The CPD Fest 2020

Current Auditing Issues & Audit Reports

Presenter:

Des O'Neill, Colm Owens, Mike O'Halloran - OmniPro

Core Technical Online CPD for Irish Accountants
Tax, Audit, Financial Reporting, Insolvency, Company Law, Regulation,
Management Accounting & Business Skills

continuing professional development

OmniPro Education & Training
Main Street, Ferns, Enniscorthy, Co. Wexford
053 910 0000
www.omnipro.ie info@omnipro.ie

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Current Auditing Issues & Audit Reports

- Welcome to Your Webevent
- Introducing - Des O'Neill & Colm Owens
- Your Downloads and Material
- Your Questions
  - During the session
  - At the end of the session

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Current Auditing Issues & Audit Reports

- Webevent Timing - (Update to Session Time)
- Introduction – 5 Minutes
- Teaching Space – 80 Minutes
- Questions and Answers – 10 Minutes
- Session Close – 5 Minutes

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Current Auditing Issues & Audit Reports

What are covering today;

- ISA 560 (Subsequent events) & ISA 570 (Going Concern) - Gathering enough evidence and documentation of conclusions;
- Covid-19; 8 months on - Audit of Covid-19 matters;
- Independence matters – understanding and documenting the issues and applying appropriate safeguards;
- Practical Opinion Building with an emphasis on Covid-19 and a review of recent real life audit opinions.

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Current Auditing Issues & Audit Reports

ISA 560 (Subsequent events) & ISA 570 (Going Concern) - Gathering enough evidence and documentation of conclusions

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ISA 560 – Subsequent Events

Requirements

- Obtain evidence;
- Events Occurring between the year end date and the Date of the Auditor's Report;
- If events identified that require adjustment or disclosure – evaluate whether they have been reflected in financial statements;
- Written Representations;
- Covid-19 & beyond.

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ISA 560 – Subsequent Events

What are the issues;

- Where's the evidence?
- What kind of evidence?
  - Bank statements / mgmt accounts / sales orders/book review
- Template / generic memo's – no support for work carried out;
- Evaluate whether they have been reflected in financial statements;
- Delay in finalisation of financial statements?
  - Bridging the gap – additional work.

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ISA (Ireland) 570 - Going Concern (Revised October 2019)

What are the changes;

- Risk assessment procedures (para 10-1);
- Evaluating Managements Assessment (paras 12-1, 12-2 & 12-3)
- Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained (para 17-1)
- Implications for the Auditor's Report (para 21-1);
- Communications (para 25-1).

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ISA (Ireland) 570 - Going Concern

Risk assessment procedures (para 10-1);

The auditor <u>shall</u> design and perform risk assessment procedures to obtain an understanding of the matters in paragraph 10-2 that provides an appropriate basis for the identification of: (Ref: Para. A3-16–A4.2, A5)

(a) Events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern; and (Ref: Para. A3–A3-1)

(b) <u>Whether or not</u> a material uncertainty related to going concern exists

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ISA (Ireland) 570 - Going Concern

Evaluating Managements Assessment (paras 12-1, 12-2 & 12-3)

The auditor shall perform audit procedures, that include procedures designed and performed in accordance with paragraphs 12-2–12-3, to obtain sufficient appropriate audit evidence about:

(a) Whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern;

(b) Whether or not a material uncertainty related to going concern exists; and

(c) The appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

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ISA (Ireland) 570 - Going Concern

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained (para 17-1)

Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on:

(a) Whether, in the auditor's judgment, a material uncertainty related to going concern exists; and (Ref: Para. A17-1)

(b) The appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

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ISA (Ireland) 570 - Going Concern

Implications for the Auditor's Report

- Use of Going Concern Basis of Accounting Is Inappropriate (para 21) – no substantive change;
- Use of Going Concern Basis of Accounting is Appropriate (para 21.1) – change in wording

'the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue'

Use of Going Concern Basis of Accounting Is Appropriate but a Material Uncertainty Related to Going Concern Exists (para 22 & 23) - no substantive change

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ISA (Ireland) 570 - Going Concern

Communications;

With Regulatory & Enforcement Authorities (para 25-1) – new requirement

When the auditor considers that it may be necessary to include a "Material Uncertainty Related to Going Concern" paragraph in the auditor's report or issue a qualified, adverse or disclaimer of opinion in respect of matters related to going concern, the auditor shall determine whether law, regulation or relevant ethical requirements:

(a) Require the auditor to report to an appropriate authority outside the entity;

(b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

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Current Auditing Issues & Audit Reports

Covid-19; 8 months on - Audit of Covid-19 matters

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Audit of Covid-19 matters

Impairments of assets

- Impairment indicators
  - Section 32 of FRS 102 – events after the balance sheet date;
  - Adjusting event vs. non-adjusting event;
  - 31 December 2019 vs. March 2020 year ends;
  - did the event arise before or after the reporting period?
- Fair value issues
- Value-in-use calculation
- Going concern cash flow & projections

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Audit of Covid-19 matters

Impairment - Section 27 of FRS 102

- Carry out impairment review when impairment indicators exist.
  - See Section 27.9 of FRS 102 for Internal and External indicators
  - "Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated."
  - "Evidence is available of obsolescence or physical damage of an asset."
- Most companies will have "impairment indicators" and will require an impairment review.

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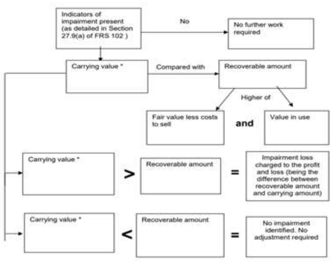

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Audit of Covid-19 matters

Value-in-use calculations

- "Value in use is the present value of the future cash flows expected to be derived from an asset. This present value calculation involves the following steps:
- (a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
- (b) applying the appropriate discount rate to those future cash flows."

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Audit of Covid-19 matters

Attendance at Stock-takes

- Considerations;
  - Is stock material?
  - ISA 501 – guidance on stock-takes (including, where attendance in impracticable);
  - Alternative audit procedures to gain assurance over existence and condition of stock;
  - No stock-take carried out v's stock-take carried out at year-end;
  - Document, document & document!!!!

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Audit of Covid-19 matters

Three possible scenarios;

- Stock-take carried out at year-end;
- Stock-take carried out at date other than year-end
- No stock-take carried out at year end.

- In all cases document the reasons
- Modified audit opinion (ISA 705).

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Audit of Covid-19 matters

Audit of Financial Statements Disclosures;

- ISA 330 still applies – emphasis on Covid-19 disclosures;
- 'The auditor shall perform sufficient audit procedures to evaluate whether the overall presentation of the financial statements, including related disclosures, is in accordance with the applicable financial reporting framework. (Ref: Para. A59)';
- Procedures in place to evidence how the firm has complied with ISA 330 (updated Covid-19 checklists).

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Current Auditing Issues & Audit Reports

Independence matters – understanding and documenting the issues and applying appropriate safeguards

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Independence Matters

Understanding the Issues;

Fees

- Pressure to reduce fees;
- Overdue fees;
- Fee dependence;
  - General (<10% / 10%-15% & >15%);
  - Specific to Covid-19

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Independence Matters

Understanding the Issues;

Non-audit services

- Detailing <u>all</u> the non-audit services performed;
- Pressure from clients to perform additional services;
- Little or no additional fees for additional service?
- Threats to integrity, objectivity and independence;
  - Management threat / Self-review threat / Self-interest threat / Familiarity threat;

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Independence Matters

Understanding the Issues;

Long association;

- Acting for a long period;
  - In excess of 10 years
- New partner / merger issues;
- Senior staff long association.

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Independence Matters

Documenting the Issues;

Clearly documenting the following;

- What the issue is;
- Clearly identify the Potential Threat to Independence;
- The safeguards applied (fully comply with ESs?);
- How & when communicated to client;
  - Audit Planning Letter;
  - Meeting minutes;

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Independence Matters

Safeguards;

Long Association;

- Appointing a new partner;
- Rotation (of partner & / or senior staff);
- Peer review;
- EQCR / Hot File Review;
- Documentation why can continue to act without safeguards & communication to client;

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Independence Matters

Safeguards

Non-audit services;

- Separate teams to audit team;
- Peer review / EQCR;
- Application of ES-PAASE (evidence of informed management).
- Small v's medium-sized companies?
- Schedule 5 companies.

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Independence Matters

Safeguards

Fees;

- Once-off or regular occurrence?
- EQCR / Peer review;

The ultimate safeguard to address all issues is an external EQCR / Hot File Review

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Current Auditing Issues & Audit Reports

Practical Opinion Building with an emphasis on Covid-19 and a review of recent real life audit opinions

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Practical Opinion Building

- ISA 570 – Going Concern
- ISA 700 – Forming an Opinion and Reporting on Financial Statements;
- ISA 705 – Modifications to the Opinion in the Independent Auditors Report;
- ISA 706 – Emphasis of Matter Paragraphs and Other Matter Paragraphs;

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Practical Opinion Building

ISA 570 – Going Concern

Obtain sufficient appropriate audit evidence regarding and conclude on;

- whether a material uncertainty exists; and
- the appropriateness of management's use of the going concern basis of accounting in preparing the FS and
- to report in accordance with ISA 570

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Practical Opinion Building

What's a material uncertainty?

- Involves management's assessment of;

(a) the likelihood of events or conditions occurring; and

(b) their potential impact.

- Uncertainties considered material if their disclosure could reasonably be expected to affect the economic decisions of users of the financial statements
- Fundamental to forming your conclusion whether a material uncertainty exists is your evaluation of mgmt.'s assessment

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Practical Opinion Building

ISA 570 – Impact of Covid-19

Whether;

- it has materially impacted; or
- is expected to materially impact;

on the auditor's evaluation of management's assessment of going concern.

- The ability to obtain sufficient appropriate audit evidence?;
- Dealing with uncertainties as a consequence of Covid-19;
- Global uncertainty – worldwide economic outlook;

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Practical Opinion Building

ISA 700 – Forming an Opinion

Forming an opinion on the Financial Statements

- Has sufficient appropriate audit evidence been obtained;
- To concluded whether FS are free from material misstatement due to fraud or error;
- Uncorrected misstatements are considered;
- FS have been prepared in all material respects in accordance with the framework & give a true and fair view;

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Practical Opinion Building

ISA 700 – Impact of Covid-19

- If date of audit report is later than date of approval by mgmt;
  - Auditor procedures for reviewing subsequent events cover the period up to that date;
- Seen a reluctance to sign-off audit reports until they have a clearer sight of any possible uncertainties
- Shifting reporting deadlines increases the period (and therefore the related risks) for events after the balance sheet date to occur.

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Practical Opinion Building

ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs

The opinion having been formed, draw users attention when necessary to

- Matter although presented and disclosed in the financial statements is of such importance that it is fundamental to the users understanding of the financial statements
- As appropriate any other matter that is relevant to the users understanding of the audit, the auditors responsibilities or the audit report

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Practical Opinion Building

ISA 706 - Impact of Covid-19;

- EoM paragraph possible option where Covid-19;
  - has had a significant financial effect / impact effect;
  - creates a significant uncertainty;
- And is appropriately disclosed in the financial; statements;
- Significant uncertainty regarding accounting estimates & going concern & appropriately disclosed;

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Practical Opinion Building

ISA 706 - Impact of Covid-19;

- Possible consideration for those companies where;
  - a material uncertainty related to going concern does not exist;
  - Covid-19 has had a significant impact on the entity and there are significant uncertainties; and
  - Appropriate disclosures have been made in the financial statements.
- EoM paragraph should not replace either;
  - A modification to the audit report; or
  - Material Uncertainty Related to Going Concern disclosure.

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Practical Opinion Building

ISA 705 Modifications To the Opinion in the Independent Auditor's Report

Circumstances when a modification to the Auditor's Opinion is required

- Financial Statements are not free from material misstatement;
- The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements are free from material misstatement.

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ISA 705 Modifications To the Opinion in the Independent Auditor's Report

on the financial statements, affects the type of opinion to be expressed.

Nature of Matter Giving Rise to the Modification	*Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements*	
	Material but Not Pervasive	*Material and Pervasive*
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

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Practical Opinion Building

ISA 720 - Covid-19 Considerations

In situations where the financial statements are incorporated into any other document (for example Credit Union annual reports and larger charities)

-the auditor will need to consider if there are any inconsistencies between;

-the information provided by the client's annual report (if any); and

-in the financial statements about the impact of Covid-19.

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Why OmniPro – One Firm One Solution

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COVID-19 Subsequent Events Checklist

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Covid-19 Audit issues - Subsequent Events Considerations

Reference	Consideration	Yes	No	Comment
	Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report			
ISA 560(6)	The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified - has the auditor identified Ciovid-19 situation as a significant event / risk?			
ISA 560(7)	The auditor shall perform the procedures required by paragraph 6 so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto. Year end date; Proposed audit report date;			
ISA 560(7)	The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures -has the risk assessment identified Covid-19 as a significant event / risk?			
ISA 560(7)	Has the auditor performed the following audit procedures;			
ISA 560(7)(a)	Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified;			
ISA 560(7)(b)	Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements.			
ISA 560(7)(A9)	Has the auditors made specific inquiries regarding the following matters;			
ISA 560(7)(A9)	Whether sales or acquisitions of assets have occurred or are planned?			
ISA 560(7)(A9)	Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned?Has the Covid-19 resulted in a possible liquidation?			
ISA 560(7)(A9)	Whether any assets have been appropriated by government or destroyed, for example, by fire or flood?			
ISA 560(7)(A9)	Whether there have been any developments regarding contingencies(Has the Covid-19 situation resulted in the realisation of contingent liabilities?) .			
ISA 560(7)(A9)	Whether any unusual accounting adjustments have been made or are contemplated (Has Covid-19 resulted in 'unusual' accounting adjustments?).			
ISA 560(7)(A9)	Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements, as would be the case, for example, if such events call into question the validity of the going concern assumption.			
ISA 560(7)(A9)	Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements(Has Covid-19 resulted in additional provisions or reassessment of estimates?.			
ISA 560(7)(A9)	Whether any events have occurred that are relevant to the recoverability of assets(as a result of Covid-19)?			
ISA 560(7)(c)	Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements and inquiring about matters discussed at any such meetings for which minutes are not yet available (has the company availed of any government assistance scheme / incentives in relation to Covid-19? If so, has the company's consideration and decision to participate been properly minuted?)			
ISA 560(7)(d)	Reading the entity's latest subsequent financial statements / management accounts (if any).			
ISA 560(A8)	Has the auditor considered performing the following additional audit procedures;			
ISA 560(A8)	Read the entity's latest available budgets, cash flow forecasts and other related management reports for periods after the date of the financial statements(do these include adjustments for the effects of Covid-19?)			
ISA 560(A8)	Inquire, or extend previous oral or written inquiries, of the entity's legal counsel concerning litigation and claims; or			
ISA 560(A8)	Consider whether written representations covering particular subsequent events may be necessary to support other audit evidence and thereby obtain sufficient appropriate audit evidence.			
ISA 560(8)	Based on the result of the audit procedures performed, has the auditor identified events that require adjustment of, or disclosure in, the financial statements?			

ISA 560(8)	Has the auditor documented their conclusion as to whether each such event is appropriately reflected in the financial statements in accordance with the applicable financial reporting framework?			
ISA 560(9)	Has the auditor obtained a written representation in accordance with ISA (Ireland) 580 that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.			
ISA 560(9)	Does the written representation specifically refer to the Covid-19 situation?			

Events / Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued

ISA 560(10)	Has the auditor become aware of events / facts (after the date of the auditor's report but before the date the financial statements are issued) that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report? (i.e. Covid-19 situation)			
ISA 560(10)	If so has the auditor performed the following procedures;			
ISA 560(10)(a)	Discuss the matter with management and, where appropriate, those charged with governance;			
ISA 560(10)(b)	Determine whether the financial statements need amendment; and, if so;			
ISA 560(10)(c)	Inquire how management intends to address the matter in the financial statements.			
ISA 560(11)	If management amends the financial statements, did the auditor;			
ISA 560(11)(a)	Carry out the audit procedures necessary in the circumstances on the amendment.			
ISA 560(11)(b)	Unless the auditor is permitted to restrict the audit procedures on subsequent events to that amendment, did the auditor;			
ISA 560(11)(b)(i)	Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report; and			
ISA 560(11)(b)(ii)	Provide a new auditor's report on the amended financial statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.			
ISA 560(12)	Where the auditor is permitted to restrict the audit procedures on subsequent events to that amendment, did the auditor amend the auditor's report, or provide a new auditor's report as required?			
ISA 560(13)	If management does not amend the financial statements in circumstances where the auditor believes they need to be amended, did the auditor consider;			
ISA 560(13)(a)	If the auditor's report has not yet been provided to the entity, did the auditor modify the opinion as required by ISA (Ireland) 705 and then provide the auditor's report; or			
ISA 560(13)(b)	If the auditor's report has already been provided to the entity, did the auditor notify management not to issue the financial statements to third parties before the necessary amendments have been made?			
ISA 560(13)(b)	If the financial statements have been issues without the necessary amendments, did the auditor take appropriate action, to seek to prevent reliance on the auditor's report?			

Events / Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued

ISA 560(14)	Has the auditor become aware of events / facts (after the date the financial statements are issued) that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report? (i.e. Covid-19 situation)			
ISA 560(14)	If so has the auditor performed the following procedures;			
ISA 560(14)(a)	Discuss the matter with management and, where appropriate, those charged with governance;			
ISA 560(14)(b)	Determine whether the financial statements need amendment; and, if so;			
ISA 560(14)(c)	Inquire how management intends to address the matter in the financial statements.			
ISA 560(15)	If management amends the financial statements, did the auditor;			
ISA 560(15)(a)	Carry out the audit procedures necessary in the circumstances on the amendment.			
ISA 560(15)(b)	Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.			
ISA 560(15)(c)	Unless the auditor is permitted to restrict the audit procedures on subsequent events to that amendment, did the auditor;			
ISA 560(15)(c)(i)	Extend the audit procedures referred to in paragraphs 6 and 7 to the date of the new auditor's report; and			
ISA 560(15)(c)(ii)	Provide a new auditor's report on the amended financial statements. The new auditor's report shall not be dated earlier than the date of approval of the amended financial statements.			

