February 2022

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.

ABOUT IAASA

The Financial Reporting Supervision Unit of the Irish Auditing and Accounting Supervisory Authority examines the compliance of certain entities' periodic financial reporting with relevant reporting frameworks.

The Authority accepts no liability and disclaims all responsibility for the consequences of anyone acting or refraining from acting in reliance on the information contained in this document or for any decision based on it.

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1. Background and 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.

IAASA applies criteria to determine whether a financial reporting decision is significant and requires publication in this compendium. To be deemed significant, a financial reporting decision meets one or more of the following criteria:

- refers to financial reporting matters with technical merit
- has been discussed at European Enforcer Coordination Sessions (EECS) as an emerging issue
- has been submitted to the EECS Decision Database
- will be of interest to other European accounting enforcers
- indicates to IAASA that there is a risk of significant differences in the financial reporting treatments applied by issuers
- is likely to have a significant impact on other Irish or European issuers
- is taken on the basis of a provision not covered by a specific financial reporting standard
- otherwise meets IAASA's mission of promoting high quality financial reporting

The financial reporting decisions included in this compendium were deemed by IAASA to be significant.

2. CRH plc

- **IAS 32 *Financial Instruments: Presentation***

- **IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors***

Issuer	CRH plc	
Report type	Annual financial statements	
Reporting period	Year ended 31 December 2020	
Financial reporting framework	IFRS-EU	
Applicable financial reporting standards	IAS 32	*Financial Instruments: Presentation*
	IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*

Summary

This financial reporting decision considers the restatement in the issuer's annual financial statements for the year ended 31 December 2020 of cash and borrowings in the statement of financial position following a reassessment by the issuer of the appropriateness of offsetting of cash balances which are subject to notional cash pooling arrangements (i.e. net versus gross presentation).

This decision has no net measurement impact; no impact on net assets, shareholders' equity, the income statement or the statement of cash flows; rather, it is limited to a change in presentation.

The enforcer agreed with the financial reporting judgements of the issuer in restating its comparative data for cash and borrowings for the 2019 comparatives.

The enforcer noted that at 31 December 2020 the issuer exercised net settlement of cash pool balances and, accordingly, a net presentation of the balances was appropriate.

Background

The issuer is an international building materials business engaged in the manufacturing and supply of a wide range of building materials.

The enforcer examined the issuer's 2019 annual financial statements. The enforcer asked the issuer to explain, amongst other matters:

(a) the basis on which the following were considered as cash and cash equivalents:
  - (i) bank overdrafts;
  - (ii) other loans/short-term borrowings, and

(b) how cash-pooling activities within the issuer impacted the measurement of cash and cash equivalents.

The issuer stated that it makes use of notional cash pools (an issuer wide set-off arrangement between bank accounts) and it would be the issuer's intention to net-settle these balances rather than raise new liquidity to settle the overdrafts. The issuer also noted that it had the legal right to offset and the ability to net settle at any point. The issuer's then held view was that it would be incorrect to disclose notional pool cash and notional pool overdrafts separately in the statement of financial position; therefore, the issuer off-set the cash and overdrafts to determine the net balance for presentation purposes.

Outline of financial reporting treatments applied by the issuer

IAS 32.42 states that a financial asset and a financial liability shall be off-set and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In late 2020, the issuer became aware of restatements of notional cash pool presentation arising in the financial reports of other entities. The issuer stated that these restatements were driven by a renewed focus from auditors on the interpretation of IAS 32.42(b) and, in particular, what constitutes sufficient evidence of an 'intention to net settle' in light of an International Financial Reporting Interpretations Committee (IFRIC) – Agenda Decision 'IAS 32 Financial Instruments: Presentation – Offsetting and cash-pooling arrangements' (March 2016). The issuer concluded that the IFRIC agenda decision did not change the relevant accounting standard; however, it provided clarity on the criteria for net presentation i.e. actual net settlement at the balance sheet date is required to show sufficient evidence of an intention to net settle. The issuer stated that it now believed that because it did not actually net settle cash pools as at the end of December 2019 (and 2018), the prior year net presentation was not correct and, therefore, prior year comparatives were restated accordingly.

The impact of the restatement in the 2020 annual financial statements was to increase the presented cash and cash equivalents as at 31 December 2019 by US$5.7bn (31 December 2018: US$6.5bn) with a corresponding increase in interest-bearing loans and borrowings. The restatements had no net measurement impact and was limited to a change in presentation.

Outline of findings made by IAASA

IAASA concluded that the restatement of cash and borrowings constituted the correction of a prior period error as defined by IAS 8.5. The enforcer considered that the restatement of cash and borrowings were quantitatively material. However, the enforcer concluded that:

(a) the issuer's 2020 financial statements complied, in full, with the disclosure requirements for prior period errors as defined by IAS 8.49; and

(b) the restatements had no impact on net assets, shareholders' equity, the income statement or the statement of cash flows.

The enforcer noted that the issuer exercised net settlement of cash pools at 31 December 2020 by undertaking a full sweep of all such cash pools and has instigated regular settlements in 2021 to demonstrate its intention and ability to net settle.

Outline of corrective actions undertaken or to be undertaken

None, as the issuer had complied, in full, with the disclosure requirements of IAS 8.49.

3. Crown Global Secondaries III plc

- **IFRS 7 *Financial Instruments: Disclosures***

Issuer	Crown Global Secondaries III plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2019
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IFRS 7 *Financial Instruments: Disclosures*

Summary

This financial reporting decision addresses the extent of disclosure by an issuer in its annual financial statements of the objectives, policies and processes for managing liquidity risk, the methods used to measure the risk and changes from the previous period (including qualitative and quantitative information) [IFRS 7.31, IFRS 7.33 and IFRS 7.34].

