

AMF Recommendation 2016 financial statements – DOC-2016-09

Reference document: Article 223-1 of the AMF General Regulation

Each year, before year end, the AMF, like the European Securities and Markets Authority (ESMA) and other European regulators, identifies issues that seem particularly important in the current environment, with a view to raising awareness among listed companies, including their audit committees, and statutory auditors. In this manner, the AMF helps to safeguard savings and ensure that investors receive relevant information through the presentation of high-quality accounting and financial disclosures.

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) have sole responsibility for setting and interpreting international accounting standards.

These recommendations are mainly aimed at companies preparing financial statements under IFRS pursuant to IAS Regulation No. 1606/2002 of the European Union (EU).

In several of the recommendations cited in the present document, the AMF asks companies to provide descriptions or explanations in the notes to their financial statements. Not all of the issues arising from particular standards will be relevant to all companies. Furthermore, the level of detail provided should be commensurate with the relative importance of the issue, so as to highlight relevant information.

The themes addressed this year are discussed below.

As in previous years, ESMA has identified common enforcement priorities for 2016 within Europe¹. They include presentation of financial performance, the distinction between equity instruments and financial liabilities and the new standards that will come into effect in the years ahead.

Overall, and particularly as far as performance reporting is concerned, the AMF's recommendations are consistent with those issued by ESMA. References to the ESMA document are provided to facilitate comparisons between it and AMF recommendations. In some cases, the AMF has adapted the subjects to suit France's specific context.

Regarding the distinction between equity instruments and financial liabilities and the information reported in the financial statements in this regard, ESMA's priorities are identical to the AMF's 2014 recommendations on this topic. The AMF calls on affected companies to refer to these prior recommendations.

On the new standards, ESMA and the AMF have published or will publish specific recommendations on implementation and on the disclosures to be provided to the market before 01/01/2018 regarding the possible impacts of the transition to IFRS 15² and IFRS 9.

ESMA also highlights disclosures that may be important for companies potentially affected by the outcome of the UK referendum on leaving the EU, without actually making them a priority for 2016. In view of the major potential uncertainties associated with this situation, the AMF has also included the issue as a theme for the 2016 financial statements.

The AMF's review of corporate reporting

As it did last year, the AMF is publishing statistical and explanatory information about the work it has done reviewing the financial statements of listed companies.

¹ ESMA Public Statement – European common enforcement priorities for 2016 financial statements – ESMA/2016/1528
https://www.esma.europa.eu/sites/default/files/library/esma-2016-1528_european_common_enforcement_priorities_for_2016.pdf

² AMF Recommendation – Implementation of IFRS 15 – Revenue from Contracts with Customers – and related disclosures – DOC-2016-03
http://www.amf-france.org/technique/multimedia?docId=workspace://SpacesStore/1a818cb5-c8c4-45fb-9ade-9f29a84c0378_en_1.0_rendition

Importance of relevant, consistent and readable information

As previously stressed in 2015, all of Europe's regulators support the projects underway to restore meaning to financial disclosure and to financial statements in particular.

In this regard, the AMF refers readers to its Guide to the relevance, consistency and readability of financial statements³. During its review of financial statements issued by companies included in the CAC 40 and Next 20 indices, the AMF noted that one-third of companies had modified their financial statements, notably by reorganising notes by topic or materiality of issues and/or by including accounting principles within each note. One-quarter of companies also improved the readability of notes by adopting more visual approaches that make financial statements easier to read and understand.

The AMF also found that these changes did not affect the volume of financial statements in one-half of cases and led to a reduction in about 40% of cases.

The AMF is pleased that companies are taking steps to improve the relevance, consistency and readability of their financial statements and continues to view this as a key objective. The AMF is happy to hold discussions with companies and their statutory auditors on this question.

