Welcome and Introduction

Marguerite Larkin
Head of Audit and Risk Advisory
# Agenda

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<td>John McCarroll and David Carson</td>
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<td>Marguerite Larkin</td>
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<td>12.45 - Lunch</td>
<td></td>
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</table>
Access the Deloitte Audience Poll interactive application at:

tiny.cc/dfrc16
Brexit
what does it mean for 2016 annual reports?

John McCarroll, Partner, Audit
David Carson, Partner, Brexit Lead
Brexit Update
100 Days On

A lot has happened but we are still a long way from knowing the extent of its impacts:
Pound sterling (GBP)

Latest (13 October 2016): GBP 1 = EUR 1.1058 -0.0054 (-0.5%)

Change from 13 October 2015 to 14 October 2016

Select: GBP vs. EUR

From: 13-10-2015 to: 14-10-2016
Zoom: 1m 3m 6m 1y 2y 5y 10y all

23 June 2016
Brexit Update
100 Days On

A lot has happened but we are still a long way from knowing the extent of its impacts:
The Dimensions of Brexit Impact

We have identified the following cross sector and industry areas of impact:

- **Movement of People**
- **Restrictions to market access**
- **Cost of market access**
- **Market Opportunities**
Sector overview

<table>
<thead>
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<th>Sector</th>
<th>Brexit impact assessment</th>
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<tr>
<td>Retail</td>
<td>H</td>
</tr>
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<td>Consumer Products</td>
<td>M</td>
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<tr>
<td><strong>Airlines, Travel Companies and Tourism</strong></td>
<td>H</td>
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<tr>
<td>Hospitality &amp; Leisure</td>
<td>M</td>
</tr>
<tr>
<td>Technology, Media &amp; Telecoms</td>
<td>M</td>
</tr>
<tr>
<td><strong>Construction / Housebuilders</strong></td>
<td>H</td>
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<tr>
<td>Real Estate</td>
<td>H</td>
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<tr>
<td><strong>Business Services</strong></td>
<td>H</td>
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<tr>
<td>Industrial &amp; Building Products</td>
<td>M</td>
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<tr>
<td>Automotive</td>
<td>M</td>
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<tr>
<td>Shipping</td>
<td>L</td>
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<tr>
<td><strong>Agriculture</strong></td>
<td>H</td>
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<tr>
<td>Healthcare, Pharma &amp; Biotech</td>
<td>M</td>
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<tr>
<td>Oil &amp; Gas</td>
<td>L</td>
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<tr>
<td>Mining</td>
<td>L</td>
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<tr>
<td><strong>Power &amp; Utilities</strong></td>
<td>H</td>
</tr>
<tr>
<td><strong>Financial Services</strong></td>
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</tbody>
</table>

All sectors will be impacted by Brexit to some extent, but we have identified eight where we believe the effects will be most felt.
Scenario planning considerations

There are a number of factors which will need to be taken into account to understand the extent, nature and scale of impact.

What should firms be considering in their scenario planning?

- Loss of influence in setting EU regulation
- Tax considerations
- Exchange rates
- Data protection/transmission
- Lose automatic access to the UK market
Brexit
Financial reporting

NEED TO CONSIDER THE IMPACT OF UNCERTAINTY

PREMIUM ON COMMUNICATIONS
## Industry Impacts

### Key considerations by sector

### Airlines/Travel
- GBP Movement impact on demand
- $ appreciation on costs (fuel)
- EU legislation and agreements govern flight access
- Potential for regulatory changes

### Real Estate
- Fall in UK property values
- Commercial property funds liquidity issues
- Valuation uncertainty, impact on covenants
- Financing challenges, cost of loans hedging

### Financial Services
- Loss of passporting rights
- Impact on Euro clearing
- Potential for significant regulatory response
- Increased credit, operational and funding risks
- Move of banking relationships

### Retail
- Increased input costs due to FX exposure
- Consumer confidence
- Pension deficits
- Trade credit impact
Financial Reporting Impacts
Disclosure of risks and uncertainties

What is the impact on the company’s principal risks and how are they being managed.

Impact of local laws or regulations.

Discussion of areas of critical accounting judgement and estimation uncertainties.

Disclosures of market, credit, liquidity risk and concentration of risks related to financial instruments.

