of the annual financial statements which did not appear to have been reflected in the Management Report. For example: (a) the Collateral Manager's activity during the year and the carrying value of the loans outstanding at the reporting date; (b) the interest rate that the Collateral Manager is receiving on the underlying loans;	IAASA concluded that the relevant issue for the users of the financial statements is the Collateral Manager's ability to meet its obligations to the issuer and those obligations are entirely reliant on the performance of the underlying loans. The issuer undertook to expand the disclosures in the Management Report in future periodic financial reports to include additional information on the underlying loans/activities of the Collateral Manager, together with the disclosure of the rate of interest that the Collateral Manager is charging on its loans to the borrowers.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
(c) the average size of the loans and the number of the underlying loans; (d) the credit quality of the underlying borrowers; and (e) the carrying value of the security on the underlying loans which ultimately acts as security for the bondholders.	
2. Management Report – principal risks and uncertainties	
Regulation 5(4)(c)(ii) requires that the Management Report includes a description of the principal risks and uncertainties facing the issuer. A number of matters were noted during IAASA's examination of the annual financial statements which did not appear to have been reflected in the Management Report: (a) information regarding the UK property market, together with the implications of any changes in the UK market interest rates; (b) the actions the Collateral Manager takes to manage the timing of cash flows in the case of a default of an underlying loan or a number of underlying loans; (c) a discussion on the credit risk of the amounts due from related parties.	IAASA concluded that, given the activities of the issuer, more detailed information on the potential implications of changes to the UK property market and any implications arising from changes in the UK market interest rates should have been disclosed in the Management Report. A significant deterioration in the UK property market could, for example, have a significant impact on the underlying loans of the Collateral Manager. In addition, IAASA noted that the amounts owed by related parties appeared to be a significant asset of the issuer. IAASA further concluded that more narrative information regarding the credit risk of the amounts due from related parties was relevant information for the users of the annual financial statements. The issuer undertook to expand the disclosures in its Management Report to provide more information regarding: (a) the UK property market, together with the implications of any changes in UK market interest rates; (b) the actions the Collateral Manager takes to manage the timing of cash flows in the case of a default of an underlying loan or a number of underlying loans; and (c) the issuer's rationale as to why it considered the amounts owed by related parties have a low credit risk.
3. Management Report – responsibility statement [Regulation 5(4)(b)]	
Regulation 5(4)(b) requires that the name and function of any person who makes a responsibility statement be clearly stated. IAASA noted that the name and function of the person who made the responsibility statement was not apparent from the disclosures in the annual financial statements.	The issuer undertook to clearly state the name and function of the person(s) making the responsibility statement in future periodic financial reports.

4. Bank of Cyprus Holdings plc

Issuer	Bank of Cyprus Holdings plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2017 and Year ended 31 December 2018
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	• IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes* • IAS 40 *Investment Property* • IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Summary

Bank of Cyprus Holdings plc ('the issuer') provides a range of banking, financial services and insurance services. The issuer is the largest financial institution in Cyprus with total assets in excess of €22bn as at 31 December 2018.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2017 and a focused examination of the issuer's annual financial statements for the year ended 31 December 2018. IAASA concluded that the issuer had not complied, in full, with the disclosure requirements of a number of financial reporting standards. The issuer provided IAASA with undertakings to provide additional disclosures in future financial statements.

Outline of financial reporting treatment applied by the issuer and outline of decisions made by IAASA

Set out below is an outline of the financial reporting treatments applied by the issuer, the financial reporting decisions made by IAASA, and the corrective actions to be undertaken by the issuer.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
1. IAS 1 and IAS 12 – deferred tax asset (DTA) disclosure	
The issuer reported recurring taxable losses in most years since 2013 and recognised deferred tax assets amounting to €384m as at 31 December 2017. IAS 12.82 states that an entity shall disclose the nature of the evidence supporting the recognition of DTAs when (a) the utilisation of the DTA is dependent upon future taxable profits in excess of the reversal of existing taxable temporary differences, and (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the DTA relates.	IAASA concluded that for the year ended 31 December 2017, the disclosure of DTAs was not in full compliance with the requirements of IAS 12.82, IAS 1.17(c), IAS 1.112(c), IAS 1.125 and IAS 1.129. The issuer gave IAASA undertakings that future financial statements would: (a) comply, in full, with the disclosure requirements of IAS 12.82, IAS 1.17(c), IAS 1.112(c), IAS 1.125 and IAS 1.129 (sensitivity analysis); and (b) enhance the description of the nature of the positive and negative evidence