ISA 560(15)(d)	Where the auditor is permitted to restrict the audit procedures on subsequent events to that amendment, did the auditor amend the auditor's report, or provide a new auditor's report as required?			
ISA 560(16)	Did the auditor include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter(s) paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor?			
ISA 560(17)	If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended, did the auditor notify management that the auditor will seek to prevent future reliance on the auditor's report?			
ISA 560(17)	If, despite such notification, management or those charged with governance do not take these necessary steps, did the auditor take appropriate action to seek to prevent reliance on the auditor's report?			

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COVID-19 Going Concern Checklist

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Covid-19 Audit issues - Going Concern Considerations

Reference	Consideration (ISA (Ireland) 570 (Revised October 2019)	Yes	No	Comment
ISA 570(2)	The financial statements are prepared on the going concern basis unless the entity is being liquidated or the directors intend to liquidate the entity or to cease trading or have no realistic alternative but to do so. Were the accounts prepared on the going concern basis (Impact of Covid-19 on going concern basis)?			
ISA 570(10-1)(a) (ISA 315)	If so, did the auditor identify events/ conditions (included those linked to Covid-19) that may cast doubt on the entity's ability to continue as a going concern?			
ISA 570(10-1)(b)	If so, did the auditor identify whether or not a material uncertainty related to going concern exists?			
ISA 570(10-1)	Did the auditor determine whether management had performed a preliminary assessment of the entities ability to continue as a going concern?(Did mgmts.' assessment of going concern include consideration of Covid-19?)			
ISA 570(10-3)	Where management has not yet performed an assessment of the entity's ability to continue as a going concern, did the auditor request management to make its assessment?			
ISA 570(10-4)	Did the auditor discuss / inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern (including those linked to Covid-19)?			
ISA 570(10-4)	If such events / conditions are identified, did the auditor request management to evaluate the potential significance of the event / condition on its assessment of going concern (Did mgmts.' assessment of going concern include consideration of Covid-19)?			
ISA 570(10-5)	Did the auditor evaluate whether events / conditions identified give rise to a risk of management bias in the preparation of the financial statements (keeping in mind whether			
ISA 570(11-1)	If the auditor identifies events / conditions that may cast significant doubt on the entity's ability to continue as a going concern, that management has not previously identified or disclosed to the auditor, did the auditor;			
ISA 570(11-1)(a)	-request management to perform additional procedures to understand the effect of the events / conditions on management's going concern assessment;			
ISA 570(11-1)(b)	-discuss / inquire as to why management's going concern assessment failed to identify or disclose the events or conditions; and			
ISA 570(11-1)(c)	-perform additional audit procedures relating to the newly identified events / conditions in accordance with paragraphs 12-1–12-2?			
ISA 570(12-1)	Did the auditor perform audit procedures (including procedures designed and performed in accordance with paragraphs 12-2–12-3) to obtain sufficient appropriate audit evidence about;			
ISA 570(12-1)(a)	-whether events / conditions exist that may cast significant doubt on the entity's ability to continue as a going concern;			
ISA 570(12-1)(b)	-whether or not a material uncertainty related to going concern exists; and			
ISA 570(12-1)(c)	-the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements?			
ISA 570(12-2)	Did the auditor perform audit procedures that include;			
ISA 570(12-2)(a)	Evaluating management's method to assess the entity's ability to continue as a going concern, including determining if;			
ISA 570(12-2)(a)(i)	The method selected is appropriate in the context of the applicable financial reporting framework and the auditor's understanding of the entity;			
ISA 570(12-2)(a)(ii)	Changes from the method used in prior periods are appropriate; and			
ISA 570(12-2)(a)(iii)	Whether the calculations are applied in accordance with the method and are mathematically accurate.			
ISA 570(12-2)(b)	Evaluating the relevance and reliability of the underlying data used to make the assessment(consider the uncertainty created by Covid-19);			
ISA 570(12-2)(c)	Evaluating the assumptions on which management's assessment is based by determining whether there is adequate support for the assumptions underlying management's assessment, including determining (consider the uncertainty created by Covid-19);			
ISA 570(12-2)(c)(i)	Whether the assumptions are appropriate in the context of the applicable financial reporting framework, and if applicable, changes from prior periods are appropriate (include consideration of impact of Covid-19) ; and			
ISA 570(12-2)(c)(ii)	Whether the assumptions are consistent with each other and with related assumptions used in other areas of the entity's business activities, based on the auditor's knowledge obtained in the audit?			
ISA 570(12-2)(d)	Evaluating management's plans for future actions in relation to its going concern assessment and whether these plans are reasonable and feasible in the circumstances (plans to address impact of Covid-19)?			

ISA 570(12-2)(e)	Considering whether any additional facts or information have become available since the date on which management made its assessment(keep in mind the Covid-19 timeline when assessing these additional facts)?			
ISA 570(12-2)(f)	Requesting written representations from management regarding their plans for future actions and the feasibility of these plans(consider specific representations surrounding impact of Covid-19 and mgmts. plans to address Covid-19 issues)?			
ISA 570 (2016)	Did the auditor consider requesting written confirmation from third parties to support evidence obtained where management's assessment and plans are dependent on this support?			
ISA 570(12D-3)	In accordance with ISA (Ireland) 200, did the maintain professional scepticism throughout the audit and in particular when reviewing future cash flow relevant to the entity's ability to continue as a going concern?			
ISA 570(13-1)	When performing audit procedures in accordance with paragraph 12-1–12-2 did the auditor;			
ISA 570(13-1)(a)	Cover the same period as that used by management to make its assessment of the entity's ability to continue as a going concern as required by the applicable financial reporting framework; and			
ISA 570(13-1)(b)	Consider whether management's assessment includes all relevant information, including all available information about the future, of which the auditor is aware as a result of the audit(keep in mind impact of Covid-19)?			
ISA 570(14-1)	If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements, did the auditor request management to extend its assessment period to at least twelve months from that date?			
ISA 570(15-1)	If management was unwilling to make or extend its assessment when requested to do so by the auditor, did the auditor discuss the matter with mgmt.?			
ISA 570(15-1)	If management do not provide sufficient information about the entity's ability to continue as a going concern, did the auditor;			
ISA 570(15-1)(a)	-consider the implications for the audit; and			
ISA 570(15-1)(b)	-determine whether there is a significant deficiency in internal control with regard to management's assessment of the entity's ability to continue as a going concern?			
ISA 570(25)	Did the auditor discuss / communicate mgmt. those events / conditions identified that may cast doubt on the entity's ability to continue as a going concern?			
	If so, did the discussions include;			
ISA 570(25)(a)	Whether the events or conditions constitute a material uncertainty; statements;			
ISA 570(25)(b)	Whether management’s use of the going concern basis of accounting is appropriate in the preparation of the financial statements;			
ISA 570(25)(c)	The adequacy of related disclosures in the financial statements; and			
ISA 570(25)(d)	Where applicable, the implications for the auditor’s report (including possible inclusion of Material Uncertainty related to Going Concern section).			
ISA 570(25-1)	When the auditor considers that it may be necessary to include a "Material Uncertainty Related to Going Concern" paragraph in the auditor's report or issue a qualified, adverse or disclaimer of opinion in respect of matters related to going concern, did the auditor determine whether law, regulation or relevant ethical requirements;			
ISA 570(25-1)(a)	-require the auditor to report to an appropriate authority outside the entity?			
ISA 570(25-1)(b)	-Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances?			
ISA 570(26)	If there is a significant delay in the approval of the financial statements by management after the date of the financial statements, did the auditor inquire as to the reasons for the delay?			
ISA 570(26)	Did the auditor consider whether the delay in the approval of the financial statements by management could be related to events / conditions relating to the going concern assessment?			
ISA 570(26)	If so, did the auditor perform additional audit procedures necessary as noted in para 16 (see ISA 570(16)) and consider the effect on the auditor's conclusion (see ISA 570(17))			
ISA 570(26-1)	In all cases, did the auditor document / record;			
ISA 570(26-1)(a)	Key elements of the auditor's understanding of the entity and its environment, including the entity's internal control related to going concern;			
ISA 570(26-1)(b)	Indicators of possible management bias related to going concern, if any, and the auditor's evaluation of the implications for the audit; and			
ISA 570(26-1)(c)	Significant judgments relating to the auditor's determination of;			
ISA 570(26-1)(c)(i)	-whether or not a material uncertainty related to going concern exists;			
ISA 570(26-1)(c)(ii)	-the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and			
ISA 570(26-1)(c)(iii)	-the appropriateness of management's disclosures in the financial statements.			

Auditor's Conclusions / Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

ISA 570(17-1)	Did the auditor evaluate whether sufficient appropriate audit evidence had been obtained (keep in mind Covid-19 issues identified)?			
	Did the auditor conclude;			
ISA 570(17-1)(a)	-whether, in the auditor's judgment, a material uncertainty related to going concern exists; and			
ISA 570(17-1)(b)	-the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.			
ISA 570(18-1)(a)	Did the auditor evaluate whether judgments and decisions made by management (even if they are individually reasonable) are indicators of possible management bias?			
ISA 570(18-1)(a)	Where the auditor did identify indicators of possible management bias, did the auditor shall evaluate the implications for the audit?			
ISA 570(18-1)(b)	Did the auditor take into account all relevant audit evidence obtained, whether corroborative or contradictory (keep in mind the impact of Covid-19)?			

Appropriateness of disclosures when events / conditions have been identified and a Material Uncertainty exists

ISA 570(19)	Where a Material Uncertainty exists, did the auditor determine whether the financial statements;			
ISA 570(19)(a)	-adequately / appropriately disclose / describe the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and			
ISA 570(19)(a)	-management's plans to deal with these events or conditions; and			
ISA 570(19)(b)	-disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business.			

Appropriateness of disclosures when events / conditions have been identified but No Material Uncertainty exists

ISA 570(20)	If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, did the auditor evaluate whether the financial statements provide adequate disclosures about these events or conditions (keep in mind disclosures on impact on Covid-19)?			

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting is inappropriate

ISA 570(21)	If the auditor concluded that the going concern basis of accounting was inappropriate, did the auditor express an adverse opinion?			

Use of Going Concern Basis of Accounting is appropriate

ISA 570(21-1)	If the auditor concluded that the going concern basis of accounting was appropriate, did the auditor include a section in the auditor's report with the heading 'Conclusions relating to Going Concern'?			
	If so, did the section include;			
ISA 570(21-1)(a)	-a statement that the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue; and			
ISA 570(21-1)(b)	-a conclusion that management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate?			

Use of Going Concern Basis of Accounting is appropriate but a Material Uncertainty exists

Appropriate disclosure of a Material Uncertainty is made in the financial statements

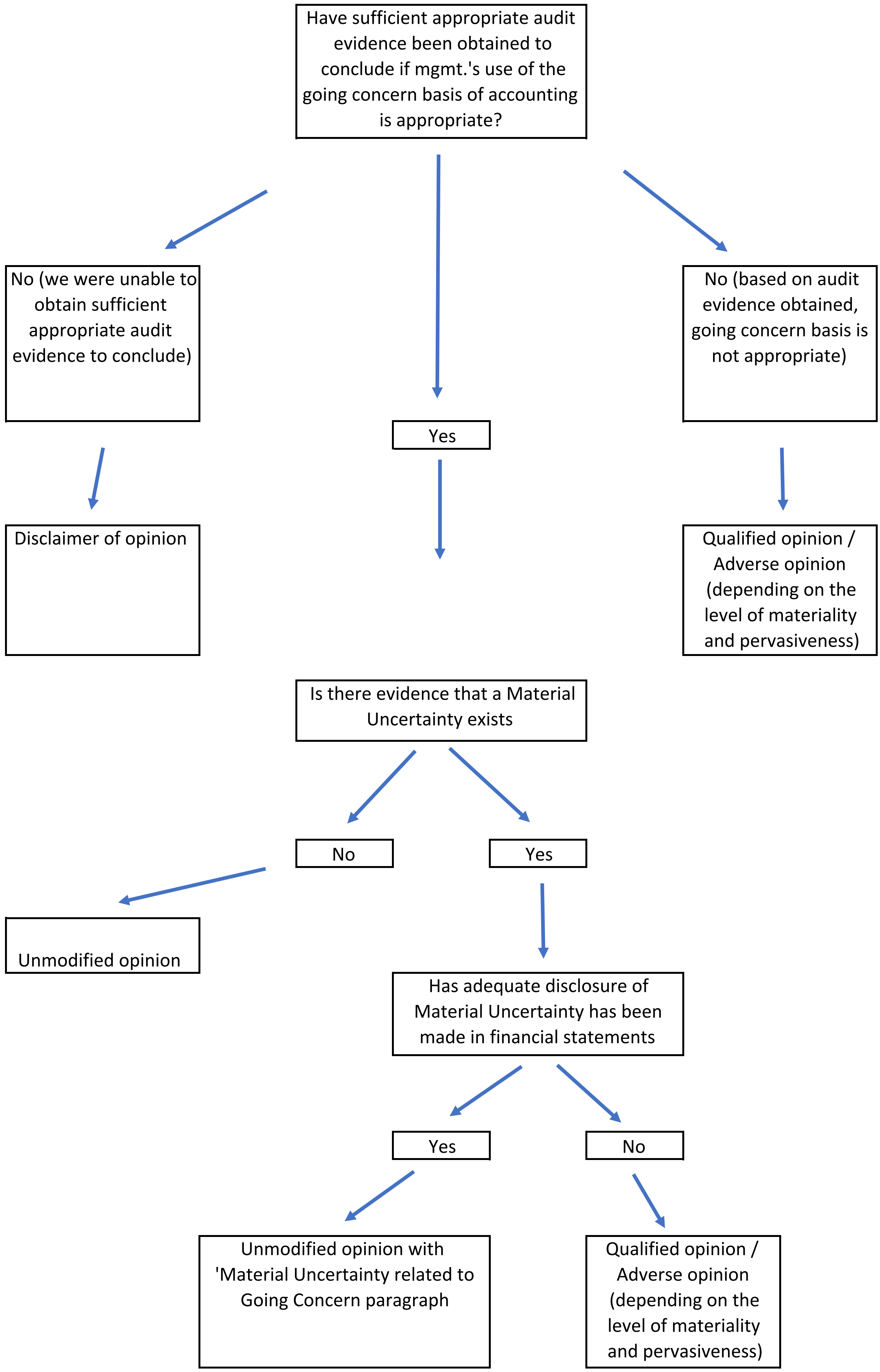
ISA 570(22)	Did the auditor conclude that adequate disclosure about the Material Uncertainty was made in the financial statements?			
	If so, did the auditor;			
ISA 570(22)	-express an unmodified opinion and included a separate section under the heading 'Material Uncertainty Related to Going Concern' in the auditor's report?			
ISA 570(22)	-Did the auditor include the 'Material Uncertainty Related to Going Concern' section immediately after the Basis for Opinion section in the auditor's report?			
ISA 570(22)(a)	-Did the 'Material Uncertainty Related to Going Concern' section draw attention to the note in the financial statements that discloses the matters as set out in paragraph 19;			

ISA 570(22)(b)	- Did the 'Material Uncertainty Related to Going Concern' section state that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern; and			
ISA 570(22)(b)	- Did the 'Material Uncertainty Related to Going Concern' section state that the auditor’s opinion is not modified in respect of the matter?			

Appropriate disclosure of a Material Uncertainty is Not made in the financial statements

ISA 570(22)	Did the auditor conclude that adequate disclosure about the Material Uncertainty was NOT made in the financial statements?			
	If so, did the auditor;			
ISA 570(23)(a)	-express a qualified opinion (where the matter is considered material but not pervasive)?			
ISA 570(23)(a)	-express an adverse opinion (where the matter is considered both material and pervasive)?			
ISA 570(23)(b)	Where the auditor expressed either a qualified or adverse opinion, did the auditor state that material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the financial statements do not adequately disclose this matter?			

Covid-19 Audit Issues - Going Concern Decision Tree



Covid-19 Audit Issues - Audit opinion with Material Uncertainty related to Going Concern paragraph

Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ LIMITED

Opinion

We have audited the financial statements of [XYZ Limited] (the 'company') for the year ended [date] which comprise [specify the titles of the primary statements] and notes to the financial statements, including a summary of significant accounting policies set out in note [x]. The financial reporting framework that has been applied in their preparation is applicable Irish law and Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland [, applying Section 1A of the Standard].

In our opinion, the financial statements:
-give a true and fair view of the assets, liabilities and financial position of the company as at [date] and of its profit for the year then ended;
-have been properly prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland [, applying Section 1A of the Standard]; and

- have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Irish Auditing and Accounting Supervisory Authority ("IAASA") Ethical Standard [, and the provisions available for small entities, in the circumstances set out in note [X] to the financial statements], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to note [X] in the financial statements, which discusses the impact of Covid-19 on the company's ability to continue as a going concern. [include a brief description of events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern - link to financial statements going concern disclosures].

As stated in note [X], these events or conditions, along with the other matters as set forth in note [X] to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by Companies Act 2014
In our opinion, based on the work undertaken in the course of the audit:
-we have obtained all the information and explanations which we consider necessary for the purposes of our audit;

-the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited;
-the financial statements are in agreement with the accounting records;
-the information given in the Director's Report is consistent with the financial statements; and
-the Director's Report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement on page [….], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8fa98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our audit report.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members as a body in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in the audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company or the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Signed by:

5. Illustrative Auditor's Reports

5.1. Auditor's Report on Financial Statements of an Irish Company – Private Company

- *Irish Company*
- *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland is applied by the company*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF [COMPANY NAME]

Report on the audit of the financial statements

Opinion

We have audited the financial statements of [name] ('the Company') for the [year/period] ended [date], which comprise the [*insert titles of each statement comprising the financial statements*][1] and notes to the financial statements, including the summary of significant accounting policies[2] set out in note [ ]. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* issued in the United Kingdom by the Financial Reporting Council[3].

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at [date] and of its [profit/loss] for the [year/period] then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[1] ISA (Ireland) 700 requires that the audit report identifies the title of each statement comprising the financial statements (paragraph 24(c)).
[2] Required by ISA (Ireland) 700 paragraph 24(d).
[3] ISA (Ireland) 700 paragraph 27 requires that, where the applicable financial reporting framework is not standards issued by the International Accounting Standards Board or the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the [annual report/other title] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial [year/period] for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited,[4] and financial statements are in agreement with the accounting records.