Background

Crown Global Secondaries III plc is a closed-ended private equity investment company. The issuer invests in secondary fund investments throughout all private equity investment stages. The life of the issuer is due to expire in 2024.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2019.

Outline of financial reporting treatment applied by the issuer

The issuer confirmed to IAASA that all of the investments are expected to mature in advance of the fund expiry date of 2024 as the portfolio is currently in harvesting mode.

IAASA's view is that the ability of the issuer to manage its liquidity obligations and to meet current and future redemptions to shareholders is dependent upon its ability to liquidate Level 3 investments in a timely manner.

It is noted that:

(a) all investments are categorised as having no stated maturity date;

(b) the life of the Company is due to expire by 31 January 2024 or within 5 years of the reporting date

An examination of the Statement of Cash Flows indicated that the cash inflows from the return of investments have significantly exceeded purchases of investments in each of the last two years.

It was not readily apparent to IAASA based on the disclosures in the notes to the financial statements:

(a) as to how the issuer's liquidity management policies have changed given the expected remaining life of the Company is less than four years and all investments are classified as Level 3 under the fair value hierarchy; and

(b) the basis on which the entire portfolio of investments is regarded as having no maturity date for liquidity management purposes.

Outline of findings made by IAASA

Disclosure of and changes in the issuer's liquidity management policy is important information for users of the financial statements and, in particular, in an entity that is at a later stage of its life cycle where all investments are expected to be sold in advance of the expiry of the issuer.

IFRS 7.31 states that an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity exposed at the end of the reporting period.

IAS 7.33 states that for each type of risk arising from financial instruments:

'… an entity shall disclose:

> *(a) the exposures to risk and how they arise;*
> *(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and*
> *(c) any changes in (a) or (b) from the previous period.'*

One such risk of the issuer is liquidity risk. IFRS 7.32A is also relevant in this context.

IFRS 7.34 states that for each type of risk arising from financial instruments:

'… an entity shall disclose:

> *(a) summary quantitative data about its exposure to that risk at the end of the reporting period;*
> *(b) ….; and*
> *(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).'*

IAASA concluded that the notes to the financial statements did not comply, in full, with the disclosure requirements of IFRS 7.31, IFRS 7.33 and IFRS 7.34. It was IAASA's expectation that future financial statements of the issuer would:

> (a) comply, in full, with the disclosure requirements of IFRS 7.31, IFRS 7.33 and IFRS 7.34; and

(b) provide updated quantitative data of the liquidity and management of investments consistent with data elsewhere in the financial statements such as in the Statement of Cash Flows.

The issuer provided an undertaking to update the liquidity note in future financial statements to describe in more detail the liquidity options available to the Company that will enable the issuer to meet its financial obligations and manage liquidity risk.

Outline of corrective actions undertaken or to be undertaken

The issuer agreed to update the liquidity note in future financial statements.

4. Flutter Entertainment plc

- ***Guidelines on Alternative Performance Measures***

Issuer	Flutter Entertainment plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	European Securities and Markets Authority ('ESMA')'s Guidelines on Alternative Performance Measures ('ESMA APM Guidelines')

Summary

This Decision deals with an issuer which:

(a) displayed its APMs with more prominence, emphasis or authority than measures directly stemming from the financial statements; and

(b) did not reconcile its APMs to the most directly reconcilable line item, subtotal or total presented in the financial statements.

Background

The issuer is a global sports betting and gaming operator with a portfolio of international brands and operations.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

Significant elements of the issuer's financial performance were presented and discussed on a pro-forma basis. The pro-forma disclosures and the issuer's performance measured on the pro-forma basis was discussed extensively in many areas in the issuer's management report (e.g. the chief executive's report, the operating and financial review, the directors' report, APMs).

By contrast, the narrative discussion of the issuer's IFRS reported performance was presented in just two paragraphs in the management report.

Pro-forma numbers and measures were defined by the issuer as:

'Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and

2020. The pro forma numbers include a 12-month period in Adjarabet in 2019 (completion date: February 1 2019)…'

IAASA's assessment was that the inclusion of The Stars Group (TSG)'s results for all of 2020 and 2019 – although the business combination only completed on 5 May 2020 – resulted in:

(a) pro-forma revenue of £4.144b and £5.264b in 2019 and 2020 respectively compared with IFRS-based revenue in the consolidated income statement of £2.140b and £4.413b in 2019 and 2020 respectively;

(b) pro-forma EBITDA of £1.089b and £1.231b in 2019 and 2020 respectively compared with EBITDA per the consolidated income statement of £407.8m and £771.6m in 2019 and 2020 respectively; and

(c) pro-forma operating profit of £869m and £990m in 2019 and 2020 respectively compared with £149.9m and £103.5m per the consolidated income statement in 2019 and 2020 respectively.

The pro-forma numbers for revenue, EBITDA and operating profit in 2019 and 2020 were substantially higher than the IFRS-based amounts presented in the consolidated income statement.

It was noted that the issuer presented sixteen separate profit measures – many of which also had prior period comparative amounts presented.

IAASA noted that the issuer recognised an IFRS-based loss for the 2020 financial year of £34.7m. The fact that the issuer made an IFRS loss for the 2020 financial year was not referenced or discussed in the management report.

In response to a request by IAASA, the issuer indicated that:

(a) 2020 was a transformative year for the Group which more than doubled in size. The use of statutory numbers to explain the performance of the Group would be inadequate and inappropriate given the significant degree of change in the Group's operations.