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³ AMF guide to the relevance, consistency and readability of financial statements

http://www.amf-france.org/technique/multimedia?docId=workspace://SpacesStore/867e30e0-807f-437c-af31-ee2686d81c4e_en_1.0_rendition

1. Financial performance

Following the entry into effect on 3 July 2016 of the AMF position on alternative performance measures (APMs) and in view of the ongoing discussions within the IASB, the AMF felt it was appropriate to draw attention to performance reporting and the aggregate measures used in financial statements. Accordingly, the AMF conducted a review of practices within a sample of listed companies in France (the CAC 40 and Next 20 indices) and in Europe. The AMF also paid special attention to this theme during its recent reviews of the financial statements of listed companies.

1.1. Alternative performance measures

AMF Position 2015-12⁴, which incorporates ESMA's Guidelines on alternative performance measures⁵, came into force in early July 2016. The position applies to financial measures that are not defined under accounting standards and not presented in the financial statements. These include, for example, EBITDA, free cash flow and net debt.

By introducing the requirement to define these measures, reconcile them with the financial statements, label them clearly and ensure that measures not taken from the financial statements are not displayed with more prominence than the aggregate measures disclosed in the financial statements, this position seeks to promote the usefulness and transparency of APMs included in the regulated information, such as prospectuses, management reports and news releases, published by European companies. Adherence to the principles set out in the position will improve the comparability, reliability and comprehensibility of these measures.

The AMF reminds companies to make sure that their financial reporting complies with the principles of AMF Position 2015-12 on APMs.

Recommendation:

Following the entry into effect of its position on APMs, the AMF encourages companies to ensure the relevance and usefulness of APMs used in their financial reporting.

Cf. ESMA ECEP page 5 ESMA guidelines on APMs, par. 2

1.2. Aggregate measures and indicators included in the financial statements

While IFRS permit the presentation of items that are not required by the standards in the financial statements, all additional information provided must comply with the principles of IAS 1.15, which states that "the financial statements must present fairly the financial position, financial performance and cash flows of an entity". Application of IFRS is presumed to result in a fair presentation (IAS 1.17).

In its study and during its reviews, the AMF noted that some companies disclosed in their financial statements, in addition to information on operating segments, measures based on amounts calculated using non-IFRS compliant principles. An example of this would be restated profit that treats certain derivative instruments as hedging instruments even though they are not classified as such for accounting purposes.

Recommendation:

If companies present in their financial statements non-segment financial measures that are not defined or required by IFRS, the AMF recommends (i) making sure that these measures are not based on non-IFRS compliant principles, (ii) making sure they are relevant and (iii) reconciling them with the primary financial statements.

cf. ESMA ECEP page 2 Presentation of information not specifically required by IFRS, par. 1

⁴ AMF Position DOC-2015-12 on alternative performance measures

http://www.amf-france.org/technique/multimedia?docId=workspace://SpacesStore/26cd1187-5ba7-44d9-89cc-f74d796332f2_fr_1.1_rendition

⁵ ESMA Guidelines on alternative performance measures – ESMA/2015/1415

<https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf>

1.3. Operating segments and performance

IFRS 8 defines an operating segment as a component of an entity whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Subtotals presented in the primary financial statements may thus differ from the measures presented in the segment information. Since the measures presented in the segment information are regularly reviewed by the chief operating decision maker, they are understandably presented and commented on in other financial reporting materials prepared by the company, such as press releases announcing results.

Recommendation:

The AMF invites companies to ensure that the measures presented under segment information in the financial statements are consistent with and match those presented in other financial reporting materials, such as news releases announcing results, management reports and registration documents, in terms of how segments are identified (business activity vs. geographical area) and the nature of the measures used.

Cf. ESMA ECEP page 3 Segment information, par. 1

IFRS 8.12 allows two or more operating segments to be aggregated into one segment if the segments share similar economic characteristics, such as, for example, long-term average gross margins, and are also similar in terms of their products and services, production processes, class of customers, distribution methods and, if applicable, regulatory environment.

During its recent reviews, the AMF noted instances where companies had grouped operating segments together without necessarily providing a description of the analysis performed and justification for the decision.