[4] Where returns from branches are material in the context of the auditor forming an opinion as to whether the financial statements give a true and fair view the auditor's report should also contain a statement to the effect that:

> *"In our opinion information and returns adequate for our audit have been received from branches of the Company not visited by us."*

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the requirements of any of sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page [ ], the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Company's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report[5].

Signature:
Statutory Auditor[6] [printed name] **Date**
for and on behalf of
[Firm name]
[Address]

[5] Alternatively, the auditor may include the full details of the auditor's responsibilities in the auditor's report or as an appendix to the auditor's report, in which case the report shall include a reference to the location of the appendix.
[6] The partner, director or other individual, who is a statutory auditor, designated by the firm as being primarily responsible for carrying out the audit on behalf of the firm.

FRS102.com- Covid-19 update

Section 2- Concepts and Pervasive Principles

Summary of this section

Section 2 describes the objective of financial statements, which is to provide useful information about the entity's financial position, performance and cash flows, and establishes the concepts and underlying principles of preparation.

What are the key points of this section of FRS 102?

Section 2 sets out a list of qualitative characteristics which are used when assessing whether financial statements meet their objectives namely; understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and balance between benefit and cost.

Financial statements are required to show a true and fair view and should be prepared on an accruals basis.

Section 2 defines an asset as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

A liability is defined as a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Assets, liabilities, income and expenses are recognised where it is probable that any associated future economic benefit will flow to or from the entity, and where the item has a cost or value that can be measured reliably.

In general, assets and liabilities are initially measured at historical cost unless there is a specific requirement elsewhere in the FRS to measure them at fair value. Subsequent measurement depends on the type of balance and will be based on one of the following:

- Amortised cost (for most basic financial assets and liabilities);
- Fair value (for other financial assets and liabilities, investments in associates and joint ventures (if chosen), investment properties, and some agricultural assets);
- The cost model or revaluation model (for property, plant and equipment and intangible assets);
- The lower of cost and selling price less costs to complete and sell (for inventory); and
- The best estimate of the amount that would be required to settle the obligation at the reporting date (for most non-financial liabilities)

How does COVID-19 impact on this section?

One of the key areas of section 2 in relation to COVID-19 is the methodology for calculating fair value set out in the Appendix to Section 2. In the early stages of COVID-19 it may prove difficult to establish what fair value is if it is deemed that there is no "active market" in place. This will also come to the fore as section 27- Impairment requires consideration of "fair value less costs to sell" in determining the "Recoverable Amount".

Practical implications

If applying section 27 of FRS 102, one of the many challenges faced by accountants is the determination of "fair value". When testing for impairment, an entity is required to compare an assets "carrying amount" with its "recoverable amount".

The carrying amount is an easily understood value and represents the amount of which the asset is carried on the balance sheet.

Recoverable amount requires the assessment of the higher of;

1. Fair value less costs to sell, and
2. Value in Use

Value in use has a set series of rules and guidance as set out in Section 27 of FRS 102 and, although the area of cashflow projections might be difficult to estimate in the current climate, there is reasonably clear guidance on how to apply this to arrive at a value in use calculation.

At the time of writing this piece, the country is in lockdown, people in non-essential roles have been restricted to movement within a 2km radius and business has temporarily ceased in the majority of sectors.

The economic environment that was in situ on the 28th March 2020 was reasonably strong (despite a few weeks of decline) and the underlying values of assets did not show any tangible signs of impairment (to the extent that there is no market based evidence showing a significant decline) up to that date.

Whilst there may be property transactions occurring during the period of lockdown, there is little evidence of market based transactions to support underlying asset values. Further to this, people's inability to travel, businesses lack of ability to open and a general air of apprehension has stalled some transactions.

While in the lockdown period from 28th March 2020 to whenever it is lifted (likely to be no earlier than mid-May at the time of writing this), there is a significant degree of uncertainty regarding asset prices in areas such as property, intangible assets etc. One would anticipate that there will be a decline in asset values during this period of time but the overall effect is unclear and there is potentially a large range of estimated values that entities could use to estimate the fair value of their property while in lockdown.

When considering "Fair Value", entities will need to consider the guidance contained in the Appendix to Section 2 of FRS 102.

Does an "Active Market" exist?

An active market is defined in the glossary to FRS 102 as

A market in which all the following conditions exist:

(a) the items traded in the market are homogeneous;

(b) willing buyers and sellers can normally be found at any time; and

(c) prices are available to the public.

If dealing with an asset such as a property, (a) above will be met (unless the property is particularly unusual, complex or has an unusual purpose). During the period of lockdown, one would argue that willing buyers and sellers cannot be found. Also, one would argue that the prices are not available to the public (this is particularly pertinent here given the potential sharp fall in property prices from 28th March to whenever the lockdown is lifted).

The "Active Market" area requires some judgement, but on the basis of the above it would be argued that no active market exists for the period of time while the lockdown is in place.

Application of the fair value methodology in Appendix to Section 2 of FRS 102 to COVID-19

In order to consider the fair value of property, we should apply the rules set out in appendix A to section 2 of FRS 102

1. The best evidence of fair value is a quoted price for an identical asset (or similar asset) in an active market. This is usually the current bid price.

   As argued above, during the period of lockdown, an "active market" does not exist and so we must move on to the next step.

2. When quoted prices are unavailable, the price in a binding sale agreement or a recent transaction for an identical asset (or similar asset) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value. However, this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant period of time between the date of the binding sale agreement or the transaction, and the measurement date. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

   Given the sudden shock to the economy, it is likely that this step will not produce a "fair value" unless there have been transactions since the lockdown that represent an arms length transaction between knowledgeable and willing parties. Assuming this does not produce a "fair value" we must move on to the next step.

3. If the market for the asset is not active and any binding sale agreements or recent transactions for an identical asset (or similar asset) on their own are not a good estimate of fair value, an entity estimates the fair value by using another valuation technique. The objective of using another valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

   Assuming steps 1 and 2 are not successful in achieving a fair value then a valuation technique must be used to determine fair value. This step may be appropriate when to establish a fair value during the lockdown period once the lockdown period ends (ie. if we have market data based on transactions after the lockdown period, this will give us a more accurate picture of the fair value of assets held during the lockdown period). Assuming we are still in the lockdown period, we must move on to the next step.

4. **Valuation Technique**

   Valuation techniques include using the price in a binding sale agreement and recent arm's length market transactions for an identical asset between knowledgeable, willing parties, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.
   The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs.
   A valuation technique would be expected to arrive at a reliable estimate of the fair value if:
   (a) it reasonably reflects how the market could be expected to price the asset; and
   (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.

   Given the unusual and unprecedented nature of the COVID-19 pandemic, it is unlikely that a reliable valuation technique could be used to estimate values during the period of lockdown. Therefore we must move on to the next step.

5. If we have been unable to achieve a "fair value" then we must look to the guidance where there is "no active market", as follows;

   The fair value of an asset that does not have a quoted market price in an active market is reliably measurable if:

   (a) the variability in the range of reasonable fair value estimates is not significant for that asset; or

   (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

   This requires some judgement and the application of materiality but the uncertainty is likely to result in a range of estimated fair values that is significant. If the range of estimates is *significant, and is not deemed to be probable that it can be reasonably assessed then the entity is precluded from measuring the asset at fair value.*

If an entity is precluded from using fair value by following the above rules then under Section 2A.5, the carrying amount at the last date the asset was reliably measured becomes it's new cost and the asset is measured at cost less impairment until a new measure of fair value becomes available. In assessing cost less impairment, an entity is directed to section 27 where the assets carrying value should be compared to its recoverable amount.

If (following the steps above) the entity deems that it cannot use fair value, this leaves only Value in Use as the measurable when calculating recoverable cost.

Consequently, when assessing for impairment and fair value is precluded from being used, the carrying value should be compared to Value in Use. If value in use is lower than carrying value then an impairment of the deficit is required.

Section 27.22 makes reference to situations where the fair value cannot be determines and states that where this is the case the value in use is the figure to be written down to in an impairment situation.

"However, an entity shall not reduce the carrying amount of any asset in the cash-generating unit below the highest of:

(a) its fair value less costs to sell (if determinable);

(b) its value in use (if determinable); and

(c) zero."

How is the above scenario likely to impact financial statements?

It is likely that the inability to calculate "fair value" owing to no "active market" is likely to cover only a small window of time. Depending on the year end and also the date of signature, this may not have an impact on financial statements.

Year ends before March 2020

If we consider year ends of December 2019, January 2020 and February 2020, there was an active market in place and therefore "fair value" is reasonably established.

March 2020 year ends until lockdown ends and market data is available

If we assume that lockdown continues towards the end of May with some businesses reopening in June, one would assume that property transactions (and more importantly the market data behind the property transactions) become more visible towards mid-late June. In this scenario, companies with a year end of March 2020, April 2020 and May 2020 which are signed before accurate market data is available may be impacted by the inability to determine fair value.

If market data comes to light at some point (in June in the above scenario) then a clearer picture will be available at that point of the values in place at March 2020, April 2020 and May 2020 which will allow entities to consider the fair value at the year end.

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Acceptance of Appointment or Re-Appointment

	Where any of the answers below are yes, provide details on a supporting schedule or refer to the relevant section of the Planning Memorandum on B2	Yes/No/NA	Schedule / Comment	Date
	New Clients			
1	Has the previous auditor been communicated with in accordance with relevant ethical requirements?	NA	NA	-
2	Are there any matters outstanding as regards the appropriate procedures surrounding the professional enquiry process with the previous auditors?	NA	NA	-
	Engagement Preconditions			
3	Determine whether the financial reporting framework to be applied in the preparation and presentation of the financial statements is acceptable.	Yes	B 2 Acceptance	-
4	Obtain the agreement of management that it acknowledges and understands its responsibility: (i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair (ii) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and (iii) To provide the auditor with: -Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; -Additional information that the auditor may request from management for the purpose of the audit; and -Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.	Yes	B 2 Acceptance & Letter of Engagement	30 Jan 16
5	Do those charged with governance accept their responsibility for approving the financial statements and or monitoring the entity's internal control related to financial reporting.	Yes	Letter of Engagement	-
6	Are management unable to provide written representations?	No	Letter of Representation	-
7	Do the internal controls reflect :- (a) the needs of management (b) complexity of the business (c) nature of risks (d) laws and regulation.	Yes	B2/P1	-
8	Does the auditor expect there to be any limitation of scope issues which might result in a Disclaimer of Opinion , If answer is yes then the auditor should consider not accepting the engagement.	No		-
9	If this is a recurring engagement, do the terms of engagement need to be revised to take account of updates noted since the last letter has been agreed. If the last letter has been agreed more than 3 years previous, the firm should consider issuing an updated letter.	Yes	Letter of Engagement	-
	Compliance with Ethical Standards			
	Ethical Standard - Part B Section 1			
10	Has Communication to engagement members been made of the confidential communication channel open to staff and ensuring that staff who use the channel are not discriminated against and are not subject to disciplinary proceedings as a result	Yes	B8 / ISQC 1	-
11	Has the audit firm established policies and procedures to require persons in a position to influence the conduct and outcome of the audit by constantly being alert to circumstances that might reasonably be considered threats to their objectivity or the perceived loss of independence and, where such circumstances are identified, to report them to the audit engagement partner and or Ethics partner as appropriate.	Yes	ISQC 1 & A11.1	
12	Has the firm established policies and procedures to meet the ethical outcomes of Ethical Standard including designating a partner as Ethics Partner with relevant experience and authority	Yes	ISQC 1	-
13	Where there is no Ethics Partner (where 3 or fewer Responsible Individuals) then there should be documentation of the discussion of such matters between the Responsible Individuals or in the case of a sole practitioner with whomever the matter has been discussed.	Yes	B 2 Section 2	-
14	Does the Ethics Partner perform another role within the firm which would conflict with their responsibilities as ethics partner to the firm and this engagement.	Yes	ISQC 1	-
15	Is there documentation in place regarding the discussion with the Ethics Partner of ethical matters where a difficult or objective judgement needs to be made?	Yes	B 2 Section 2	-
16	Has the Ethics Partner , where appropriate, assessed the implications of a breach, determined whether there are safeguards that can be put in place or other actions that can be taken to address any potential adverse consequences and considered whether there is a need to resign from the audit engagement.	Yes	ISQC 1 & A11.1	-
17	Has the audit firm established policies and procedures which require each covered persons (being a person of the firm in a position to influence the audit), including those providing non-audit services to an audited entity or its affiliates do not take decisions that are the responsibility of management of the audited entity.	Yes	ISQC 1 & B9	

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	Where any of the answers below are yes, provide details on a supporting schedule or refer to the relevant section of the Planning Memorandum on B2	Yes/No/NA	Schedule / Comment	Date
18	Has the entity been acquired or merged during the year with another existing client of the firm and an assessment of interest /relationships including non-audit services provided been performed and appropriate safeguards implemented to ensure integrity, objectivity and independence is not compromised	No	ISQC 1 & B9	
19	Has the audit firm established policies and procedures to ensure that in relation to each audit assignment, the engagement partner can identify and assess threats to integrity, objectivity & Independence on an individual and cumulative basis to ensure, the audit firm, and all those who are in a position to influence the conduct and outcome of the audit, act with integrity, objectivity & Independence.	Yes	B2 &ISQC1	
20	Has the audit engagement partner identified any threats to the auditor's objectivity, including any perceived loss of independence, if so have safeguards been identified	Yes	ISQC1 & A11.1	
21	If the safeguards cannot reduce the risk to a level where independence would not be compromised then, the auditor/firm shall (i) not accept the engagement (ii) shall not continue the engagement	N/a		
22	When using Network Firms has sufficient evidence confirming the independence of the network firm to the engagement entity (and its subsidiaries for Group Audits) been obtained?	Yes	B11	-
23	Has appropriate policies, procedures and quality control and monitoring system been ensured in network firms for Group audits ensuring compliance with the overarching principles of Ethical Standard Part A	Yes	B11	-
24	Was any issues identified in the prior year when concluding and forming an opinion which might be a threat to the integrity or objectivity in the current year?	No		-
25	Has the engagement partner ensured that those charged with governance are informed on a timely basis of all significant matters that bear upon the auditor's objectivity and independence	Yes	B10	-
	Ethical Standard - Part B section 2 - Financial, Business, Employment and Personal Relationships			
26	Has anybody who is also employed by the audit client been employed by the firm or admitted to partnership?	No	B 2 Section 2	-
27	Have any seconded staff been employed by the audit client in a management capacity?	No	B 2 Section 2	-
28	Have any returning seconded staff been engaged in the audit on something they were previously involved with?	No	B 2 Section 2	-
29	Has any partner or member of the engagement team (or an immediate family member of either) who has left the firm been taken on by the audit client within two years of leaving?	No	B 2 Section 2	-
30	Are there any direct or indirect financial interests in the audit client held by a partner or somebody in a position to influence the conduct and outcome of the audit, or an immediate family member of theirs?	No	B 2 Section 2	-
31	Does the firm or anyone closely connected with it have any loans or guarantees to or from the client?	No	B 2 Section 2	-
32	Are there any business relationships between the firm and the audit client except those at arm's length and which are immaterial to both parties?	No	B 2 Section 2	-
33	Is there any connection between the audit client, affiliates or connected third parties and the firm (or network firms in the case of group engagements)?	No	B 2 Section 2	-
34	Has anybody formerly at the audit client who was involved in the preparation of the accounts been a member of the audit team at any time in the last two years?	No	B 2 Section 2	-
	Ethical Standard - Part B Section 3 Long Association			
35	Has any partner, in the case of PIE's entities, served as audit partner and/or independent partner for more than five years and/or has any member of staff or key audit partner served for more than seven years?	N/A	B2 ES 3	-
36	Have any safeguards been applied and documented where the audit partner/independent partner/senior audit staff has served in this role for more than 10 years? Where a decision is taken not to apply specific safeguards then document the reasoning as to why the individual continues to participate in the audit and ensure that those facts are communicated to those charged with governance of the client.	Yes	B2 ES 3	-
	Ethical Standard - Part B Section 4 - Fees, remuneration and evaluation policies, litigation, gifts and hospitality			
37	Confirm that the engagement personnel have the necessary time and skills required for the assignment.	Yes	B2 ES 4	-
38	Do the objectives of the audit team include cross selling, does the remuneration of members of the audit team relate to performance or cross selling, and do promotion prospects include a fee-based success element?	Yes	B2 ES 4	-
39	In respect of listed companies, does the fee income (from the company and group) regularly fall between 5% and 10% of gross fee income (of the firm or of that part of the firm in respect of which the audit partner's profit shares are calculated, as appropriate)?	N/A	B2 ES 4	-
40	If yes, then document notification to the Ethics Partner and document the safeguards implemented accordingly.	N/A	B2 ES 4	-
41	In respect of PIE companies, does the fee income (from the company and group) regularly exceed 10% of gross fee income (either of the firm or of that part of the firm in respect of which the audit partner's profit shares are calculated)?	N/A	B2 ES 4	-