(b) it believed that they had given equal prominence to the IFRS-based results by presenting alongside the pro-forma results with identical formatting on one page of the annual report and also included a reconciliation between the pro-forma and reported results (e.g. amounts before separately disclosed items) on another page of the management report;

(c) it had been transparent throughout in relation to the basis on which the amounts were disclosed and had disclosed reported numbers (i.e. amounts before separately disclosed items) as appropriate;

(d) it did not believe that the presentation of APMs distract from the IFRS-based measures stemming from the financial statements;

(e) it believed the use of APMs added to and clarified the IFRS-based results rather than distract from them, as they were able to display and discuss other activities of the business aside from the impact of the combination with TSG.

In relation to the reconciliations, IAASA noted that the APM reconciliation tables reconciled the pro-forma measures to the amounts from the column titled '*before separately disclosed items*' in the consolidated income statement and not to the full IFRS-based results in the 'total' column in the consolidated income statement.

Outline of findings made by IAASA

Prominence principle

The issuer presented a substantial number of APMs in its annual report.

Paragraphs 35 and 36 of the ESMA APM Guidelines state that:

> 35. *'APMs should not be displayed with more prominence, emphasis or authority than measures directly stemming from financial statements.*
> 36. *Presentation of APMs should not distract from the presentation of the measures stemming from financial statements …*'

It appeared to IAASA that the APM measures are presented with more prominence and emphasis or authority than the measures stemming from the financial statements because:

(a) in the narrative information in the management report significant attention was directed to APMs in comparison to measures directly stemming from the financial statements;

(b) the APM measures were located throughout the management report;

(c) the APMs were frequently used in the narrative information in the management report; and

(d) there was a lengthy analysis in the management report of the issuer's performance against the pro-forma numbers.

IAASA concluded that the issuer displayed its APM pro-forma measures with more prominence, emphasis and authority than the measures directly stemming from the financial statements.

Reconciliation principle

Paragraph 26 of the ESMA APM Guidelines states that:

'*A reconciliation of the APM to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period should be disclosed, separately identifying and explaining the material reconciling items …*'

The ESMA APM Guidelines defines 'financial statements' as:

'*For the purposes of these guidelines, financial statements refer to annual, half-yearly financial statements and additional periodic financial information prepared in accordance with the* ***applicable financial reporting framework*** [bold emphasis added] *and disclosed by issuers … in accordance with the Transparency Directive …*'

The ESMA APM Guidelines define ‘applicable financial reporting framework’ as:

‘*For the purpose of these guidelines any of the following: (i) International Financial Reporting Standards (IFRS) as adopted in the EU pursuant to Regulation (EC) No 1606/2002 on the application of international accounting standards or …*’

IAASA concluded that the use of amounts ‘*before separately disclosed items’* was a basis of accounting that is not developed by the IASB or adopted by the EU and, therefore, the issuer did not reconcile its APMs to IFRS-based amounts.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the issuer voluntarily undertook to:

(a) provide equal prominence between APMs and IFRS-based measures (measures directly stemming from the financial statements) in future management reports; and

(b) ensure that APMs are reconciled to IFRS-based measures in future management reports.

5. Flutter Entertainment plc

- **IFRS 8 *Operating Segments***

Issuer	Flutter Entertainment plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	IFRS 8 *Operating Segments*

Summary

This Decision deals with the identification of the person or persons performing the function of Chief Operating Decision Maker ('CODM').

Background

The issuer is a global sports betting and gaming operator with a portfolio of international brands and operations.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

Paragraph 7 of IFRS 8 states that:

'*The term 'chief operating decision maker' identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the chief operating decision maker of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors or others …*'

The issuer disclosed that the Board of Directors performs the function of CODM.

In responding to IAASA's request to explain the basis for determining that the Board of Directors constituted the CODM, the issuer explained that:

(a) the Group CEO has overall responsibility for the Group's performance and delivery of the Group's strategy in consultation and supported by the Board, It also builds and leads an effective Executive Committee and oversees the Group's business operations and management of its risks. The Group CFO supports the Group CEO in the implementation and achievement of the Groups' strategic objectives;

(b) the CODM (i.e. Board of Directors) reviews the segment financial information such as the pro-forma results by segment, segment key performance indicators, Group balance sheet and pro-forma Group profit and loss on a monthly basis; and

(c) a number of matters are reserved for the Board. These include but are not limited to setting the long-term strategic goals and overall business and commercial strategy and the approval of budgets, major capital projects, contracts, mergers, acquisitions and divestments. Decisions on these items are determined by the Board of Directors and the executive directors alone do not have the authority to make these decisions.

Outline of findings made by IAASA

IAASA concluded that it is the Group CEO and the Group CFO – rather than the Board of Directors – who are performing the functions of the CODM.

Group CEO and Group CFO performing the functions of CODM

Set out below are the factors underpinning IAASA's conclusion that it is the Group CEO and the Group CFO who are performing the CODM functions:

(a) an Executive Committee directly reports to the Group CEO ;

(b) the CFOs of the four reportable segments report directly to the segment CEOs and have a second reporting line to the Group CFO;

(c) the Group CFO reports to the Group CEO;

(d) the Board of Directors have delegated the overall responsibility of the issuer's performance and the delivery on its strategy to the Group CEO and delegated the management of the issuer's financial affairs to the Group CFO;

(e) the Group CEO and Group CFO present the overall Group budgets to the Board, where they are discussed and approved once all queries are resolved. It appears that the Board of Directors does not have a formal review and discussion with the segment CEOs and segment CFOs on the development and preparation of the segment budgets; and

(f) actual performance against budget for the operating segments is reported and discussed at Board meetings on a monthly basis. It is primarily the Group CEO and Group CFO who provide the Board with this update. On occasion, the segment CEOs and segment CFOs attend Board meetings to discuss various aspects of their business.