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
IAS1.125 states that an entity shall disclose information about the assumptions it makes about the future (and other major sources of estimation uncertainty) that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. IAS 1.129 states that examples of disclosures an entity makes include the sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity. The requirements of IAS 1.17(c) and IAS 1.112(c) are also relevant in this context. During the examination, the issuer provided IAASA with a new quantitative DTA sensitivity analysis that was not disclosed in the notes to the financial statements (i.e. sensitivity of the DTAs to reasonably possible changes in key assumptions).	supporting the recognition of DTA (IAS 12.82).
2. IAS 40 – classification of leased properties	
The issuer disclosed that certain leased properties acquired by means of debt for asset swaps were classified as inventory rather than as investment property (2017: €136m and 2018: €202m). IAS 40.8(c) provides an example of an investment property as a building owned by an entity (or right-of-use asset relating to a building held by the entity) and leased out under one or more operating leases. It was noted that repossessed properties may earn rental income and/or capital appreciation arising from pre-existing lease contracts (in effect prior to executing debt for asset swaps). The issuer confirmed to IAASA that the estimated average time to recover collateral (including some leased property) is up to 6 years. IAASA considered that the financial reporting treatment cannot ignore the lease rental income and capital appreciation expected over the duration of the issuer's ownership of leased properties (i.e. over a period of up to 6 years) even where there is an intention to dispose of the property.	IAASA concluded that the issuer's accounting for leased property (i.e. as inventory) in the 2017 and 2018 annual financial statements was not in full compliance with the requirements of IAS 40.8(c). The issuer gave IAASA undertakings that future financial statements would: (a) classify leased properties as investment properties; (b) comply in full with IAS 40.8; and (c) re-state comparative amounts in accordance with the disclosure requirements of IAS 1.41.

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
3. IAS 1 – disclosure of comparative amounts: sensitivity of loans and advances to customers to impairment	
The issuer's financial statements disclosed a quantitative sensitivity analysis of provisions for impairment on loans and advances to customers (in tabular format and expressed in €000s). However, the sensitivity analysis did not disclose any comparative amounts. Paragraph 40 of IFRS 7 *Financial Instruments: Disclosures* states that, unless an entity complies with paragraph 41, it shall disclose: (a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period; (b) the methods and assumptions used in preparing the sensitivity analysis; and (c) changes from the previous period in the methods and assumptions used, and the reasons for such changes. IAS 1.10(ea) states that a complete set of financial statements includes comparative information in respect of the preceding period.	IAASA concluded that for the year ended 31 December 2017 the notes to the financial statements did not comply in full with the disclosure requirements of IAS 1.10(ea) and IAS 1.38 on the basis that: (a) a complete set of financial statements requires disclosure of comparative information for all amounts reported in the current period's financial statements; and (b) the comparative amounts are necessary for an understanding of the impact of changes to key impairment assumptions during the year. The issuer gave IAASA undertakings that future financial statements would: (a) disclose comparative amounts for the sensitivity of impairment charges to changes in assumptions; and (b) comply in full with the disclosure requirements of IAS 1.10 and 38.
4. IAS 37 – disclosure of provisions for litigation and regulatory matters by class	
The issuer disclosed in the notes to the annual financial statements for the year ended 31 December 2017 that: (a) the increase in total provisions for 2017 amounted to in excess of 20% of the current year loss before taxes; and (b) the provision was presented as a single class of provision. Provisions are made up of pending litigation, claims and other regulatory matters. Paragraph 84 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* states that for each class of provision, an entity shall disclose: (a) the carrying amount at the beginning and end of the period; (b) additional provisions made in the period, including increases to existing provisions;	IAASA concluded that the notes to the 2017 annual financial statements did not comply, in full, with the disclosure requirements of IAS 37.84 and IAS 37.87 on the basis that: (a) the provisions for pending litigation, claims and regulatory matters are dissimilar in nature and do not meet the criteria for aggregation to form a single class of provision (IAS 37.87); and (b) the disclosures required by IAS 37.84 and IAS 37.87, for each class of provision, has not been separately disclosed in the financial statements. The issuer gave IAASA undertakings that future annual financial statements would: (a) disclose the provisions for (i) litigation and claims, and (ii) regulatory matters as separate classes; and (b) comply in full with the disclosure requirements of IAS 37.84 and 87 in the

