

Report

31st Extract from the FRWG (EECS)'s Database of Enforcement

Table of Contents

1. EECS extract of decisions on International Financial Reporting Standards (IFRS) Accounting Standards.....	3
I. Decision ref EECS/0127-01 – Transfer of control in bill-and-hold arrangements.....	3
II. Decision ref EECS/0127-02 – Fair value measurement of a stadium.....	5
III. Decision ref EECS/0127-03 – Disclosures on climate-related matters.....	6
IV. Decision ref EECS/0127-04 – Capitalisation of borrowing costs: general borrowing of funds	8
V. Decision ref EECS/0127-05 – Disclosures on deferred tax assets and government assistance...	9
2. EECS extract of decisions on ESMA APM Guidelines	10
VI. Decision ref EECS/0127-06 – Application of the fair review principle to APMs	10
VII. Decision ref EECS/0127-07 - Application of the fair review principle to APMs	12

List of abbreviations and acronyms used in this report

APM	Alternative Performance Measure
BC	Basis for Conclusions
CGU	Cash Generating Unit
DTA	Deferred Tax Asset
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU ETS	European Union Emissions Trading System
FRWG (EECS)	Financial Reporting Working Group (European Enforcers Coordination Sessions)
GLEFI	Guidelines on enforcement of financial information
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS IC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
Transparency Directive	Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004
VAT	Value-Added Tax

Executive Summary

According to its Founding Regulation¹, the European Securities and Markets Authority (ESMA) shall act in the field of financial reporting to ensure the effective and consistent application of European legislation. To this effect, ESMA publishes extracts from its database of enforcement decisions on financial statements to enhance supervisory convergence and inform issuers, auditors and users about the correct application of International Financial Reporting Standards (IFRS) Accounting Standards and of the ESMA Guidelines on Alternative Performance Measures (APMs)². The published extract of decisions includes a summary of the most relevant aspects of the issuer's accounting treatment, the enforcer's decision and the rationale for the enforcement decision. The extract of decisions does not necessarily contain all arguments used by issuers and enforcers to conclude whether an accounting treatment has been infringed or may be accepted.

ESMA ensures consistent application of European legislation in financial reporting through the Financial Reporting Working Group (FRWG (EECS)). The FRWG (EECS) comprises 38 enforcers from the EEA countries, coordinating the supervision of nearly 4,000 issuers admitted to trading on the EEA regulated markets which prepare IFRS financial statements. The FRWG (EECS) constitutes the largest regional network of enforcers of financial information.

FRWG (EECS) members discuss and share experiences on IFRS and APMs application before and after enforcement³ decisions are taken concerning relevant enforcement cases and provide technical advice in ESMA Statements and Opinions. They apply their judgement, knowledge, and experience to individual cases, considering national laws in addition to the accounting requirements effective at the time the decisions are taken. As IFRS are principles-based, there may be no single way of addressing situations or transactions which may seem similar but in substance are different. Therefore, financial market participants should carefully consider the specific facts and circumstances when reading the cases included in this extract.

Decisions by European enforcers do not provide general IFRS interpretations; this is the role of the IFRS Interpretations Committee. The publication of enforcement decisions aims to assist market participants to identify (non) compliant accounting treatments, promote consistent application of IFRS and of ESMA Guidelines on APMs⁴ in the EEA and prevent the misapplication of European legislation.

According to ESMA Guidelines on enforcement of financial information (GLEFI)⁵, decisions are published⁶ if they:

- Address complex accounting issues or divergent IFRS application,
- Relate to widespread issues among issuers or specific business types,
- Address issues with inconsistent enforcer experiences,
- Are based on provisions not covered by accounting standards.

The criteria highlighted above applies *mutatis mutandis* to decisions related to the APM Guidelines.

The decisions included in this report were taken by national enforcers in the period from **October 2024 to January 2026**. ESMA will continue to publish further extracts from the database on a regular basis.

Published decisions are based on **IFRS requirements effective at the time the decision is taken which may be superseded** by later developments.

¹ [EUR-Lex - 02010R1095-20200101 - EN - EUR-Lex](#)

² [ESMA/2015/1415en](#) ESMA Guidelines on Alternative Performance Measures, 5 October 2015.

³ Enforcement refers to examining the compliance of financial information with the relevant reporting frameworks and taking appropriate measures where infringements are discovered during the enforcement process.

⁴ APMs are disclosed outside financial statements but within regulated documents like management reports and prospectuses.