The AMF reiterates that under IFRS 8, companies must ensure that the aggregation criteria of IFRS 8.12 and the quantitative criteria of IFRS 8.15, where applicable, are satisfied before grouping operating segments together.

The AMF also reminds companies that for financial years starting on or after 1 February 2015, IFRS 8.22(aa) now explicitly requires a description of the judgements made by management when applying aggregation criteria.

Cf. ESMA ECEP page 4 Segment information, par. 3

In addition to the information to be presented with respect to operating segments, the standard also requires certain entity-wide disclosures (IFRS 8.32 to 34), including information about revenues for each type of product or service and for each geographical area.

In its study, the AMF noted that some companies presented in their notes on operating segments other entity-wide disclosures or performance measures that were not broken out by segment.

Recommendation:

IFRS 8 requires companies to provide certain specific entity-wide disclosures (IFRS 8.31-34) but also to break out certain aggregates or measures (including line items from the statement of profit or loss) by segment, where this information is reviewed by the chief operating decision maker.

If companies have indicators that are based on non-IFRS compliant principles and that are presented to the chief operating decision maker without being broken out by segment, the AMF recommends not including these in the financial statements.

1.4. Subtotals in the statement of profit or loss

1.4.1. Amendment to IAS 1

IAS 1.85 states that a company shall present "additional line items, headings and subtotals in the statement of financial position and in the statement(s) of profit or loss and other comprehensive income when these line items, headings or subtotals are relevant to an understanding of the entity's financial performance".

Furthermore, an amendment to IAS 1 took effect on 1 January 2016. The amendment changes the standard to highlight the notion of materiality in presentation choices relating to the primary financial statements. It

supplements paragraphs 55 and 85 by specifying that when an entity presents subtotals in the primary statements, it shall ensure that these subtotals "(a) are comprised of line items made up of amounts recognised and measured in accordance with IFRS Standards; (b) are presented and labelled in a clear and understandable way; (c) are consistently presented from period to period and (d) are not displayed with more prominence than subtotals and totals required by IFRS Standards in the statement of financial position and in the statement(s) of profit or loss and other comprehensive income".

The study conducted by the AMF revealed that application of this amendment should not materially affect current practices among the majority of companies, although some firms will have to clarify the names of certain subtotals presented in their primary financial statements. For example, labels such as "adjusted" or "restated" without additional clarification for a subtotal in the profit or loss statement are not compatible with the amendment because they do not allow readers to clearly understand the subtotal's composition.

With the entry into force of the IAS 1 amendment, companies must ensure that the nature, composition, presentation and names of subtotals included in the primary financial statements comply with this amendment.

Cf. ESMA ECEP page 3 Line items, headings and subtotals, par. 1 and 2

The study also found that companies do not always explain their accounting choices relating to the presentation of certain material items in their statement of profit or loss.

This is true, for example, for the net expense on employee benefits (which may be fully booked to operating profit or separated into operating and financial components) and impairment of equity-accounted investments.

Recommendation:

If IFRS do not specify how to classify a material item in the statement of profit or loss, the AMF encourages companies to explain their classification in the notes.

Cf. ESMA ECEP page 3 Line items, headings and subtotals, par. 3

1.4.2. Operating subtotals

IAS 1 does not define the notion of operating profit. The IAS 1 basis for conclusions (IAS 1.BC 56) does however specify that all income and expenses resulting from operating activities should be included in the subtotal representative of operating performance. For example, the IASB is of the view that it is misleading if items such as the impacts of restructuring or depreciation of assets are excluded from such aggregates. Similarly, the IASB believes that it is inappropriate to exclude items solely because they occur infrequently or are unusual in amount.

Recommendation:

The AMF calls on companies to make sure that the operating performance subtotal presented in the statement of profit or loss includes all items of an operating nature, including business combination impacts, asset depreciation, write-downs and restructurings.

Cf. ESMA ECEP page 3 Line items, headings and subtotals, par. 3

1.4.3. Notion of "current" and "non-current" items

IFRS do not define what is meant by "current" operating profit or loss, yet this is a notion commonly used by companies in the subtotals presented in their statements of profit or loss.