Board of directors are not performing the CODM function

Set out below are the IAASA's rationale for concluding that the Board of Directors are not performing the CODM function:

(a) the Board has no individuals formally reporting directly to it;

(b) the Board is comprised of two executive directors (i.e. Group CEO and Group CFO), a Chair and nine non-executive directors and one senior independent director;

(c) the directors view the Group CEO and Group CFO – who are both members of the Board – as representatives of the Board tasked with the day-to-day management and oversight of the Group's activities. It appears that it is the Group CEO and Group CFO who perform the function of CODM while the strategic matters are reserved for the Board. The Board as a whole appear to have a supervisory role;

(d) the Board also has delegated responsibilities to a number of committees over which the Board has oversight. These Committees are comprised entirely of the Chair and non-executive board members and report regularly to the overall Board;

(e) the approval of budgets, major capital projects, contracts, mergers, acquisitions and divestments are matters reserved for the Board. The executive directors do not have authority to make these decisions. Although these matters are reserved for the Board – which consists of nine non-executive directors – it appears that the Board are acting in a supervisory capacity, rather than in an operational or developmental capacity

(f) the Board met 11 times during 2020 and the Board reviewed/approved an extensive range of matters including strategic and operational matters, finance and investor relations matters. The level of involvement of the Board in the CODM function appears limited given the significant strategic matters that the Board must consider given the size of the issuer; and

(g) the role of the non-executive directors is not operational or developmental.

The non-executive directors appear to be involved in the allocation of resource decisions at a high level particularly when reviewing the budgets and approving acquisitions. The Board in this regard appears to IAASA to be acting in a supervisory capacity. In IAASA's view the Board's approval rights are not carrying out the function of allocating resources and assessing the performance of the segment CEOs and CFOs in the context of IFRS 8.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the issuer confirmed to IAASA that it is the Group CEO and the Group CFO jointly who are performing the CODM function.

IAASA indicated to the issuer that it was its expectation that:

(a) the issuer's operating segment disclosures would be updated in future periodic financial statements to indicate that it is the Group CEO and the Group CFO who are performing the functions of the CODM; and

(b) the issuer would re-assess the identification of operating segments which may result in changes to the Group's reportable segments.

6. Flutter Entertainment plc

• IFRS 8 *Operating Segments*

Issuer	Flutter Entertainment plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	IFRS 8 *Operating Segments*

Summary

This financial reporting decision deals with the level of disclosure of revenues by geographic areas under IFRS 8 *Operating Segments*.

Background

The issuer is a global sports betting and gaming operator with a portfolio of international brands and operations.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

In its financial statements, the issuer disclosed revenues from external customers by each of its five segments for each of the following geographic areas:

- Republic of Ireland (country of domicile) which accounts for 5% of revenues from external customers
- United Kingdom (37%)
- Australia (22%)
- United States of America (15%)
- Rest of World (21%)

The following amounts are the revenues from external customers attributed to the individual foreign countries as disclosed in the operating segment note:

Country	Revenue £m
Ireland	217.3
UK	1,611.6
Australia	988.8
US	672.9
Rest of World	923.3
Total revenue	**4,413.9**

Following engagement with IAASA, the issuer provided a breakdown of the revenue amounts for the largest four foreign countries included in the Rest of World category to IAASA. No such individual country's revenues amounted to more than 4% of total revenues.

Outline of findings made by IAASA

IFRS 8.33 states that:

"*An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:*

(a) revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.

(b) ...

An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries."

In order to better aid the user's understanding of the revenue from external customers attributed to foreign countries, IAASA indicated to the issuer that it was IAASA's expectation that the issuer would expand its disclosures for the revenue amounts included in the Rest of World category to indicate revenue attributable to areas, regions or sub-regions.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the issuer voluntarily undertook to expand its disclosures for the Rest of World category in the operating segment note:

(a) to indicate revenue attributable to areas, regions or sub-regions; and

(b) to indicate that the make-up of the Rest of World category includes multiple countries that individually account for less than 10% of the overall revenue from external customers.

7. Flutter Entertainment plc

- **IAS 37 *Provisions, Contingent Liabilities and Contingent Assets***

Issuer	Flutter Entertainment plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Summary

This financial reporting decision deals with the disclosure of the critical accounting judgements regarding the recognition of a provision.

The Kentucky Supreme Court made a judgement against the issuer amounting to US$870m plus accrued interest. The total judgement, inclusive of accrued interest, amounted to US$1.3bn at 31 December 2020).

Background

The issuer is a global sports betting and gaming operator with a portfolio of international brands and operations.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

Paragraph 14 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* stated that:

"*A provision shall be recognised when:*

(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised."

Paragraph 122 of IAS 1 *Presentation of Financial Statements* stated that:

"*An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management* *has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements …*"

In its annual financial statements for the year ended 31 December 2020 the issuer disclosed that:

"*… the Commonwealth of Kentucky filed legal proceedings in 2010 – 2011 against various operators including certain companies that later became subsidiaries of The Stars Group ("TSG"). The suit sought recovery of alleged losses incurred by Kentucky residents playing real-money poker on the PokerStars platform during a period between 2006 and 2011. The gross gaming revenues that TSG generated in Kentucky on the PokerStars platform during the relevant period were approximately US$18m. In 2015, a Kentucky trial court judge entered judgment against two TSG Isle of Man subsidiaries, Stars Interactive Holdings (IOM) Limited ("SIHL") and Rational Entertainment Enterprises Ltd ("REEL") and awarded damages to the Commonwealth of Kentucky of approximately US$870m plus post judgment interest. In 2018, this ruling was vacated in its entirety by the Kentucky Court of Appeals.*

On 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post judgment interest, against SIHL and REEL. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgment and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgment. No liability was previously recognised by either TSG or Flutter prior to this judgment.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m (£73m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgments about future events …"

Outline of findings made by IAASA

Following examination of the matter, IAASA accepted the amount recognised by the issuer for the provision regarding the Kentucky legal proceedings.