⁵ [ESMA32-50-218](#) ESMA Guidelines on enforcement of financial information, 4 February 2020.

⁶ Guideline 17 of the Guidelines on enforcement of financial information (GLEFI).

1. EECS extract of decisions on International Financial Reporting Standards (IFRS) Accounting Standards

I. Decision ref EECS/0127-01 – Transfer of control in bill-and-hold arrangements

Financial year end

30 June 2023

Category of issue

Revenue recognition, transfer of control

Relevant standards/requirements

IFRS 15 *Revenue from Contracts with Customers*

Description of the issuer's accounting treatment

The issuer operates in the field of agriculture and food production. Among its customers are farmers who have entered into long-term (five-year) contracts to purchase fertilisers. According to the contract terms, the fertilisers are either handed over to the buyer at locations specified by the issuer or delivered by the issuer to locations specified by the buyer. Transportation costs incurred by the issuer are reimbursed by the buyer.

At the end of the calendar year, sales activity typically intensifies, and the issuer conducts transactions in a manner that differs from its usual practice. Instead of following the contractual supply terms, the issuer recognises revenue upon the issue of VAT invoices for fertilisers sold and, at the same time, accepts the goods for storage in its warehouse free of charge. The goods remain stored until the customer requests delivery at an unspecified future date.

The issuer explained that farmers often make their purchases based on market and environmental factors. When they cannot store goods themselves (e.g., due to high logistical costs), they request storage services so that products can be kept until needed and then transported directly to the fields.

The issuer considers that, when VAT invoices are issued and custody contracts are signed, the control of the goods is transferred to the customer immediately. Accordingly, it recognises revenue directly after selling and acceptance for storage.

The enforcement decision

The enforcer concluded that, with respect to the stored goods, the issuer recognised revenue before control of the goods had transferred to the customer, as not all criteria for

transfer of control listed in paragraph B81 of IFRS 15 were met. Therefore, the issuer's accounting treatment did not comply with the requirement of paragraph 31 of IFRS 15.

Rationale for the enforcement decision

Paragraph 31 of IFRS 15 requires that revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer, which occurs when (or as) the customer obtains control of that good or service.

According to paragraph 38 of IFRS 15, one of indicators of the transfer of control is the customer's physical possession of the asset. However, this paragraph explains that in some cases, including some bill-and-hold arrangements, physical possession may not coincide with control of an asset. Paragraph B81 of IFRS 15 provides further guidance, requiring that, for a customer to be considered to have obtained control of a product under such an arrangement, the following criteria must be met: (a) the reason for the bill-and-hold arrangement must be substantive, (b) the product must be identified separately as belonging to the customer, (c) it must currently be ready for physical transfer to the customer and (d) the entity cannot have the ability to use the product or to direct it to another customer.

Regarding criterion (b), the issuer argued that the stored products were separately identified as belonging to the customer through a specific VAT invoice, which lists the goods, and through the custody contract, in which the customer confirms acceptance of the goods. However, the enforcer noted that the goods were marked with the same codes on the VAT invoices of all farmers, making it impossible to identify which stored package belonged to which customer. In certain cases, goods were stored in non-segregated containers, the goods were not segregated from other inventories nor prepared for delivery to a specific customer. The enforcer, therefore disagreed with the issuer and also concluded that, as the goods are not separately identifiable, it could not be demonstrated that the issuer does not have the ability to use the product or to direct it to another customer (criterion (d)).

In addition, an indicator for transfer of control according to paragraph 38 of IFRS 15 is the transfer of the significant risks and rewards of ownership of an asset to the customer.

The enforcer noted that significant risks remained with the issuer, as under the custody agreements the issuer remained responsible for the quality of the goods stored on behalf of the customer. As a result, the enforcer disagreed

with the issuer's assessment that, when goods are sold based on VAT invoices and custody contracts are signed, the control of the goods is transferred to the customer immediately.

II. Decision ref EECS/0127-02 – Fair value measurement of a stadium

Financial year end
31 December 2023

Category of issue
Fair value measurement, non-financial asset, income approach

Relevant standards/requirements
IFRS 13 *Fair Value Measurement*

Description of the issuer's accounting treatment

The issuer is a football club that owns a football stadium. On 31 December 2023 the issuer changed the stadium measurement from the cost model to the revaluation model. Based on the revaluation results and following the provisions in paragraph 35 of IAS 16, the stadium's carrying amount was increased in the issuer's financial statements as of 31 December 2023 and the issuer recognised the revaluation surplus in OCI. The revaluation of the stadium improved substantially its equity on 31 December 2023.