Financial reporting treatment applied by the issuer	Outline of decision made by IAASA and corrective action to be undertaken by the issuer
(c) amounts used (i.e. incurred and charged against the provision) during the period; (d) unused amounts reversed during the period; (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. IAS 37.87 states that in determining which provisions may be aggregated into a single class, it is necessary to consider whether the nature of the items are sufficiently similar.	preparation of future financial statements.

5. Datalex plc – *Refiled half yearly financial statements*

Issuer	Datalex plc
Report type	Half-yearly financial statements
Reporting period	Six months ended 30 June 2018
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IAS 34 *Interim Financial Reporting*
Regulations	Regulation 8(5)(c) of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended)

Summary

This financial reporting decision concerns the restatement of the half-yearly financial statements (the Report) for the six months ended 30 June 2018 in accordance with the requirements of IAS 34.19 and Regulation 8(5)(c) of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) following the misstatement of revenue, adjusted EBITDA and profit.

Outline of financial reporting treatments applied by the issuer

The issuer is engaged in the development and sale of a variety of direct distribution software products and solutions to the travel industry.

The issuer prepared its half-yearly financial report for the six month period ended 30 June 2018 which was published on 28 August 2018. In a trading statement dated 15 January 2019, the issuer stated that revenue, adjusted EBITDA and profit for the half year ended 30 June 2018 may have been misstated principally due to the accelerated recognition of revenue.

The issuer undertook a review of the accounting issues relating to revenue recognition referred to in the January 2019 trading update and the related sequence of events to identify any similar revenue recognition issues.

The findings from the accounting review were disclosed in a trading statement on 27 March 2019.

Outline of findings made by IAASA

Key findings of the accounting review into the issuer's half-yearly report included:

(a) the issuer's recognition of services revenue was not in line with its accounting policy and was materially overstated;

(b) the issuer incorrectly recognised services revenue in its results for the half year ended 30 June 2018; and

(c) other services and platform revenue was incorrectly recognised in the half year ended 30 June 2018.

Paragraph 19 of IAS 34 *Interim Financial Reporting* states that:

'An interim financial report shall not be described as complying with IFRSs unless it complies with all the requirements of IFRSs.'

Regulation 8(5)(c) of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) is relevant in this context as it was not apparent as to whether or not the half-yearly report had been prepared in accordance with the applicable set of accounting standards, and gave a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer.

Given the nature and amount of the material accounting misstatements identified, IAASA concluded that the half-yearly report published on 28 August 2018 did not comply with:

(a) paragraph 19 of IAS 34 *Interim Financial Reporting*; and

(b) Regulation 8(5)(c) of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended).

IAASA concluded that a materially misstated half-yearly financial report should not remain on record without a corrected version being made available to users.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the directors agreed to prepare, publish and re-file a restated half-yearly report for the six months ended 30 June 2018. This replaced the version originally published 28 August 2018 in order to ensure full compliance with IAS 34.19 and Regulation 8(5)(c) of the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended).

A restated half-yearly report for the six months ended 30 June 2018 was re-filed by the issuer on 4 December 2019.

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