The recommendation issued by France's national accounting standards board (ANC 2013-03)⁶ states that non-current items include income and expense items that are "very small in number, unusual, abnormal and infrequent and involve particularly significant amounts", which are presented separately to avoid giving the

⁶ ANC – Recommendation No. 2013-03 of 7 November 2013

http://www.anc.gouv.fr/files/live/sites/anc/files/contributed/ANC/2.%20Normes%20internationales/NI%202013/recommandation_2013_R03.pdf

reader a misleading impression of the company's performance. The ANC recommendation cites the examples of very significant and unusual capital gains or losses on disposals, certain very significant and unusual restructuring expenses, and provisions earmarked for major disputes.

Half of all CAC 40 and Next 20 companies include a subtotal for current activities in their statement of profit or loss. This practice is more widespread in France than it is elsewhere in Europe, with approximately 10% of the sample of non-French European companies reporting a subtotal for current activities.

Of the affected French companies, about 40% applied the definition provided in ANC Recommendation No. 2013-03 while 20% did not provide a definition or provided a brief description of the subtotal that would not enable the reader to understand the precise criteria used to distinguish current and non-current items.

Recommendation:

If companies include a subtotal reporting the performance of current activities, the AMF recommends, as the ANC does also in its recommendation, that they provide a clear and specific definition of the criteria used to distinguish current from non-current items.

The AMF also noted in its study that the majority of companies in the sample that included an operating subtotal for current activities treated restructuring expenses and impairment as non-current items. In addition, half of the companies included a material "Other" line item in their non-current items. In about 40% of cases, the non-broken-out items comprising the "Other" line item were material when taken together.

The ESMA and AMF positions on APMs both state that "items that affected past periods and will affect future periods will rarely be considered as non-recurring, infrequent or unusual (such as restructuring costs or impairment losses)". This definition may help guide companies in deciding whether to classify items as current or non-current.

For example, amortisation (of amortisable intangible assets linked to customer relations, for example) connected with the impacts of business combinations or recurring expenses associated with share-based payment plans do not constitute non-current items. Similarly, companies should make sure that if a material and unusual restructuring provision is classified as non-current, any corresponding material reversal of unused amounts is also treated as non-current. Similarly, items that are individually immaterial but that become material when grouped together should not be classified as non-current.

Recommendation:

The AMF invites companies to take care when classifying a profit or loss item as non-current. They must verify the unusual and material nature of such items.

Companies will pay special attention to information provided in the notes regarding the composition of all items classified as non-current during a financial year.

Cf. ESMA ECEP page 3 Line items, headings and subtotals, par. 4

1.5. Earnings per share

Earnings per share (EPS) is a performance indicator that is routinely used to compare and assess company performance. IAS 33 requires EPS and diluted EPS to be presented in the statement of profit or loss (IAS 33.66) along with ratios for discontinued operations either in the statement of profit or loss or in the accompanying notes (IAS 33.68), if applicable.

In addition, the standard requires companies to present and reconcile the amounts in the numerator and denominator, separately identifying the effect of each category of dilutive instrument in the case of the denominator, and to provide information about instruments that are antidilutive at the close of the period but that could potentially become dilutive (IAS 33.70 (c)).

For example, the company could indicate in this regard the number of potential shares concerned, and make a link to information on share-based payment plans.

Recommendation:

The AMF is of the view that information about instruments that are antidilutive at the close of the period but that could potentially become dilutive is important to shareholders where such instruments are material.

Cf. ESMA ECEP page 5 Earnings per share, par. 2

IAS 33.73 and 73A state that if a company opts to disclose, in addition to basic and diluted EPS, amounts per share using a reported component of the income statement other than one required by IAS 33, the basic and diluted amounts per share relating to such a component should be [...] presented in the notes to the financial statements.

The AMF reiterates that the presentation in the statement of profit or loss of an amount per share based on aggregates other than those required by IAS 33 is not compliant with the standard.