The fair value of the stadium was determined with the involvement of an external valuation expert using an income approach based on the discounted expected cash flows. The issuer considered expected cash flows from the rental of the stadium for national and international football matches and other types of events, as well as for the rental of the stadium's commercial spaces.

The enforcer noted that the issuer excluded the tax effect from the calculation of cash flows but did not use a pre-tax discount rate. The gearing ratio used by the issuer for the calculation of the discount rate was based on the issuer's own capital structure. The issuer's calculation of the discount rate used the Beta estimated by an external data provider for 'Real Estate (Operations & Services)' as the issuer considered this sector-specific Beta to be consistent with the rental income approach.

Moreover, the issuer used a perpetuity to extrapolate the cash flows beyond five years. At measurement date, the remaining useful life of the stadium was around 30 years (from a total life of 50 years) with no residual value. In addition, no CAPEX was included in the fair value measurement.

The enforcement decision

The enforcer did not agree with the assumptions made by the issuer when calculating the fair value of the stadium. The

enforcer concluded, in particular, that the issuer's measurement was not consistent with requirements in paragraphs 2, 11, 28 and B14 of IFRS 13.

Rationale for the enforcement decision

The enforcer noted that paragraph B14(d) of IFRS 13 requires that the assumptions about cash flows and discount rates should be internally consistent. After-tax cash flows should be discounted using an after-tax discount rate and pre-tax cash flows should be discounted using a rate consistent with those cash flows. However, the issuer's approach to handling tax effects was not in line with these requirements.

In accordance with paragraph B14(a) of IFRS 13, the discount rate should reflect the assumptions that market participants would use when pricing the asset or liability, as fair value is a market-based rather than an entity-specific measurement (paragraph 2 of IFRS 13). The enforcer determined that, in the specific circumstances of the issuer, the issuer's determination of the gearing ratio was not appropriate as it relied only on the issuer's capital structure. Utilising a gearing ratio calculated from the issuer's peer group would be a more suitable approach than relying solely on the issuer's individual capital structure.

Regarding the Beta applied by the issuer and taking into consideration that expected cash flows result from the rental of the stadium, the enforcer noted that the risk of default to be captured by the discount rate should be linked to the football club given that the evaluated asset is highly specific and lacks commercial and technical flexibility for renting to other types of businesses. Consequently, the enforcer concluded that the Beta applied by the issuer did not sufficiently reflect the specific risk associated with the asset. Instead, a calculation based on the issuer's peer group would be more consistent with the requirements of IFRS 13.

Paragraph 11 of IFRS 13 states that the fair value measurement should consider asset characteristics such as its condition and location, if market participants would take those characteristics into account when pricing the asset. For non-financial assets, in line with paragraph 28 of IFRS 13, the use should be physically possible. Extrapolating cash flows using a perpetuity conflicts with the 30-year useful life; extending beyond this would require significant investments not factored into the issuer's calculation.

III. Decision ref EECS/0127-03 – Disclosures on climate-related matters

Financial year end
31 December 2023

Category of issue
Climate-related matters, material information

Relevant standards/requirements
IAS 1 *Presentation of Financial Statements*

Description of the issuer's accounting treatment

The issuer is an oil and gas company with a production licence that expires in 2040. The largest part of the company revenue derives from sale of oil. It anticipates its assets will remain productive until the end of the licence period, with shutdown and decommissioning of installations planned at that time. Consequently, the company holds substantial assets and long-term provisions. The issuer's activities are also regulated under the European Union Emissions Trading System (EU ETS).

In its sustainability reporting under EU Directive 2014/95/EU, the issuer provides comprehensive and extensive analysis of climate-related issues and outlines specific emission reduction targets. For this reporting, the issuer adopted the TCFD (Task Force on Climate-related Financial Disclosures) framework voluntarily, which emphasises climate-related risks and opportunities from a financial perspective.

However, in its financial statements the issuer does not disclose any climate-related information or even the fact that climate factors did not materially affect the financial statements.