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	Where any of the answers below are yes, provide details on a supporting schedule or refer to the relevant section of the Planning Memorandum on B2	Yes/No/NA	Schedule / Comment	Date
42	If yes, then confirm appointment with firm as a whole, or re-allocate the client within the firm, or resign as auditors, or do not seek re-appointment accordingly.	N/A	B2 ES 4	-
43	In respect of unlisted entities, does the fee income (from the company and group) regularly exceed 15% of gross fee income (either of the firm or of that part of the firm in respect of which the audit partner's profit shares are calculated?	No	B2 ES 4	-
44	If yes, then, if the entity is small and fees are between 10 and 15%, report to the Ethics Partner (if appropriate) and to those charged with governance. For all other unlisted entities (which are not small), re-allocate the client within the firm, resign as auditors or do not seek re-appointment accordingly.	N/A	B2 ES 4	-
45	If the entity is a "small entity" in accordance with the ES Part B Section 6, if fees are between 10% and 15% of gross fee income (either of the firm or of that part of the firm in respect of which the audit partner's profit shares are calculated)? `	N/A	B2 ES 4	-
46	If so, report to the Ethics Partner (if appropriate) and to those charged with governance.		B2 ES 4	-
47	Are there any overdue outstanding fees for professional services? If so, document the discussions held with the Ethics Partner and, if so decided, the reasons for continuing to act and the safeguards implemented.	No	B2 ES 4	-
48	Are there any contingency fee arrangements (either through knowledge or notification) on this audit client? If so consider an appropriate response.	No	B2 ES 4	-
49	Is there any actual or threatened litigation between the firm and the client?	No	B2 ES 4	-
50	Are there any gifts or hospitality received from the audit client and have any gifts, hospitality or sponsorship been given to the audit client?	No	B2 ES 4	-
51	Has the audit firm undertaken the engagement to provide non audit services in respect of an audited entity on a contingent fee basis where: (a) the contingent fee is material to the audit firm, or that part of the firm by reference to which the audit engagement partner's profit share is calculated or (b) the outcome of those non-audit services (and, therefore, the amount of the fee) is dependent on a future or contemporary audit judgment relating to a material matter in the financial statements of an audited entity	No	B2 Section 2	-
52	Have the Audit Manager and or Ethics Partner been notified of where others within the audit firm propose to adopt contingent fee arrangements in relation to the provision of non audit services to the audited entity or its affiliates	N/A	B2 Section 2	-
53	Has the audit fee for the previous audit and the arrangements for its payment agreed with the audited entity before the audit firm formally accepts appointment as auditor in respect of the following period	Yes		-
	Ethical Standard 5 Provision of Non Audit services			
54	Have any non-audit services been provided to the audit client?			
	- Is the firm permitted to provide such services? If so, are suitable safeguards in place and the reasons documented? Special provisions applicable to "small entities" are indicated below	Yes	B2 ES 5	30 Jan 16
55	Are there any other actual or potential conflicts of interest or any other reason why our objectivity and independence may be impaired? Document any such considerations and any safeguards applied.	Yes	B2	-
	Consider the following:			
	· A self-interest threat.			
	· A self-review threat.			
	· A management threat.			
	· An advocacy threat.			
	· A familiarity threat.			
	· An intimidation threat.			
	Ethical Standard Part B Section 6 - Provision available for smaller entities (N/A for large/Medium entities)			
56	Where the client is a "small entity" has any former partner of the firm, who has acted as client engagement partner, independent review partner, key audit partner or a partner in the chain of command in relation to this client at any time in the last two years, been appointed as a director or to a key management position with the client? If so it will be necessary to:	N/a		-
	·Has there been any significant threat to the audit team's integrity, objectivity and independence?	N/A		-
	·If so, disclose, in the auditors' report, the fact that the firm has applied and taken advantage of the exemption available under the PASE, and	N/A		-
	·Either in the financial statements, or the auditors' report, the fact that a former audit engagement partner has	N/A		-
57	- In the case of an audit of a small entity, alternative procedures involve discussions with "informed management" supplemented by an extension of the firm's cyclical inspection of completed	N/A		-

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	Where any of the answers below are yes, provide details on a supporting schedule or refer to the relevant section of the Planning Memorandum on B2	Yes/No/NA	Schedule / Comment	Date
	Particular attention is given to ensuring that there is documentary evidence that "informed management" has made such judgements and decisions that are needed in relation to the presentation	N/A		-
	The firm through its ISQC1 have	N/a		-
	(i) engage in an external reviewer	N/a		-
	(ii) Another firm(NAME OF FIRM) to carry out the review	N/a		-
58	The reviewer has documented their evaluation of whether the documentary evidence that "informed management" made such judgements and decisions that were needed in relation to the presentation	N/a		-
59	Is the client a "small entity" and has the firm provided non-audit services to the audit client? If so, consider whether;	N/a		-
	There is appropriate "informed management" as defined by the PASE.	N/a		-
	The firm has extended its quality control reviews to include a random selection of audit engagements where non-audit services have been provided.	N/a		-
	Appropriate discussion of the objectivity and independence issues related to the provision of non-audit services with those charged with governance, and;	N/a		-
	Appropriate disclosure of the fact that the firm has applied and taken advantage of the exemption available under the PASE, and;	N/a		-
	Appropriate disclosures have been made in relation to: the fact that a former audit engagement partner has joined the audited entity.	N/a		-
	Appropriate disclosures have been made both in the financial statements and in the auditors' report of the type of non-audit services provided to the client in accordance with the PASE.	N/a		-
	Ethical Standard Part A -Meeting the Overarching Principles and Supporting Ethical Provisions			
60	Has senior management of the firm and those with direct responsibility for the management of the firm's audit business instilled the necessary culture and behaviours throughout the firm in accordance with ES-Part B 1.1-1.25 so as to ensure that meeting the ethical outcomes of the overarching principles and supporting ethical provisions is paramount and overrides all commercial interests of the firm. (Points 10-17)	Yes		-
61	Has the firm established and applied confidential whistleblowing policies and procedures across the firm which enable partners and staff to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. (Point 10)	Yes		-
62	Has the statutory auditor or the audit firm and each covered person, ensured (in the case of a covered person, insofar as they are able to do so) that the independence of the statutory auditor or the firm and each covered person is not compromised with respect to the engagement. This includes ensuring no involvement in the decision-taking of any such entity and is for the period covered by the financial statements and up until the audit is completed. (Points 10 -21, 26 - 27, 55)	Yes		-
63	Has the statutory auditor or the audit firm taken all reasonable steps to ensure that, when carrying out an engagement, the integrity, objectivity and independence of the firm and each covered person is not affected by any existing or potential conflict of interest or any business or other direct or indirect relationship involving: (i) the statutory auditor, the audit firm; or where applicable any members of its network; (ii) any of the firm's partners or staff; or (iii) the firm's owners, shareholders or any other person directly or indirectly linked to the firm by control. (Points 18 -23, 26 - 27, 29 - 34, 55)	Yes		-
64	Does any of the following exist which would compromise the independence of the firm or any covered person, that the statutory auditor or an audit firm should not accept, continue or carry out an engagement: (i) if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between: (a) the statutory auditor, the audit firm, any of its network firms, or any covered person, and (b) any entity (relevant to the engagement; or (ii) unless required by law or regulation to do so, if any other condition or relationship exists; (Points 18 - 55)	No		-
65	The firm and the engagement partner has ensured that the firm's independence is not compromised as a result of conditions or relationships that would compromise the independence of a network firm (whether or not its work is used in the conduct of engagement) or a third party firm whose work is used in the conduct of this engagement. (Points 22 - 25, 54, 55)	Yes		-

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Acceptance of Appointment or Re-Appointment

	Where any of the answers below are yes, provide details on a supporting schedule or refer to the relevant section of the Planning Memorandum on B2	Yes/No/NA	Schedule / Comment	Date
66	It has been communicated and acknowledged that it is the responsibility of (i) the firm, and (ii) each covered person and any other person with responsibility to behave with integrity and objectivity and to maintain their independence (or to ensure that others do so). If required it can be demonstrated that any conditions or relationships that exist, taking account of any safeguards implemented, would not compromise the independence of the firm or any covered person. (Point 11)	Yes		-
67	All partners and staff of the firm and all other covered persons will remain alert to conditions or relationships which could compromise the independence of the firm or any covered person. (Points 19-20)	Yes		-
68	All matters have been communicated to the Firms Ethics Partner/Function and Engagement Partner which could impair the independence of the firm and any covered person by the all partners and staff of the firm (Points 15 - 16, 46, 52, 54 - 55)	Yes		-
69	Any matters communicated which could impair the independence of the firm and any covered person has been investigated promptly in accordance with the policies and procedures of the firm (Points 16, 24, 42, 44, 46, 47, 52)	Yes		-
70	The firm has not agreed a basis for determining fees, or partners and staff remuneration or evaluation policies for this engagement (points 38 - 48, 50 - 53)	Yes		-
71	The firm, its partners and staff and any other covered person, and persons closely associated with covered persons, has not provide or accept gifts and hospitality in relation to this engagement which are not otherwise trivial or inconsequential (Point 50)	Yes		-
72	There is no litigation in relation to any engagement between the firm its partners or any covered person and the entity or its affiliates already in progress, or probable, which would compromise the independence of the firm or any covered person. (Point 49)	Yes		-
73	The firm has not provided any non-audit / additional services to an entity relevant to the engagement, which would compromise the independence of the firm or any covered person. (Point 51, 54, 55)	Yes		-
74	Has any breach, departure or failure been addressed in accordance with paragraphs 1.22 and 1.23 of Section 1 of Part B of this Ethical Standard.	Yes		-

I am satisfied that:

As engagement partner of this assignment I am satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed.

I have documented all the threats to independence and objectivity, and safeguards implemented/At the planning stage in my opinion no threats to independence have arisen, this will be reviewed again at the Conclusion stage of the audit.

I am satisfied that the firm, its partners and all staff shall behave with integrity and objectivity in all professional and business activities and relationships in accordance with Ethical Standard Part A - overarching principle 1 and supporting ethical provisions

I am satisfied that the firm, and each covered person, shall ensure (in the case of a covered person, insofar as they are able to do so) that the firm and each covered person is free from conditions and relationships which would make it probable that an objective, reasonable and informed third party would conclude the independence of the firm or any covered person is compromised as required by Ethical Standard Part A - overarching principle 2 and supporting ethical provisions

I am satisfied that there are no reasons why we should not accept appointment/re-appointment as auditors to this client.

Aud Ptnr	**Audit Engagement Partner**
-	**Date**
	Ethics Partner (if necessary)
	Date

The Board of Directors
Compliant Client
Address

Date

Re: Audit Planning Letter

Dear Sirs

We are writing in connection with the audit due to start on **[Date]**. Further to our meeting we now set out below some matters in relation to our audit planning.

International Auditing Standards (ISA's) require us to communicate our mutual understanding of the audit and the respective responsibilities of the auditors and the directors

In addition to providing our formal audit report on your financial statements, we will communicate in our audit findings letter those matters, which we believe to be relevant to the directors that come to our attention as a result of the performance of our audit of the financial statements.

Independence and objectivity

IAASA's *Ethical Standard (Ireland)* requires me as audit engagement partner to ensure that those charged with the governance of the audit client are appropriately informed on a timely basis of all significant facts and matters that bear upon us, the auditor's objectivity and independence.

The aim of these communications is to ensure full and fair disclosure by the auditor to those charged with governance of the audit client on matters in which they have an interest. These will generally include the key elements of the audit engagement partner's consideration of objectivity and independence such as:

- The principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the audit client, its affiliates and directors and the audit firm.
- Any safeguards adopted and the reasons why they are considered to be effective.
- Any independent partner review.
- The overall assessment of threats and safeguards.
- Information about the general policies and processes within the audit firm for maintaining objectivity and independence.

OPTION 1
In this regard we confirm that in our opinion there are no threats with regard to our objectivity and independence. Should such a threat exist we will implement safeguards in accordance with Ethical Standard and our firms Internal Control procedures which include the following

- Independent external quality control review.
- External review of the significant subjective audit issues before the audit report is signed off

- Involving an additional partner not involved on the audit engagement to review the work done by the audit partner and to advise as necessary (in the case of practices with one partner this could involve a reciprocal arrangement with a partner from another audit firm).
- Consultation on subjective matters with an independent external third party (e.g. partner under reciprocal arrangement, expert) or with the Institute before the audits signed off

We confirm that, in our professional judgement and having regard to the safeguards in place, the firm is independent within the meaning of the Ethical Standard and the objectivity of the audit engagement partner and staff is not impaired. Therefore, we are pleased to proceed in accordance with our appointment.

OPTION 2 (INCLUDE AS RELEVANT)

Potential threats to objectivity and independence have been identified during our audit planning process. In this regard we have implemented effective safeguards as detailed below to ensure we remain objective and independent in carrying out the audit of your company.

Ethical Standard Part B Section 3 -Long-Term Association (if applicable)

Compliant Accountant & Co has been the auditor to this company for the last **XX** years.

In accordance with the Ethical Standard and the firms Internal Control procedures safeguards should be implemented in a situation where **Compliant Accountant & Co** is the auditor for more than ten years

To this end **Compliant Accountant & Co** will obtain an independent external review as a safeguard against long association combined with performing internal peer reviews and consulting on any relevant technical issues.

Ethical Standard Part B Section 5 –Provision of Non Audit Services (if applicable)

Compliant Accountant & Co provides outsourced financial control services in the form of basic bookkeeping to the company.

In our professional opinion these activities of providing bookkeeping and management accounting services do not present a serious danger in terms of independence objectivity and integrity. The provision of non- accounting services enables us obtain a better understanding of the client and assists us form our audit opinion due to our extensive review of transactions in preparing the accounts of the company.

We consider that despite providing these non-audit services as described in the Ethical Standard to the client that none of the following threats exist to the extent that we should resign the audit engagement or cease providing non audit services:-

- Self interest threat
- Self review threat
- Management threat
- Advocacy threat
- Familiarity threat
- Intimidation threat

ALL OPTIONS

We confirm that, in our professional judgement and having regard to the safeguards in place, the firm is independent within the meaning of the Ethical Standard and the objectivity of the audit engagement partner and staff is not impaired. Therefore, we are pleased to proceed in accordance with our appointment.

Nature and scope of the audit

We set out below an outline of the nature and scope, including where relevant, any limitations thereon, of the work we propose to undertake and the form of the report we expect to make.

We have a duty to form an opinion on the financial statements at the end of the audit. We must give an opinion on whether the financial statements give a true and fair view at the year-end, whether the financial statements have been properly prepared in accordance with the Companies Act 2014, we must also state whether all the information and explanations which we consider necessary for the purpose of the audit have been obtained, whether proper books of account have been kept by the company and whether the information given in the Directors' Report is consistent with the financial statements.

We will express an unqualified opinion when the financial statements give a true and fair view in accordance with the financial reporting framework. Any modification to this unqualified audit opinion will be expressed in our auditor's report and in the audit findings letter.

We will conduct our audit in accordance with the International Standards on Auditing (ISA's) issued by IAASA. An audit includes an examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements.

We will also document the internal controls and the systems of your company. We will review internal and external operational, financial, compliance and other risks facing the company, which might affect the financial statements, including the likelihood of those risks materialising and how they are managed.

We will also document and review the control environment within the company, including the attitude of management to controls and whether management have a process for keeping under review the effectiveness of the system of internal control and, where a review of the effectiveness of internal control has been carried out and the results of that review.

We will also review the actions that the directors' plan to take in response to matters such as developments in law, accounting standards and other developments relevant to the Company's financial statements.

Findings from the audit

At the end of the audit we will draft an audit findings letter for the attention of the directors of the company.

The audit findings letter will include our views and comments on the following:

- Our views as auditors regarding the quality and acceptability of the entities internal controls and accounting systems with a description of any suggested improvements;
- Significant deficiencies in internal control identified during the audit;
- Our views as auditors regarding the quality of the entity's accounting practices and financial reporting with a description of any suggested improvements;
- A description of the significant audit risks that have impacted on our audit report;
- A description of any fraud/information that indicates that a fraud may exist or breaches in laws or regulations noted during our audit;
- Any potential modifications to the auditor's report, including to description of any suggested qualification or explanatory paragraphs;
- Any matters of governance interest;
- A description of any unadjusted misstatements (uncorrected errors and omissions);
- Significant difficulties, if any, encountered during the audit;
- Other deficiencies, that have not been communicated by other parties, that in the auditor's professional judgment are of sufficient importance to merit management's attention; and
- Any other issues required to be communicated to those charged with governance in accordance with the ISA's.

This letter was prepared for the sole use of the company; the content must not be disclosed to any third party, without our prior written consent and we assume no responsibility to any other person.

Yours faithfully

____

Compliant Accountant & Co.

Compliant Client Large Co
31 December 2017

B 9 - 1

	Initials	Date
Prepared by:	Aud Snr	1-Jan-18
Reviewed by:	Aud Ptnr	1-Jan-18

Covid-19 Considerations

Audit Planning Meeting with those Charged with Governance

Note: **Commentary should consist of a brief outline of the discussion held with the Engagement team under each of the headings. N/A or No answers will not suffice. What are the actual issues and areas to be considered. Additional headings to be added as required.**

Timing

The audit planning meeting was held on the morning of the **[Insert Date]**

Attendees

Engagement partner,Audit Manager, senior accountant and X,Y and Z representing the board of directors were present at the meeting.

Topics of Discussion/Minutes of Meeting

The following areas were discussed and the directors assessments and comments were recorded accordingly.

Audit Timescale

The timescale of the audit is XXXXX weeks commencing on XXX 2015 and has been outlined in writing in the planning letter (B7).

Changes in Audit Timescale

The engagement partner has extended the timescale from XXX 2015 to xxxx 2015 due to (eg, technical issues).

Provision of Non Audit Services

An external "hot" file review and OR (another firm) has agreed to conduct a review and to document their evaluation (File ref B3).
The audit firm do not take decisions that are the responsiblity of management.
Provision of Non- Audit Services has been outlined clearly in the Planning Letter.

Misstatements in Opening Balances

Document any misstatements noted in the opening balances.

Prior Year Financials - Modification to the auditor's opinion

Indicate the specific modification in the prior year and the impact on the current year.

Changes in the business since last audit

There have been no changes in the firm's business since the prior year.

Expand where the activities have changed in the year, indicate the new business and the effect on the company.

Changes in accounting standards since last audit

There have been no changes in accounting standards since the prior year. The firm continues to apply its selected policies consistently year on year.

Expand where the accounting standards have been noted that impact on the accouning policies applied by the company.

Companies Act 2014 and the implications of the legislation as discussed with these changed with governance.
Specifically, the disclosure requirements in accordance with S.305 to S.313 of chapter 6 of part 6, S.314 to S.323 of chapter 7 of part 6 and schedule 3 of the Act.
Based on our discussions with those changed with governance there were no issues, however, we will maintain awareness of the requirements through our audit.
For all periods commencing on or after 1st January 2015, FRS 102 must be applied. Based on a December 2017 year this company must prepare their financial statements in accordance with FRS 102.

Understanding of Engagement/Acceptance and Continuance

We have a statutory responsibility to report to the members whether in our opinion the financial statements give a true and fair view and whether they have been properly prepared in accordance with the Companies Act 2014.

We have completed our standard acceptance and continuance procedures as part of our planning process and no issues have been noted that would restrict us from accepting this engagement.

Expand to identfiy any third party reporting responsbilities to the Financial Regulator, Grant Agencies or PSRA.

Ethical issues and applied safeguards

No ethical issues have been noted as a result of our planning procedures applied. Through our discussions with management no other issues or concerns have been noted.
The audit partner has acted for a period in excess of 10 yrs. Being a sole practitioner there is no opportunity for the audit partner to rotate. Therefore in accordance with Ethical Standard Part B Section 3 to continue management were informed verbally of the long associaiton and the reasons for continuation without rotation.
Include any other ethical issues noted.

