



2020 FINANCIAL STATEMENTS AND REVIEW OF 2018-2019 FINANCIAL STATEMENTS

Background regulations: Article 223-1 of the AMF General Regulation

These recommendations are mainly intended for companies preparing financial statements in accordance with IFRS under IAS Regulation No. 1606/2002 of the European Union.

The task of developing and interpreting international accounting standards is the exclusive responsibility of the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC).

The AMF, like ESMA or other regulators, identifies, before each annual accounting closing, the accounting and financial matters that seem important with a view to raising awareness among listed companies, their audit committees and their statutory auditors. In this way, the AMF helps to protect savings and ensure that investors are properly informed through the presentation of high-quality accounting and financial disclosures.

Some of the recommendations below encourage companies to provide descriptions or explanations in their financial statements. As they concern specific aspects of the standards, the issues covered will not be applicable to all companies and the level of information must be appropriate to the relative importance of the topic.

ESMA has identified a set of common priorities¹ at the European level related to preparing the 2020 annual financial statements and financial information more broadly (non-financial performance and alternative performance indicators). The topics covered this year relate to the current health and economic crisis, including in particular:

- A description of the consequences of the crisis on the company's business
- Performing impairment testing
- Specific disclosures required in relation to going concern and liquidity risk
- Particular areas of focus for financial institutions.

In addition, specific recommendations have been made concerning the application of IFRS 16 on leases.

Regarding non-financial aspects, the recommendations relate to the impacts of the crisis, social and societal issues, business models and value creation, and risks related to climate change. These recommendations are available in English on the AMF website,² together with the AMF 2019 CSR Report,³ which remains current and which companies may find useful to refer to.

The AMF's recommendations are consistent with those issued by ESMA. In some cases, the AMF has tailored the issues to reflect the specific French context. References to the ESMA document are provided to facilitate the link between the two documents.

Brexit

As mentioned in the previous ESMA and AMF recommendations following the United Kingdom's decision to leave the European Union, the transition period for exiting the EU is currently scheduled to end on 31 December 2020. The AMF asks those companies that may be affected to monitor the progress of negotiations and to inform the market of the risks, strategies implemented (for example, organisational), exposures and, where known, the expected impact (depreciation, restructuring, tax implications, etc.).

Reform of Interbank Rates

As part of the ongoing reform of interbank rates (such as EURIBOR, LIBOR, etc.), the AMF highlights the potential implications for financial statements of the transition from one rate to another and the clarity expected in the financial statements on the consequences of this reform. In 2019, the IASB published amendments introducing

¹ [ESMA Public Statement - European Common Enforcement Priorities for 2020 annual financial reports](#)

² [AMF – Reporting extra-financier 2020: recommandations de l'ESMA](#)

³ [AMF – Report on the Social, Societal and Environmental Responsibility of Listed Companies](#)

more flexible requirements for hedge accounting. These amendments are intended to avoid having to terminate hedging relationships solely because of the uncertainty surrounding replacing one rate by another. In 2020, the IASB also published amendments introducing simplified accounting consequences for the actual switch-over to the new reference rates (particularly with regard to hedge accounting and the translation of contractual changes in instruments). The AMF encourages companies to prepare for the implementation of these new amendments and to provide information in their financial statements on the progress of their transition to the new reference rates.

European Single Electronic Format (ESEF)

Companies listed on a regulated market and subject to the Transparency Directive must publish their annual financial report for the financial year 2020 in XHTML format and, if applicable, mark up the IFRS consolidated financial statements contained in this annual financial report with the ESEF taxonomy. Only the primary financial statements will initially have to be marked up in ESEF format.

The AMF is aware that the health crisis has kept companies extremely busy in 2020 and has generated additional costs. The AMF also expects there to be a learning curve during the first few years that this obligation applies. Accordingly, following the positive response to the workshops organised in 2019, additional workshops to support listed companies will be held in the autumn of 2020. Companies that encounter difficulties in implementing this new obligation are encouraged to contact the AMF. Issuers can also refer to the dedicated pages of the ESMA⁴ and AMF⁵ websites, which address all issues relating to this obligation (scope, reference documents, list of controls to be complied with, etc.).

The AMF also points out that the marking up of financial statements in electronic format will be reviewed by the statutory auditors.⁶

Lastly, all stakeholders are lobbying for an optional one-year deferral, which has been favourably received at this stage by the European Commission. The outcome of the discussions and the position to be taken by the European Parliament are not yet known, but we hope to publish the deferral legislation before the end of the year.

Other AMF publications related to financial statements

In September 2020, the AMF updated the table of contents⁷ that includes all its recommendations on IFRS financial statements (2006 to 2019) that are still in effect today. This document provides easy access to previous recommendations, which are presented by topic in a clear and easily searchable format.

In the first half of 2020, the AMF published a number of news releases⁸ for listed companies to help them through the particularly complicated health crisis. In this regard, the AMF highlighted a number of principles to be adhered to when presenting the half-yearly financial statements and associated communications. These principles, some of which have been included in this recommendation, remain applicable for the annual accounting close.

Like the banking regulators, ESMA and the IASB, the AMF also published a news release⁹ clarifying the accounting implications of COVID-19 on the calculation of expected credit losses, which is still relevant today. These publications highlight, among other things, the lack of a mechanical approach to determining a significant increase in credit risk or to default classification in the event of a moratorium, the inclusion of government measures to support economies when estimating expected losses, and the importance of the weight of long-term historical macroeconomic forecasts in times of crisis.

More recently in its third-quarter news releases, the AMF published its findings and points for attention¹⁰ regarding the financial communication practices of listed companies in the first half of the year.

⁴ [Dedicated page on the ESMA website](#)

⁵ [Dedicated page on the AMF website](#)

⁶ [See Article R.823-7 of the Commercial Code](#)

⁷ [AMF – DOC-2018-06 – Table of Contents – Financial Statement Recommendations as at 1 January 2020](#)

⁸ [All AMF publications related to COVID-19](#)

⁹ [AMF News Release – COVID-19: clarifications on the accounting implications for the calculation of expected credit losses](#)

¹⁰ [AMF News Release – Outlook, liquidity position, dividends: which financial communication strategy is best in a particular situation such as COVID-19?](#)

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1. REVIEW OF FINANCIAL STATEMENTS

The AMF presents a summary of its review of the annual financial statements of 78 companies (52 registration documents and 26 annual financial reports) between October 2019 and September 2020.¹¹

1.1 A Posteriori Review of Financial Statements

1.1.1 Selection of issuers for the 2020 work programme and type of review

The companies reviewed are selected, in accordance with ESMA guidelines, using a multi-criteria method that combines selection by risk, by portfolio turnover and on a random basis.¹²

A posteriori reviews of financial statements may be full (review of the entire financial statements) or targeted (review of one or more specific topics). Targeted reviews during the period mainly concerned deferred tax assets, the application of IFRS 16 on leases, or issues specific to companies such as recent financial difficulties.

In all its reviews over the period, the AMF raised with issuers specific matters related to the ongoing health and economic crisis.



1.1.2 Recommendations and areas for improvement sent to companies

In its end-of-review letters, the AMF makes recommendations and suggests areas for improvement. Recommendations are systematically followed up at the next annual closing, while areas for improvement generally cover matters that are not material or are less significant in relation to the closing reviewed.

Of the reviews completed during the period (October 2019-September 2020), **85%** resulted in **recommendations** and/or areas for improvement being sent to companies (*90% in the previous period*).

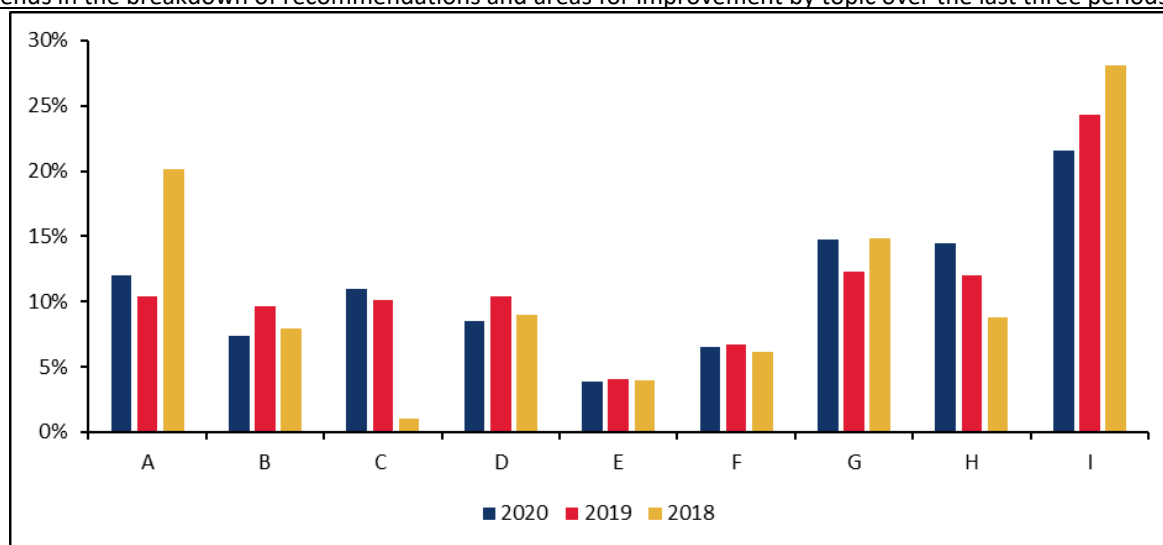
For **10%** of companies, the AMF only sent **areas for improvement** (*11% in the previous period*).