Need to be entity specific

New risks or previous risks increased

Sensitivity disclosures

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Examples of half year reports
Disclosure of risks and uncertainties

Brexit

The recent U.K. referendum vote to leave the European Union was both a surprise and a disappointment. Ryanair as the U.K.’s largest airline had campaigned actively for a “Remain” vote. We expect this result will lead to a considerable period of political and economic uncertainty in both the U.K. and the European Union. This uncertainty will be damaging to economic growth and consumer confidence and we will respond as always with our load factor active/yield passive strategy. Until some clarity emerges over the next two years about the U.K.’s long term political and economic relationships with the European Union, we will be unable to predict what effect it will have on our business and regulatory environment, but we have contingency plans in place for all eventualities.

In the meantime, we will pivot our growth away from U.K. airports and focus more on growing at our European airports over the next two years.
Examples of quarter 3 reports
Disclosure of risks and uncertainties

On 23 June 2016, the United Kingdom (UK) voted to leave the European Union (EU). The exact nature, process and timing of the UK’s exit from the EU are unknown. This has to date created business uncertainty: The UK’s future approach to EU freedom of movement; market volatility; fluctuations in foreign exchange rates; changes to commodity prices; and interest rates, all of which may impact the Group. Adjustments to the long-term outlook for UK interest rates might also affect UK Pension IAS 19 liabilities and related charges.

The risks and uncertainties associated with exiting from the EU have been considered by the Board and plans are in place. The Board continues to monitor the impact of the referendum but does not currently believe there will be a material adverse impact on the Group’s results or financial position in the current financial year.
# Financial Reporting Impacts

## Foreign Exchange
- Translation, giving equity volatility
- Use of average rate may no longer approximate actual.
- Impact on top line revenue if not hedged
- Potential for hedge ineffectiveness, impact on hedge relationships.

## Fair value measurement
- Volatility is not a reason to ignore a market based price.
- Volatility in valuation inputs needs to be considered in any sensitivity analysis required by IFRS7.

## Pensions
- Potential change in discount rates related to high quality bond yields.

## Impairment
- Potential triggers for Property, PPE and intangibles under IAS36.
- Recoverability of DTAs.
- Loans and debt instruments including receivables.
- Equity instruments classified as AFS.
Enabling our clients
Deloitte.ie

Keep up to speed with all things Brexit by visiting our bespoke Brexit section on Deloitte.ie
Lessons learned from last year’s reporting

Matthew Foley, Partner, Audit
Ann McGonagle, Partner, Audit
What was the impact of the Companies Act and Irish GAAP changes for you?

a) No real accounting or Companies Act issues arose
b) Other than financial instruments no real issues arose
c) Many different issues arose and the effort to resolve was significant
d) None of the above
What was the impact of the Companies Act and Irish GAAP changes for you?

Total Votes: 328

- No real accounting or Companies Act issues arose: 120 votes
- Other than financial instruments no real issues arose: 40 votes
- Many different issues arose and the effort to resolve was significant: 110 votes
- None of the above: 58 votes
Lessons learned from last year’s reporting
2015 annual reports – hot topics

**Companies Act 2014**
- Section 309 – transactions with connected persons of directors
- Share issue costs
- Directors’ remuneration disclosure
- Broad definition of credit institutions

**FRS 101**
- Significant take up by subsidiaries reporting to parent under IFRS
- Broad definition of financial institutions
- Companies Accounting Bill 2016

**FRS 102**
- Transition generally not overly burdensome but...
  - Certain financial instruments
  - Accounting for loans at off market rates
  - Additional disclosures

**FRS 103**
- Claims development table
- Capital management disclosures
- Sensitivity analysis
Companies Act 2014

Section 309

The requirement
Required disclosures, with comparatives:
• particulars of the principal terms of the arrangement or transaction,
• the name of the director or other person with the material interest, and
• the nature of the interest.

Key areas for consideration
• Who?
• What?
• How?
• When?

Action item
Develop and circulate questionnaire
## FRS 101
Reduced disclosure framework – for qualifying entities

<table>
<thead>
<tr>
<th>Interaction with company law can be cumbersome – especially formats</th>
<th>Watch the version of FRS 101 you are using!</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying entities – notification to shareholders</td>
<td></td>
</tr>
<tr>
<td>Joint ventures and associates are not “included in consolidation” – so unless also subsidiaries elsewhere can’t be qualifying entities</td>
<td>Only applies to parent’s separate financial statements and the entity financial statements of subsidiaries. Never consolidated financial statements!</td>
</tr>
</tbody>
</table>
FRS 102
Some lessons learned