However, IAASA concluded that the issuer did not, in accordance with paragraph 122 of IAS 1 *Presentation of Financial Statements,* fully disclose the judgements in relation to the recognition of the provision amounting to US$100m for the legal proceedings and judgement.

The following matters were not disclosed in the financial statements:

(a) the total judgement including accrued interest against the issuer amounted to approximately US$1.3bn at 31 December 2020. The issuer did disclose the judgement amounted to '*approximately US$870m plus post judgment interest'*;

(b) interest on the judgement was accruing at approximately US$250,000 per day due to the application of compound interest;

(c) the judgement was against two Isle of Man subsidiaries and in order to enforce directly against these two Isle of Man subsidiaries, the Commonwealth of Kentucky would have to do so in the Isle of Man where their principal assets were held;

(d) due to applicable laws in the Isle of Man, the judgement would be not enforceable against the issuer's two subsidiaries in the Isle of Man and in the issuer's opinion the Commonwealth of Kentucky had limited ability to enforce more generally; and

(e) the potential operational and reputational consequences of resisting enforcement of the judgement, e.g. any impact on the issuer's ability to secure permits and licences in US states where its betting and gaming activities require State permissions.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the issuer voluntarily undertook to:

(a) include in its 2021 annual financial statements updated wording in respect of the significant judgements and estimates made by the directors in determining the recognition and measurement of the US$100m provision for the Kentucky legal proceedings at 31 December 2020; and

(b) disclose fully the directors' judgements for the measurement of a provision in accordance with IAS 1.122, should similar circumstances arise in the future.

8. Irish Continental Group plc

- ## IAS 36 *Impairment of Assets*

Issuer	Irish Continental Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IAS 36 *Impairment of Assets*

Summary

This financial reporting decision deals with assessing at the reporting date whether or not there was any indication that an asset may be impaired in an environment where the issuer's operations were significantly impacted due to the imposition of travel restrictions and social distancing rules due to COVID-19.

Background

The issuer is a maritime transport group carrying passengers and cars, Roll on Roll off (RoRo) freight and Container Lift on Lift off (LoLo) freight, on routes between Ireland, the United Kingdom and mainland Europe. It also operates container terminals in the ports of Dublin, Ireland and Belfast, Northern Ireland. The issuer also carries out ship chartering activities.

IAASA performed a focussed examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

Paragraph 8 of IAS 36 *Impairment of Assets* states that:

'*An asset is impaired when its carrying amount exceeds its recoverable amount. Paragraphs 12-14 describe some indications that an impairment loss may have occurred.* ***If any of those indications is present*** [bold emphasis added], *an entity is required to make a formal estimate of recoverable amount …'*
IAS 36.9 states that:

'*An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset …*'

IAS 36.12 states that:

‘*In assessing whether there is any indication that an asset may be impaired an entity shall consider, as a minimum the following indications:*

External sources of information

- *(a) there are observable indications that the asset’s value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.*
- *(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.*
- *(c) …..*

Internal sources of information

…

- *(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle ...’*

The issuer disclosed in the notes to the financial statements that:

‘*The Group assessed its property, plant and equipment and intangible assets to determine if there were any indications of impairment …*

During the period, the Group experienced a decline in activity levels mainly concentrated on passenger carryings due to the imposition of restrictions placed on travel in the jurisdictions that we offer services. The Group assessed that notwithstanding the material effect on profitability in 2020 and likely effects into 2021 as restrictions remained in place, that this performance did not amount to an indication of impairment. This assessment was based on previous experiences where the Group suffered serious shocks to its activity levels and the time taken to recover to pre-shock activity levels relative to the remaining life of its operating assets ...

One vessel which is dedicated to passenger only carryings was layed-up during 2020. Within the assessment carried out above this temporary surplus to operational requirements was not deemed to be an indication of impairment as it is intended to return this vessel to service when restrictions lift.

The Group also sought to support the carrying value of its vessels through an independent valuation exercise ...

Based on the above reviews no internal or external indications of impairment were identified for any material asset and consequently no impairment review was performed …’

The narrative report outlining the Ferries Division’s activities disclosed that:

(a) revenue declined by 33.4% from €212.4m in 2019 to €141.4m in 2020;

(b) EBIT declined by 133.8% from a positive €36.4m in 2019 to a loss of €12.3m in 2020;

(c) the issuer operated 4,501 sailings in 2020 compared to 4,934 in 2019; and

(d) due to COVID-19 travel restrictions, one ship was temporarily withdrawn from service in 2020 and did not operate any sailings.

Given the impact of COVID-19 travel restrictions on the issuer and the issuer's statement that no internal or external indications of impairment had been identified, IAASA challenged the issuer on its interpretation of paragraphs 8, 9 and 12 of IAS 36.

In response, the issuer asserted that it did not consider the reduction in revenue and earnings to be an indicator of impairment in respect of the ferry fleet as it was assessed to be a once in a lifetime event and not a long-term structural change, and the impact of a one year downturn in revenues would not have a material impact for long life vessels.

The issuer further asserted that it did not consider the economic performance of vessels to represent an indication of impairment due to:

(a) the shortfall in performance was largely attributable to external market factors related to the effects of COVID-19 travel restrictions on the demand for services rather than internal cost factors; and

(b) the shortfall in performance was considered temporary relative to the useful life of the fleet.