The **average number** of recommendations and areas for improvement per review is still **5**.

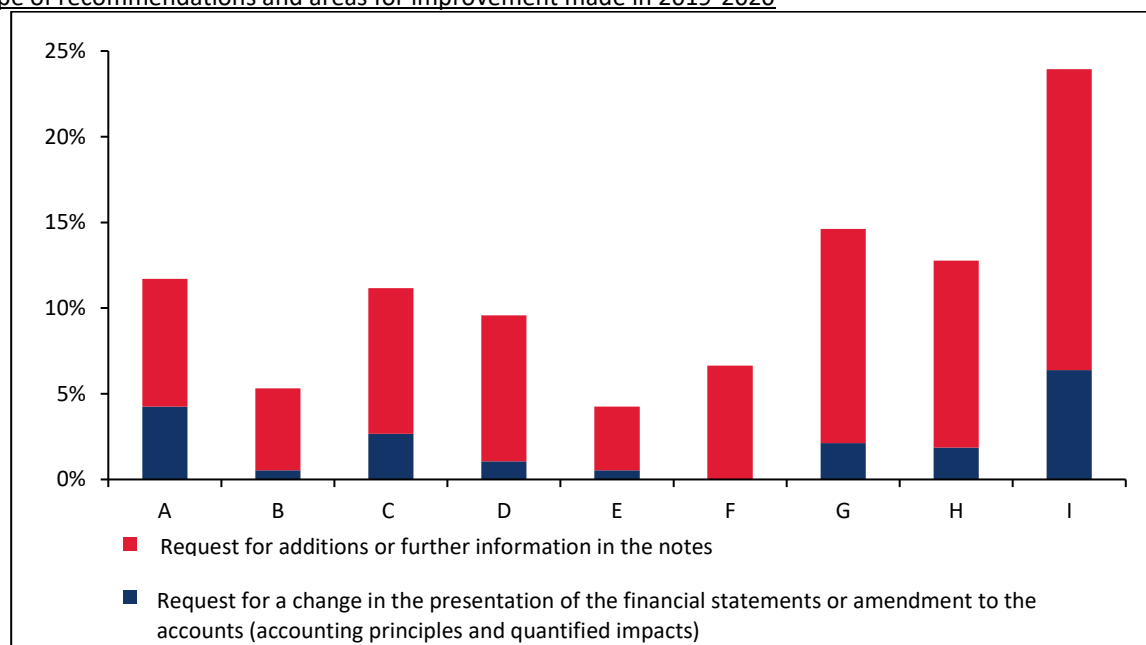
¹¹ Consolidated Annual Financial Statements 2018 and 2019

¹² For details of the methodology, see [AMF 2019 recommendations](#) and [ESMA guidelines](#)

Trends in the breakdown of recommendations and areas for improvement by topic over the last three periods



Type of recommendations and areas for improvement made in 2019-2020



A: Presentation of Financial Statements (IAS 1, IAS 8)

B: Statement of Cash Flows (IAS 7)

C: Leases (IFRS 16)

D: Impairment Testing (IAS 36)

E: Taxes (IAS 12)

F: Operating Segments (IFRS 8)

G: Financial Instruments, Fair Value (IAS 32, IFRS 7, IFRS 9, IFRS 13)

H: Revenue (IFRS 15)

I: Other (IAS 37, IAS 33, IFRS 3, IAS 2, IAS 38, etc.)

The main points arising from the recommendations and areas for improvement made in 2019-2020 by category are as follows :

Impairment testing (8%)

The recommendations and areas for improvement related to the information provided on the methods used to perform impairment tests and the key assumptions used for goodwill and other significant intangible assets when these are tested separately.

The AMF also drew the attention of companies to the definition of cash generating units (CGUs) and groups of CGUs, particularly in cases of restructuring or reorganisation.

Revenue (14%)

Recommendations and points for attention were issued regarding the need to specify the accounting principles and methods used in relation to the specific nature of the company's activities. In addition, the AMF paid particular attention to the consistency between the information provided outside the financial statements and the breakdown of revenue in the accounts.

The presentation of information about contract assets and liabilities and changes in them also gave rise to recommendations.

Lastly, the AMF reiterated on a number of occasions the importance of disclosing the analysis conducted to identify one or more performance obligations in relation to the specific features of the company's contracts and activities.

Leases (11%)

The recommendations and areas for improvement made in this first year that IFRS 16 has been in effect mainly related to improving the description of accounting principles and methods (specific features of leases and analyses performed).

Other (25%)

The main recommendations and areas for improvement concerned the calculation of earnings per share (IAS 33), missing information relating to business combinations (IFRS 3) and information relating to the amount of research and development expenditure recognised as expenses (IAS 38).

Cash-flow statement (7%)

The recommendations and areas for improvement mainly related to the presentation of changes in liabilities from financing activities, distinguishing between cash and non-cash flows.

Financial instruments (15%)

This year, the AMF frequently issued recommendations as a result of a lack of information on liquidity, credit or foreign exchange risks (in the schedule of financial liabilities, for example).

The AMF also identified a significant number of issuers that had not updated their accounting policies and methods relating to the provisions of IFRS 9, particularly with regard to the credit risk assessment model (expected losses).

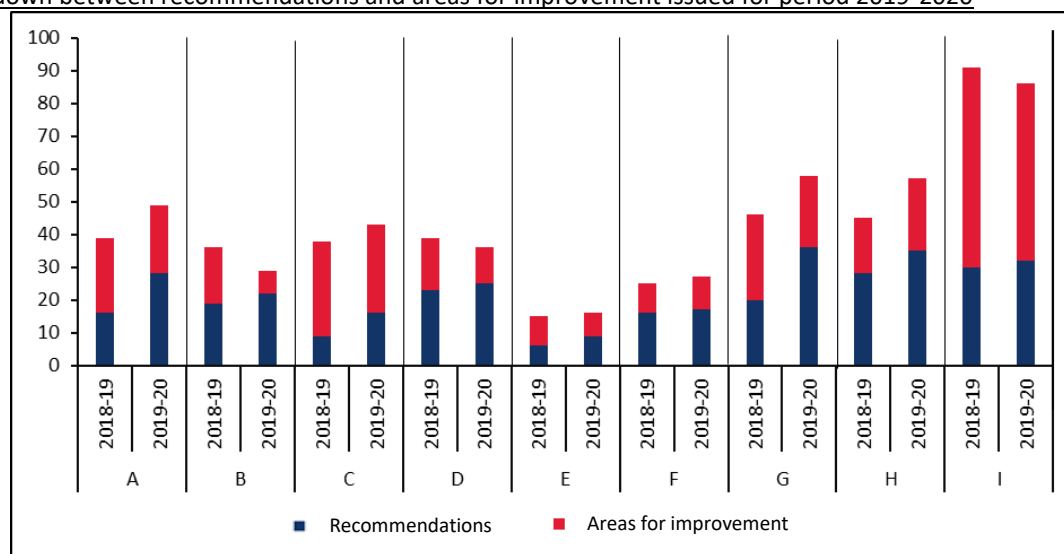
Lastly, the AMF paid particular attention to information relating to deconsolidating factoring programmes.

Presentation of financial statements (12%)

The points raised by the AMF again focused mainly on clarifying the wording of subtotals and their definition, including the distinction to be made between operating items considered recurring and non-recurring.

On several occasions, the AMF encouraged issuers to specify the assumptions underpinning the going concern principle when their going concern involved material uncertainty or when the company had made a significant judgement concluding that there was no material uncertainty.

Breakdown between recommendations and areas for improvement issued for period 2019-2020



A: Presentation of Financial Statements (IAS 1, IAS 8)	F: Operating Segments (IFRS 8)
B: Statement of Cash Flows (IAS 7)	G: Financial Instruments, Fair Value (IAS 32, IFRS 7, IFRS 9, IFRS 13)
C: Leases (IFRS 16)	H: Revenue (IFRS 15)
D: Impairment Testing (IAS 36)	I: Other (IAS 37, IAS 33, IFRS 3, IAS 2, IAS 38, etc.)
E: Taxes (IAS 12)	

Over the period, the areas for improvement were aimed in particular at encouraging companies to :

- think carefully about the presentation of financial aggregates to ensure they are consistent with financial communications and verify that the classification of certain operating income items as non-recurring complies with the classification criteria (IAS 1);
- supplement and tailor the information provided (notably accounting principles) to reflect the specific characteristics of companies, the materiality of the issues and the latest decisions of the IFRS IC (IFRS 15, IFRS 9, particularly on the impairment model for financial assets, and IFRS 16).

1.2 Examples of Practical Cases from the Reviews

1.2.1 Aggregating operating segments

Where operating segments are aggregated, there often was little information provided on the analysis carried out to conclude that all similarity criteria have been met (type of products and services, type of client, production processes, distribution method, regulatory environment if applicable, and especially similar economic characteristics).

In its reviews, the AMF noted that assessing the criterion of similar long-term financial performance (illustrated in the standard by long-term average gross margins) often raises difficulties in practice. IFRS 8 gives little guidance on how to assess these similarities (the performance metrics to be used, acceptable differences in financial performance, the time frame for observing and projecting performance).

The AMF recommended that the companies concerned describe the analysis carried out and continue to monitor changes over time in the metrics used and in their business models to ensure that the criterion of similar economic characteristics is still met over the long term.

1.2.2 Presentation of income from lessors

Income from lessors, particularly property companies, includes income from the rental of investment properties, rebilling of rental charges, and miscellaneous services such as property management or development.