Upon request, the issuer informed the enforcer that it evaluated several accounting areas where climate risks could be relevant such as (i) asset retirement obligations, (ii) useful life of property, plant and equipment, (iii) impairment indicators for oil and gas assets, (iv) carbon emissions costs under the EU ETS. It came to the conclusion that climate-related developments did not alter assumptions regarding reserves, useful lives, decommissioning timing, impairment triggers, or the materiality of carbon costs. It further concluded that climate risks are neither significant judgements nor sources of estimation uncertainty.

The issuer considers that users of financial statements already understand the industry context and do not typically

inquire about climate risks. Therefore, it does not expect that users' decisions would be influenced by a statement that climate risks had no effect. In the issuer's view, negative confirmations (i.e., stating what does not affect the accounts) could clutter disclosures and obscure what is material. The issuer considers that it has taken a 'balanced' approach in its risk disclosures.

The enforcement decision

The enforcer did not agree with the issuer and considered that, applying paragraphs 31 and 112(c) of IAS 1, the issuer should have disclosed that climate-related matters had no material effect on its financial position and financial performance for the current reporting period and explained why. Taking the sector and exposure of the issuer to climate risks into account, this is material information in the context of the issuer's financial statements taken as a whole.

Rationale for the enforcement decision

The enforcer noted that paragraph 31 of IAS 1 requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the impact on the entity's financial position and financial performance.

Under paragraphs 31 and 112(c) of IAS 1, even if climate-related matters have no material quantitative effect on the financial statements, explanations on the lack of effect may still be material based on qualitative factors. In this respect, while not authoritative, the enforcer also considered the guidance included in the IASB Practice Statement 2 Making Materiality Judgements⁷.

The enforcer noted that although operating in a high-risk industry does not automatically require additional disclosures, it is an important external qualitative factor. Oil and gas companies are generally expected to have material climate-related financial impacts. The fact that the issuer's operations are subject to EU ETS whose allowance costs are likely to increase in the future, demonstrate this potential exposure to climate matters. If a pure oil and gas producer concludes that climate risks have no impact at all, this contradicts reasonable user expectations and therefore becomes material information that should be disclosed.

⁷ Paragraphs 15, 25 and Example K.

The issuer assumed that users of financial statements knew important details, such as licence period and reserves, even though these were not disclosed in the financial statements. However, users cannot be expected to know company-specific information that has not been provided. The enforcer found the issuer's approach relied too much on a lack of user inquiries instead of conducting a proper materiality analysis.

The enforcer also noted that the issuer reports extensively on climate matters outside the financial statements which raises the reasonable expectation amongst users of financial statements that climate issues are also material to

the financial statements and thus constitutes an entity-specific qualitative factor. The enforcer found the issuer's argument that reporting is extensive only due to TCFD unconvincing, because the issuer voluntarily chose a climate-focused reporting framework.

Finally, the enforcer also noted that climate matters had been addressed in the ESMA European Common Enforcement Priorities for several years. In the ECEP statements, ESMA highlighted the importance to provide consistent information between IFRS financial statements and non-financial (or sustainability) information.

IV. Decision ref EECS/0127-04 – Capitalisation of borrowing costs: general borrowing of funds

Financial year end

31 December 2025

Category of issue

Borrowing costs, general borrowing of funds

Relevant standards/requirements

IAS 23 *Borrowing Costs*

Description of the issuer's accounting treatment

The issuer is an industrial company whose main activity is the production and installation of power cables. In its annual financial report, the issuer disclosed significant investments in additional production capacity and the acquisition of a new cable-laying vessel.

Paragraphs 8 and 10 of IAS 23 *Borrowing Costs* requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Furthermore, paragraph 14 of IAS 23 states that, to the extent an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation.

While the investment disclosed in the annual financial report met the definition of qualifying asset under IAS 23, the issuer argued that it neither borrowed funds specifically nor used funds borrowed generally for the purpose of obtaining this qualifying asset. According to the issuer, the expenditures were financed through other sources such as new equity issuance, the divestment of one of the issuer's businesses and changes in working capital (including increased prepayments from customers and other operating cash flows). The issuer demonstrated that the total amount of funds generated from these sources exceeded the amount of investments in the qualified assets. In the prospectus issued in connection with the issue of new equity, the issuer stated that the proceeds would be used for the expansion of its production facilities.

The issuer had only general borrowings in the form of mortgage loans obtained several years ago when, according to the issuer, neither the current expansion of the production facilities nor acquisition of the new vessel were planned nor contemplated.