Cf. ESMA page 5 Earnings per share, par. 1

1.6. Statement of profit or loss and other comprehensive income for the period

The AMF noted during its reviews that some companies presented certain material line items separately in the statement of profit or loss without providing details of these items in the notes or including references to the notes.

Recommendation:

To improve the readability of the financial statements, the AMF calls on companies to make sure that all material line items reported separately in the statement of profit or loss are detailed and/or covered in the notes, with references to the relevant notes.

Cf. ESMA ECEP page 3 Line items, headings and subtotals, par. 5

The comprehensive statement of profit or loss includes, in addition to the section on profit or loss, the other comprehensive income (OCI) section. OCI items include, for example, translation differences, fair value changes in certain hedging instruments and securities classified as available for sale, as well as defined benefit plans.

As regards equity-accounted investments, IAS 1.82A requires the amount of OCI associated with equity-accounted investments to be grouped between those items that will or will not be reclassified to profit or loss in subsequent periods.

In its study, the AMF found that a good practice consisted in detailing in the notes the components of material OCI items, such as the source of the main translation differences and remeasurements of defined benefit liabilities (assets) or equity-accounted investments.

Recommendation:

When certain OCI line items are material, companies are encouraged to provide additional information in the notes to enable readers to understand the source or breakdown of these items.

The AMF also recommends presenting, in addition to the change in OCI items over the year (IAS 1.106A), a statement showing the accumulated balance by class where this is material.

Cf. ESMA ECEP page 4 Movements in OCI, par. 2

2. Consequences of the UK referendum on leaving the European Union

The vote by the UK on 23 June 2016 in favour of leaving the European Union has ushered in a period of uncertainty that has generated expectations among analysts and investors in terms of financial reporting by companies potentially affected by the implications of the vote for their business and future performances.

The resulting economic uncertainty (potential increase in costs, reduced flows) and changes in market parameters (exchange rate, equity market) could materially impact the financial statements of affected companies.

These impacts may be felt, for example, on asset or liability measurements that take account of market data determined at the closing date (financial instruments at fair value, pension regime assets, retirement or long-term provisions, valuations entailing use of discount rates). They may also affect closing estimates based on the operating and financial outlook determined by management (flows projected in impairment tests for tangible and intangible assets, recognition of deferred tax assets).

Recommendation:

During the period of uncertainty introduced by the UK's vote in favour of leaving the European Union, the AMF invites companies exposed to material potential risk in relation to this country to explain and disclose:

- In their financial reporting, their exposures, recognised or potential impacts of the decision in financial, operating and/or strategic terms, and how they plan to manage these risks;
- In their financial statements, the impact of this decision on assumptions contained in asset and liability measurements; it also recommends that companies detail the sensitivity analyses associated with these measurements (e.g. exchange, growth and discount rates).

Cf. ESMA ECEP page 7 and 8 Other considerations: impact of the result of the UK's referendum on issuers' financial statements, par. 1 and 3

In the post-referendum environment, if companies reported their exposures in late June/early July, the AMF recommends that they repeat, expand on or amend the statements made over the course of the year in their period-end reporting.

IAS 21 states that translation differences (IAS 21.21 and 22) and exchange differences (IAS 21.39-40) should be calculated using the exchange rate on the date of the transaction but that for practical reasons, a rate that is approximate to the rate on the date of the transaction, such as an average weekly or monthly rate, is often used. However, if exchange rates fluctuate significantly, the use of an average rate for a given period may not be appropriate.

Recommendation:

In the event of high sterling volatility, companies would do well to review the procedures used to calculate translation and exchange differences, and notably the need to modify the periods used to determine average rates in order to use appropriate time intervals that are representative of actual exchange rate fluctuations, notably for particularly significant operations.

Cf. ESMA ECEP page 7 and 8 Other considerations: impact of the result of the UK's referendum on issuers' financial statements, par. 2

3. New standards

New standards to be introduced in the next few years are expected to have major impacts. These include standards on revenue recognition (2018), financial instruments (2018 subject to adoption by the European Union), and leases (2019 subject to adoption by the European Union with early application possible if IFRS 15 is applied also). A new standard on insurance contracts is also expected to be published shortly.