With the entry into force of IFRS 15 and IFRS 16, the AMF reviewed how this income was presented in more detail. Accordingly, in accordance with IFRS 15.113, the AMF recommended that the companies concerned make a distinction in the income statement or in the notes to the financial statements between rental income (falling within the scope of IFRS 16 on leases) and other income, in particular income related to the rebilling of charges to tenants (falling within the scope of IFRS 15 on revenue).

With regard to presenting the charges rebilled to tenants in the income statement, the AMF also paid particular attention to the capacity as agent or principal of the company rebilling these charges with regard to the characteristics of the contracts. Following this analysis, carried out by type of expense :

- If the company acts as principal, it must recognise gross rebillings (income) and rental charges incurred.
- If the company acts as agent, it must only recognise its net commission in respect of rebillings.

The AMF observed different presentation methods in the 2018 financial statements, sometimes presenting revenue net of certain charges without acting as agent. The AMF noted in the 2019 financial statements that a majority of property companies now consider themselves as principal. As an explanation of the analysis carried out was often missing, the AMF encouraged the companies reviewed to specify in their financial statements the treatment used and the analysis carried out to justify that they had obtained control of the rebilled services before these charges were passed on to tenants, in accordance with the provisions of IFRS 15.B34 and following.

1.2.3 Revenue breakdown

As part of its reviews, the AMF specifically examined the information provided on revenue, including its breakdown by category.

In accordance with IFRS 15.114, companies are required to provide information on the breakdown of revenue into categories that reflect the nature, amount, timing and degree of uncertainty of revenue. To assist companies in determining the relevant categories, IFRS 15.B88 specifies that information presented outside the financial statements (e.g. in earnings news releases, annual reports or investor presentations) must be taken into account.

Where an additional revenue breakdown was published in financial communications relating to the financial statements (in the note on revenue or in segment reporting), the AMF asked the companies reviewed to include it in their financial statements. Furthermore, since revenue is a key metric for readers of financial statements, the AMF encouraged some companies to give this matter further thought and, where appropriate, supplement the breakdowns provided taking into account the specific characteristics of the company, changes in its business activities or the practices of its peers.

1.2.4 Changes in liabilities arising from financing activities

In accordance with IAS 7.44A and following, companies are required to provide information that explains any changes in liabilities arising from financing activities, distinguishing between changes with or without any cash impact by type (such as changes in the scope of consolidation, changes in fair value and the effects of currency translation). An IFRS IC decision¹³ in September 2019 reminds companies of the importance of distinguishing items of a different nature (IAS 1.30A) and providing a clear link between the cash-flow statement and the balance sheet (IAS 7.44D).

During its reviews, the AMF found that some presentations did not allow a clear link to be made between balance sheet changes in financial liabilities and the information on financing activities presented in the cash-flow statement. The AMF also noted this difficulty in relation to companies that have elected to present changes in net debt (financial liabilities and assets).

¹³ [*IFRIC Update September 2019 – Disclosure of Changes in Liabilities Arising from Financing Activities*](#)

Accordingly, the AMF asked the companies concerned to break down changes resulting from cash flows and non-cash changes so that the different primary statements can be linked and changes arising from financial liabilities and financial assets can be presented separately.

1.2.5 Classification of instruments as cash and cash equivalents

During its reviews, the AMF paid particular attention to instruments classified as cash equivalents, defined in IAS 7.7 as instruments that are “short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value” and “held for the purpose of meeting short-term commitments rather than for investment or other purposes”.

In general, the AMF reminded companies in certain reviews that management intent is one of the criteria in IAS 7 for classifying an instrument as a cash equivalent and must therefore be assessed at each closing.

1.3 Preliminary Review of an Accounting Treatment, Discussions with Companies

In the first quarter of every year, the AMF organises meetings with a number of Compartment A companies (18 companies in connection with the 2019 financial statements). The main objective of these meetings is to discuss the key financial issues affecting the financial close.

In the first half of 2020, because of the prevailing health crisis, the AMF organised telephone meetings with just over 40 companies¹⁴ from all compartments. These discussions fostered dialogue between companies, their statutory auditors and the AMF on the main accounting and financial communication issues ahead of the publication of half-yearly financial statements (or annual financial statements for companies with a delayed closing date).

In the current context, we believe it is particularly useful to maintain a constructive dialogue between the various stakeholders, and the AMF is always available to help companies and their statutory auditors prepare their forthcoming annual financial statements and associated communications.

2. PRESENTATION OF FINANCIAL STATEMENTS

2.1 Relevance and Transparency of Financial Statements

2.1.1 A climate of great uncertainty

Given the current lack of visibility, it is particularly important for users to be able to understand the analysis carried out by companies and the existing levels of risk.

Recommendation

The unprecedented health and economic crisis has created significant levels of uncertainty, making it more complicated to determine certain key assumptions used in preparing financial statements. Against this backdrop, the AMF draws the attention of companies and their governance bodies, including audit committees, to the importance of strengthening governance and internal control systems and to users’ growing expectations in terms of information transparency.

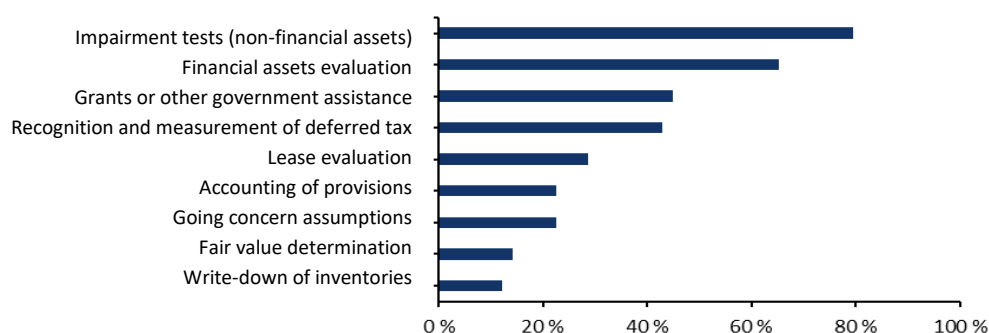
The AMF therefore recommends that companies provide specific, detailed information on all matters useful to understanding the company’s financial statements and situation. This transparency enables to increase market confidence in the quality of the financial information published by the company.

See ESMA ECEP Section 1, Application of IAS 1 Presentation of Financial Statements, Significant judgments and estimation uncertainty, paragraph 3.

¹⁴ Mainly half-year closings but also some annual closings of companies closing on 31 March, 30 June or 30 September.

2.1.2 Key judgements and estimates

In the half-yearly financial statements of CAC 40 and NEXT 20 companies,¹⁵ the following topics were referred to as being areas in which significant judgements were made in determining key estimates and applying accounting principles in the context of COVID-19 :



For example, some companies specified the impacts of short-time working measures, extended stock rotation periods, ongoing restructuring plans or updates to their estimates of expected credit losses. In addition, certain companies included specific additional information in their financial statements, such as determining the fair value of investment property and its sensitivity to key assumptions (e.g. property companies).

Some of these assumptions, such as operating cash-flow forecasts, are, by their very nature, applicable to several aspects of the financial statements (such as impairment tests, going concern, recognition of deferred tax assets, and tests of effectiveness of future cash flow hedges), and also to other information used and disseminated by financial communication companies (such as outlook and information contained in the management report).

More specific developments in some of these areas are presented below.

Recommendation

Due to the current level of uncertainty, users of financial statements are particularly interested in the key estimates and judgements made by companies. The AMF recommends that companies disclose specific and detailed information on matters that required them to make significant judgments and estimates.

In identifying these matters, the AMF recommends that companies also take into account factors that led to specific discussions with management, statutory auditors and/or regulators and factors highlighted by the company in its risk factors and/or key audit matters.

Furthermore, care must be taken to ensure that assumptions are consistent between the various assessments carried out and the various disclosures made at financial close : going concern, impairment tests, recognition of deferred taxes, macro-economic assumptions used in the calculation of expected credit losses, hedge accounting, management report, risk factors, other financial communication items, etc.

See ESMA ECEP Section 1, Application of IAS 1 Presentation of Financial Statements, Significant judgments and estimation uncertainty, paragraphs 1, 2 and 4.

¹⁵ Excluding financial institutions and companies with deferred closing

2.2 Presentation of the Effects of the COVID-19 Pandemic

In its news release of 20 May 2020,¹⁶ the AMF pointed out that the presentation of some of the effects of COVID-19 in non-recurring items in the income statement made understanding financial performance considerably more difficult since these effects are spread across the entire income statement and, consequently, some items cannot be isolated (such as reductions in income or expenses) or measured reliably.

Similarly, in its recommendations and observations relating to the recognition of the consequences of the COVID-19 crisis, the ANC pointed out that income and expenses related to COVID-19¹⁷ did not meet the conditions for classification as other non-recurring operating income or expenses for companies applying ANC Recommendation 2020-01 on the format of consolidated financial statements prepared under IFRS. The national institute of statutory auditors (*Compagnie Nationale des Commissaires aux Comptes*) also stated in its FAQ¹⁸ that including income and expenses related to the COVID-19 crisis under a “non-recurring” heading in the income statement under IFRS is not an appropriate practice.

Accordingly, the vast majority of CAC 40 and NEXT 20 companies¹⁹ have followed these recommendations and have not presented the effects of COVID-19 in their half-yearly financial statements under other non-recurring operating income and expenses, except for material impacts relating to types of income and expenses classified as non-recurring in previous years, such as impairment of goodwill or restructuring costs.

Recommendation

IAS 1.45 establishes the principle of consistent presentation of financial statements.