The issuer therefore concluded that no borrowing costs should be capitalised in relation to its investments in production capacity or the acquisition of the new vessel. In particular, it argued that no 'deemed' borrowing costs shall be capitalised, as paragraph 14 of IAS 23 requires that only general borrowing costs used for the purpose of obtaining the qualified assets are capitalised and there is no linkage between the existing general borrowings (the mortgage loans) and the current expansion of production facilities.

The enforcement decision

The enforcer agreed with the issuer and concluded, with reference to paragraph 14 of IAS 23, that no borrowing costs should have been capitalised in relation to the expansion of the production facilities and the new vessel as the issuer had neither borrowed funds specifically nor used funds borrowed generally for the purpose of obtaining these qualifying assets. Therefore, no borrowing costs met the criteria for capitalisation under IAS 23.

Rationale for the enforcement decision

The enforcer noted that the wording in the first sentence of paragraph 14 of IAS 23 implies that there may be situations in which an entity has general borrowings but does not use them to obtain a qualifying asset. In such cases, the qualifying asset is financed without borrowings, and no borrowing costs are recognised in its cost. Accordingly, an entity with sufficient cash from non-borrowing sources may invest in qualifying assets without making use of its general borrowings.

The enforcer therefore concluded that if an entity can demonstrate that it finances the qualifying assets entirely from other sources, the borrowings are not used for that purpose and borrowing costs should not be capitalised.

Based on the explanations and supporting evidence provided by the issuer, the enforcer considered it reasonable to assume that the issuer could finance its investments without making use of specific or general borrowings. Even if the issuer were to repay its general borrowings, it would still have enough cash to finance the construction of the qualifying assets. Consequently, the enforcer agreed that no borrowing costs should be capitalised by the issuer.

V. Decision ref EECS/0127-05 – Disclosures on deferred tax assets and government assistance

Financial year end

31 December 2024

Category of issue

Deferred tax assets, government support

Relevant standards/requirements

IAS 12 *Income Taxes*

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

Description of the issuer's accounting treatment

The issuer recognised a deferred tax asset (DTA) in 2024 relating to tax loss carry-forwards of a subsidiary located in country A, despite a significant deterioration in the group's profitability.

The issuer explained that the subsidiary had accumulated substantial tax losses because government support received until 2023, which represented a significant portion of the issuer's reported profit before tax and was identified in the management report as a key business risk, was exempt from corporate income taxation. Although these losses gave rise to potential deductible amounts for future tax purposes, no DTA had previously been recognised because the availability of sufficient future taxable profits was not considered probable.

From 2024 onwards, however, changes in country A's legislation led to the government support becoming taxable. In addition, by the end of 2024, the subsidiary had obtained formal approval confirming the continuation of certain government support programmes for several years. Taking these developments into account, together with the subsidiary's historical record of generating positive pre-tax accounting profits and the fact that the tax loss carry-forwards do not expire, the issuer concluded that there was convincing evidence that sufficient future taxable profits would be available. Consequently, the issuer recognised the DTA.

The issuer disclosed that its assessment of the recoverability of the DTA was based on a balanced evaluation of both positive and negative evidence, including historical results and expected future taxable profits. However, it did not disclose the nature of the government

support programmes or the extent to which those programmes supported the conclusion that recognition of the DTA was appropriate. The issuer argued that such information was commercially sensitive and that disclosure could prejudice its competitive position in country A.

The enforcement decision

The enforcer concluded that the issuer's 2024 financial statements did not fully comply with requirements in IAS 20 and IAS 12. Specifically, the issuer failed to disclose (i) the nature and extent of government support recognised in the financial statements, as required by paragraph 39(b) of IAS 20, (ii) any unfulfilled conditions or contingencies attached to that government support, as required by paragraph 39(c) of IAS 20; and (iii) the nature of the evidence supporting recognition of a material deferred tax asset, as required by paragraph 82 of IAS 12.

Rationale for the enforcement decision

The enforcer noted that paragraph 39 of IAS 20 contains explicit disclosure requirements regarding government grants and government assistance and does not provide an exemption for commercially sensitive information.

Moreover, the enforcer considered that the fact that the government support became taxable from 2024 was a fundamental reason why the issuer was able to recognise the DTA. A substantial part of the forecast taxable income used to justify DTA recognition was expected to arise directly from the continuation of this government support programme (taxable from 2024). Consequently, the nature of the government support formed a key element of the supporting evidence required by paragraph 82 of IAS 12.