Consideration of laws and regulations

Laws and regulations are consistant for this company year on year. Management have confirmed that they continue to comply with all applicable legislation. No instances of non compliance have been noted by management.

Consideration of Fraud

Management do not believe that there is any risk of fraud within the financial statements. They monitor the staff
As part of our planning procedures we have identified fraud risks as documented in our planning memo,
Management have discussed these risks and our proposed testing has been finalised as a result to reduce the risk to an acceptable level.

Consideration of Business Risk

COMMENT

Identification of specific areas of Risk and potential Fraud

The directors are not aware of any actual or suspected fraud committed during the period. Based on our initial analytical review detailed above there are no unexplained inconsistent relationships that suggest the possibility that a fraud has been committed.

The company's control environment

Management feel that the current control system is capable of identifying any fraud within the company.
Management have personal knowledge of all the customers, suppliers and transactions undertaken by the company. As the company develops, if management identify a scope for a potential fraud they amend and update their systems accordingly.

Internal controls and the information system

COMMENT - DISCUSS IF ANY INTERNAL CONTROL WEAKNESSES WERE NOTED IN THE PRIOR YEAR AND

Potential areas of weakness in the company's information system

COMMENT

Consideration of related party transactions

Name of the Related Parties and Relationships & Transactions.
Details of authorisation and approval of significant transactions.
Details of authorisation and approval of signiciant transactions outside the normal course of business.

Going Concern

The initial assessment of going concern based on the company's past performance, current financial position and projected trade performance for the coming year suggests that going concern is not likely to be an issue.

Initial Analytical Review/Review of Results to Date

The results of our preliminary AR were discussed with management.
Document the key movements from the preliminary AR here.

Review of Engagement Letter and Audit Planning Letter

The engagement letter has been agreed and signed at this point.
The audit planning letter as recorded on file was presented to management.

Any further issues for discussion

COMMENT

Covid-19 considerations

Commentary reguired in relation to:

1. Audit timeline & scheduling (& possible impact on audit opinion);
2. Update to knowledge of business & entity (changes resulting from Covid-19 including business risk);
3. If audit has commenced pre-Covid-19 - discussion of revision to audit plan including associated revised Covid-19 audit risks;
4. Client access issues (access to books and records / access to client premises / access to key client staff);
5. Consideration of going concern (including additional work to be carried out);
6. Consideration of events after the balance date (i.e. Covid-19);
7. Consideration of potential audit opinion resulting from Covid-19 (Material Uncertainty Going Concern / limitation of scope / disclimer);
8. Consideration of changes to laws and regulations resulting from Covid-19;
9. Consideration of additional Covid-19 specific risk areas i.e. impairment of assets / fair value issues / provisions & estimates);
10. Consideration of additional / increased risk of fraud;
11. Consideration of design & implementation of internal controls (associated weaknesses resulting from Covid-19) and associated walk-through testing;
12. Other Covid-19 audit matters.

Signed: Aud Ptnr
Date: 01/01/2018 (Engagement Partner)

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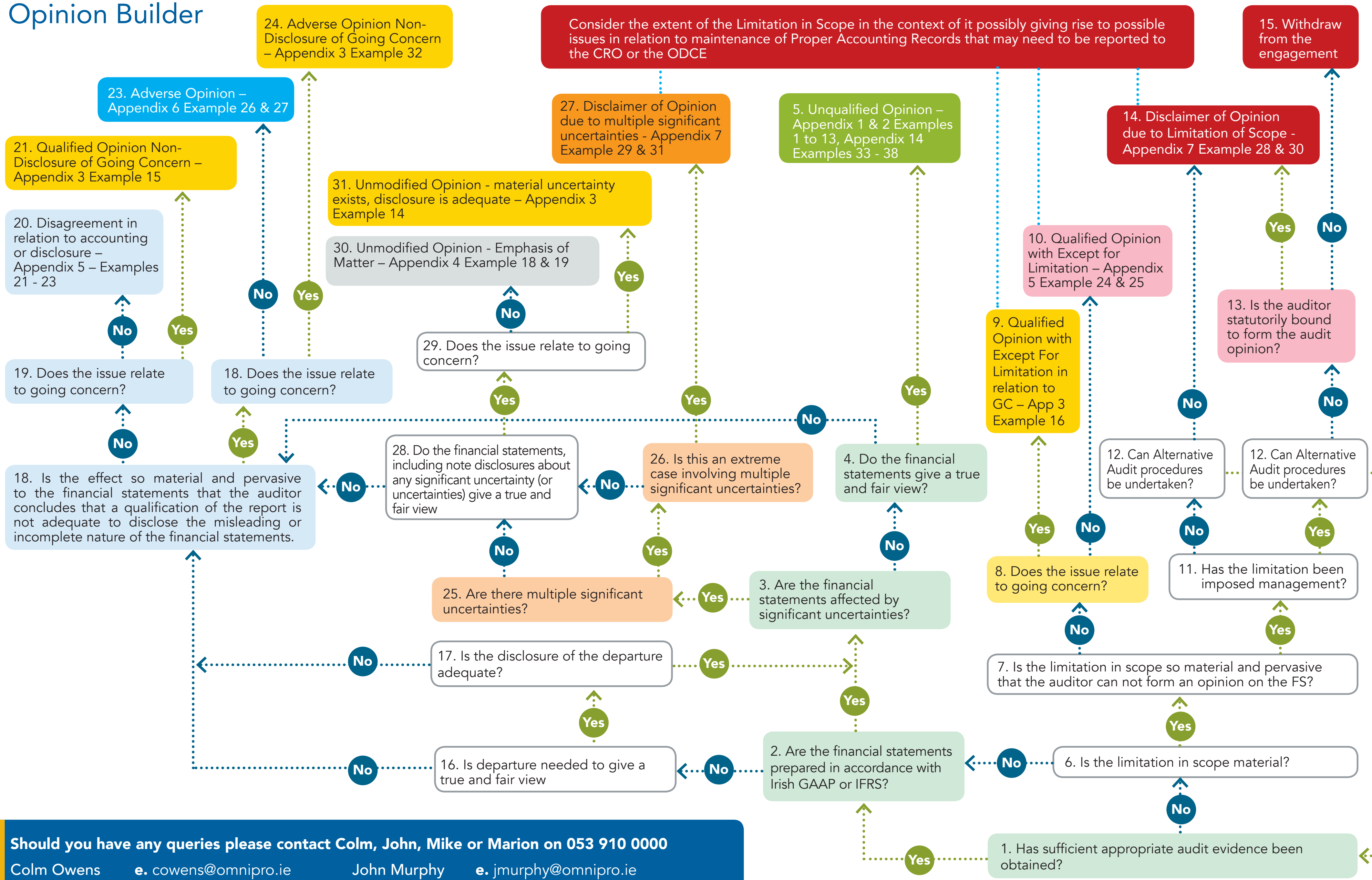

Should you have any queries please contact Colm, John, Mike or Marion on 053 910 0000

Colm Owens **e.** cowens@omnipro.ie
John Murphy **e.** jmurphy@omnipro.ie
Mike O'Halloran **e.** mohalloran@omnipro.ie
Marion Doyle **e.** mdoyle@omnipro.ie

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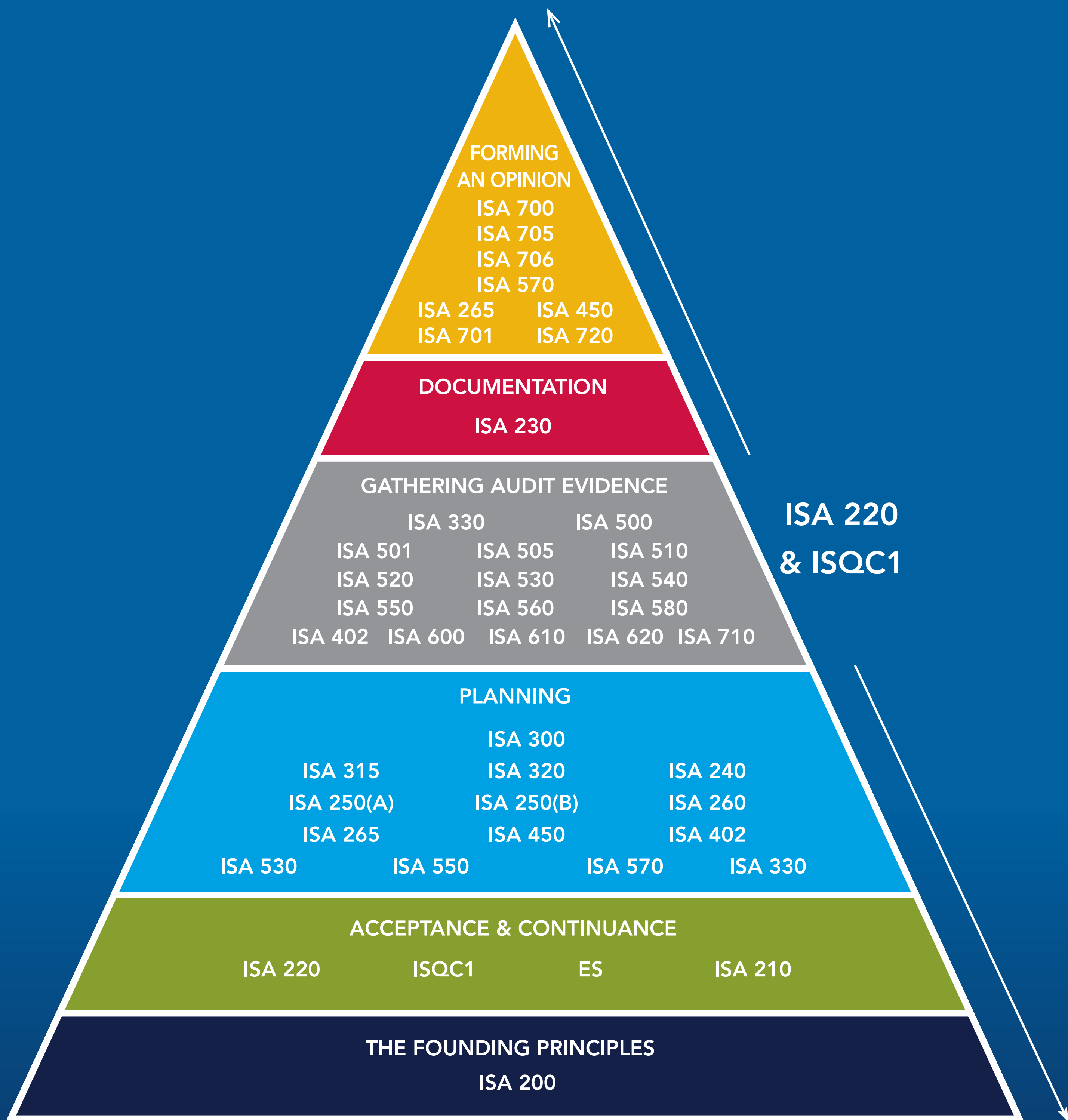

Dublin - Block B, Iveagh Court, Harcourt Road, Dublin 2.
T: +353 (0)1 4110000

Wexford - Main Street, Ferns, Enniscorthy, Co. Wexford.
T: +353 (0) 53 910 0000

Belfast - Forsyth House, Cromac Square, Belfast, BT2 8LA.
T: +44 (0) 2890 511 304

www.OmniPro.ie | www.OmniProOnFacebook.com | www.OmniProOnLinkedIn.com | info@omnipro.ie

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSTELWORLD.COM LIMITED

Report on the audit of the financial statements

Opinion on the financial statements of Hostelworld.com Limited (the 'company')
In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Changes in Equity;
- the Statement of Financial Position; and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that the company has been impacted by COVID-19 subsequent to the financial year end as a result of limited revenues earned due to travel restrictions imposed during the global pandemic. The situation is constantly evolving and there remains uncertainty around when the travel industry will return to substantial activity levels. As stated in note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Reports and Financial Statements for the financial year ended 31 December 2019, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSTELWORLD.COM LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSTELWORLD.COM LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014
Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Daniel Murray

Daniel Murray
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 18/9/2020

The directors present the audited financial statements for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of software and data processing services which facilitates hostel, hotel, B&B and other accommodation bookings worldwide.

BUSINESS REVIEW

The directors consider that the overall business performed satisfactorily during the financial year covered by the financial statements.

On 12 March 2019, the Company purchased intellectual property assets from WRI Nominees DAC, a fellow group company at fair market value of €151m.

In July 2019, the Company purchased 7,645,554 shares (49% of the share capital) of Goki Pty Limited, an Australian resident company. Goki Pty Limited's principal activity is software development and principal place of business is Australia (note 13).

RESULTS AND DIVIDENDS

The results for the financial year and state of affairs of the Company are set out in the income statement and statement of financial position on pages 13 and 15 respectively. No dividends were paid or recognised during the current or prior financial year.

DIRECTORS AND SECRETARY

The directors and secretary, who served at any time during the financial year except as noted, were as follows:

Directors:
Gary Morrison
TJ Kelly

Secretary:
John Duggan

The current directors are listed on page 2.

DIRECTORS COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Company's compliance with the Company's "relevant obligations" within the meaning of section 225 of the Companies Act 2014 (described below as the "Relevant Obligations").

The directors confirm that they have:

(a) drawn up a compliance policy statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the Company's compliance with its Relevant Obligations;

(b) put in place appropriate arrangements or structures that, in the opinion of the directors, provide a reasonable assurance of compliance in all material respects with the Company's Relevant Obligations; and

(c) during the financial year to which this report relates, conducted a review of the arrangements or structures that the directors have put in place to ensure material compliance with the Company's Relevant Obligations.

AUDIT COMMITTEE

The Company has not established an audit committee on the basis that the Company is part of a group which has an Audit Committee. The Group Audit Committee performs the relevant functions as required by the Companies Act 2014 on a group wide basis, including periodic review of procedures and review of the Company's financial performance by the Group finance function.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary who held office at 31 December 2019 had no interest in the share capital of the Company at 31 December 2019 and 1 January 2019.

The directors and secretary who held office at the end of the financial year have advised that as of 31 December 2019 they hold some shares in the Company's ultimate parent company, Hostelworld Group plc, however none of the directors or secretary hold 1% or more of the voting shares in Hostelworld Group plc or in any of Hostelworld Group's subsidiaries.

FUTURE DEVELOPMENTS

The COVID-19 pandemic has resulted in significant trading disruption for our business and the global travel industry. We entered the year in a strong position, having delivered a return to net bookings growth during Q4 2019, however, COVID-19 drove a sharp reduction in our trading performance. We reacted swiftly and purposefully to protect the business and to enable us to navigate through this crisis. Our initial efforts were focussed on cash preservation and in June we took action to strengthen our balance sheet, via a debt facility and a capital contribution received from Hostelworld Group PLC. Together these actions provide the Company with the financial strength to operate through this crisis and beyond.

Over the last few months we have taken the opportunity to accelerate our Roadmap for Growth program to strengthen our core platform, completing items planned for H2 2020 and 2021 ahead of schedule. Consistent with our growth strategy, which builds on our Roadmap for Growth, we also intend to broaden the catalogue of experiences and social features we offer our customers, beyond hostel accommodation. Given the current trading backdrop, we remain focused on organic initiatives in the near term, until a resumption of normal trading. While the short-term outlook for the travel industry remains extremely challenging, we remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before.

KEY PERFORMANCE INDICATORS

The directors view the number of bookings and EBITDA as their key performance indicators.

PRINCIPAL RISKS AND UNCERTAINTIES

In light of the COVID-19 pandemic the Company has considered the impact of COVID-19 on the business and reassessed risk factors accordingly.

The following risks and uncertainties could have an impact on the Company's future performance:

Macroeconomic conditions - Revenue is derived from the wider leisure travel sector. Perceived or actual economic conditions, including slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs could impair customer spending and adversely affect travel demand. In addition, events beyond our control such as unusual or extreme weather, travel related health concerns including pandemics and epidemics or travel-related accidents can disrupt travel and result in declines in travel demand.

COVID-19 impact: Given the recent COVID-19 pandemic, management have had to mitigate against the risk and through taking necessary actions to conserve cash. Cash conservation measures include vendor management; review of internal and external resources; review of customer refund policies; review of direct marketing spend; and sourcing of alternate forms of funding.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Impact of terrorism threat on leisure travel - The continued threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips particularly to certain geographies, resulting in declining revenues. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.

Competition – The business operates in a highly competitive marketplace and our relative scale and size could impact our ability to keep pace with changes in customer behaviour and technology change. Failure to continue to innovate on our product offering and to compete effectively in our marketplace could have an adverse effect on our market share and the future growth of the business. Increased competition from other online travel agents ("OTAs") or from the alternative accommodation sector via websites, or a disruptive new entrant such as large hotel chains into the hostel segment or loss of key accommodation suppliers could impact revenue due to potential loss of traffic and/or could increase traffic and therefore customer acquisition costs. Demand for our services could suffer, reducing revenue and margins.

Search engines algorithms - A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel-related keywords (paid search). We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. This could result in a decrease in bookings and thus revenue. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins.

Brand - Consumer trust in the Hostelworld brand is essential to ongoing revenue growth. Negative publicity around our products or services could negatively impact on traveller and accommodation provider confidence and result in loss of revenue.

COVID-19 impact: There is a risk that our brand could be impacted through measures we have taken through COVID-19, including our refund policy. Our brand portfolio is managed through social media channels and customer service team. There is a Crisis Management Policy in place which includes appropriate escalation where there is a risk of brand damage. Our Exceptional Refund Policy details COVID-19 refunds which are issued on a case-by-case.

Data security - We capture personal data from our customers, including credit card details and retain this on our systems. There is always a risk of a cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third party suppliers. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial and/or other penalties.

COVID-19 impact: The shift to remote working during COVID-19 (beginning 12 March 2020) changed the risk profile of certain data processing activities and gives rise to ongoing data security challenges. As we plan for a level of return of colleagues to our offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The GDPR places significant data security and regulatory compliance obligations on us when processing such data. We manage these risks through level 1 PCI compliance with the guidelines of the payment card industry and preparing to comply with certain aspects of Payment Services Directive 2 (PSD2) in 2021 as it relates to customer payment – customer authentication security measures. We have in place a Comprehensive privacy compliance programme to align with our on-going obligations under the GDPR compliance. We have reviewed the impact on servers of increased remote access loads with teams working from home. We have issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working.