- **Fair Value**
  - Trade related derivative:
    - No deferred tax!
  - Non-trade related derivative
    - Deferred tax required!
- **Debt instruments**
- **Loans not at market rates**

- Deferred tax and business combinations
- Investment properties
- Single statement of income and retained earnings
- Criteria for presenting creditors as due in more than one year
Criteria for debt instruments to be classified as ‘basic’ - FRS 102.11.9

Only debt instruments **that meet certain conditions** get subsequent recognition at amortised cost

<table>
<thead>
<tr>
<th>Returns</th>
<th>Variation in returns</th>
<th>Loss of principal and interest</th>
<th>Prepayment options</th>
<th>Extension options</th>
<th>Derivatives</th>
</tr>
</thead>
</table>
| • Assess in currency of instrument  
• Fixed amount or rate and/or positive variable rate  
• Variable rate includes only some linkages to interest rates or inflation. Link may not be leveraged. | • Must be determinable.  
• Return after variation must be basic  
• If contingent may require new rate to be ‘market rate’. | • Lender loss through default: basic  
• Non-basic if through any contractual provision the lender could lose principal or accrued interest.  
• Early repayment at fair value – non-basic | • Only limited contingencies allowed.  
• Termination payment may include compensation. | • Terms of the instrument during the extended term must meet other conditions. | • Most common types of derivative explicitly excluded  
• Other types will not meet criteria in FRS 102 11.9 |

If not **ALL** conditions met subsequent accounting is generally fair value through profit or loss

Note that simple plain vanilla terms may break the conditions
Loans not at market rates

1. **Parent to subsidiary loan below market rate**
   - **Subsidiary**
     - DR Cash
     - CR Creditor (PV)
     - CR Capital Contribution
   - **Parent**
     - DR Investment
     - DR Debtor (PV)
     - CR Cash

2. **Subsidiary to parent loan at below market rate**
   - **Subsidiary**
     - DR Distributions
     - DR Debtor (PV)
     - CR Cash
   - **Parent**
     - DR Cash
     - CR Creditor (PV)
     - CR Capital Contribution

3. **Subsidiary A to Subsidiary B loan at below market rate**
   - **Subsidiary A**
     - DR Distributions
     - DR Debtor (PV)
     - CR Cash
   - **Subsidiary B**
     - DR Cash
     - CR Creditor (PV)
     - CR Capital Contribution
Audience Poll

Which version of FRS 102 do you apply?

a) I don’t report under FRS 102
b) I didn’t know there was more than one version
c) The one published September 2015
d) The one published August 2014
You replied...

Total Votes: 356

Which version of FRS 102 do you apply?

- I don't report under FRS 102: 196 votes
- I didn't know there was more than one version: 72 votes
- The one published September 2015: 5 votes
- The one published August 2014: 3 votes
Which version of FRS 102 applies today?

- **FRS 102 September 2015**
  - Irish law not yet updated
  - Don’t use (yet!)

- **FRS 102 August 2014**
  - Version to use today
  - Adjust for amendments if relevant
New for 2016: changes to reporting rules for everyone

Panel chaired by Gerry Fitzpatrick, Partner, Audit
What’s going on with accounting for Tax?

Tom Maguire
Partner Tax and Legal
Accounting for tax uncertainties

Europe and Tax Avoidance

Irish developments
Interpretation of tax law is unclear e.g. Expression of Doubt

IAS12/Section 29 of FRS102 – no detailed guidance

Section 21 of FRS102/IAS37 relevant as may give rise to “a liability of uncertain timing or amount”

Area is under active consideration by IFRIC due to diversity in practice –
• all or nothing;
• expected value;
• most likely amount.
## Assessing uncertain tax positions

### Scope
- Uncertainty over income tax to be accounted for under IAS 12.

### Unit of Account
- Look at uncertain tax positions either individually or collectively.
- Choice to be based on which approach provides better prediction of the resolution of the uncertainties.

### Detection Risk
- 100% - must assume the tax inspector knows what you know.

### Recognition and Measurement
There is a two stage test.

1. If it is **probable** (i.e. a probability of more than 50%) that a tax authority will accept a particular UTP (or group of such UTPs), then the tax position recorded in the entity’s accounts should be consistent with what is or will be used in its tax returns.

2. If it is not probable that a tax authority will accept a particular (group of) UTP(s) then the entity must use either:
   - the most likely amount or
   - the expected value,
   depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s).

### Changes in recognition and measurement
- Re-assess when new information comes to light or if facts or circumstances change.