In late July 2016, the AMF and ESMA⁷ published recommendations on implementing IFRS 15 and on the information to provide to the market by 2018 on the transition to the standard. A similar recommendation on IFRS 9 is to be published in the near future.

The goal of these recommendations is to enable the market to understand the main changes introduced by the standards and to prepare it for the financial impacts expected by companies in connection with implementation. These recommendations underline the importance of beginning first-time application work as soon as possible, and of taking account in this regard of all the relevant elements, including amendments, possible clarifications from IFRS IC, and discussions within IASB transition groups. They also specify that regulators expect enhanced

⁷ ESMA Public Statement – Issues for consideration in implementing IFRS 15: Revenue from Contracts with Customers - ESMA/2016/1148
https://www.esma.europa.eu/sites/default/files/library/2016-1148_public_statement_ifrs_15.pdf

financial reporting about the impacts of these new standards as the application start date approaches, with, as far as possible, a description of the expected magnitude of the impacts in the 2017 interim financial statements. For the 2016 close, companies are asked to provide precise qualitative information about progress in work areas, identified issues, and qualitative details about the scale of the expected impact of these standards on the financial statements⁸.

The new standard on leases introduces the requirement for lessees to recognise assets and liabilities for many leases (i.e. operating and finance leases), whereas the current standard requires assets and liabilities to be recognised only if the lease is classified as a finance lease.

The currently applicable IAS 17 requires companies to disclose in the notes a schedule of minimum future payments under non-cancellable leases, along with a general description of significant leasing arrangements, including contingent rent provisions and renewal or purchase options (IAS 17.31 and 35).

The AMF expects users of financial statements to examine this information more closely, particularly in the case of operating leases, in order to identify the overall potential balance sheet impact of the new standard.

Based on an analysis of the information provided in this regard by CAC 40 and Next 20 companies, the AMF notes that virtually all companies provided a schedule of minimum future payments but that almost none supplied a description of the main leasing arrangements, such as the variable portion of rents.

Recommendation:

IAS 17.31-35 requires specific information about significant leases, including a description of the main leasing arrangements and total lease and sublease expense in the period.

Since the accounting treatment of these leases will be materially changed by IFRS 16, which comes into effect in 2019, the AMF encourages companies with significant leases to develop the qualitative and quantitative information provided in the notes under IAS 17, as soon as they are sufficiently advanced to do so, in order to enable readers to understand the potential effects of the new standard.

Cf. ESMA ECEP page 7 Disclosures of the impacts of new standards on IFRS financial statements, par. 4

Note that IFRS 16.C12b will ask companies, during the transition, to explain the difference between operating lease commitments disclosed applying IAS 17 and lease liabilities recognised as at the date of initial application of IFRS 16.

4. Summary of work done

As in 2015 and as required by ESMA's guidelines on the enforcement of financial information, the AMF reports in the following section on its work in reviewing financial statements.

Quantitative information gathered from reviews in 2015-16 is given below, bearing on the main themes of AMF workstreams and commentary. There is a continuum between reviews of financial statements carried out by the securities regulator, which identify difficulties in applying accounting standards, the choice of topics for AMF recommendations on financial statements and the direction that is given to future reviews.