HOSTELWORLD.COM LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Regulation - The global nature of the business means exposure to issues regarding competition, licensing of local accommodation, language usage, web-based trading, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions. Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage.

COVID-19 impact: COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focussed companies and may have an impact on the Company's brand if the Company's sales practices were investigated and assessed to be non-compliant. COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace. The GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority. We have responded to these evolving risks by monitoring the regulations and evolving landscape closely. In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment.

Tax - The taxation of e-commerce businesses is constantly being evaluated and developed by tax authorities around the world. The taxation of online transactions in the travel space remains unsettled. Due to the global nature of the business, tax authorities in other jurisdictions may consider that taxes are due in their jurisdiction. This could result in the Company having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Company's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Company considers relevant. Changes to tax legislation or the interpretation of tax legislation or changes to tax laws based on recommendations made by the OECD in relation to its Action Plan on Base Erosion and Profits Shifting ("BEPS") or national governments may result in additional material tax being suffered by the Group or additional reporting and disclosure obligations.

Business continuity - Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with an adverse impact to our customer service.

COVID-19 impact: The outbreak of COVID-19 led to substantial business and operational disruptions across the Company and resulted in Hostelworld and our third-party suppliers seeking to suspend or be excused from certain contractual obligations. We updated our standard contractual terms in early 2020 to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/ pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time). As Part of COVID-19 BCP invocation all employees have been working from home via Hostelworld secured endpoint devices that were configured and rolled out in 2019. All teams had tested access and functionality and only small adjustment was needed to have all teams operational very quickly. All laptops are encrypted and protected with anti-virus and anti-malware software.

People – The Company is dependent on its ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.

Brexit – The Company is exposed to Brexit-related risks and uncertainties in relation to its continued impact on global markets and currency exchange rate fluctuations. The uncertainties in relation to the movement of people may result in the reduction of bookings particularly into and from the UK travel market which could impact on revenue. Overall a decline in macroeconomic conditions in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider leisure travel sector.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk - Cash flow forecasting is monitored by rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach covenants on any of its facilities. Such forecasting takes into consideration the Company's debt financing plans.

Interest rate risk - The Company is not materially exposed to interest rate risk.

Credit risk and foreign exchange risk - The directors monitor the credit rate risks associated with loans, trade receivables and cash and cash equivalent balances on an on-going basis. The majority of the Company's trade receivable balances are due for maturity within 5 days and largely comprise amounts due from the Company's payment processing agents. Accordingly, the associated credit risk is determined to be low. These trade receivable balances, which consist of Euro, US dollar and Sterling amounts, are settled within a relatively short period of time, which reduces any potential foreign exchange exposure risk. At 31 December 2019, all material cash balances are held with banks with a minimal credit rating of BBB-, as assigned by international credit rating agencies. As a result, the credit risk on cash balances is limited. The carrying value of trade receivables, trade payables and cash and cash equivalents is a reasonable approximation of their fair value. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Emerging risks

Going Concern - Risk that the Company will not be able to continue in operation and meet its liabilities as they fall due and that the company will not be able to source additional financing to remain viable. Risk that the travel sector will not return to trading volumes in line with expectations. Given that trading volumes are impacted, there is a risk that intangible assets may need to be impaired as cashflows don't support their current carrying values.
Management response: Robust assessment by Directors of principal risks facing group including those that threaten its business model, future performance, solvency or liquidity. Focus on working capital management, cash generation and managing supplier and customer relationships. Review of all P&L, cashflow and balance sheet forecasting over short and medium term, including robust review of assumptions therein, with active accountability for performance established. Key metrics and reporting reviewed regularly in management accounts and at management meetings.

Capital Structure - The Company has reviewed its capital structure and strengthened its capital base with two landmark transactions in June 2020 – an Equity Placing resulting in a capital contribution being made from Hostelworld Group PLC to Hostelworld.com Limited and Debt Raising. Equity Placing leads to higher scrutiny from shareholders both participating and non-participating. Debt creates repayment obligations and covenants and requires constant monitoring of HWG leverage and liquidity.
Management response: We have corporate finance advisers regularly consulted to discuss optimal capital structure, we have adopted prudent forecasting of cash resources and we closely monitor of financial obligations created by debt raising.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The Company's accounting records are maintained at the Company's registered office at Floor 2, One Central Park, Leopardstown, Dublin 18.

STATEMENT OF RELEVANT AUDIT INFORMATION

In the case of each of the persons who are directors at the time the Directors' Report and financial statements are approved:

(a) So far as the directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and

(b) Each director has taken all steps appropriate to make themselves aware of any relevant audit information, and to establish that the Company's statutory auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

AUDITORS

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

DocuSigned by:
TJ Kelly
0CC9B9D163214DB...
TJ Kelly
Director

DocuSigned by:
GM Morrison
05B6426DED40418...
Gary Morrison
Director

17-Sep-20 | 12:53 PM BST

Date

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

BASIS OF PREPARATION

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value measurements, share based payments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, financial risk management, impairment of assets, related party transactions, leases and key management remuneration.

Hostelworld.com Limited is a private company limited by shares incorporated in Ireland under the Companies Act 2014. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the Directors' Report on pages 3-8. These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements by virtue of Section 299 of the Companies Act 2014, because it is included in the group accounts of Hostelworld Group plc ("the Group").

Where relevant, equivalent disclosures have been given in the group accounts of Hostelworld Group plc. The group accounts of Hostelworld Group plc are available to the public and can be obtained as set out in note 22.

The financial statements are prepared on the historical cost basis.

GOING CONCERN

Subsequent to the financial year end, the outbreak of COVID-19 became a global pandemic, which resulted in the company incurring both operational and cashflow losses due to significant reductions in bookings and revenues. Immediate action was taken by the Directors in response to the breakout of COVID-19 to preserve the Company's cash position. Actions taken include a redundancy program, reduced hours and deferred pay for our employees and directors, the renegotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports.

The Company operates as the main revenue generating component within the Group. Since mid-March 2020 when the full force of the COVID-19 outbreak was felt on trading, the Group has been reforecasting on a bi-weekly basis its cash position for 2020 and 2021. The directors have reviewed a number of stress case cash flow scenarios which have evolved over time. These scenarios reflect changes in key assumptions in areas such as timing of recovery, cost conservation and availability of alternate sources of capital.

- Our base-case cashflow scenario assumes a moderate uptick in net bookings from H2 2020, with a steady yet modest recovery through 2021.
- Our 2nd wave case assumes a more conservative performance in 2020, with signs of progressive recovery from Q2 2021 onwards.

These scenarios include various mitigation measures including the deferral of certain cashflows supported by creditors and additional cost cutting measures. In both scenarios, there are sufficient cash reserves available to continue in operation for 12 months from the signing of the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (CONTINUED)

The Company has received a letter of support from the Group confirming that it will continue to support the Company's financial position for a period of 1 year from the date of signing of the financial statements.

The directors have taken steps to ensure adequate liquidity is available to the Company for the likely duration of the crisis and the recovery period. The Company has a cash balance of €23.3 million as at 31 August 2020 and has committed undrawn funds available of €7 million relating to a revolving credit facility. This funding was secured in June 2020. The Company availed of a short-term liquidity loan amounting to €3.5m in June 2020. The Company received a Capital Contribution of €14.6 million from Hostelworld Group in July 2020.

The Directors recognise that, there remains uncertainty around how the COVID-19 pandemic will evolve in the future and, thus, uncertainty around when the travel industry will return to substantial activity levels. This has been determined to represent a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company will be able to successfully navigate the present uncertainties and are satisfied to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would be required if the Company were unable to continue as a going concern.

Having considered the cash flow forecasts, current and anticipated trading volumes, together with company current and anticipated levels of cash, debt and the availability of committed borrowing facilities, the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and accordingly, they continue to adopt the going concern basis in preparing the financial statements.

CHANGES IN ACCOUNTING POLICIES – IFRS 16

In the current year, the Company has applied IFRS 16 Leases which replaced IAS 17 Leases and related interpretations. IFRS 16 provides guidance on the classification, recognition and measurement of leases. The standard has primarily affected the accounting for the Company's operating leases relating to office premises. The Company has applied IFRS 16 from its effective date, 1 January 2019.

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right of use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses are removed from the income statement and are replaced with finance costs on the lease liability and depreciation on the right of use asset. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Company adopted the new standard by applying the modified retrospective approach and availed of the recognition exemption for short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company has not restated the prior period on adoption, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On transition, the lease liability was based on the present value of remaining lease payments and the right of use asset was an amount equal to the lease liability adjusted for prepaid/accrued payments.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAGAN ASPHALT LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lagan Asphalt Limited ('the Company') for the year ended 31 December 2019 set out on pages 7 to 19, which comprise the Statement of Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 101 Reduced Disclosure Framework.

In our opinion, the accompanying financial statements:

• give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its profit for the year then ended;
• have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework; and
• have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that there is uncertainty over future trading results in light of the Covid-19 pandemic and consequently uncertainty over obtaining appropriate covenant waivers from the group's funding providers. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information, we report that:

• we have not identified material misstatements in the directors' report;
• in our opinion, the information given in the directors' report is consistent with the financial statements;
• in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

26 June 2020

Julie Searle
for and on behalf of
KPMG LLP
Chartered Accountants, Statutory Audit Firm
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Notes
(forming part of the financial statements)

1 Accounting policies

Lagan Asphalt Limited (the "Company") is a is a private company limited by shares and incorporated and domiciled in the Republic of Ireland. The registered number of the company is 115014 and the address of its registered office is Rosemount Business Park, Ballycoolin Road, Dublin 11.

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standards 101 – Reduced Disclosure Framework ("FRS101") and the Companies Act 2014. There have been no material departures from the Standards. The presentation currency of these financial statements is Euro. All amounts in the financial statements have been rounded to the nearest €1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking, Breedon Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Breedon Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and may be obtained from the Company Secretary, Breedon Group plc, 28 Esplanade, St Helier, Jersey JE2 3QA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Breedon Group plc include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 *Share-Based Payments* in respect of group settled share-based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on a historic cost basis.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

1.1 Going concern

In light of the COVID-19 pandemic, the directors have prepared updated cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the company will have sufficient funds, through funding from a banking facility at its ultimate parent company, Breedon Group Plc ('the Group'), to meet its liabilities as they fall due for that period.

However, as a result of COVID-19, the Group suffered an immediate and significant drop in demand for its products at the end of March 2020, resulting in the temporary closure of a number of operating locations. At the point of signing these accounts, operations are progressively re-opening with appropriate social distancing measures in place where it is safe and legal to do so, and in line with the relevant government advice in the countries in which the Group operates.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern (continued)

The Group's banking facility requires compliance with bank covenants which are measured against the Group's trading performance at June and December. The Group's banking group remains highly supportive and have relaxed covenants for the June 2020 assessment, as well as indicated their intention to agree an additional reset for December 2020. The directors have no reason to believe the covenants will not be relaxed for the December 2020 assessment; however, the directors acknowledge there can be no certainty without a legal agreement in place. Given these circumstances, a material uncertainty exists over whether the Group will be able to comply with banking covenants throughout the going concern forecast period.

This material uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Group has a strong history of profit and cash generation, and in its most recent published financial statements, for the year ended 31 December 2019, generated statutory profit before taxation of £94.6 million and an operating cash flow of £136.5 million, resulting in a closing net debt of £246.7 million excluding the impact of IFRS 16 – *Leases*. As at 30 April 2020, the Group had £82 million of cash and undrawn banking facilities totalling a further £220 million, which it expects to provide sufficient liquidity even under a 'severe but plausible' downside scenario of forecast cash flows.

Based on the above the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. All other tangible fixed assets, including leased assets, are depreciated on a straight line basis so as to write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives as follows:

Land & buildings	Up to 50 years
Plant, machinery and equipment	3 – 15 years
Right-of-use assets	life of lease or the useful economic life of underlying asset

1.3 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate overheads.

1.4 Trade receivables and trade payables

Trade receivables and trade payables are initially recognised at fair value and then are stated at amortised cost.

1.5 Leases

Accounting policy for leases in 2019

Right-of-use assets and liabilities are recognised for any arrangements meeting the definition of a lease set out in IFRS 16 – *Leases*. Right-of-use assets are presented within tangible fixed assets in the balance sheet. They are measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. Right-of-use assets are then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Lease liabilities are presented within creditors. They are measured at the present value of future lease payments, discounted at a rate which reflects both the Company's incremental borrowing rate, adjusted for the time value of money, and the nature of the leased asset.

The Company has also elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases. Charges recognised in the profit and loss account in respect of these leases are not significant to the Company.

Independent auditor's report to the members of Stobart (Ireland) Limited

Report on the audit of the financial statements

Opinion
In our opinion, Stobart (Ireland) Limited's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 30 November 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework", and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Financial Statements , which comprise:

- the Balance Sheet as at 30 November 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (Ireland) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and,

Independent auditor's report (continued)
to the members of Stobart (Ireland) Limited

accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us also to report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 November 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Independent auditor's report (continued)
to the members of Stobart (Ireland) Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

As required by the Companies Act 2014, we report that:

- we have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- in our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited;
- in our opinion information and returns adequate for our audit have been received from branches of the company not visited by us; and
- the financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Philip Storer
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Audit Firm
Manchester
31 January 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY NORMAN HOLDINGS (IRELAND) LIMITED

Opinion

We have audited the financial statements of Harvey Norman Holdings (Ireland) Limited ('the Group') for the year ended 30 June 2019 which comprise the Profit and Loss account, Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (Irish Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Continued /...

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY NORMAN HOLDINGS (IRELAND) LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Group were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Continued /...

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY NORMAN HOLDINGS (IRELAND) LIMITED (continued)

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf .

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Group's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Teresa C Tully
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Dublin

Date: 13 July 2020

Directors' Report for the year ended 30 June 2019

The directors present herewith their report and audited financial statements for the year ended 30 June 2019.

Principal activity and review of the development of the company

The principal activity of the Group is the retail sale of home and lifestyle products, offering a full range of furniture, bedding, homewares, consumer electronics and high technology computer equipment, communications and photography products and services. The Group operates 15 stores in the Republic of Ireland and 2 stores in Northern Ireland.

The principal activity of the Company is that of a holding company for the trading company of the group and the leasing companies.

Business Review

The retail trading environment in Ireland remained strong with key indicators in the Irish economy demonstrating that the economy performed well during 2019. Employment levels have reached a record high and net inward migration has increased. Construction activity has continued apace with house completions, a key driver of business, forecasted to grow significantly in the next 12 months. However, while the outlook is positive, the headwinds that were identified last year as a result of the ongoing uncertainty around Brexit continue to be a risk to the business. Consumer confidence has been negatively impacted over the last 12 months as Brexit deadlines were extended and political inertia in the UK impacted the Irish market.

The Group recorded its 9th consecutive year of overall sales growth with total sales up 14.5%. Double digit growth across most key categories resulted in the continuing growth of local market share. The standout performance came from our furniture business which grew by 22%. Our dominance in the appliances, electrical goods, and technology markets strengthened during the year.
Gross profit is up year on year as we continue to focus on internal factors to ensure we maximise our margins.
The Group made a consolidated profit before interest and tax in the current year of €5,827,176 (2018: profit €1,003,109). This is an improvement of €4,824,067 on the prior year.

The directors are satisfied with the improvement in the underlying operating profit. The Republic of Ireland business increased its profitability in 2019. The renegotiation of lease and other property related costs in Northern Ireland resulted in our business there also being profitable for the year. This continues the solid turnaround in the Northern Ireland performance reported last year.

During the year we completed our first large scale Furniture and Bedding commercial contract with the fitout of 88 super prime apartments in the marquee Number 1 Ballsbridge development in Dublin. This is new business stream which we expect to grow in the future as building completions increase across the country.

The growth in Irish sales and market share in 2019 reemphasis the continuing strength of our underlying business model and demonstrates the combined value of our retail, people, and digital strategies. The recent closure of a major online only electrical and technology retailer reinforces the strength of our model.

Directors' Report (continued) for the year ended 30 June 2019

Business Review (continued)

The Group continues to invest in our warehousing and logistics capabilities with the opening of a state of the art warehouse and logistics hub in Dublin. This new facility will provide warehousing, installation and delivery services for our electrical appliance departments in our 7 Dublin metropolitan area stores. This follows the launch last year of our in-house installation and delivery services which have grown significantly over the last 12 months.

One of our key initiatives is to continue to grow the digital capability of the Irish business. Ongoing investment in our digital platform, significant growth year-on-year in online traffic and a focus on engaging, high-quality content on the Irish site has aided both the online and offline businesses and has resulted in the online sales revenue growing by 38.7% in 2019.

The ongoing success of our Tallaght Flagship store was evident with year-on-year sales growth of over 20% which has continued with positive flow-on effects to the existing store base resulting in each of the stores in Ireland growing sales during the year. We continued to invest in our store network with the refurbishment of our Cork Furniture and Bedding showrooms and our Limerick Electrical and Computer showrooms. We will continue to upgrade our store showrooms to ensure our customers receive a vibrant and engaging retail experience.

During 2020 we will open two new stores in Galway and Sligo. The Galway store will be a 60,000sq. ft. store and will anchor the second phase of the Gateway Retail Park in Knocknacarra on the west side of Galway city. The store will trade over two levels and will include a modern and vibrant restaurant.
The Sligo store will be 43,600 sq. ft. and will be located at Sligo Retail Park, Carraroe, Sligo. Both stores will offer the full range of furniture, bedding, homewares, technology and appliances.

In Northern Ireland the Flagship store on Boucher Road continues to report sales growth in a very difficult trading environment. The launch of the new Premium Bedding Gallery in the Boucher Road store contributed to an increase in bedding sales of 12.3%. The additional investment in the store will result in increased growth across all categories in 2020.
The retail trading environment in Northern Ireland continues to be difficult as the political and economic uncertainty caused by a combination of Brexit and the continuing political impasse has negatively impacted consumer confidence.

We have focused on continuously improving and expanding our product ranges and ensuring that our marketing and brand positioning continues to meet the requirements of our customers. There has been a focus in the last 12 months on optimising our inventory and streamlining and refining our inbound and outbound logistics processes. The talent strategy which we have been following for last three years has contributed to our improved performance. Our continued investment in our people is a point of difference with other retailers and allows us to attract and retain the best people. Our collaboration with the Dublin Business School continued in 2019 with more of our store management teams completing our market-leading retail leadership development program.