### Disclosures
- No new disclosure requirements!
- Existing disclosure requirements in IAS 1 apply - judgements made, assumptions and estimates used, and tax–related contingencies.
## Assessing uncertain tax positions

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Accounting for tax uncertainties

Europe and Tax Avoidance

Irish developments
EU anti avoidance Package

BEPS

- Controlled Foreign Companies
- Interest
- Hybrids

+ Exit taxation
- GAAR
- Public Country by Country Reporting
Interest costs > finance income, deduction restricted - 30% EBITDA

BUT

- A group-wide test - ratio of third-party debt to assets, less 2%
- C/f excess EBITDA and disallowed interest

Financial undertakings excluded
EU Group
€750m turnover

Non-EU Group
€750m turnover

Large/medium EU presence

- description of activities
- no. of employees;
- net turnover
- profit before tax;
- income tax accrued,
- income tax paid;
- accumulated earnings.

EU Country basis

Havens Country basis

ROW Aggregate basis
Company’s tax strategy

• Group’s approach to UK tax risk mgt
• Group’s attitude towards tax planning
• The level of UK risk Group prepared to accept
• Group’s approach towards HMRC dealings
General Anti-Avoidance Rule (‘GAAR’)

Non-genuine arrangements or a series thereof carried out for the essential purpose of obtaining a tax advantage that defeats the object or purpose of the otherwise applicable tax provisions shall be ignored for the purposes of calculating the corporate tax liability. ....
to know

to conclude beyond reasonable doubt

to conclude as probable

to reasonably suspect

mere suspicion and belief
Accounting for tax uncertainties

Europe and Tax Avoidance

Irish developments
LENDERS

“Section 110” Company

Return 100 100
Interest 95 10
Taxable 5 90
Accounting for tax uncertainties

Europe and Tax Avoidance

Irish developments
Coffee Break
IFRS 9
Financial Instruments

Christine Simiyu, Director, Audit
Carla Dunne, Manager, Audit
IFRS 9 Timeline

**IFRS 9 Standard Issued**
24 Jul 2014

**2016**

**EU Endorsement Expected**
Q4-2016

**2017**

**Mandatory Application**
1 Jan 2018

**2018**

**First Reporting Period**
31 Dec 2018
Sixth Global IFRS 9 Banking Survey-May 2016
Key findings

- Cost to Implementation
- Technical Resources
- Impairment Increases
- Data Quality
## Classification and measurement

### Financial Assets

**Classification driven by business model and cash flow characteristics.**

- Is the strategy Solely the collection of Principal Payments and Interest ("SPPI")?

**Asset classification categories reduced from 5 to 3:**

- Amortised cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

**Requirement to separate embedded derivatives removed**

**Gains and losses on equity investments at FVTOCI not recyclable to profit or loss.**
Assume ABC Ltd acquires a portfolio of distressed/credit impaired receivables at a discount. How should ABC classify and measure the portfolio?

- If the objective is to hold the asset purely for the purpose of collecting contractual cash flows from the underlying obligors, ABC classifies and measures these at amortised cost.
- If the objective is to collect contractual cash flows but ABC may sell these then ABC designates the portfolio at FVTOCI.
- If ABC also holds an interest rate swap to hedge movements in interest rates, ABC may choose to designate the portfolio at FVTPL to eliminate the accounting mismatch between measuring the portfolio at amortised cost and the derivative at fair value.
Classification and measurement

Financial Liabilities

IAS 39 classification and measurement principles remain largely unchanged in IFRS 9

2 classifications:
• amortised cost
• FVTPL

Fair value gains and loss on own credit risk recognised in OCI
• not recyclable
Hedge accounting

• More closely aligned to entity’s risk management policies and practices
  ▪ IAS 39 Bright line tests removed
  ▪ Retrospective and quantitative assessment not mandated

• Voluntary discontinuation not permitted

• Expanded disclosures
Impairment
A three stage expected credit loss model

Change of credit risk since initial recognition

Stage 1
12-month expected credit loss
Gross carrying amount

Stage 2
Lifetime expected credit losses
Gross carrying amount

Stage 3
Lifetime expected credit losses
Net carrying amount

Initial recognition

Loss allowance

Effective interest rate applied to...

Significant increase in credit risk?

Objective evidence for impairment?

Significant increase in credit risk?

Objective evidence for impairment?