It is the issuer's view that IAS 36.12 – which states that "*In assessing whether there is any indication that an asset* ***may*** [bold emphasis added] *be impaired, an entity shall consider, as a minimum, the following indications* …' – provides guidance on the application of IAS 36.9 in setting out a number of situations which require to be assessed as to whether they amount to an indicator of impairment. The issuer contends that, however, IAS 36.12 is not mandating that, should any of the situations in IAS 36.12(a) to (h) exist, they automatically amount to an indicator of impairment requiring assessment of recoverable value.

The issuer explained it did not consider the profit reduction in 2020 to be an indicator of impairment. Key considerations in arriving at that assessment included the on-going positive cash generation from operations and the impact of the profit reduction in the context of the useful life of the ferry fleet. The issuer further set out the support for this approach provided by IAS 36.14 (d) which refers to current period amounts being '*aggregated with budgeted amounts for the future'*. While no guidance is provided as to what future time-line should be utilised, the issuer referenced IAS 36.14 (a) and took the view that cashflows should be looked at over the life of the assets, particularly given the long-term nature of the issuer's fleet and the sector in which it operates.

The issuer, having regard to the role of the ship temporarily withdrawn from service in 2020 within the overall fleet, did not consider the non-operation of the ship for Summer 2020 indicated that the vessel became idle as contemplated by IAS36.12(f) and did not amount to an indicator of impairment.

Outline of findings made by IAASA

IAASA concluded that the impact of COVID-19 travel restrictions provided a strong indication that one or more of the impairment indicators in IAS 36 were triggered for the issuer during 2020. In addition, IAASA did not agree with the issuer's rationale in relation to their interpretation of the requirements of IAS 36.12. It appeared to IAASA that the issuer's interpretation of IAS 36 would mean that there would unlikely be an indication of impairment ever being identified. This would mean that an impairment test would very seldom be required.

IAASA also concluded that the following matters were indicators of impairment and were identifiable at 31 December 2020:

(a) one ship temporarily withdrawn from service in 2020 as it was an idle asset and, therefore, the issuer had an over capacity of vessels with a higher supply than demand [IAS 36.12(f)];

(b) the reduction in revenue and earnings as a result of COVID-19 travel restrictions and social distancing rules appear to have an adverse effect on the market and economic environment in which the issuer operates [IAS 36.12(b)]; and

(c) on-going travel restrictions and social distancing rules imposed by the Irish Government continued up to the date of approval of the annual financial statements [IAS 36.12(b)].

Other factors considered relevant in the context of the identification of impairment indicators were:

(a) the going concern note stated that the issuer agreed a temporary increase in its leverage covenant with all its lenders. This indicates that the decline in business and economic activity in the market in which the issuer operated following the introduction of the travel and other restrictions imposed by the Irish Government resulted in a decision by the issuer to seek to increase its leverage covenant with its lenders [IAS36.12(b)]; and

(b) in the issuer's preliminary announcement published on 11 March 2021 it was noted that the COVID-19 travel restrictions were still having an impact on the economic environment in which the issuer operated up to the date of approval of the financial statements.

During the examination, IAASA required the issuer to provide the recoverable amounts of the fleet and IAASA accepted these amounts and, on that basis, is satisfied that no impairment charge required recognition in 2020.

Outline of corrective actions undertaken or to be undertaken

Following the engagement with IAASA, the issuer voluntarily undertook to:

(a) expand the impairment disclosures in the 2021 annual financial statements to include a narrative to:

(i) explain that a number of impairment indicators were present at 31 December 2020; and

(ii) explain that the impairment test that was performed indicated that no impairment charge was required at 31 December 2020;

(b) perform an assessment to identify whether any indicators of impairment exist at 31 December 2021; and

(c) provide the disclosures required by IAS 36.

9. Kerry Group plc

- IAS 7 *Statement of Cash Flows*

Issuer	Kerry Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IAS 7 *Statement of Cash Flows*

Summary

This financial reporting decision considers the presentation of “trading profit” (a term not defined in IFRSs) as the opening item in the Statement of Cash Flows. There is no impact on the actual cash flows presented in the Statement of Cash Flows.

Background

The issuer is a global taste and nutrition and consumer foods group.

IAASA performed an unlimited scope examination of the issuer’s annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

The issuer presents “trading profit” as the opening line item in the Statement of Cash Flows.

The Statement of Cash Flows starts with the line item “trading profit” amounting to €797m rather than “profit before tax” amounting to €635m.

“Trading profit” is defined by the issuer as ‘*… operating profit before specific items that are not reflective of underlying trading performance …*’. “Trading profit” is disclosed on the face of the Income Statement as being profit before taxation, finance income and costs, intangible asset amortisation and non-trading items. The reconciliation between “profit before tax” and “trading profit” is presented in the notes to the financial statements.

Outline of findings made by IAASA

IAS 7.3 states that: ‘*Users of the entity’s financial statements are interested in how the entity generates and uses cash and cash equivalents. This is the case regardless of the nature of the entity’s activities and irrespective of whether cash can be viewed as the product of the entity ...*’

IAS 7.18(b) and IAS 7.20 each refer to ‘*… profit or loss …*’. Illustrative Example A of IAS 7 provides a Statement of Cash Flows that starts with “profit before tax”. IAASA notes that

Illustrative Example A is not part of the Standard; however, it is considered relevant in this context.