Accordingly, to enable performance to be understood and for comparability purposes, the AMF asks that companies continue not to change income statement headings and subtotals in order to isolate certain identified effects of COVID-19. Similarly, the AMF asks that certain effects of COVID-19 not be classified as non-recurring income and expenses, whether the amounts involved are significant or not (except for material impacts relating to types of income and expenses usually classified as non-recurring, such as impairment of goodwill or restructuring costs).

The AMF considers that this type of classification makes it difficult to understand the company’s performance. Furthermore, presenting the information in this way may have an impact on the company’s key metrics and ratios, contractual agreements (e.g. financial covenants) or the indicators used to determine certain compensations.

See ESMA ECEP Section 1, Application of IAS 1 Presentation of Financial Statements, Presentation of COVID-related items in the financial statements.

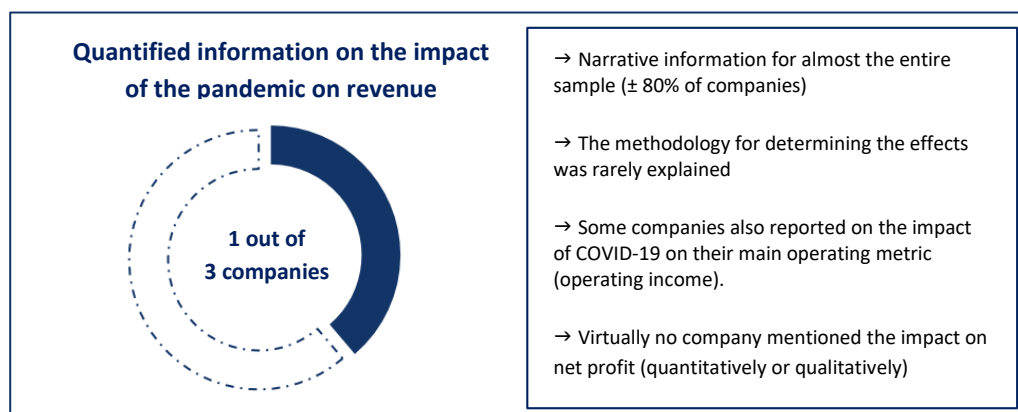
For CAC 40 and NEXT 20 companies, the AMF makes the following observations on the impact of COVID-19 on the key figures presented in the financial statements :

¹⁶ [AMF News Release – COVID-19: As the decisive moment of the half-year accounts approaches, the AMF underlines some principles to respect](#)

¹⁷ [ANC – Recommendations and observations relating to the recognition of the consequences of the COVID-19 crisis in the financial statements and positions drawn up as from 1 January 2020 \(question B6A\)](#)

¹⁸ [CNCC FAQ 6th Edition](#)

¹⁹ *Excluding financial institutions and companies with deferred closing*



Recommendation

The AMF encourages all companies presenting, in their notes to the financial statements, specific effects considered to be related to COVID-19 to specify the methodology used to identify them (types of income and expenses) and to calculate these effects (in relation to historical data, a budget, estimates, incremental impacts, etc.).

See ESMA ECEP Section 1, Application of IAS 1 Presentation of Financial Statements, Presentation of COVID-related items in the financial statements.

3. VALUATION OF NON-FINANCIAL ASSETS

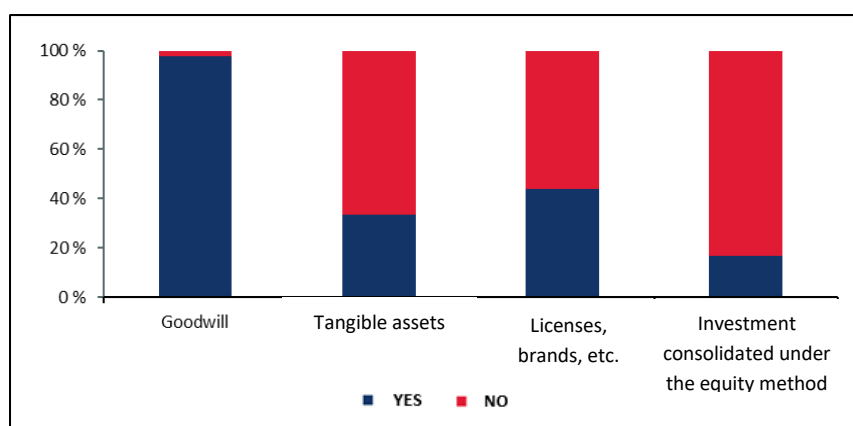
3.1 Impairment Testing Procedures

In addition to the annual impairment tests carried out at the level of CGUs or groups of CGUs containing goodwill and intangible assets with indefinite useful lives, companies must at each financial close assess the existence of indications of impairment on all their non-recurring non-financial assets in accordance with IAS 36.9. If indications of impairment exist, an impairment test must be carried out at the level of the assets concerned if they generate independent cash flows or, if they do not, at the level of the CGUs or groups of CGUs to which they belong. The list of indications of impairment provided by IAS 36 is broad and non-exhaustive (deterioration in the economic environment, decline in income or performance compared with 2019 or budgets, the company's market capitalisation, etc.).

The annual impairment test of a CGU to which goodwill has been allocated may be performed at any time during a financial year, provided that the test is performed at the same time every year (IAS 36.96).

In the 2020 half-yearly financial statements of CAC 40 and NEXT 20 companies,²⁰ tests were carried out on the following assets :

²⁰ Excluding financial institutions and companies that had not published their half-yearly financial statements as at 31 August 2020



As a result of these tests, slightly more than half of the companies in our sample recorded impairments on their goodwill and/or other tangible and intangible assets.

Recommendation

The AMF reminds companies to test their CGUs containing goodwill, intangible assets with indefinite useful lives or intangible assets in progress at the same time as the usual annual closing, even if impairment tests have already been carried out for previous interim closings. For annual tests, all financial and operational assumptions must be updated.

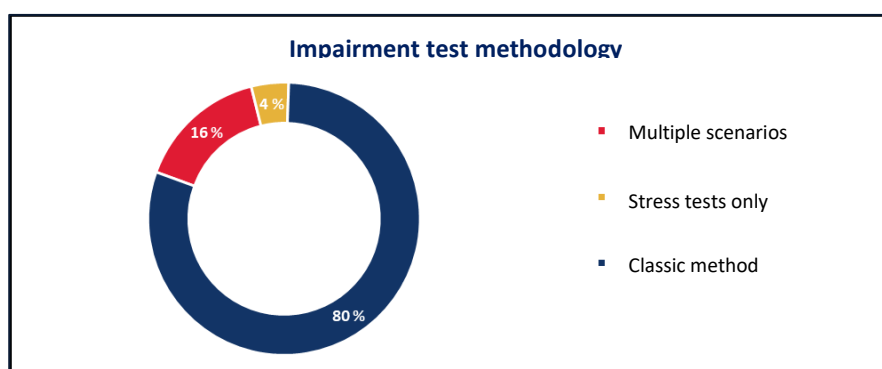
Furthermore, the AMF reiterates the importance of identifying the existence of indications of impairment at the annual closing for depreciable non-financial assets and, if necessary, carrying out an impairment test, even if such tests have already been carried out at the half-yearly closing. Given the current economic climate, we can expect a resurgence in the existence of indications of impairment.

See ESMA ECEP Section 1, Application of IAS 36 Impairment of Assets, paragraphs 1 and 2.

3.2 Information in the Notes to the Financial Statements on the Assumptions Used and Their Sensitivity

IAS 36.134 and IAS 1.125 require companies to describe the main assumptions used to prepare their cash-flow projections.

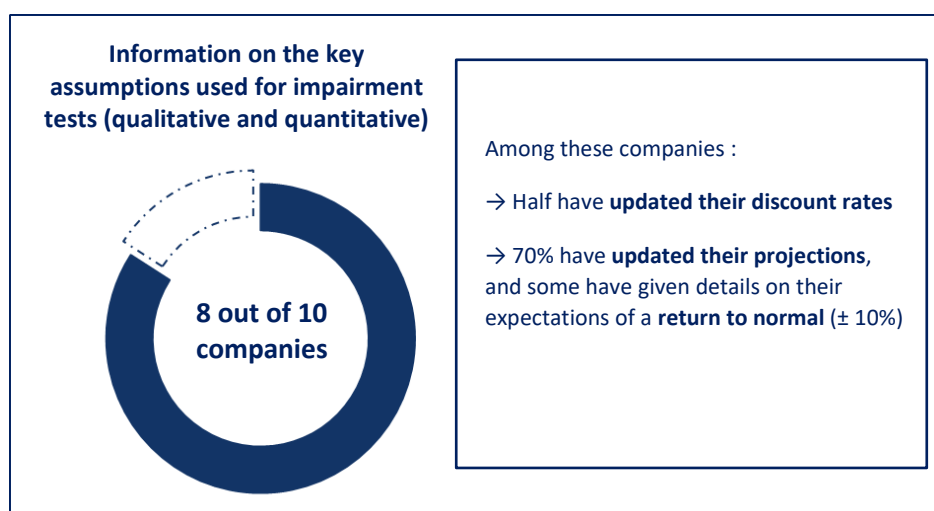
CAC 40 and NEXT 20 companies performed impairment tests to assess the value of their assets using the following methodology :



Because of the lack of visibility, the AMF notes that the use of a method using several weighted scenarios has increased as compared to 31 December 2019. This method can be useful for reflecting various potential changes in the economic situation.

Uncertainties can be taken into account either in the flows or in the rates (IAS 36.32).

Based on the information provided in our sample, it appears that :



Furthermore, cash-flow projections must be based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that are likely to exist over the asset's remaining useful life, giving greater weight to external evidence (IAS 36.33(a)).