Contract assets and trade receivables without a significant financing component

Purchased or originated credit-impaired financial assets
Illustrative example

Incorporation of forward-looking information in measuring expected credit losses on a portfolio of trade receivables

<table>
<thead>
<tr>
<th>Example of forward-looking economic scenario</th>
<th>Probability of the forward-looking economic scenario occurring (A)</th>
<th>Expected loss rate (B)</th>
<th>Exposure at the expected date of customers defaulting (C)</th>
<th>Probability-weighted expected credit losses =A<em>B</em>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Normal</td>
<td>40%</td>
<td>0.4%</td>
<td>€20,000,000</td>
<td>€32,000</td>
</tr>
<tr>
<td>2: Minor Stress</td>
<td>25%</td>
<td>3%</td>
<td>€22,000,000</td>
<td>€165,000</td>
</tr>
<tr>
<td>3: Stress</td>
<td>20%</td>
<td>9%</td>
<td>€25,000,000</td>
<td>€450,000</td>
</tr>
<tr>
<td>4: Extreme Stress</td>
<td>15%</td>
<td>17%</td>
<td>€30,000,000</td>
<td>€765,000</td>
</tr>
<tr>
<td>Sum</td>
<td>100%</td>
<td></td>
<td>€1,412,000</td>
<td></td>
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</table>

Exposure at default could be zero or < gross balance sheet value if customer is expected to fully or partially repay the amounts owed at the balance sheet date prior to expected date of default.

A more robust assessment of forward-looking information is required.
IFRS 9 and Insurance entities

The new Insurance Contacts Standard (IFRS 17) will have a later implementation date than that of IFRS 9. As such, concerns have been raised in relation to the gap in effective dates, such as:

- additional accounting mismatches; and
- volatility in profit or loss that may arise in this ‘gap’ period.

The IASB responded to these concerns by amending IFRS 4 to introduce:

1. **Overlay Approach**
   - apply IFRS 9, but adjust profit or loss to remove volatility for designated assets arising from the accounting mismatches
   - available to all insurers
   - effective when an insurer first applies IFRS 9

2. **The Temporary Exemption**
   - apply IAS 39 in the financial statements
   - available to insurers whose activities are predominantly connected with insurance
   - eligible at reporting entity level
   - deferral option to 2021
IAASA expected disclosures in 2016 annual reports:

- Detailed explanation on how key IFRS 9 concepts will be implemented, if known;
- The timeline for implementing IFRS 9;
- Practical expedients that an entity expects to use on transition; and
- Quantitative impact of IFRS 9 (if known or reasonably estimable); or
- Qualitative information on the magnitude of the expected impact of IFRS 9.
Easing your transition to IFRS 15 Revenue from contracts with customers

Panel chaired by Richard Howard, Partner, Audit
IFRS Developments
Revenue Recognition – applying the framework

Step 1
Identify contract(s)

Step 2
Identify separate performance obligations

Step 3
Determine transaction price

Step 4
Allocate transaction price

Step 5
Recognise revenue on transfer to customer
Giving a new lease of life to standards
IASB gives life to the leases standard

Michelle Byrne, Director, Financial Reporting Advisory
Embracing a BIG change

Reasons for change

“One of my great ambitions before I die is to fly in an aircraft that is on an airline’s balance sheet”
Sir David Tweedie
Past Chairman of the IASB

- US$3 trillion off balance sheet lease commitments
- Concerns about the lack of transparency and comparability
- Investors & analysts did not have a complete picture
Embracing a BIG change

Key Highlights

- Majority of operating leases on balance sheet

- Significant impact on income statement & KPIs

<table>
<thead>
<tr>
<th>Assets: Right-of-Use Asset</th>
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<tbody>
<tr>
<td>Liabilities: Financing</td>
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</tbody>
</table>

- Finance costs
- Operating costs
- EBITDA

Example KPIs Impacted:

- Gearing Ratio
- Asset turnover
- Current ratio
Embracing a BIG change
Key Highlights

- Majority of operating leases on balance sheet
- Changed definition of a lease
- Effective date: 1 January 2019 (subject to EU endorsement).
- Significant impact on income statement & KPIs
- Lessor accounting largely unaffected
What effect did the IASB believe the new leasing standard would have on IFRS reporters?
Contents

From 0.51 to 02.03
** Hans Hoogervorst piece: covers reason for new standard

From 09.33 to 10.57
** Covers judgement around the service elements of contracts

Click to play video
Did the IASB do anything to make IFRS reporters life easier?
Practical expedients – Recognition exemption