The enforcer rejected the issuer's view that its disclosure on the recoverability of the DTA met this requirement. In the enforcer's view, the issuer's disclosure merely described the process used to assess recoverability of the DTA, rather than the nature of the evidence supporting recognition. Without disclosure of the government support and its impact on future taxable profits, users could not properly understand why the DTA had become recoverable and might incorrectly attribute the recognition to other factors, such as improved business performance or sales growth.

2. EECS extract of decisions on ESMA APM Guidelines

VI. Decision ref EECS/0127-06 – Application of the fair review principle to APMs

Financial year end

31 December 2024

Category of issue

Fair Review Principle, Presentation of APMs

Relevant standards/requirements

Paragraphs 9, 20 and 22 of the APM Guidelines

Description of the issuer's accounting treatment

Issuer prepared a prospectus for the initial public offering (IPO) of its shares. For this purpose, the issuer included the consolidated financial statements prepared in accordance with IFRSs and a review of the development and performance of its business. The issuer intended to communicate its operating performance using performance measures⁸ EBITDA, Adjusted EBITDA and Management EBITDA.

Management EBITDA was calculated by adding projected interest income from long-term customer receivables to Adjusted EBITDA. The issuer offers customers payment terms ranging between 2 and 7 years. However, shortly after initial recognition, receivables are transferred to a financial institution. The transfer qualifies for derecognition of the underlying receivable in accordance with the requirements of IFRS 9.

The issuer considered Management EBITDA a meaningful APM because it includes (a) amounts not recognised as revenue due to deduction of financing components in accordance with paragraph 60 of IFRS 15 *Revenue from Contracts with Customers*, and (b) the undiscounted cash flows that would have been received if receivables had not been transferred to a financial institution soon after recognition.

The enforcement decision

The enforcer disagreed with the use of the performance measure Management EBITDA in the issuer's registration

document as it does not comply with the fair review principle (as further elaborated in Q&A 1883 of the APM Guidelines)⁹ and does not meet the requirements in paragraphs 9, 22 and 33 of the APM Guidelines.

Rationale for the enforcement decision

According to paragraph 9 of the APM Guidelines all information included in a prospectus shall be presented in an easily analysable and comprehensible form and draft prospectus should meet the standards of completeness, comprehensibility and consistency¹⁰. APM Guidelines are based on these principles, and their overall objective is to contribute to transparent and useful information to the market and improve comparability, reliability and/or comprehensibility of APMs used.

Furthermore, the enforcer noted that item 7.1.1 of annex I 'Registration document for equity securities' of Commission delegated regulation (EU) 2019/980 requires a fair review of the development and performance of the business and the position of the issuer¹¹.

The enforcer observed that EBITDA is commonly recognised as a measure prior to accounting for interest. However, the projected interest income from long-term customer receivables included in Management EBITDA represents a financing component that would normally be presented as interest income in future reporting periods. In addition, the enforcer noted that time value of money is a basic economic concept that IFRS has integrated in the measurement basis of many items of the financial statements.

Moreover, the enforcer questioned the relevance of including interest income of future reporting periods in a performance indicator for the past reporting period, noting that this is not industry practice. Finally, the issuer will never recognise this interest income because, shortly after their initial recognition, the long-term receivables are transferred to a financial institution and subsequently derecognised. The issuer did not comply with paragraph 20 of the APM

⁸ The use of the performance measures EBITDA and Adjusted EBITDA is not the subject of this decision.

⁹ Item 7.1.1 of annex I "Registration document for equity securities" of Commission delegated regulation (EU) 2019/980.

¹⁰ Paragraph 9 of the APM Guidelines and Article 20 (4) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

¹¹ [Question 1883 of Q&A on APM Guidelines](#)

Guidelines because they failed to clarify which aspect of historical or future financial performance, financial position, or cash flows the measure represented.

Considering observations set out above, the enforcer concluded that the use of Management EBITDA does not comply with the fair review principles and standards of completeness, comprehensibility and consistency as required by the Prospectus Regulation. In addition, the enforcer noted that the label 'Management EBITDA' is not

meaningful, as it does not properly reflect the content of the performance measure. This APM may lead users to draw misleading conclusions and therefore does not meet the requirements of paragraph 22 of the APM Guidelines.

Finally, the issuer was unable to explain in accordance with paragraph 33 of the APM Guidelines why the 'Management EBITDA' provides useful information about the issuer's performance.