Recommendation

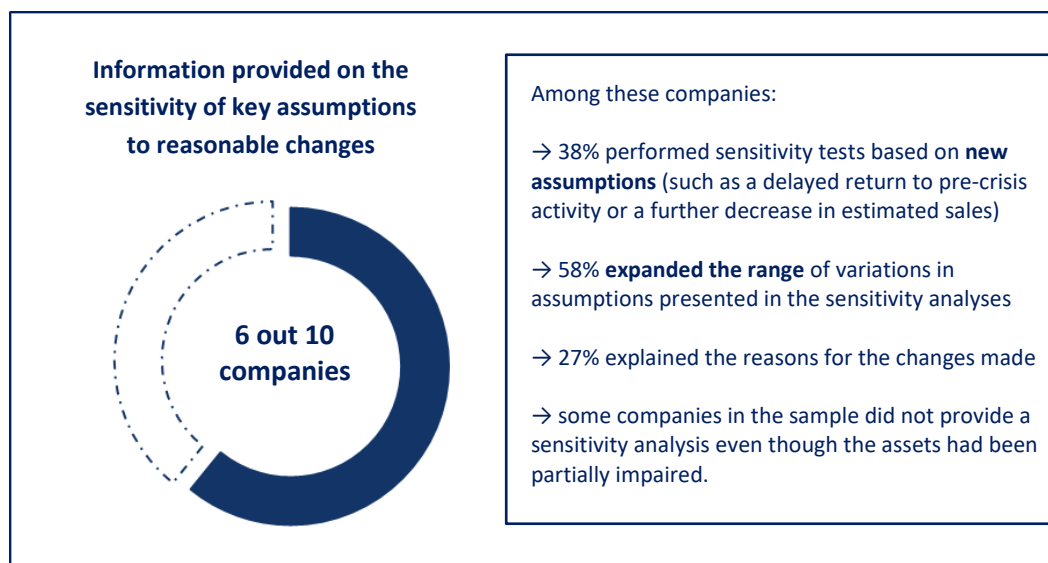
The AMF recommends that companies pay particular attention to describing the key assumptions used in their impairment tests on goodwill and other assets, particularly operational assumptions, and provide explanations of changes in these assumptions since the half-yearly financial statements. In this regard, the AMF reiterates that greater weight must be given to external evidence in determining the test assumptions and that, if the assumptions used differ from past experience or come from different external sources of information, the company must explain this.

For example, it would be useful for companies to explain the assumption adopted in terms of the expected timetable for a return to a "normal" economic situation and, where applicable, the differences between this normal year and the pre-crisis situation.

See ESMA ECEP Section 1, Application of IAS 36 Impairment of Assets, paragraphs 3, 4 and 5.

IAS 36.134 and IAS 1.129 require disclosure of the sensitivity of impairment tests to a "reasonably possible change" in key assumptions.

In the half-yearly financial statements of CAC 40 and NEXT 20 companies, information on the sensitivity of impairment tests is as follows :



Recommendation

The AMF recommends that companies pay close attention to the key assumptions used in the presentation of sensitivity analyses to ensure that they select the most relevant variables. Given the current climate, it may be useful to present sensitivity to a potential delay in the time frame for a return to an economic situation deemed normal and to adjust the information provided, since the range of changes in assumptions considered reasonably possible has generally widened.

Where the company considers that no reasonably possible change in key assumptions can lead to impairment, the AMF recommends that companies quantify the changes in key assumptions considered reasonably possible in order to reassure and inform users.

Furthermore, the AMF encourages companies to present their sensitivity analyses in the form of a safety margin or threshold value (assumptions at which the recoverable value becomes less than the carrying value). This type of presentation will give readers of financial statements a better understanding of existing margins.

The AMF also stresses the importance of these sensitivity analyses, including when the tested asset has been partially impaired (indicating the amounts of additional impairment in the event of changes in key assumptions).

See ESMA ECEP Section 1, Application of IAS 36 Impairment of Assets, paragraphs 6, 7 and 8.

4. GOING CONCERN, LIQUIDITY AND WORKING CAPITAL REQUIREMENTS

4.1 Going Concern

In accordance with IAS 1.25-26, a company experiencing major financial difficulties must, when preparing its financial statements, assess and disclose existing uncertainties related to events or conditions that could cast significant doubt on its ability to continue as a going concern (e.g. limited access to financial resources, heavy dependence on government support measures). A company does this by taking into account all information available to it concerning its future over at least (but not limited to) the twelve months following the closing date. The IFRS IC reminded companies in its July 2014 decision²¹ that, if such events or conditions exist, companies are required to disclose the management team's judgements that led to the conclusion that there is no significant uncertainty or that the company is able to continue as a going concern (for example by indicating the feasibility and effectiveness of proposed measures and plans such as arranging new financing or disposing of assets).

²¹ [IFRS IC Update, IAS 1 Presentation of Financial Statements—disclosure requirements relating to assessment of going concern, July 2014](#)

The AMF notes that, for companies that considered themselves to be exposed to a high going concern risk, specific information was generally provided on justifying the going concern principle (implementation of restructuring or safeguard plans, new financing, available credit lines, etc.).

Conversely, the AMF identified companies whose going concern status appeared to be in doubt. These companies often did not mention the judgements that led them to conclude that there was no material uncertainty.

Recommendation

The AMF recommends that companies identifying going concern risks in the twelve months following the closing date be transparent about all the assumptions used (indicators used, time frame considered, etc.) that enabled them to prepare the financial statements on a going concern basis, and about the associated uncertainties.

The AMF recommends that companies concluding from their analysis that the going concern principle does not involve material uncertainty be specific and detailed in their presentation of the judgments supporting that analysis.

It is important to adjust the level and type of information presented to each company's particular situation (magnitude of impacts from the economic and health crisis, cash and debt position, business location, etc.).

See ESMA ECEP Section 1, Application of IAS 1 Presentation of Financial Statements, Going concern assumptions.

During the current health crisis, and by way of illustration, the following information could be presented: undrawn credit lines, use of the most significant state aid and financing, reduction in rents, significant new contracts or business activities, good order backlog level, business recovery consistent with outlook, sufficient available resources to meet future maturities, obtaining new financing, and extension of repayment deadlines.

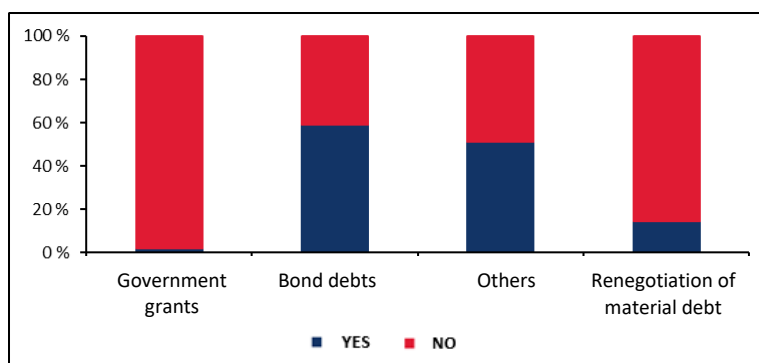
4.2 Information on Liquidity

IFRS 7.39 as detailed by IFRS 7.B10A to B11F requires companies to present a contractual maturities analysis of non-derivative and derivative financial liabilities and a description of how the company manages the liquidity risk inherent in these liabilities, including information on the existence of:

- financial assets that can be immediately converted into cash or that generate cash flows to meet expected outflows;
- available and other lines of credit that the company can access to meet its liquidity needs;
- accelerated repayment clauses in the event of non-compliance with certain indicators (covenants).

In this period of uncertainty, when companies' access to financing could prove more difficult than usual and needs are greater, information on the liquidity situation is of particular interest to users of financial statements.

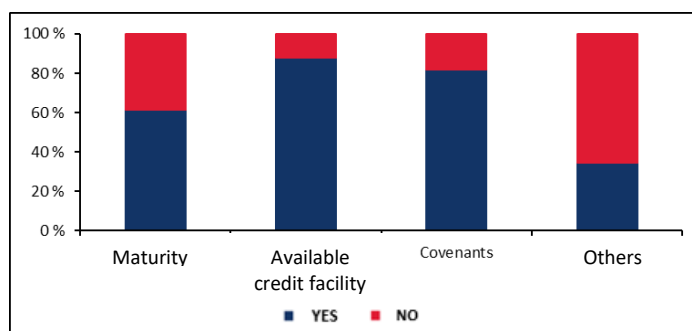
Based on the information provided in the half-yearly financial statements of CAC 40 and NEXT 20 companies,²² it appears that the majority of these companies have used new sources of financing:



The very low number of loans guaranteed by the French government is explained by the sample selected (CAC 40 and NEXT 20 companies).

²² Excluding financial institutions and companies with deferred closing

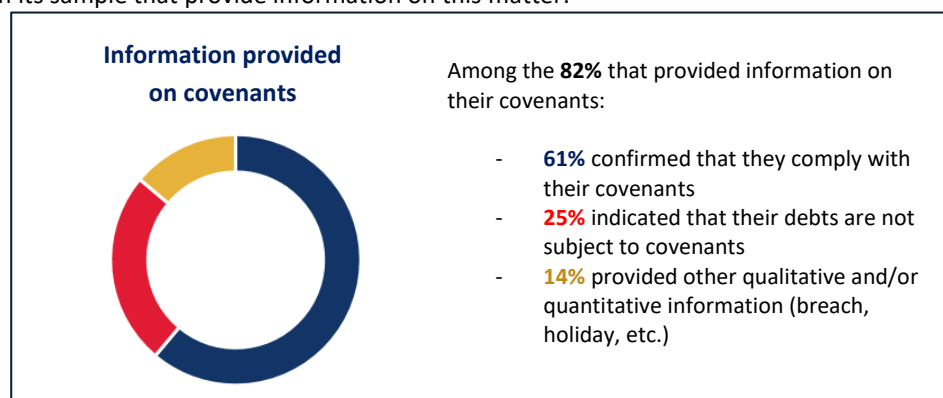
In terms of the information provided on liquidity risk in the half-yearly financial statements, CAC 40 and NEXT 20 companies voluntarily presented the following information on financial liabilities, even though this information is required only in the annual financial statements:



The maturity intervals of financial debts have been adjusted to reflect the specific characteristics of the company's instruments.