**Short-term**
Less than or equal to 12 months from commencement

**Low value**
$5,000 or less
Are there any practical benefits that we should consider as we start to look at our current lease arrangements?
Other considerations as you prepare for the adoption of IFRS 16
Key considerations:

- Operational changes: systems, training etc.
- Changes to KPIs
- Compliance with loan covenants
- Compensation arrangements
- Terms and conditions of new lease contracts
- Procurement strategy: lease or buy?
- Cost of borrowing
Useful resources
Embrace the change!
Even more IFRS developments for 2016

Oliver Holt, National Director of Financial Reporting Services
What is new for 2016
IFRS Amendments – IFRS 10, IFRS 12 & IAS 28

Date of endorsement: 22 September 2016
EU effective date: 1 January 2016
What is new for 2016
IFRS Amendments – IAS 27

Date of endorsement: 18 December 2015
EU effective date: 1 January 2016
What is new for 2016
IFRS Amendments – IAS 1

Date of endorsement:
18 December 2015

EU effective date:
1 January 2016
What is new for 2016
Annual Improvements 2012-2014 cycle

Date of endorsement:
15 December 2015

EU effective date:
1 January 2016
What is new for 2016
IFRS Amendments – IAS 16 and 38

Date of endorsement:
2 December 2015

EU effective date:
1 January 2016
What is new for 2016
- IFRS Amendments – IFRS 11

Date of endorsement: 24 November 2015
EU effective date: 1 January 2016
What is new for 2016
IFRS Amendments – IAS 16 and 41

Date of endorsement:  
23 November 2015

EU effective date:  
1 January 2016
What is new for 2016

IFRS Amendments – IAS 19

Date of endorsement: 17 December 2014
EU effective date: 1 February 2015
What is new for 2016
Annual Improvements 2010-2012 cycle

Date of endorsement:
17 December 2014

EU effective date:
1 February 2015
Pipeline – 2017 and beyond......

- **IFRS 9, 14, 15, & 16**

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) IASB and EU: deferred indefinitely


- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016) IASB: 1.1.17; EU endorsement expected Q4, 2016
### Pipeline – 2017 and beyond (continued)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Details</th>
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<tr>
<td>Clarifications to IFRS 15 Revenue from Contracts with Customers</td>
<td>Issued on 12 April 2016; IASB: 1.1.18; EU endorsement expected H1, 2017</td>
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<tr>
<td>Amendments to IFRS 2: Classification and Measurement of Share-based</td>
<td>Issued on 20 June 2016; IASB: 1.1.18; EU endorsement expected H2, 2017</td>
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<td>Payment Transactions</td>
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<td>Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with</td>
<td>Issued on 12 September 2016; IASB: 1.1.18; EU endorsement expected 2017</td>
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<td>IFRS 4 Insurance Contracts</td>
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- Much more on IASB agenda – see their work-plan: [http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx](http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx)
The European Securities and Markets Authority (ESMA) has published further extracts from its confidential database of enforcement decisions taken by European national enforcers. This batch deals with decisions in relation to IAS 1, IAS 11, IAS 27, IAS 28, IAS 36, IAS 39, IFRS 3, IFRS 6, IFRS 10, IFRS 13, and IFRIC 19.

The European national enforcers of financial information monitor and review financial statements published by issuers with securities traded on a regulated European market and who prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) and consider whether they comply with IFRS and other applicable reporting requirements, including relevant national law.

ESMA has developed a confidential database of enforcement decisions taken by individual European enforcers as a source of information to foster appropriate application of IFRS.
Items not added to the IFRS Interpretations Committee agenda

This page provides background to IFRS Interpretations Committee (previously International Financial Reporting Interpretations Committee, IFRIC) agenda decisions, and provides links to our collection of those agenda decisions for each calendar year.
http://www.iaasa.ie/getmedia/4373c4a2-3b1b-45b5-a0d1-1e0f2d300eb9/IAASA-Obs-doc-2016.pdf

Also, FRC letter to audit committee and finance directors issued October 2016 available at:
Taking corporate reporting to a higher level

Glenn Gillard, Partner, Audit
Change is happening...
Mapping Performance
The journey to exceptional performance | Better Maps | Deloitte University Press
The accounting profession needs to take a lead in helping investors filter through the noise of the growing masses of data to get the right signals, by providing assurance and developing standards for broader and more dynamic information.
Trust requires transparency and accountability. Being able to articulate your strategy and business model, as well as link metrics to them, is critical to an organisation to build trust.
Society in the 21st century expects business to participate in resolving society’s needs and desires. How a business makes money today must be aligned and integrated with those of society. In part, the corporate dialogue has moved away from how the world encourages capitalism and growth to how it encourages responsible capitalism and responsible growth.
INTERNATIONAL STANDARD ON AUDITING 701
COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT
AUDITOR’S REPORT
(Effective for audits of financial statements for periods ending on or after December 15, 2016)

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International Standard on Auditing (ISA) 701, Communicating Key Audit Matters in the Independent Auditor’s Report, should be read in conjunction with ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.

