

25 October 2019

## ESMA Public Statement – European Common Enforcement Priorities for 2019 Annual Financial Reports

### Background

The Authority would like to draw your attention to the [Public Statement issued by the European Securities Markets Authority \('ESMA'\) on 22 October 2019](#) (hereinafter referred to as the 'Public Statement').

The Public Statement outlines the European common enforcement priorities and other considerations for the 2019 annual financial reports ('AFRs'). These priorities reflect those areas that European enforcers will consider, along with other relevant requirements, during the examination of the 2019 AFRs of listed companies.

The Public Statement is split into two main sections:

- Section 1: Priorities related to IFRS Financial Statements
- Section 2: Topics related to other parts of the Annual Report

In section 1, the IFRS enforcement priorities outlined in the Public Statement are as follows:

1. Application of IFRS 16 *Leases* for lessees – specific issues related to judgement in its application, especially in determining the lease terms and the discount rate, as well as the other issues arising from first year of application;
2. Follow up application of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* – specific issues related to expected credit losses and significant increase in credit risk for IFRS 9 and the assumptions and judgments in revenue recognition for IFRS 15; and
3. Specific aspects of application of IAS 12 *Income Taxes* (including application of IFRIC 23 *Uncertainty over Income Tax Treatments*) – specific issues related to deferred tax assets arising from unused tax losses.

In section 2, the other considerations outlined in the Public Statement are as follows:

1. Non-financial information – general principles aimed at promoting the improvement of the reporting quality of non-financial information; and
2. Alternative performance measures – more guidance on the adequacy of disclosures.

The Public Statement also discloses the expectations by ESMA regarding the new European Single Reporting Format (ESEF) requirements applicable as from the 2020 AFRs. Moreover, reference is made to the disclosures concerning the possible impacts of the United Kingdom leaving the European Union.

### Next steps

ESMA and European national enforcers will monitor and supervise the relevant requirements outlined in the Public Statement. ESMA will collect data from national enforcers concerning the reviews on the respective listed entities and any subsequent corrective action. In this regard, a report on the 2020 enforcement activities would be published in due course.

### Contacts

Should you have any queries relating to the above, kindly contact the Authority on [CapitalMarkets@mfsa.com.mt](mailto:CapitalMarkets@mfsa.com.mt).