The other information provided primarily consists of a presentation or analysis by maturity of financial assets and related restrictions.

With regard to the information provided on covenants, the AMF noted the following practices among the companies in its sample that provide information on this matter:



Recommendation

The AMF stresses the importance of providing sufficiently detailed and specific information in financial statements to enable users to assess the nature and extent of liquidity risk. In this regard, it seems particularly relevant to provide detailed information on significant debt renegotiations and significant new financing (characteristics, amount, drawdowns, accounting treatment, classification), especially for companies that have used government-guaranteed loans. In this respect, companies may also state whether they have decided to extend the government-guaranteed loans obtained, if known at this point.

The AMF also recommends that companies continue to provide specific information on bank covenants and any moratoria obtained.

See ESMA ECEP Section 1, Application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, General considerations relating to risks arising from financial instruments, paragraphs 1, 2, 3 and 5.

4.3 Management of Working Capital Requirements

In its recommendations for the 2015 financial statements, the AMF alerted companies to the importance of providing readers of financial statements with clear and relevant information on the mechanisms implemented to improve working capital requirements. Since then, these mechanisms have increased in number (factoring and securitisation, but also reverse factoring and inventory carrying²³), and it is likely that their use will increase in the current environment in order to preserve liquidity. Users' expectations regarding the information provided on these mechanisms are especially important in the current environment, since this information plays a key role in understanding liquidity risk.

With regard to the accounting analysis to be carried out, in the case of a factoring transaction, the first step involves determining whether the trade receivables transferred in this transaction should be derecognised, due in particular to the transfer of substantially all the risks and rewards. Then, in accordance with IFRS 7.42, specific information must be presented in the financial statements, and this information differs depending on the conclusion of the derecognition analysis carried out and whether there is ongoing involvement within the meaning of IFRS 7.

With regard to reverse factoring transactions, the IFRS IC published a draft decision in June 2020 reminding companies that presenting reverse factoring debts separately on the balance sheet may be necessary to fully understand the company's liquidity position, especially when the amount, nature or function of these debts is different from other trade payables (for example when the terms are substantially different from trade payables that are not part of the arrangement or additional guarantees have been given). The draft decision also points out that the balance sheet classification used for the reverse factoring debt must be taken into account when presenting operating or financing flows in the cash-flow statement. Lastly, it emphasises the importance of the information to be provided on these transactions in the financial statements with respect to liquidity risk, key judgements for the period and the effects on the financial statements, regardless of whether the debts have been reclassified.

Among CAC 40 and NEXT 20 companies with significant factoring or reverse factoring transactions, the AMF notes that some of them provide good quality information: programme descriptions, substantiated accounting treatment, amounts involved (programme total, amount of receivables or payables concerned, amount of guarantees where applicable) and classification specified in the financial statements (on the balance sheet, in the cash-flow statement, specifying, if applicable, the impact on the change in working capital requirements, and in the income statement).

Recommendation

For companies that have set up significant transactions to manage working capital requirements (such as factoring or reverse factoring), the AMF recommends that the financial statements be particularly transparent in this respect by providing a description of the programmes, details of the analysis carried out and the accounting treatment used, a presentation of the amounts involved (programme total, amount of receivables or payables concerned, amount of guarantees where applicable) and the classification in the financial statements (in the balance sheet, cash-flow statement and income statement).

With regard to reverse factoring transactions that are currently the subject of a draft decision from the IFRS IC, the AMF encourages the companies concerned to monitor the outcome of the discussions and, if possible, to reflect the potential decision in their 2020 annual financial statements.

See ESMA ECEP Section 1, Application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, General considerations relating to risks arising from financial instruments, paragraph 4.

5. FINANCIAL INSTITUTIONS

In addition to the issues relating to the credit risk associated with the health crisis, financial institutions should pay particular attention to other factors (e.g. fair value measurements of financial instruments given the market volatility or regulatory work on the new prudential definition of default).

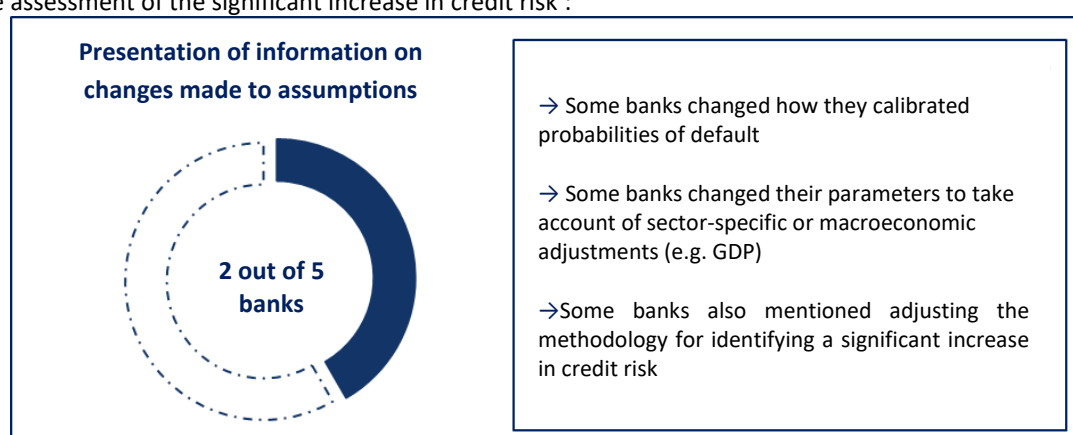
²³ Inventory carrying arrangements known to date do not meet the criteria for derecognition.

In a volatile market environment, fair value measurements must be closely monitored (significant changes in fair value, fair value hierarchy and transfers between levels with their underlying rationale, and sensitivity to unobservable parameters).

5.1 Credit Risk Management

IFRS 7.35B requires the presentation of information about the company's credit risk management practices and the impact of these practices on the recognition and measurement of expected credit losses (including the methods, assumptions and information used to measure these expected losses). IFRS 7.35F specifies the information required in this respect; for example, how the company assesses a significant increase in credit risk.

In the half-yearly financial statements of twelve listed European banks,²⁴ the AMF made the following observations on the assessment of the significant increase in credit risk :



Recommendation

The AMF recommends that companies disclose in their financial statements the impact of the crisis on the identification, monitoring and assessment of credit risk, describing in particular:

- any changes in management practices, such as policies for mitigating risk (credit enhancement as collateral or guarantee) and monitoring new risks, and changes to models or indicators for identifying or monitoring counterparty risk levels;
- the impact of the review of macroeconomic scenarios;
- the analysis of any significant increase in credit risk by specifying, among other things, the impact of moratoria, adjustments to transfer policies (in stage 2²⁵ and in default), the consideration of forward-looking information or the way in which the collective approach has been implemented;
- the effects of measures to support the economy by detailing the main characteristics of the significant mechanisms used (types of moratoria and maturities, guaranteed loans, broken down by geographical area for example), the amounts concerned by mechanism and their accounting treatment.

See ESMA ECEP Section 1, Application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, Specific considerations relating to application of IFRS 9 for credit institutions, paragraphs 1 and 5.

5.2 Calculation of Expected Losses: Assumptions Made

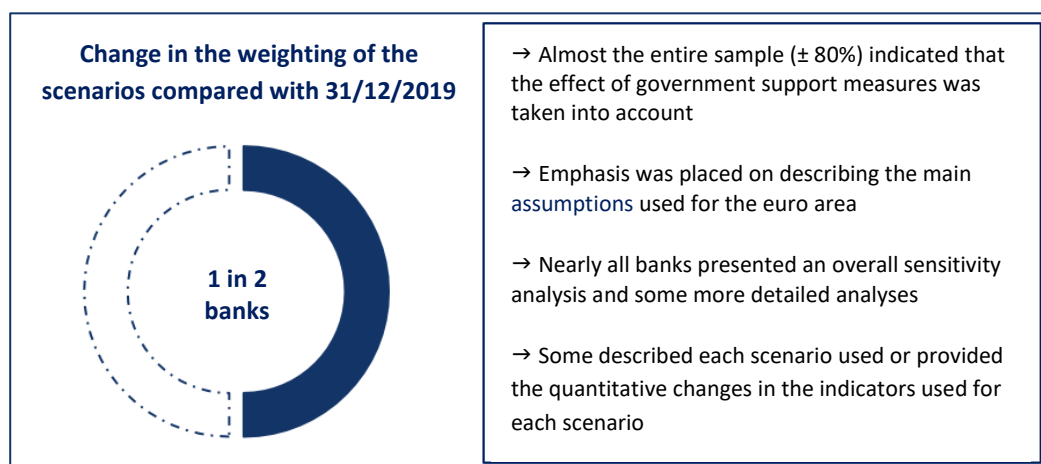
The expected loss model involves the use of a large number of assumptions and estimates, to which significant sources of uncertainty are attached. IFRS 7.35G requires that the parameters, assumptions and methodology used

²⁴ Including the four listed French banks.