ISA 701

- Possibly effective in Ireland for 2017 calendar year end
- Aligns with requirements under the EU Audit Reform directive
- Applies to Public Interest Entities within the scope of EU Audit Reform Directive
- Part of a package including:
  - ISA 570 Going Concern (revised)
  - ISA 720 Other Information
Key Audit Matters: Key audit matters are those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.
Protecting your corporate reporting and data

Colm McDonnell, Partner, Risk Advisory
Innovation V Privacy

Key Regulatory Changes

GDPR

Privacy Shield

Start preparing now
Innovation V Privacy
Striking a balance

• In a data driven world, organisations are empowered to constantly drive innovation using consumer personal data

• Targeted, specific, and individualised offerings are the norm

• It is widely recognised that the value of personal data continues to increase creating commercial opportunities and operational efficiencies and driving revenue

• In a data driven world, privacy risks are increasing and data breaches and controversy are becoming the norm

• Now more than ever consumers need to feel in control of their personal data and rely on privacy legislation to safeguard them

• Organisations can feel stifled by the minefield of the ever-changing Regulatory landscape which threatens innovation

• Leading the way and building Privacy into business drives consumer trust, and an organisation's brand and reputation
Key Regulatory Changes

Safe Harbour invalidated by the EU Court of Justice
6 October 2015

European Commission deem Privacy Shield adequate
12 July 2016

Finalised text of the General Data Protection Regulation (GDPR) entered into force
25 May 2016

Organisations must be compliant with GDPR
25 May 2018
GDPR
The New GDPR
Replacing European Directive 95/46/EC

- Harmonises EU Data Protection Law
- Enhances rights of individuals
- Member States already modifying laws to match GDPR provisions

Some Changes

- Mandatory DPO
- Accountability and Proportionality
- Data Breach Notification
- Administrative Fines
- Privacy Impact Assessments
- Privacy By Design/Default
- Stronger Data Subject Rights
DPOs and Accountability

The New GDPR

**Data Protection Officer**

**Mandatory for:**
- Public Authorities
- Regular & Systematic monitoring on a large scale
- Processing sensitive personal data on a large scale
- If required by a Member State in its national law

**Must be:**
- Sufficiently independent
- Professionally qualified
- Reporting to highest level of management

**Demonstrate compliance by:**
- Adopting adequate controls to enforce policies and procedures
- Keeping records of any processing taking place
- Data maps and inventories
- Conducting PIAs and if required consult DPA
- Organise training and awareness
- Review privacy compliance
## Stronger Data Subject Rights

The New GDPR

<table>
<thead>
<tr>
<th>Freely given</th>
<th>Informed</th>
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<tbody>
<tr>
<td>Step 1</td>
<td>Step 2</td>
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<tr>
<td>Specific</td>
<td>Step 3</td>
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<td>Step 4</td>
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- Prior to collection
- Distinguishable from other matters
- Statement/clear affirmative action
- Burden of proof on the controller
- Withdrawal at any time
- Children: using online services are under parent responsibility until the age of 16
The New GDPR

**Right to Erasure**
- Requests must be made without undue delay
- If data was made public, inform concerned third parties
- Limited to specific grounds and not absolute

**Right not to be Profiled**
- Only allowed:
  - If necessary for the performance of a contract
  - If authorized by law
  - If based on the data subjects explicit consent

**Right to Data Portability**
- Right to receive personal data in a structured and commonly used and machine-readable format
- Transmit to another data controller directly where technically feasible
Privacy by Design/Default and Privacy Impact Assessments
The New GDPR

Privacy by Design
- Consider Privacy at the start or re-design of every project
- Account for entire data lifecycle
- Define and implement privacy enhancing controls
- Embed into business operations

Privacy by Default
- Adopt privacy friendly settings as the norm (e.g. no pre-ticked box)
- Proportionality at every stage - minimum storage time and volume
- Strictly necessary purposes only

