

ESEF FOR FINANCIAL STATEMENT

A new regulation by the European Securities and Markets Authority |
November 2019

INTRODUCTION

In an effort to harmonize the reporting of financial statements across the European Union, a new regulation (ESEF) will soon enforce the format used to store the annual reports.

Currently, most annual reports are published through PDF or Word format, depending on the country's regulation and the company preferences. The difference in the format used, along with the customization that every company add to their annual report makes a comparison between reports difficult.

The main goal behind this new regulation is to improve the readability for investors and allow for **easier comparison between multiple companies**. Moreover, the technology behind this new format will allow the use of computer tools to directly extract data from annual reports. This way, data-enthusiast investors will be able to **perform large scale data analysis** across sectors, country and periods.



AM I CONCERNED BY THIS REGULATION?

This regulation has two different levels of application:



- **The first level** applies to **all issuers** on EU regulated markets. This also includes private companies issuing bonds or other type of securities. In this case, the only requirement is to store the annual report in a website-like format (XHTML), **without incurring additional work** for the company.

- **The second level** is more specific and apply to companies that are concerned by the first level and also reports **IFRS consolidated statements**. It is the second level of the regulation that implements the technology that allows large scale data analysis for investors. Process adaptation and **additional work will be required** to comply with the second level.



WHEN DOES THIS REGULATION APPLY?

This regulation, known under the name of **ESEF** (European Electronic Single Format), will be applicable from 1st January 2020, which means it will impact the annual reports published in 2021. **The second level application will, however, remain limited** to the core financial statements of the annual report (balance sheet, profit & loss, other comprehensive income).

A second release of the regulation, extending the requirements for the second level to the complete annual report will be launched as of 1st January 2022.



LARGE SCALE DATA ANALYSIS... HOW IS THAT POSSIBLE?

The comparison of multiples companies require that investors compare the **same information**. However, the different layouts, languages, labels in the annual reports make it impossible to efficiently compare multiples companies for investors.

The regulation addresses this problem by providing an **uniformised taxonomy**, which references all possible items that may appear in an annual report. Regardless of the language used in the report, **each disclosed amount can be traced back to a single element of the taxonomy** and be easily compared with the same item for other companies.

The new format required by the regulation **will appear as a normal PDF or Word** annual report for anyone if opened through an internet browser. However, it will contain all the information required to “map” the disclosed amounts to the reference taxonomy. This means that **computers will be able to easily compare different reports** simply by reading the new format, as you can see illustrated below. The computer can access a lot of additional information on the figures through the inline XBRL technology.

THE GROUP'S FINANCIAL HIGHLIGHTS

ECONOMIC FIGURES (THSD EUROS)

	2018	%	2017	%	2016	%
Revenue	1,035,793	100.0	884,434	100.0	780,739	100.0
Gross operating income	144,836	14.0	123,244	13.9	106,417	13.6
Operating income	132,410	12.8	113,873	12.9	99,594	12.8
Income before taxes	139,217	13.4	110,310	12.5	97,405	12.5
Group net income	99,913	9.6	77,871	8.8	67,544	8.7

FINANCIAL FIGURES (THSD EUROS)

	2018	2017	2016
Group shareholders' equity	485,297	401,404	337,017
Non controlling interest	1,315	668	520
Total assets	1,076,104	871,154	770,575
Net working capital	145,288	167,870	160,404
Net invested capital	420,060	345,041	308,779
Cash flow	119,835	73,202	79,497
Net financial position	66,552	57,030	28,758

DATA PER SHARE (*) (EUROS)

	2018	2017	2016
Number of shares	37,411,428	37,411,428	37,411,428
Operating income per share	3.54	3.04	2.66
Net income per share	2.67	2.08	1.81
Cash flow per share	3.20	1.96	2.12

Inline XBRL

Highlight all tags

Line item

ifrs-full:GrossProfit

Value

€ 106,417,000.00

Period

2016-01-01 to 2016-12-31

Units

iso4217:EUR

Entity

[815600DAEFB0388F3521](#)



HOW CAN WE HELP?

Avantage Reply is a niche management consulting company, **focused on financial reporting**. We work with clients to enhance and automate their reporting processes, and ensure compliance with the accounting and regulatory requirements.

Being active on regulatory reports such as Finrep, **we already have experience with XBRL formatted financial statements** and we can help you to successfully meet the requirements of this new regulation. We can help you learn more about ESEF and prepare accordingly for the first release of 2020. Feel free to contact us for additional information.

Useful links:

<https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format>

http://www.xbrleurope.org/?page_id=1230



NOTE ON XBRL & INLINE XBRL

XBRL, which is the acronym for eXtensible Business Reporting Language, is a language based on XML. It has been developed specifically for reporting purpose and is widely used throughout the world. The XBRL format is developed by a consortium, XBRL International, which is constituted of a large number of private and public companies.

The usage of XBRL enables the addition of “metadata” to the reported disclosures. This metadata includes definition of the disclosures, the hierarchy between them, or even some validation rules. Taxonomies contain the metadata information for a specific environment (ie, taxonomy for IFRS and COREP are different).

Inline XBRL is a technology that allows to embed an XBRL report within an XHTML file. XHTML files are similar to the usual HTML files that are used to create website pages and can be opened from any internet browser. With the integration of Inline XBRL within the code of the page, it is possible to view some of the XBRL information. Clicking on a disclosed amount in an Inline XBRL report allow to preview some of the metadata associated with the amount.

NOTE ON ESEF TAXONOMY

The taxonomy that has been developed for the implementation of the European Electronic Single Format is largely based on the **IFRS taxonomy**. The ESEF taxonomy then contains a broad coverage of the possible disclosure.

However, specialized companies can disclose statements directly linked to their industry. In some cases, the taxonomy will not include a label that represent appropriately what the company wants to disclose. In these conditions, the company can extend the taxonomy to create a customised element, which would be attached to the closest element present in the taxonomy. This process is called **Anchoring**, and it allows to retain the specificity of the disclosures of each company while allowing a high-level data analysis through the anchor (the closest element in the taxonomy).