²⁵ "Stage" equates to the concept of "bucket" (IFRS 9.BC5.111) and distinguishes between outstanding amounts (i) whose expected losses are calculated over a 12-month period (outstanding amounts classified in stage 1); (ii) that have suffered a significant increase in credit risk and whose expected losses are calculated at maturity without being considered in default (outstanding amounts classified in stage 2); and (iii) impaired outstanding amounts (outstanding amounts classified in stage 3).

to calculate expected losses be presented in the financial statements, together with the approach adopted when incorporating forward-looking information into this calculation.

In the sample of financial institutions reviewed, the AMF notes that all of them explained changes in the scenarios used, giving details of changes in the main assumptions used as at 31 December 2019 :



Recommendation

The AMF recommends that companies expand the information presented in their financial statements on the calculation of expected losses, specifying in particular:

- the macroeconomic assumptions used in the calculation scenarios, providing both qualitative and quantitative information (information on the projected short- and medium-term outlook and the methods used in the calculations, a quantification of the significant economic indicators used in relation to the macroeconomic forecasts published by the ECB and, where applicable, the methods used to incorporate government support measures into the calculations). It would be useful to provide this information by scenario and for the main geographical areas;
- the scenario weightings and how they changed over the period;
- significant adjustments made to the models (description and justification of the adjustments made, explaining the nature of the uncertainties covered, remaining uncertainties and the figures used);
- the sensitivity analyses carried out, describing the items taken into account as part of these analyses (scope of instruments subject to sensitivity analyses, whether or not transfers in stage 2 are taken into account in sensitivity calculations, processing of model adjustments and impacts in terms of impairment (broken down, for example, by stage, activity or geographical area)).

See ESMA ECEP Section 1, Application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, General considerations relating to risks arising from financial instruments, paragraphs 2 and 6.

An example of a sensitivity analysis could be to quantify the level of expected losses obtained for each macroeconomic scenario weighted at 100%.

5.3 Information on Credit Risk Exposures and Changes in Expected Losses

To enable users of financial statements to assess the entity's exposure to credit risk and understand the concentrations of that risk, IFRS 7.35M requires that the gross carrying value of financial assets and the exposure to credit risk related to loan commitments and financial guarantee contracts be disclosed by credit risk category, with a breakdown of outstanding amounts by stage. The application guide (IFRS 7.IG 20C) illustrates this provision by presenting exposures by portfolio type (personal loans, corporate loans) and sub-portfolio type (secured and unsecured business loans, equipment finance and construction loans, etc.) according to different risk categories based on internal and external ratings and probability-of-default bands. IFRS 7.35H-I require a reconciliation of impairment losses by stage between the opening and closing date of the financial statements, presented by class of financial instrument, and an explanation of movements related, among other things, to changes in gross values.

Recommendation

The AMF encourages companies to expand the information that they provide about their credit risk exposures and changes in those exposures.

The AMF recommends presenting a breakdown of gross outstanding amounts and related impairment by stage, particularly by type of outstanding (type of loan or product) and by type of client or counterparty. Given the current climate, particular attention should be paid to SMEs and very small enterprises (VSEs).

It would also be particularly useful to detail and comment on changes in gross outstanding amounts and associated impairment (particularly for those classified in stages 2 and 3) by identifying transfers between stages and by distinguishing for stage 3 the effects of write-offs and disposals.

For outstanding amounts that have been heavily impacted by the crisis (given their sectors or countries) and considering the high expectations of users, the AMF encourages companies to specify the types of outstanding and their credit qualities (rating or probability-of-default band) and to comment on any significant variations observed in outstanding amounts and impairment.

See ESMA ECEP Section 1, Application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, General considerations relating to risks arising from financial instruments, paragraphs 3 and 4.

6. IFRS 16 – LEASES

IFRS 16 – Leases is mandatory for financial years beginning on or after 1 January 2019. Therefore, the 2019 financial statements were, except in cases of early application, the first annual financial statements for which this standard was applicable. In this regard, the AMF recognises the efforts made by companies to implement this standard and expand the information presented in their financial statements.

IFRS 16 specifies the analysis to be carried out to determine whether a contract contains a lease or not. Companies must determine whether the contract confers the right to control the use of a specific asset for a certain period of time in exchange for a fee.

Recommendation

If the company had to conduct specific analysis to determine whether a major contract contains a lease, the AMF recommends providing details of the analysis carried out and the conclusion of that analysis. For example, it would be useful for the company to specify whether it considered that the supplier has a substantial right of substitution or that the supplier retains the right to decide how and for what purpose the asset is used.

In addition to its decision on determining the enforceable term of leases, the IFRS IC also published a number of decisions in 2020 that the AMF notes are useful for educational purposes as they help identify the questions to be asked and the reasoning to be followed:

- Assessing control over the right to use and the right to direct the use of an asset when the decisions are predetermined in a shipping contract;²⁶
- Assessing the right-of-use asset, lease liability and the gain or loss on sale and leaseback transactions with variable rents.²⁷

6.1 Points for Attention regarding the 2020 Financial Year-end

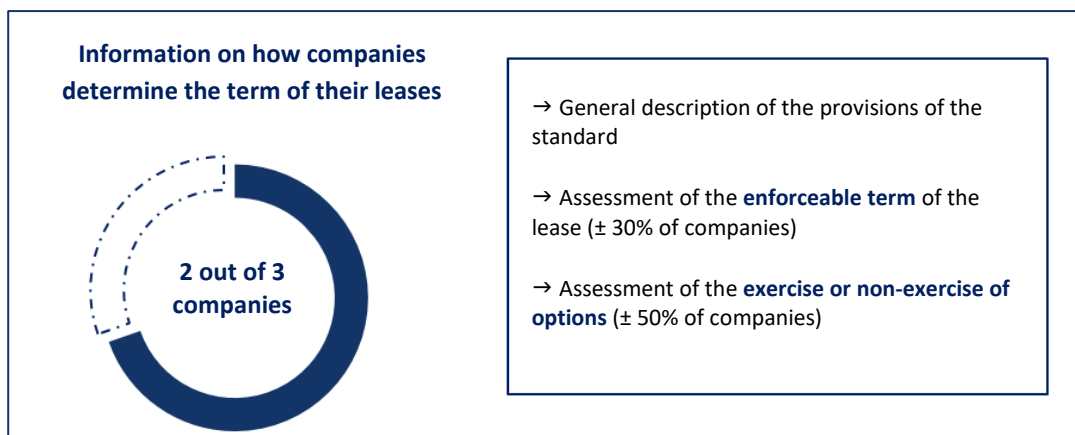
6.1.1 Lease term

In accordance with IAS 1.125, companies must present the key judgements and assumptions used when their impact on the financial statements over the period is significant.

In this regard, the AMF notes the following in the 2019 annual financial statements of CAC 40 and NEXT 20 companies:

²⁶ [IFRIC Update January 2020 – Committee’s Agenda Decisions – Definition of a Lease – Decision-making Rights](#)

²⁷ [IFRIC Update June 2020 – Committee’s Agenda Decision – Sale and Leaseback with Variable Payments](#)



Recommendation

The AMF recommends that companies present key information used to assess the main judgements made by the company in determining lease terms and the valuation of lease debt, particularly for property leases.

See ESMA ECEP Section 1, Application of IFRS 16 Leases, paragraph 2.

For example, companies should specify the factors used to estimate lease terms and assess whether, with reasonable certainty or not, extension options will be exercised.

The IFRS IC points out in its decision of November 2019²⁸ that the lease term used in the valuation of lease debt is included within its enforceable term and clarifies that:

- in determining the enforceable term and in assessing whether the penalties provided for in IFRS 16.B34 are negligible, the economics of the contract in the broad sense and not only the contractual indemnities should be taken into account;
- the lease is no longer enforceable only when both parties have a right to terminate the lease without the permission of the other party with a penalty that is negligible at most.

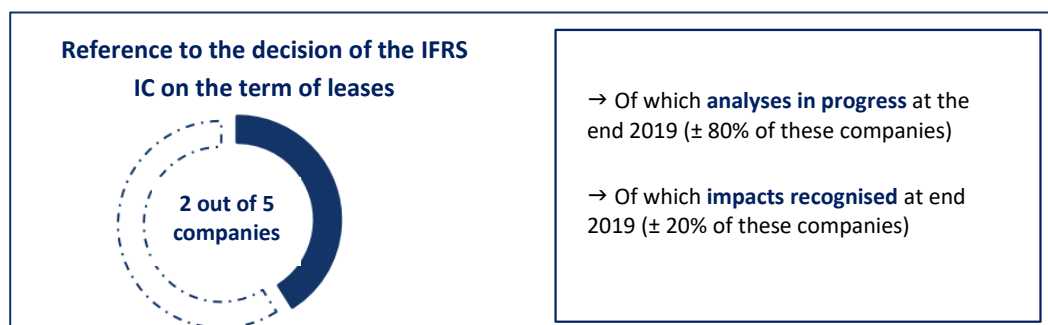
Once the enforceable term has been determined, the IFRS IC reminds companies that the lease term must reflect the period during which the company reasonably expects to use the underlying asset (BC 156).

In its decision, the IFRS IC also clarifies the need for consistency between the period used in measuring the lease debt and the useful life of the fixtures and fittings that cannot be separated from the leased asset. A company that plans to use these fixtures beyond the non-cancellable term of the lease may in principle incur a penalty that is more than negligible if it terminates the lease. If this is the case, the enforceable term of the contract will be longer than its non-cancellable term.