Privacy Impact Assessments (PIAs)
- Can be embedded into risk, project management, procurement processes
- Carried out prior to any processing of personal data and important for high-risk, sensitive or large-scale processing
- Create assessment, recommendations, measures taken, report and risk register
Administrative Fines
The New GDPR

% of the worldwide turnover
- Controller's obligations: 2%
- Data subject's rights: 4%
- DPA order: 4%

Maximum fine in EUR
- Controller's obligations: 10 000 000 EUR
- Data subject's rights: 20 000 000 EUR
- DPA order: 20 000 000 EUR
Breach Notification
The New GDPR

- No risk to individual rights and freedoms - internal records must be kept
- Some risk - the DPA must be notified within 72 hours
- High risk - the DPA and data subjects must be notified without undue delay
National security, public interest, and law enforcement use of personal data incompatible with transfer purpose

4,400 US-based companies required to revise their cross-border data transfer strategy

The US-Swiss Safe Harbor Framework is, in practice, also no longer valid

Safe Harbour declared invalid
Privacy Shield
What has transpired?

Privacy Shield

- **6 Oct**
  - European Court of Justice rules Safe Harbor Framework invalid

- **21 Oct**
  - US House of Representatives passes Judicial Redress bill; has not passed Senate

- **6 Nov**
  - European Commission issues guidance on data transfers to the US

- **23 Nov**
  - CNIL: publishes letter to companies relying on Safe Harbor (followed by others)

- **15 Dec**
  - EU reaches agreement on final text of GDPR

- **31 Jan**
  - Self-imposed deadline for agreement on Safe Harbor 2.0

- **12 July**
  - European Commission deem Privacy Shield adequate

- **14 Oct**
  - DPAs in Germany: new BCRs or contractual solutions will not be approved

- **28 Oct**
  - EU and US "agreement in principle" on Safe Harbor 2.0

- **20 Nov**
  - Headline: "Safe Harbor 2.0 Falling Apart"

- **10 Dec**
  - Senate Judiciary Committee delays Judicial Redress Bill

- **Late Dec/early Jan**
  - Commissioner Jourová & FTC Chair Ramirez still optimistic of agreement by end Jan

- **2 Feb**
  - WP29 to meet to agree common position
Key Features
Privacy Shield

Self Certification:
- Organisations must register and self-certify annually to the US Department of Commerce
- US Department of Commerce will monitor and ensure compliance

Obligations:
- Imposes strong obligations on Companies that transfer data from the EU to the US
- Regular reviews of data protection practices
- Stricter conditions for onward transfer and data retention

Oversight:
- Increased government oversight and enforcement

Redress and Ombudsman:
- Series of redress mechanisms including direct complaint to the self-certified US company, Alternative Dispute Resolution to an independent body, Complaint to the home DPA, directly to the FTC and a last resort of Arbitration
- Redress through the new independent Ombudsman
Start preparing now
Next Steps
Start Preparing Now

**Do Not Panic**
- Identify and empower an individual within your organization to be the contact point (internal, external, regulatory) on GDPR, to monitor, report and plan for changing legal obligations and establish consistent messaging.
- Gather existing documentation on data processing operations, including data transfers, to evaluate risk exposure and prepare for potential inquiries from DPAs, clients or employees.

**Evaluate**
- Develop an inventory of systems, controls, and procedures to understand where personal data are processed and which specific controls (e.g., data usage) exist.
- Assess available cross border transfer methods and select the method(s) that meet the requirements of your organization.
- Assess your current state (e.g., compliance with existing and new GDPR requirements, data processing registrations, third party sharing, etc.).

**Address**
- Communicate regulatory changes and their potential impact to senior stakeholders to raise awareness and obtain senior-level support.
- Develop and implement a risk based remediation strategy and roadmap including a short term tactical plan focusing on “quick wins”.
- Develop and execute a Works Council and DPA communications plan.
Next Steps
10 Steps to become Compliant

1. Look at your Governance structure in terms of privacy and appoint your DPO
2. Consider your lifecycles: classification, data flow analysis, data maps and inventories
3. Design or re-design your Privacy Policy Framework
4. Identification, description and implementation of controls
5. Program for managing data subjects rights
6. Consider your compliance program: Monitoring and Reporting
7. Program for notification of data breaches and alerts
8. Embed Privacy by Design/Default into operations
9. Use Privacy Impact Assessments as part of any risk assessment
10. Training and Awareness for all staff is key.
We’d love to hear your thoughts:
tiny.cc/dfrc16_feedback