VII. Decision ref EECS/0127-07 - Application of the fair review principle to APMs

Financial year end

30 June 2025

Category of issue

Fair Review Principle, Presentation of APMs

Relevant standards/requirements

Paragraphs 8, 41 and Q&A 1883 of the APM Guidelines

Description of the issuer's accounting treatment

The issuer is a property developer. In its 2025 half-yearly financial report published in accordance with Article 5 of the Transparency Directive¹², it presented the measures: 'Underlying EBITDA' and 'Underlying net result'. According to the issuer, these alternative performance measures were designed to exclude items deemed non-operational or exceptional and therefore not representative of its normal or recurring activities (such as adjustments related to valuation or measurement of assets or liabilities that did not result from actual transactions or derived from fluctuations in value that were not within the issuer's control).

In 2025, both measures included the positive effects of the sale of a building permit related to a major real estate project (Project A). Additionally, the 'Underlying net result' included the positive tax effect arising from the recognition of deferred tax assets (DTAs), underpinned by the group's solid financial performance and the resulting expectation of future taxable income.

However:

- In 2025, other write-downs on inventories were excluded from the calculation of 'Underlying EBITDA' and 'Underlying net result'.
- In 2024, the issuer excluded from both measures the inventory write-down arising from its decision to discontinue Project A. This adjustment covered the cost of obtaining the building permit and other capitalised costs relating to the project.
- In 2023, the issuer excluded from 'Underlying net result' the effect of the derecognition of DTAs.

At the enforcer's request, the issuer explained that it had excluded from 'Underlying EBITDA' and 'Underlying net

result' the effect of the write-down of the capitalised costs associated with Project A in 2024 because it considered that the write-down arose from management's decision to discontinue the project due to adverse economic conditions and market uncertainty. By contrast, the issuer did not consider a similar adjustment appropriate for the gain on the subsequent sale of the building permit in 2025 because that gain resulted from an actual transaction with an independent third-party buyer rather than from a valuation or measurement change.

In 2023, it derecognised DTAs following a revision of future profit forecasts and excluded the effect in 'Underlying net result' because it considered the valuation adjustment to be unrelated to that year's performance. Conversely, the recognition of DTAs in 2025 resulted from implementing a tax optimisation strategy in connection with the liquidation of entities even if that strategy would be reflected in tax savings in future years.

The enforcement decision

The enforcer disagreed with the calculation in 2025 by the issuer of the measures labelled as 'Underlying EBITDA' and 'Underlying net result' as the calculation of these measures does not comply with the true and fair review principle (as further elaborated in Q&A 1883¹³ of the APM Guidelines) and does not meet the requirements set out in paragraphs 8 and 41 of the APM Guidelines.

Rationale for the enforcement decision

The enforcer noted that paragraph 41 of the APM Guidelines requires the definition and calculation of an APM to remain consistent over time. Q&A 1883 further explains that, depending on the facts and circumstances, an APM may be biased if it excludes one-off losses but includes one-off gains of the same nature and occurring during the same period. Such presentation may breach Articles 4 and 5 of the Transparency Directive and conflict with the overall objective of the APM Guidelines.

Accordingly, the enforcer considered that the partial reversal of the project write-down following the sale of the building permit was related to the same project and should therefore have been treated consistently with the write-down performed the year before when calculating the Underlying

¹² Directive 2004/109/EC.

¹³ [Question 1883 of Q&A on APM Guidelines](#)

APMs. The issuer's proposed definition and calculation methodology artificially increased the underlying APMs for 2024 and 2025. In 2024 the Underlying APMs were positively increased by the amount of the write-down (as this amount was excluded from the calculation of both measures). In 2025, the underlying APMs were again positively impacted by the sale of the building permit – effectively a partial reversal of the write down. This resulted in the double counting of the positive effects on the referred APMs in two consecutive years.

Furthermore, the enforcer rejected the issuer's argument whereby the adjustments made related to 'valuation adjustments' were outside the issuer's control as past

practice evidenced that certain past adjustments resulted from decisions that were well under the Issuer's control. For example, its decision to discontinue Project A resulted in an adjustment that removed a negative effect from the APMs, whereas its tax optimisation decision and the resulting recognition of DTAs, which had a positive effect, did not lead to a corresponding adjustment.

Finally, the enforcer considered that the derecognition of a DTA and the recognition of a DTA should be treated in a consistent way for the calculation of the 'Underlying net result' as both adjustments were depending on profit forecasts.