4.1. Ex post review of financial statements

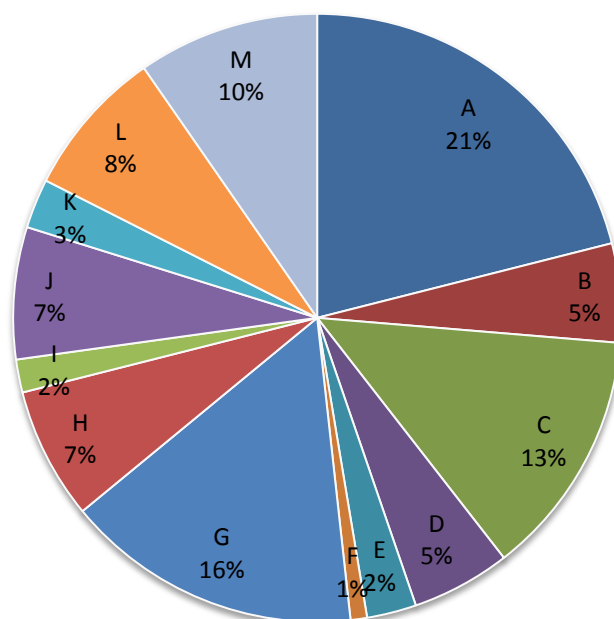
Concerning reviews of financial statements finalised by AMF staff between September 2015 and September 2016, no immediate changes to financial statements were requested but recommendations for the next set of financial statements were sent to 64% of companies. In all, 36% of reviews did not give rise to any specific action, compared with 46% in 2014-2015. If recommendations or subjects requiring follow-up are identified by AMF staff, these are always followed up at the close of the next accounting period.

⁸ The information disclosed pursuant to IAS 8 does not relieve companies of their obligation to promptly report known impacts that are likely to materially influence the market price of the company's financial instruments (Article 17 of Market Abuse Regulation 596/2014).

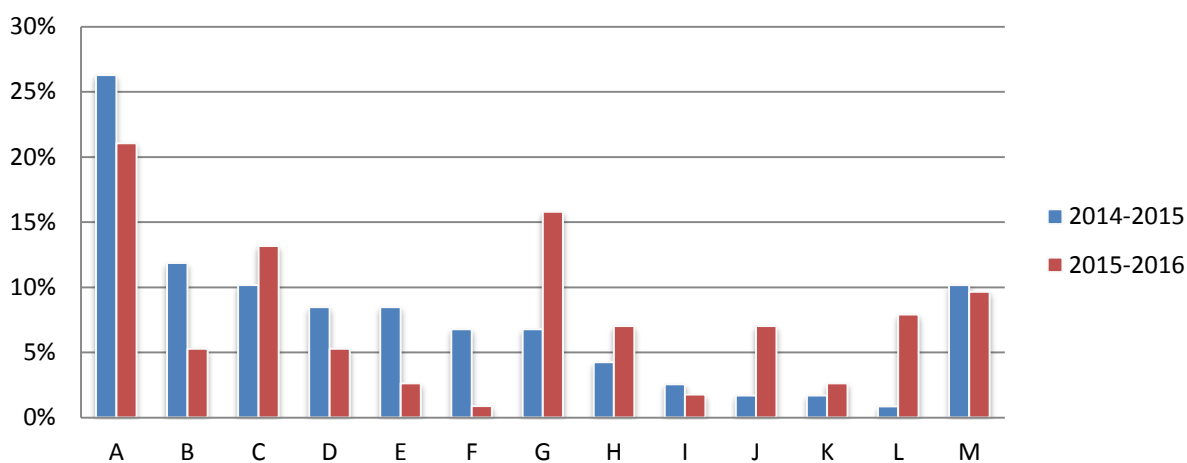
The AMF performs targeted reviews (covering one or more specific points) or comprehensive reviews (covering all accounting and financial information). Approximately 61% of the reviews conducted during the September 2015-September 2016 period were comprehensive reviews.

The AMF finalises its review by sending the company a letter confirming completion of the review. The AMF's comments are divided between specific recommendations, which may concern the accounting method and the information contained in the notes and which the AMF expects to be taken into account in the next set of financial statements, and other comments that it wants to bring to the company's attention. If the information shown in the company's financial statements appears to comply with accounting principles and the level of detail seems adequate, the AMF does not comment.