Among CAC 40 and NEXT 20 companies, the AMF notes that one in three companies state that the depreciation period for fixtures and fittings that cannot be separated from the leased asset is aligned with the lease term or, at the very least, limited to the lease term.

The AMF notes that few CAC 40 and NEXT 20 issuers applied the IFRS IC decision of November 2019 in their 2019 financial statements because it requires a potentially long implementation period (especially given the number of contracts concerned):

²⁸ [IFRIC Update November 2019 – Committee’s Agenda Decisions – Lease Term and Useful Life of Leasehold Improvements](#)



Recommendation

In their 2020 half-yearly financial statements, some companies were not able to finalise the analysis and changes necessary to implement the IFRS IC decision on determining lease terms. The AMF expects this decision to be reflected, retroactively to the transition date, in the 2020 annual financial statements at the latest.

The IFRS IC decision provides additional guidance that may have an impact on the assessment of lease terms beyond the specific cases mentioned in this decision.

For example, this is the case for commercial leases in France for companies that used a similar interpretation to that described in the ANC's 2018 statement of conclusions.

On 3 July 2020, the ANC updated and published its statement of conclusions relating to determining the term of what are known as 3-6-9 commercial leases,²⁹ which cancels and replaces its 2018 statement of conclusions. One third of CAC 40 and NEXT 20 companies referred to the 2018 statement in their 2019 financial statements. In this updated statement, the ANC concluded in particular that the lease term reflects the period during which the lessee is reasonably certain to continue the lease and that, when the legal term of the lease is nine years, this term is "generally for an initial term of nine years".

On this basis, the terms of commercial leases must be analysed and, if necessary, reassessed in the context of the IFRS IC decision and, where applicable, the updated ANC statement of conclusions. The provisions of IFRS 16 on amendments to leases should also be applied when signing a new contract for the asset already leased or an amendment to the initial contract.

6.1.2 Accounting for rent adjustments granted by lessors in the context of COVID-19

On 28 May 2020, the IASB published an amendment to IFRS 16 allowing lessees to recognise, without analysis and under certain conditions, rent adjustments that are directly related to COVID-19 as if they were not lease modifications. This amendment is applicable to financial years beginning on or after 1 June 2020, with the option of early implementation.

In the half-yearly financial statements of CAC 40 and NEXT 20 companies,³⁰ one in six indicated that they had benefited from concessions or renegotiation of leases, but without quantifying these measures.

The AMF points out that the exemption provided for in the amendment must be applied consistently to contracts with similar characteristics and in similar circumstances.

This practical simplification does not apply to lessors, who will therefore have to apply the provisions of IFRS 16 to determine whether rent adjustments granted constitute a lease modification.

²⁹ [ANC – Statement of Conclusions on 3-6-9 Leases](#)

³⁰ *Excluding financial institutions and companies with deferred closing*

Recommendation

The AMF reminds companies applying the amendment to IFRS 16 on lessee rent adjustments at the 2020 financial year-end to make this clear and to disclose the amount recognised in profit or loss for the year in respect of such rent adjustments received, as required by the amendment. For materially affected companies not applying the amendment, the AMF recommends that they also specify the accounting treatment used and the amounts involved.

For lessors, if the amounts are significant, the AMF recommends specifying the analysis carried out, the accounting treatment used and the amounts involved.

See ESMA ECEP Section 1, Application of IFRS 16 Leases, paragraphs 6 and 1.

6.2 Notes to and Presentation of the Financial Statements

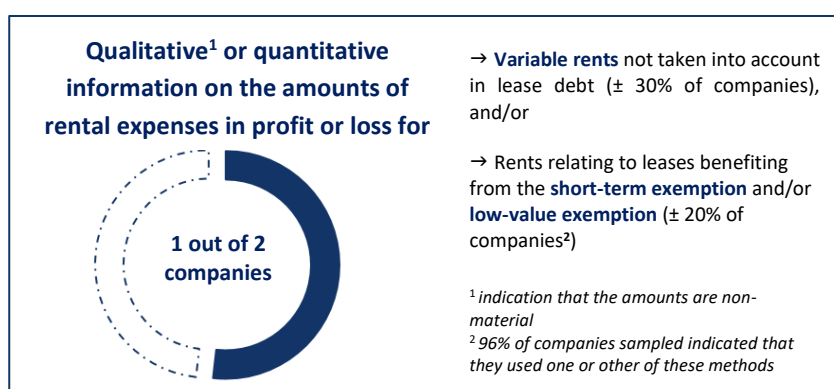
The AMF reviewed the information provided by CAC 40 and NEXT 20 lessees in their 2019 financial statements. This information featured the following points:

- The breakdown was broadly balanced between companies presenting right-of-use assets and/or lease liabilities on separate lines in the balance sheet or in the notes.
- All the companies reviewed have updated their accounting policies.
- 9 out of 10 companies provided information on the nature of their leasing activities as lessees.
- 4 out of 5 companies provided detailed information in the notes on how they determined their incremental borrowing rates. The AMF notes that around 30% of companies stated that they determined this rate based on the debt ratio of their parent company or group. Half of the companies provided information about the methodology used to calculate their incremental borrowing rates and the specific adjustments made. Lastly, around 40% of the companies indicated that they used duration in determining their rates, in line with the IFRS IC decision of September 2019.
- 9 out of 10 companies provided information about changes in right-of-use assets over the period. The AMF notes that this information was generally provided by underlying asset category for the companies that were the most significantly impacted.

In 2019, the AMF issued recommendations on some of these issues, which are still applicable today.³¹

6.2.1 Information relating to the income statement

The standard requires the lessee to present separately, if material, the amount of rental expenses recognised in profit or loss for the period by category (variable rents, exempted contracts, sublease income):



³¹ [AMF Recommendation - DOC-2019-13 - 2019 Financial Statements and Review of 2017-2018 Financial Statements](#) (see paragraph 2.3.3 Determining the lessee's incremental borrowing rate)

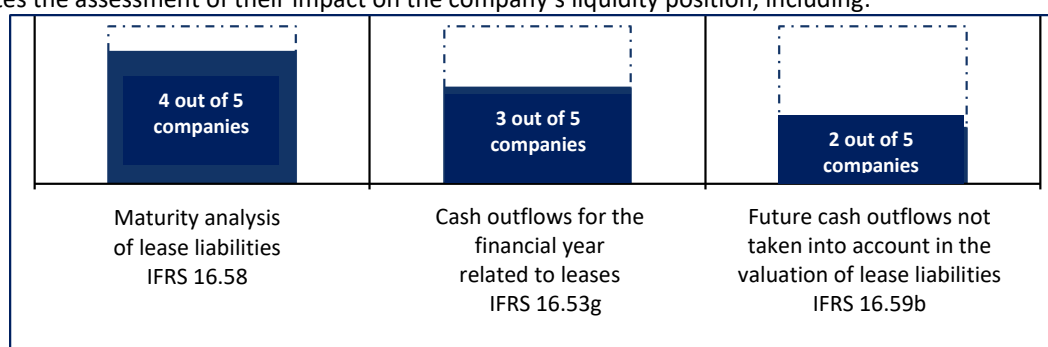
Text Reminder

The AMF reminds companies that are materially affected to disclose the amount of rental income recognised in profit or loss for the year, distinguishing between the various components, including variable rents and rents relating to leases benefiting from exemptions from balance sheet recognition (relating to short-term leases or leases of low-value assets).

See ESMA ECEP Section 1, Application of IFRS 16 Leases, paragraph 3.

6.2.2 Lease debt and lease payments

IFRS 16 requires the presentation of certain information relating to future cash outflows related to leases, which facilitates the assessment of their impact on the company's liquidity position, including:



With regard to cash outflows during the financial year, the standard applies to all leases, which seems to have been applied by only one in five companies, and not only to leases that have given rise to the recognition of a liability on the balance sheet.

Recommendation

The AMF recommends that companies expand the information presented on cash outflows related to leases by specifying the following:

- total cash outflows for the year (including cash outflows relating to variable rents and leases benefiting from the short-term or low-value exemption);
- information on future cash outflows not taken into account in the valuation of the lease debt, in particular due to variable lease payments, extension options not taken into account over the lease term, or in respect of leases that have not yet taken effect.

This information helps provide an understanding of cash flows for the year and in the future, along with the liquidity risk associated with leases.

See ESMA ECEP Section 1, Application of IFRS 16 Leases, paragraph 4.

6.2.3 Other information

The standard and its application guide list certain additional information that facilitates the assessment of the impact of leases on the financial statements:

- The sensitivity of the information provided to certain key variables, for example variable rents (IFRS 16.B48(a)iii).
- Additional information relating to variable payments (IFRS 16.B49): frequency, relative importance in relation to fixed rents, key variables on which they depend, financial impact, etc.
- Information relating to renewal and termination options (IFRS 16.B50): the reasons why the lessee makes use of them, their frequency, the relative importance of optional lease payments compared with lease payments, the frequency with which options that have not been taken into account in the valuation of the lease debt are exercised, and any other business and financial impacts.

The AMF notes that few companies provided this information. For example, less than 10% of CAC 40 and NEXT 20 companies provided a sensitivity analysis on the exercise or non-exercise of extension or termination options, which is good practice and useful information for readers.

Recommendation

The AMF recommends that companies consider the relevance and usefulness to readers of some of the additional information specified in the standard and improve their financial statements accordingly. This information includes, for example, specific items relating to variable rents, renewal and termination options, and the sensitivity of lease debt to key variables.

See ESMA ECEP Section 1, Application of IFRS 16 Leases, paragraph 5.