The directors' key focus is to take measures to ensure the Group continues on the path of profitability through continued growth in sales, strengthening of market share and investment in our omni-channel offering.

Directors' Report (continued) for the year ended 30 June 2019

Business Review (continued)

This continues to be underpinned by key strategic initiatives to excel in leadership development, achieve excellence in online content, optimise our logistics capabilities and ensure we achieve the highest levels of employee engagement.

We will continue to focus on optimising margin and income streams whilst ensuring we offer great value, choice and excellent customer service. We will continue to maintain tight controls over inventory levels and costs across all parts of the business thereby optimising our cashflow and working capital requirements.

Results for the year and state of affairs at 30 June 2019

The Group profit and loss account for the year ended 30 June 2019, the Group balance sheet and the Company balance sheet at that date are set out on pages 15, 17 and 18 respectively. The profit on ordinary activities for the year before taxation amounted to €14,067,601 compared with a loss on ordinary activities before taxation of €426,060 in the previous year. This amount has been transferred to reserves. The shareholders' surplus at year end was €18,964,099 (2018: deficit €100,910,837).

Key performance indicators

The group measures its performance by reference to a number of specific financial and non-financial key performance indicators.

The directors have reviewed the performance of the group by reference to the following key financial performance indicators and are satisfied with the group's performance:

- Total sales increased by €29,880,835 (14.5%).
- Gross profit has increased by €9,441,406 (13.7%)
- Gross profit margin has decreased to 33.1% in 2019 from 33.3% in 2018. This is a 0.2% decrease year on year in line with changes to the sales mix.
- Increased market share in key categories, now number 1 or 2 in most of our key categories.
- Continued improvement in customer service levels, with an aggregate net promoter score exceeding 68.
- Increase in the total number of transactions.

Principal risks and uncertainties faced

The directors consider the following are the principal risks and uncertainties facing the group;

- Withdrawal of financial support by the ultimate parent company, Harvey Norman Holdings Limited;
- Not anticipating changes in consumer preferences and changing market trends;
- Not capitalising on new technology developments in the consumer electronics and computers categories;
- Slowdown in current growth in the economy or recovery in the property market;
- Increased competition in the market place putting pressure on sales prices and margins;
- Not anticipating changes in consumer preferences and changing market trends;
- Not capitalising on new technology developments in the consumer electronics and computers categories;

Directors' Report (continued)
for the year ended 30 June 2019

Principal risks and uncertainties faced (continued)

- Slowdown in current growth in the economy or recovery in the property market;
- Increased competition in the market place putting pressure on sales prices and margins;
- Continuing uncertainty in relation to Brexit;
- Post Brexit impact on economy and customer sentiment;
- The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Exposure to foreign exchange risk

Foreign currency risk refers to the risk that the value of financial instruments, recognised asset or liabilities will fluctuate due to changes in foreign currency rates. The Group undertakes certain transactions denominated in foreign currency, hence exposures to exchange rate fluctuations arise.

The Group's foreign currency exchange risk arises primarily from:

- Receivables or payables denominated in foreign currencies; and
- Firm commitments or highly probable forecast transactions for payments settled in foreign currencies. The Group is exposed to foreign exchange risk primarily from United States Dollars.

Foreign exchange risk that arises from firm commitments or highly probable transactions is managed principally through the use of forward currency contracts. The Group hedges a proportion of these transactions in United States dollars in accordance with the group treasury policy.

Exposure to price, credit, liquidity and cash flow risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Group. The Group also manages liquidity risk via revolving credit facilities from the parent undertaking.

Other than principal risk noted above the price risk, credit risk, cash flow risk are not significant to the Group.

Exposure to economic risk

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, many areas have detected imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 150 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Ireland, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

The Directors are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cash flows and have prepared a detailed risk assessment and revised projections for the business. Our top priority remains the health and safety of our staff and customers.

Directors' Report (continued)
for the year ended 30 June 2019

The Directors expect that the most significant potential impact on our financial results and cash flows resulting from COVID-19 would be the temporary closure of stores in both the Republic of Ireland and Northern Ireland during the Government ordered lockdown of the pandemic.

During the lockdown period, based on advice provided by the relevant authorities, Senior Management have taken a number of measures to reduce any potential impact by moving to a solely online business and continuing to invest in our online fulfilment capabilities. The Government reopening phases seen all stores in both the Republic of Ireland and Northern Ireland fully reopened as at the date of signing of the financial statements.

Measures have also been taken to ensure Operations in all Harvey Norman stores, warehouses and offices adhere to current HSE guidelines.

Employee Matters
The group has measures in place to ensure that it complies with all legislation impacting employees and employers including but not limited to health and safety legislation.

Environmental Matters
The group is committed to protecting the environment and has measures in place to ensure it complies with all applicable laws and regulations in this regard. Specifically, the group ensures that it complies with the European "WEEE" directive with regard to the disposal of all electronic, electrical and white goods.

Political donations
The group did not make any political contributions during the year.

Directors and company secretary
The present directors are listed below and unless otherwise indicated served throughout the year and up to the date of approval of the financial statements.

Director's and secretary's interests in shares
None of the directors or secretary had any interests in the shares of the group or its subsidiary undertakings at 30 June 2019 or 30 June 2018. Details of the interests of the directors and company secretary in the shares of the ultimate parent undertaking, Harvey Norman Holdings Limited (a company incorporated in Australia), as at 30 June 2019 and 30 June 2018 are as follows:

	Ordinary shares		*Options on ordinary shares*	
	2019 Number	*2018 Number*	*2019 Number*	*2018 Number*
Directors				
David Ackery	562,908	489,134	Nil	Nil
Aidan James Brady	Nil	Nil	Nil	Nil
Blaine Callard (Resigned 30 June 2019)	Nil	Nil	Nil	Nil
Peter Hearn (Appointed 03 June 2019)	Nil	Nil	Nil	Nil
Company Secretary				
Aidan James Brady	Nil	Nil	Nil	Nil

Directors' Report (continued)
for the year ended 30 June 2019

All interests declared are in the ordinary shares of par value AUD$1 each of Harvey Norman Holdings Limited.

Dividends and retention

The directors recommend that no dividend be paid for the year (2018: €nil).

Future developments

The company is preparing to open two new stores in Galway and Sligo in 2020.

Accounting records

The directors are responsible for ensuring that adequate accounting records, as outlined in Section 281 to 285 of the Companies Act 2014, are kept by the company and group. To achieve this, the directors have appointed suitably qualified staff, who ensure that those requirements are complied with.

At year end, the accounting records were maintained at Brent House, Swords Business Park, Swords, Co. Dublin.

Going Concern

The directors have received confirmation from the ultimate parent company that it is their intention to support the Irish operations in the future. Harvey Norman Holdings Limited, the ultimate parent company in Australia considers its investment in Ireland as a long term investment. The group has received a letter of support from Harvey Norman Holdings Ltd.

During Covid 19 lockdown, the impact on sales has not been as severe as initially predicted due to the ability of the group to increase its online capabilities.

The Covid 19 Pandemic has had a significant impact on the economy and the next 12 – 18 months will be very challenging. The directors continuously monitor and review performance of the Irish business against it budgets, forecasts and strategic plan and regularly reviews performance with its parent company.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors also have a reasonable expectation that the ultimate parent company has the required resources to continue to support the business. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The response to the impact of COVID-19 is set out in the Principal Risks and Uncertainties section above.

Directors' Report (continued)
for the year ended 30 June 2019

Events since the balance sheet date

Post year end, the Group is preparing for the opening of new stores in Galway and Sligo.

Other than as described in the Principal Risks and Uncertainties section above in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements.

Foreign Branches

The group has a branch in Northern Ireland.

Statement on relevant audit information

In accordance with Section 330(1) of the Companies Act 2014, so far as each person who was a director at the end of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of the information.

Directors' compliance statement

In accordance with Section 225 of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Group's and Company's compliance with its relevant obligations.

The directors confirm that

- a compliance policy statement has been drawn up which sets out the Group and Company's policies in respect of compliance with its relevant obligations.
- appropriate arrangements and structures have been put in place that are sufficient to secure material compliance with the Group and Company's relevant obligations; and
- have conducted a review during the financial year to review these structures.

Audit committee

The Group has not established an audit committee. The Group's ultimate parent undertaking, Harvey Norman Holdings Limited (a company registered in Australia) has an established audit committee which provides for all the functions of an audit committee as stipulated by Companies Act 2014.

Directors' Report (continued)
for the year ended 30 June 2019

Auditor

The auditor, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the directors

Director	Director
Name: Aidan Brady	Name: Peter Hearn
Date: 09 July 2020	Date: 09 July 2020

EY
Building a better working world

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40
Ireland

Tel: + 353 1 475 0555
Fax: + 353 1 475 0599
ey.com

7172890

Companies Registration Office
O'Brien Road
Carlow

13 September 2019

an Oifig um Chlárú Cuideachtaí
RECEIVED
16 SEP 2019
CAR-076
Companies Registration Office

Datalex plc

Dear Sirs

Pursuant to Section 400(4)(a) of the Companies Act 2014, please find enclosed a copy of the resignation notice which we sent to Datalex plc on 12 September 2019.

Please debit account number 4313 with the payment required for this notification.

If you have any queries in relation to this matter, please contact Rowena Caulfield of our offices on 01 221 1182.

Yours faithfully

Ernst & Young

Ernst & Young

EY
Building a better working world

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40
Ireland

Tel: + 353 1 475 0555
Fax: + 353 1 475 0599
ey.com

an Oifig um Chlárú Cuideachtaí
RECEIVED
16 SEP 2019
Companies Regis...

12 September 2019

Datalex plc
Block U, Eastpoint Business Park
Dublin 3
D03 H704

Re: Datelex plc (the "Company")

Dear Sirs,

We hereby give notice in accordance with Section 400 of the Companies Act 2014 (the "Act") that we resign as auditors to the Company with effect from the date of this letter.

The circumstances connected with our resignation which we consider should be brought to the attention of the members or the creditors of the Company, for the purpose of section 400(3)(b) of the Act, are set out in our Independent Auditor's Report to the Members of Datalex plc on the financial statements of the Company for the year ended 31 December 2018, dated 5 September 2019 (copy attached).

Please note that we are obliged to send a copy of this letter to the Registrar of Companies within 14 days of the date of service of this letter (i.e. by 26 September 2019) and to notify IAASA of our resignation within 30 days of same (i.e. by 12 October 2019).

Yours faithfully

Ernst & Young

Ernst & Young
Dublin

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX PLC

DISCLAIMER OF OPINION

We were engaged to audit the financial statements of Datalex plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018, which comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2018;
- the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended; and
- the notes to the financial statements, including the summary of significant accounting policies set out in Note 2.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

We do not express an opinion on the accompanying financial statements of the Group and Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in the Directors' Report, on 15 January 2019, the Group announced that they had identified a number of accounting issues relating to revenue recognition in closing the Group's accounting records in respect of the year ended 31 December 2018. The Board appointed an independent firm of accountants to conduct a review ("the Review"). The Review focused on the Group's recognition of services revenue during the year ended 31 December 2018, in particular with respect to a fixed fee professional services contract for a significant customer deployment ("the Deployment").

On 27 March 2019, the Group announced that the Review had identified significant accounting irregularities in respect of the year ended 31 December 2018, as the underlying cause for the overstatement of revenue and noting material weaknesses in the internal control environment during the year. The Group's accounting process in this area was largely manual and dependent on significant judgement and there was a failure to track operational and financial performance on the Deployment and to retain sufficient appropriate documentation to support the accounting entries recorded during the year.

We took these circumstances into account when planning and executing our audit procedures. The following four matters arose during our audit and have resulted in an inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Company and the Group. These matters are detailed below. The possible effects on the Group and Company's financial statements of undetected misstatements in respect of these matters, if any, could be both material and pervasive. As a result of these matters, we were unable to determine the nature, timing, and extent of any adjustments which might have been found necessary in order for the Group and Company's financial statements to present a true and fair view, and accordingly we have disclaimed our audit opinion.

1. Going concern

As disclosed in Note 2.3 to the consolidated financial statements, the financial statements of the Group and Company are prepared on the assumption that the Group and Company will continue as a going concern.

Management provided us with the Group's cash flow forecast model to support their assessment that the Group and Company will continue as a going concern. In assessing the appropriateness of that model and the assumptions contained therein, we made enquiries of management to which they were unable to provide sufficient appropriate audit evidence to support both the use of the model and the underlying assumptions.

As we were unable to ascertain the appropriateness of the Group's cash flow forecasts, and due to the multiple material uncertainties set out in Note 2.3 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence to support the assumption that the Group and Company will continue as a going concern. This represents a limitation in scope.

The financial statements do not reflect any changes or adjustments that would be required should the Group and Company be unable to continue as a going concern.

2. Information and explanations

As is the case with any audit, we made various enquiries of management and requested supporting information and documentation during the course of our audit. As a result of the material breakdown in internal control during the period under audit, a number of these requests either could not be responded to, or the information provided was not sufficient for the purposes of our audit. We therefore have not received all the information and explanations that we consider necessary for the purpose of our audit. Some of the more significant areas of our audit affected by this are referred to below, although it is possible that additional areas or matters not listed below may have been identified had additional audit evidence been obtained. As a result, we were unable to determine the completeness and accuracy of the disclosures in the financial statements of the Company and the Group. This represents a limitation in scope.

3. Implementation of IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), and revenue recognition

The Group adopted IFRS 15, in the consolidated financial statements in respect of the year ended 31 December 2018, using the modified retrospective approach. The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application (1 January 2018) as an adjustment to the opening balance of retained earnings. We were unable to obtain sufficient, appropriate audit evidence on the initial application of IFRS 15 as well as the revenue recognised in respect of the year ended 31 December 2018. The comparative disclosures and Note 33 to the consolidated financial statements are prepared under IAS 18 – *Revenue*, ("IAS 18"). Five matters arose from our audit procedures in this area:

- The Group derives a significant portion of its revenue from contracts containing multiple performance obligations, including fixed fee elements. Revenue is recognised by determining the Standalone Selling Price ("SSP") of the various performance obligations within a contract, in conjunction with the percentage of completion method which is used as a measure of progress for fixed fee services. This requires that the Group's future performance obligations under customer contracts are determinable at the outset of the arrangement. As a result of the material weakness in internal control noted by the Review, management were not in a position to provide sufficient appropriate audit evidence to support the SSP for the fixed fee element of customer contracts, the percentage of completion for implementation services and fully define the Group's performance obligations under certain customer contracts. This represents a limitation in scope.
- Taking into account the conclusions arising from the Review and a requirement to exercise professional scepticism, we sought as part of our audit procedures, to independently corroborate customer contract terms and conditions directly with five customers. The directors viewed this audit procedure as potentially commercially damaging and also unlikely to result in response, accordingly we were not permitted to perform this audit procedure. This represents a limitation in scope.
- In certain circumstances, the Group provides an Early Release beta version of its software in return for an upfront fee. Due to inconsistencies in the manner in which the Group contracted for the sale of such Early Release beta versions, inconsistencies in the explanations received and evidence obtained, we were unable to ascertain whether the sale of an Early Release beta version represents a distinct performance obligation at 31 December 2018 and 1 January 2018, which is how the Group recognises revenue in respect of such transactions. This represents a limitation in scope.
- As disclosed in notes 6 and 7 to the consolidated financial statements, the Group discloses deferred contract fulfilment and contract acquisition costs of US$11.5 million and US$0.8 million, respectively at 31 December 2018, and US$9.5 million and US$0.6 million, respectively at 1 January 2018 (the latter being the date of transition to IFRS 15), recognised in accordance with IFRS 15. As a result of the material weaknesses in internal control noted in the Review and a lack of available and appropriate support for time recorded and payroll data, we were unable to ascertain the appropriateness of the carrying amount or recoverability of these assets at 31 December 2018 and on the date of transition, 1 January 2018. This represents a limitation in scope.
- As disclosed in Note 9 to the consolidated financial statements, the Group recorded contract assets of US$2.0 million at 31 December 2018. As disclosed in Note 33 to the consolidated financial statements, the Group would have recorded accrued income of US$7.0 million had they continued to apply IAS 18. Both amounts are stated net of expected credit losses under IFRS 9 – *Financial Instruments*, ("IFRS 9"). As a result of the material weaknesses in internal control noted in the Review, we were unable to ascertain the appropriateness or recoverability of the carrying value of such balances at 31 December 2018 and on the date of transition, 1 January 2018. This represents a limitation in scope.

4. Impairments of product development costs, intercompany receivables and investment in subsidiary

As disclosed in Note 5 to the consolidated financial statements, an impairment charge of US$20.0 million, net of credits, was recorded at 31 December 2018 to impair product development intangible fixed assets to US$nil. As disclosed in notes 9 and 27 to the Company Statement of Financial Position, an impairment charge of US$2.9 million and US$48.7 million was recorded at 31 December 2018 to impair the Company's intercompany receivables and investment in subsidiary to US$nil, respectively. We were unable to determine the appropriateness of the carrying amount of the related assets and liabilities as a result of the multiple material uncertainties referred to in the paragraph on going concern above and Note 2.3 to the consolidated financial statements. This represents a limitation in scope.