IAS 1.BC76 states that the IASB Board considered whether the operating section of an indirect method statement of cash flows should begin with total comprehensive income '*… instead of profit or loss as is required by IAS 7*'. IAS 1.BC76 further states that when components of other comprehensive income are non-cash items, they would become reconciling items in arriving at cash flows from operating activities and '*… would add items to the statement of cash flows without adding information content.*'

The enforcer concluded that:

(a) IAS 7 is clear and encourages entities to present "profit or loss" as the opening line item in the Statement of Cash Flows rather than another measure such as "trading profit"; and

(b) in its view transparency and the comparability in the Statement of Cash Flows is reduced when the opening line item is a measure that is not defined by IFRSs. This presentation may be viewed as giving undue prominence to alternative performance measures or non-IFRS measures over measures defined by IFRSs.

Outline of corrective actions undertaken or to be undertaken

In order to better aid users understanding of the Statement of Cash Flows, and to enhance the transparency and comparability of same it is IAASA's expectation that the issuer would give further consideration to the presentation of "profit or loss", rather than "trading profit" or any other measure not defined in IFRSs as the opening line item in future Statement of Cash Flows.

10. Kerry Group plc

- IFRS 8 *Operating Segments*

Issuer	Kerry Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IFRS 8 *Operating Segments*

Summary

This financial reporting decision deals with the level of disclosure of revenues by geographic areas under IFRS 8 *Operating Segments*.

Background

The issuer is a global taste and nutrition and consumer foods group.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

By reviewing the issuer's disclosures and following engagement with the issuer, the following amounts are the revenues from external customers attributed to the individual foreign countries:

Country	Revenue €m	% of total Revenue
Ireland (disclosed in operating segment note)	433.3	6.2%
UK (disclosed in operating segment note)	1,420.6	20.4%
USA (disclosed in operating segment note)	2,509.8	36.1%
Rest of World	2,589.7	
Total revenue disclosed in Report	6,953.4	

In addition, the issuer disclosed the following analysis by primary geographic market and by its two operating segments:

	Taste & Nutrition €m	Consumer Foods €m	Total €m
Republic of Ireland	171.1	262.2	433.3
Rest of Europe	1,204.0	1,012.8	2,216.8
Americas	3,085.4	-	3,084.4
APMEA	1,217.9		1,217.9
Total	5,678.4	1,275	6,953.4

Following engagement with the enforcer, the issuer provided the revenue amounts for the largest 8 foreign countries included in the 'Rest of World' category.

Outline of findings made by IAASA

IFRS 8.33 states that:

'*An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:*

(a) revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.

…..

An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.'

In order to better aid the user's understanding of the revenue from external customers attributed to foreign countries, IAASA expected the issuer to give consideration to disclosing – either in the notes or as an accounting policy – the threshold applied in presenting revenue by individual country in future financial statements.

Outline of corrective actions undertaken or to be undertaken

Following engagement with IAASA, the issuer voluntarily undertook to disclose the threshold applied in presenting revenue by individual country in future financial statements either in the notes or as an accounting policy.

11. Kingspan Group plc

- **IFRS 13 *Fair Value Measurement***

Issuer	Kingspan Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IFRS 13 *Fair Value Measurement*

Summary

This financial reporting decision deals with the disclosure of unobservable inputs in the context of the fair value measurement of deferred contingent consideration.

Background

Kingspan Group plc is a worldwide operator in high-performance insulation and building envelope solutions.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

Deferred contingent consideration (a put option liability) is categorised in the financial statements at Level 3 in the fair value hierarchy. The notes to the financial statements described qualitative information about the fair valuation process for deferred contingent consideration liabilities as follows:

'*Deferred contingent consideration, which includes any put option liabilities, is valued using the relevant agreed multiple of the expected future EBITDA in each acquired business which is appropriately discounted using a risk-adjusted discount rate. The estimated fair value of contingent consideration would decrease if EBITDA was lower or if the risk adjusted discount rate was higher.*'

Outline of findings made by IAASA

Paragraph 93(d) of IFRS 13 states that:

'*For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement.*'

The enforcer noted that quantitative information about the significant unobservable inputs used in the fair value measurement of deferred contingent consideration had not been disclosed in the financial statements.

Outline of corrective actions undertaken or to be undertaken

The issuer provided undertakings to IAASA that future financial statements would:

(a) disclose quantitative information about the significant unobservable inputs used in the fair value measurement of deferred contingent consideration liabilities; and

(b) comply, in full, with the disclosure requirements of IFRS 13.93(d).

12. Kingspan Group plc

- IFRS 7 *Financial Instruments: Disclosures*

Issuer	Kingspan Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IFRS 7 *Financial Instruments: Disclosures*

Summary

This financial reporting decision deals disclosure of the effect of netting arrangements on the issuer's financial position.

Background

Kingspan Group plc is a worldwide operator in high-performance insulation and building envelope solutions.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

The issuer operates a zero balancing cash pool and notional cash pools. The issuer physically settles cash pools quarterly and, at the reporting date, gross cash amounting to €1.5bn was netted against gross overdrawn positions amounting to €1.1bn in the issuer's statement of financial position.

Outline of findings made by IAASA

Paragraph 13C of IFRS 7 states that an entity shall disclose the following quantitative information:

(a) the gross amounts of those recognised financial assets and recognised financial liabilities;

(b) the amounts that are set off in accordance with the criteria in paragraph 42 of IAS 32 when determining the net amounts presented in the statement of financial position; and

(c) the net amounts presented in the statement of financial position;

(d) *the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b) …; and*

(e) *the net amount after deducting the amounts in (d) from the amounts in (c) above.'*

The disclosures required by IFRS 7.13B and IFRS 7.13C (netting) were not disclosed. IFRS 7.IG40D is relevant in this context.