The breakdown of themes among companies that received specific recommendations for their next set of accounts is as follows:



Themes in specific recommendations, 2014-2015 and 2015-2016:



A: Impairment of assets (IAS 36)	G: Presentation of financial statements (IAS 1; IAS 7; IAS 8)
B: Consolidation, associates and JVs (IAS 27; IAS 28; IFRS 10; IFRS 11; IFRS 12)	H: Related parties (IAS 24)
C: Financial instruments and fair value measurement (IAS 32; IAS 39; IFRS 7; IFRS 13)	I: Intangible assets (IAS 38)
D: Income Taxes (IAS 12)	J: Non-current assets held for sale (IFRS 5)
E: Provisions (IAS 37)	K: Business combinations (IFRS 3)
F: Share-based payments, employee benefits (IFRS 2; IAS 19)	L: Operating segments (IFRS 8)
	M: Other

In terms of how recommendations changed relative to the previous year, the most significant developments were as follows:

- There were significantly fewer recommendations over the period on asset impairment and share-based payments/employee benefits. Likewise, there were fewer consolidation-related recommendations, which may be attributable to an experience effect in relation to the new IFRS 10, 11 and 12 standards.
- Conversely, the AMF issued proportionately more recommendations on presentation of financial statements and operating segments, explaining the decision to select these themes for this year's recommendations on financial statements.

The themes that were the most common subjects of recommendations were:

- Impairment of assets (21% of recommendations): the recommendations made were linked to recommendations issued by the AMF in 2015⁹ (assumptions used and sensitivity), particularly for companies exposed to volatile economic underlyings or at-risk countries.
- Presentation of financial statements (16% of recommendations): recommendations concerned improvements to information, particularly qualitative information, on the statement of cash flows and the performance subtotals presented by companies.
- Financial instruments and fair value measurement (13% of recommendations): the most frequently raised issue was credit risk and the disclosures provided in this regard.
- Operating segments (8% of recommendations): our recommendations notably covered specific entity-wide disclosures (IFRS 8.32 to 34) and segment aggregation.

4.2. Prior discussions with companies

The AMF held discussions with eight different companies about accounting analyses made by issuers prior to publishing their 2015 financial statements, compared with 11 in the previous period. By the end of September 2016, six exchanges had taken place concerning the 2016 annual or interim financial statements. Subjects addressed included application of IFRS 5 and standards on consolidation, associates and JVs.

Every year the AMF also organises meetings with a number of Compartment A companies. The main purpose of these meetings is to discuss structural accounting issues (material operations, implementing new accounting standards, etc.) encountered over the period.

4.3. Review of financial statements included in initial public offering (IPO) prospectuses

Financial statements reviewed as part of IPO prospectuses	2014-2015	2015-2016
Total	38	24
o/w IFRS	26	17
o/w French GAAP	12	7

In this context, the AMF noted an increase in the use of special purpose financial statements (special set of accounts covering two or three financial years) for IPOs, even though this was not necessarily required in some cases. The AMF reminds companies that they may use historical financial statements, as these should already satisfy the quality requirements under accounting and audit standards.

⁹ AMF recommendations for 2015 financial statements – DOC-2015-08

http://www.amf-france.org/technique/multimedia?docId=workspace://SpacesStore/e253bad3-6b04-4c26-aa86-9a729188d522_en_1.0_rendition

AMF actions in relation to IFRS financial statements included in IPO prospectuses	2014-2015	2015-2016
Amendments	11	8
Additional notes	3	0
Recommendations for the next set of financial statements	3	10

A single request to amend the financial statements may entail several types of changes: as part of the 2015-2016 reviews, amendments included five corrections to accounting treatments, four changes to the presentation of the financial statements and eight amendments/supplements to the notes.

The main subjects that gave rise to recommendations for the next set of accounts were the presentation of financial statements (notably the statement of cash flows and the WCR breakdown), financial instruments (particularly as regards the characteristics of certain complex or specific instruments) and impairment of assets (notably the methodology and assumptions used in impairment tests).

For financial statements prepared under French GAAP, the AMF instructed two companies to amend their accounts and made recommendations for the next set of accounts in six cases. These recommendations dealt notably with revenue recognition and measurement of intangible assets.