Outline of corrective actions undertaken or to be undertaken

The issuer provided undertakings to IAASA that:

(a) the notes to future financial statements would comply, in full, with the requirements of IFRS 7.13B and IFRS 7.13C(a) to (e); and

(b) disclose information to enable users to evaluate the effect or potential effect of netting arrangements on the issuer's financial position.

13. Kingspan Group plc

- **IAS 1 *Presentation of Financial Statements***
- **IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors***

Issuer	Kingspan Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IAS 1 *Presentation of Financial Statements* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Summary

This financial reporting decision deals with the disclosures required when there are changes in presentation or restatement of comparative amounts.

Background

Kingspan Group plc is a worldwide operator in high-performance insulation and building envelope solutions.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

The comparative 2019 discount rates (used for measuring the value in use (VIU) of cash generating units) disclosed in the notes of the 2020 financial statements had changed compared to those reported in the 2019 financial statements.

The issuer explained to the enforcer that the change in the 2019 discount rate was because the 2019 post-tax discount rates had been disclosed, in error, as pre-tax discount rates. It is noted that this is solely a disclosure error and did not impact the measurement of the 2019 VIU.

Outline of findings made by IAASA

Paragraph 41 of IAS 1 states that if an entity changes the presentation or classification of items in the financial statements (or when it reclassifies comparative amounts) it shall disclose:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.'

Similar disclosures are required by IAS 8.49.

IAASA concluded that the disclosure requirements of IAS 1.41 or IAS 8.49 in terms of the restatement of comparatives and related disclosures had not been provided in full.

Outline of corrective actions undertaken or to be undertaken

The issuer provided undertakings to IAASA that future financial statements would:

(a) disclose the qualitative and quantitative information when comparative amounts are restated (i.e. whether as a result of a change in presentation or the correction of an error); and

(b) comply, in full, with the disclosure requirements of IAS 1.41 and IAS 8.49 in terms of the restatement of comparatives.

14. Kingspan Group plc

- IAS 19 *Employee Benefits*

Issuer	Kingspan Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standard	IAS 19 *Employee Benefits*

Summary

This financial reporting decision deals with the disclosure of the risks to which a defined benefit plan exposes the issuer.

Background

Kingspan Group plc is a worldwide operator in high-performance insulation and building envelope solutions.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

The notes to the financial statements stated that the issuer operated multiple defined benefit (DB) pension schemes in a number of jurisdictions. The DB net liability amounted to a deficit of €46m (2019: €15m). The DB obligations are a combination of funded and unfunded schemes.

During 2020, changes in the financial assumptions for DB schemes resulted in the recognition of an actuarial loss amounting to €37m (2019: €8m) in the Consolidated Statement of Comprehensive Income.

The DB pension note in the financial statements stated that any reasonable sensitivity analysis of the actuarial assumptions would not materially alter DB obligations.

IAS 19.139(b) requires entities to describe the risks to which a DB plan exposes the entity focussed on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk.

IAS 19.145(a) requires entities to disclose:

'*a sensitivity analysis for each significant actuarial assumption (as disclosed under paragraph 144) as of the end of the reporting period , showing how the defined benefit obligation would* *have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date.*'

IAS 19.147(b) requires entities to provide an indication of the effect of DB obligations on the entity's cash flows by disclosing the expected contributions to the DB scheme for the next annual reporting period. IAS 19.147(c) requires entities to disclose information about the maturity profile of DB obligations.

Outline of findings made by IAASA

There appear to be differences in risks to which different DB schemes are exposed, including asset volatility risks, funded versus unfunded schemes and actuarial assumptions.

IAASA concluded that the disclosure requirements by paragraphs 39(b), 145(a), 147(b) and 147(c) of IAS 19 had not been complied with in full.

Outline of corrective actions undertaken or to be undertaken

The issuer provided undertakings to IAASA that future financial statements would comply with these disclosure requirements.

15. Smurfit Kappa Group plc

- **IFRS 8 *Operating Segments***

Issuer	Smurfit Kappa Group plc
Report type	Annual financial statements
Reporting period	Year ended 31 December 2020
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	IFRS 8 *Operating Segments*

Summary

This financial reporting decision considers the level of disclosure of revenues by geographic areas under IFRS 8 *Operating Segments*.

Background

The issuer is the largest company in Europe producing corrugated packaging, containerboard and 'bag in box' producer in Europe, and the only Pan-American producer of containerboard and corrugated packaging.

IAASA performed an unlimited scope examination of the issuer's annual financial statements for the year ended 31 December 2020.

Outline of financial reporting treatments applied by the issuer

The issuer discloses revenues from external customers by country including a "Rest of World" heading that accounts for 46% of revenues.

The following amounts are the revenues from external customers attributed to the individual foreign countries as disclosed in the issuer's operating segment note:

Country	**Revenue €m**
Ireland	111
Germany	1,207
France	969
Mexico	850
The Netherlands	760
UK	743
Rest of World	3,890
Total revenue	8,530

Following engagement with IAASA, the issuer provided a breakdown of the revenue amounts for the largest 10 foreign countries included in the 'Rest of World' category to IAASA. No such individual country's revenues amounted to more than 8% of total revenues.

Outline of findings made by IAASA

IFRS 8.33 states that:

"*An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:*

(a) revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.

(b) …

…

An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.'

In order to better aid the user's understanding of the nature and financial effects of the business activities in which the issuer operates and the economic environments in which it operates, IAASA requested the issuer to give consideration to expanding its disclosure of the Rest of the World revenues from external customers to present revenues attributable to areas, regions or sub-regions (group of countries) (e.g. continental Europe, South America) in future financial statements.

Outline of corrective actions undertaken or to be undertaken

None as IAASA did not disagree with the issuer's presentation.

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