As disclosed in Note 22 to the consolidated financial statements, product development costs incurred in respect of the year ended 31 December 2018 of US$12.4 million are included as an exceptional item in the consolidated statement of profit or loss. In accordance with the Group's accounting policy for Research and Development Expenditure, expenditure which does not meet the criteria for capitalisation should be expensed in the normal course.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In accordance with International Standard on Auditing (Ireland) 701 – *Communicating Key Audit Matters in the Independent Auditor's Report*, ("ISA (Ireland) 701"), as we have reported the going concern status of the financial statements of the Group and Company in the Basis for Disclaimer of Opinion, going concern is not reported as a key audit matter.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Implementation of IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), and revenue recognition IFRS 15 **Revenue (US$45.1m), contract assets (US$2.0m at 31 December 2018 and US$4.5m at 1 January 2018), contract liabilities (US$24.6m at 31 December 2018 and US$12.9m at 1 January 2018), deferred contract fulfillment costs (US$11.5m at 31 December 2018 and US$9.5m at 1 January 2018), and contract acquisition costs (US$0.8m at 31 December 2018 and US$0.6m at 1 January 2018)** IAS 18 **Revenue (US$44.3m), accrued income (US$7.1m) and deferred income (US$14.4m)** *Refer to the Audit Committee Report (page 30; Accounting policies (pages 63 to 68, 70 and 71); and Notes 6, 7, 9, 16, 17 and 33 of the Consolidated Financial Statements.* The Group adopted IFRS 15 – *Revenue from Contracts with Customers*, ("IFRS 15"), in the consolidated financial statements in respect of the year ended 31 December 2018, using the modified retrospective approach.	We considered the outcome of our interim audit procedures and the output of the Review in performing our year end audit procedures on revenue for the year. We also involved, as part of the team, internal subject matter experts, as appropriate. We performed detailed procedures on management's accounting position papers and related workings on the transition to IFRS 15. This included a review of all open contracts, the key judgements and accounting policy decisions, including the identification of performance obligations, adopted on transition. We reviewed contracts in respect of the year ended 31 December 2018 and amendments against Group contract narratives and assessments for compliance with IFRS 15 and IAS 18 and consistent application of the IFRS 15 accounting policy as noted on pages 63 to 68. In exercising professional scepticism, we sought as part of our audit procedures, to independently corroborate customer contract terms and conditions.	The board deployed significant internal and external resources to address the Group's transition to IFRS 15. However, as a result of the material breakdown in internal control during the period under audit, explained in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to form a conclusion on revenue, contract assets, accrued income, deferred contract fulfillment costs, and contract acquisition costs nor were we able to perform alternative audit procedures and thus were unable to determine whether any adjustments to revenue, contract assets, accrued income, deferred contract fulfillment costs, and contract acquisition costs were necessary.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The application of IFRS 15 requires judgement in the identification of performance obligations and in attributing appropriate Standalone Selling Prices ("SSPs"), including discounts where relevant, to each performance obligation. Accordingly, this requires the exercise of significant judgement by management in identifying separate and distinct perfomance obligations and in attributing appropriate SSPs. This also requires that the Group's future obligations under the related customer contracts to be determinable at the outset of the arrangement. The Group derives a significant portion of its revenues from contracts containing multiple performance obligations, including fixed fee elements, in accordance with both IFRS 15 and IAS 18 – *Revenue*, ("IAS 18"). The timing of the recognition of revenue in respect of fixed fee professional services is recognised over time using the measure of progress with reference to the percentage of completion method in accordance with both IFRS 15 and IAS 18.	We performed detailed procedures on Services Revenue, such as assessing the performance obligations identified by management, substantiating transactions with underlying documents and performing recalculations of management's estimates to determine project revenue recognition. We used contracts, work orders, client correspondence and internal revenue and cost forecasts to test the revenue recognised. In addition, we discussed and challenged the progress of individual projects with non-finance personnel. We also considered client correspondence to the extent available and relevant. We obtained an understanding of the process by which management determines the percentage of completion and evaluated the judgements made by management regarding the expected costs to complete estimate. We considered whether the Group appropriately recorded professional services revenue by reference to the SSP in respect of the performance obligations identified by management and the percentage of completion in respect of projects which were in progress at year end and were subject to fixed fee arrangements.	

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Risk	Our response to the risk	Key observations communicated to the Audit Committee
Such contracts involve key project milestones, ongoing uncertainties around expected costs to complete and the Group's future obligations. This requires the exercise of significant judgement in the assessment of the extent of progress towards completion which is estimated by reference to labour hours incurred to date as a percentage of the total estimated labour hours to service the project. Therefore, the revenue, cost and gross profit realisation can vary substantially during the execution and reassessment of these projects against the contracted project milestones. Platform Revenue is earned from the use of the Group's Digital Commerce Platform by its customers. Revenue is principally recognised based on the contractual rate applied to bookings or other underlying transactions and also on a fixed fee basis for some customers. Transaction data is sourced from the Group's own internal IT system for 'hosted' customers and from transaction data reported from customers for 'non-hosted' customers. Platform Revenue also includes revenue recognised for customer terminations and the delivery of beta software. Accrued revenue arises on fixed fee professional services where the percentage of completion is ahead of payment milestones and in situations where platform revenue is billed in arrears. The application of IFRS 15 requires the recognition of deferred contract fulfillment costs. Such costs represent those already incurred in executing and delivering contractual obligations to customers for which the associated revenue has not been recognised at the balance sheet date. Significant judgement is exercised in determining what type of expenditure meets the criteria for recognition as deferred contract fulfillment costs, in particular the amount of time incurred by staff and contractors on customer contracts and whether these costs are recoverable. The estimates, assumptions and judgements used by management in the application of IFRS 15, including the identification of performance obligations, have been identified as a key audit matter.	In respect of Platform Revenue, for hosted customers we agreed transaction information to invoices and subsequent cash receipts. For non-hosted customers, we obtained transaction information provided by third party customers to the Group. We agreed the contractual rates included in these reports to underlying contracts. Where revenue was recognised for delivery of Early Release beta versions of software, we reviewed the agreement and correspondence with the customer in assessing if the criteria for recognition was met. Where contract assets or accrued income balances were unbilled at the time of our audit we sought explanations as to why the balances remained unbilled and considered the reasonableness of these explanations and the expected timing of billing and collection. We also obtained contractual agreements, assessed the Group's past history of collections with customers and considered the credit risk with those customers. We carried out audit procedures in testing the Group's deferred contract fulfillment costs and contract acquisition costs disclosed in the consolidated financial statements for compliance with IFRS 15. We evaluated the adequacy of the Group's disclosures regarding revenue, contract assets, accrued income, deferred contract fulfillment costs, contract acquisition costs and contract liabilities on projects as disclosed in notes 2 and 17, Note 9, Note 33, Note 6, Note 7 and Note 16 of the consolidated financial statements. We also tested manual revenue journal entries focusing on unusual or irregular items.	

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

During the course of our audit, we continuously reassessed our materiality as a result of the matters referred to in the Basis for Disclaimer of Opinion section above. We determined our final materiality for the Group to be US$225,000 (2017: US$272,000), which is approximately 0.5% of revenue recognised in accordance with IFRS 15 (2017: approximately 2% of earnings before net finance costs, income tax expense, depreciation and amortisation ("EBITDA")). We believe that revenue provides us with the most appropriate performance metric on which to base our materiality calculation as we consider it to be the most relevant performance measure to the stakeholders of the Group.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall internal control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely US$113,000 (2017: US$136,000). We have set performance materiality at this percentage due to our assessment of the risk of misstatements, both corrected and uncorrected.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$11,000 (2017: US$13,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT REPORT

TAILORING THE SCOPE

The identification of significant accounting irregularities and material weaknesses in internal control resulted in the following revisions to our audit approach for the Group and Company:

- Non-reliance on entity level controls within the Group and Company and the adoption of a fully substantive audit;
- Reducing our materiality and testing thresholds;
- Seeking increased independent corroboration of management representations, with a particular focus on key estimates and judgements;
- Appointing appropriate internal specialists as part of the team (i) to audit the Group's transition to IFRS 15 on 1 January 2018; (ii) to review the Group's cash flow model and assumptions utilised for the purpose of the Group and Company's going concern and impairment models; and (iii) shadow the independent firm conducting the Review to evaluate the findings of the investigation. We did not rely on the results of the Review for the purpose of our audit.

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In determining those components in the Group, we take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide internal controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected all reporting components of the Group, which represent the principal business units within the Group.

The Group is structured into two business segments being "E-business" and "TPF Consulting". The Group financial statements are a consolidation of six individual components, comprising four components for the E-business segment, Ireland, the United States of America, the United Kingdom and China; the TPF Consulting component is centralised in the Netherlands and the centralised Group head office function is in Ireland.

The Group audit team performed an audit of the available financial information for Ireland, the United States of America, the United Kingdom, the Netherlands and the centralised Group head office function ("full scope components") which were selected based on their size or risk characteristics. For the remaining component

TAILORING THE SCOPE (continued)

in China ("specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2017: 100%) of the Group's revenue disclosed in the consolidated financial statements and 100% (2017: 100%) of the Group's total assets disclosed in the consolidated financial statements. For the current year, the full scope components contributed 99% (2017: 99%) of the Group's revenue disclosed in the consolidated financial statements and 99% (2017: 99%) of the Group's total assets disclosed in the consolidated financial statements. The specific scope component contributed 1% (2017: 1%) of the Group's revenue disclosed in the consolidated financial statements and 1% (2017: 1%) of the Group's total assets disclosed in the consolidated financial statements. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

In respect of the following information in the annual report, in relation to which the ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to, the significance of the matters described in the Basis for Disclaimer of Opinion section of our report means that we are unable to form a view on the adequacy or otherwise of:

- the disclosures in the annual report set out on pages 14 to 15 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 35 to 36 in the annual report that they have carried out a robust assessment of the principal risks facing the group and the parent company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 22 to 24 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 6.1.82(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 22 to 24 in the annual report as to how they have assessed the prospects of the group and the parent company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group and the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OTHER INFORMATION

The directors are responsible for the other information. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have been unable to report as to whether:

- the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- the section describing the work of the audit committee appropriately addresses matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 6.1.85 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have been unable to form an opinion, whether, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Companies Act 2014.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- the accounting records of the Company were not sufficient to permit the financial statements to be readily and properly audited; and
- we cannot assess if the Company statement of financial position is in agreement with the accounting records.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view as to whether there are material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made; due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view in this regard.

In respect of the following matters, which the Listing Rules of the Irish Stock Exchange require us to review, due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view on these matters:

- the Directors' statement, set out on pages 22 to 24, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 27 to 38 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board on Directors' remuneration.

RESPECTIVE RESPONSIBILITIES

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company and Group's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (Ireland) and to issue an Auditor's Report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were engaged by the Audit Committee following our appointment at the AGM held on 23 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagements including previous renewals and reappointments of the firm is 2 years. We have indicated to the Audit Committee our intention to resign upon conclusion of our statutory obligations in respect of our audit of the Annual Report and financial statements of the Group and Company for the year ended 31 December 2018.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with our reporting to the Audit Committee.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have or have not formed.

George Deegan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin
5 September 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

DISCLAIMER OF OPINION

We were engaged to audit the financial statements of Datalex plc ("the parent company") and its subsidiaries ("the group") for the financial year ended 31 December 2019.

We do not express an opinion on the accompanying financial statements of the group and parent company for the financial year ended 31 December 2019. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

The financial statements we were engaged to audit comprise:

The group financial statements:
- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 36, including a summary of significant accounting policies as set out in note 2.

The parent company financial statements:
- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statements; and
- the related notes 1 to 36, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in the preparation of the group and parent company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

BASIS FOR DISCLAIMER OF OPINION

INTRODUCTION

We were appointed as auditors of the group and parent company on 31 December 2019. The predecessor auditor disclaimed their audit opinion on the financial statements of the group and parent company for the year ended 31 December 2018. We took these circumstances into account when planning and executing our audit procedures.

OPENING BALANCES

In light of the disclaimer of audit opinion for the year ended 31 December 2018, and the substantial changes in management during 2019, we were unable to obtain sufficient appropriate audit evidence over the opening balances as at 1 January 2019 and the associated allocation of income and expenses between the financial years ended 31 December 2018 and 31 December 2019. Since opening balances enter into the determination of the financial performance and cashflows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the financial year reported in the statement of profit and loss, statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows, across both financial year-ends. The possible effects on the group and parent company's financial statements of undetected misstatements in respect of this matter, if any, could be both material and pervasive. As a result, we were unable to determine if any adjustments might have been found necessary in order for the group's and parent company's financial statements to present a true and fair view, and accordingly, we have disclaimed our audit opinion.

MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

We draw your attention to note 2.5 in the financial statements, which indicates that group incurred a loss of US $12.1m for the financial year ended 31 December 2019, and, at that date had net current liabilities and net liabilities of US $16.5m and US $17.1m respectively. The ability of the group to continue as a going concern is dependent on continuing support of its shareholders, including the rescheduling of the repayment date of the existing debt facility out to 1 November 2021 and the provision of an additional facility up to the amount of Euro €10m (which will be subject to approval by the shareholders), successfully raising further capital and successfully implementing its revenue growth and cost containment strategies. Cash flow projections prepared by the directors (subject to obtaining a successful rescheduling of the repayment date on the existing debt facility and obtaining an additional facility up to the amount of Euro €10m, as noted above) indicate that the funds available are sufficient to meet the obligations of the group for a period of at least twelve months from the date of approval of the financial statements. The directors have prepared the financial statements of the group on the basis that the group is a going concern.

In response to this, we:

- obtained an understanding of the group's controls over the preparation of cash flow projections and approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and determined the implementation of these controls;
- tested the clerical accuracy of the cash flow forecast model;
- engaged our internal specialists to assist in challenging the key assumptions used in the cash flow forecasts;
- performed sensitivity analysis on the cash flow forecasts to assess the amount of cash shortfalls;
- assessed the financing facilities including nature of facilities, repayment terms and covenants;
- assessed the letter of intention of support received by the group from a substantial shareholder, Mr. Dermot Desmond, which comprises a rescheduling of the repayment date of the existing debt facility out to 1 November 2021 and the provision of an additional facility up to an amount of Euro €10m; and
- assessed the adequacy of the disclosures in the financial statements.

As stated in note 2.5, these events or conditions, along with the other matters as set forth in note 2.5 to the financial statements, indicate that material uncertainties exist that may cast significant doubt on the group's ability to continue as a going concern.

SUMMARY OF OUR AUDIT APPROACH

First Year Audit Transition and Key Audit Matters	This is the first year we have been appointed as auditors to the group. We undertook a number of transitional procedures to prepare for the audit. Before we commenced our audit, we used the time to meet with the directors and members of management to gain an understanding of the business, its challenges and the environment in which it operates. The key audit matters we identified in the current year were: Opening balances (see '*Basis for Disclaimer of Opinion*' section) Revenue recognition; Exceptional items; Management override of controls; and Going concern (see '*Material uncertainty relating to going concern*' section)
Materiality	The materiality for the group that we used in the current year was $224k which was determined on the basis of revenue. The materiality of the parent company that we used in the current year was $114k which was determined based on third party debt.
Scoping	We determined the scope of our group audit by obtaining an understanding of the group and its environment, including group-wide internal financial controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work in 7 components. 5 of these were subject to a full audit, whilst the remaining 2 were subject to audits of specified procedures where the extent of our testing was based on our assessment of the associated risks of material misstatement and of the materiality of the component's operations to the group. Analytical review procedures were performed by the group engagement team on all other components within the group.

CONCLUSIONS RELATING TO PRINCIPAL RISKS AND VIABILITY STATEMENT

Aside from the impact of the matters disclosed in the '*Material uncertainty relating to going concern'* section, we confirm that we have nothing to report in respect of the following matters in relation the below matters which ISAs (Ireland) and the Listing Rules require us to report to you whether we have anything material to report, add or draw attention to:

- the directors confirmation in the annual report on pages 39 to 40 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosure on pages 21 to 22 in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how, they are being managed or mitigated;
- the directors' explanation on page 30 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group and parent company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; and
- the directors' statement relating to going concern and the prospects of the group required by Listing Rule 6.1.82(3) is materially inconsistent with our knowledge obtained in the audit

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the '*Basis for Disclaimer of Opinion'* section and in the '*Material uncertainty relating to going concern'* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION

Key audit matter description	As described in Note 2.7, the group derives a significant portion of its revenues from contracts containing multiple performance obligations, including fixed fee elements – Platform revenue and services revenue. Platform revenue involves licenses which provide customers with a right to access the Datalex platform over time, managed services/hosting facilitates customer use of the Datalex product suite and bundled performance obligations. Bundled performance obligations requires the exercise of significant judgement in the assessment of whether the performance obligations should be recognised over time or at a point in time. Professional service revenue contracts which remain open at the financial year end involve key project milestones, ongoing uncertainties around expected costs to complete and the group's future obligations. This requires the exercise of significant judgement in the assessment of the extent of progress towards completion which is estimated by reference to labour hours incurred to date as a percentage of the total estimated labour hours to service the project. Therefore, the revenue, cost and gross profit realisation can vary during the execution and reassessment of these projects against the contracted project milestones. The application of IFRS15 requires the recognition of deferred contract fulfilment costs. Such costs represent those already incurred in executing and delivering contractual obligations to customers for which the associated revenue has not been recognised at the balance sheet date. Significant judgement is exercised in determining what type of expenditure meets the criteria for recognition as deferred contract fulfilment costs, in particular the amount of time incurred by staff and contractors on customer contracts. The Audit Committee's discussion of this key audit matter is set out on page 44.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the revenue recognition process and assessed the design and tested the implementation of the relevant controls therein including how management determine the percentage of completion on customer contracts. Based upon the significant control deficiencies which were identified as part of the prior year audit, and as a result of our design and implementation work performed for 2019, we determined that a wholly substantive approach was appropriate. We engaged our internal specialists to assist in key judgement areas including the appropriateness of recognising the bundled performance obligations, commencing on completion of implementation services or the go-live date, over the contract term. We independently obtained confirmations from customers of the contracts in place during the year ended 31 December 2019. These customer confirmations validated the work order status as at the financial year end date and the completeness of the contracts. We agreed the fixed fee amounts for each contract to the signed agreements and challenged the percentage of completion calculation by independently obtaining confirmations from customers, confirming date of completion and inquiring of management (Team Lead, PMO and customer manager) of the rationale behind determining the percentage of completion. On a sample basis, we recalculated the revenue to be recognised in financial year 31 December 2019 and the related accrued/deferred revenue balances and agreed the revenue billed to customers to subsequent bank receipts. On a sample basis, we recalculated the deferred contract fulfilment costs including agreement of rates to source contracts and invoices. We evaluated the adequacy of disclosures as detailed in the note of the consolidated financial statements.

EXCEPTIONAL ITEMS

Key audit matter description	As described in note 2 (accounting policies, judgement and estimates) and note 23 (exceptional items) to the financial statements, the group classified a number of significant expenses totalling $8.3m as exceptional items. These costs relates to professional fees in relation to investigations, business transformation programme and litigation procedures and the associated costs for regulatory investigations, severance costs, and provision for non recovery of customer receivable balances, which are subject to litigation. The classification of items as exceptional, affects adjusted earnings per share and is inherently judgemental. As a result there is a risk that items are inappropriately classified as exceptional items in line with the stated accounting policy. The Audit Committee's discussion of this key audit matter is set out on page 44.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the process the directors undertook to identify and present exceptional items and assessed the design of the relevant controls therein. As a result of our design work performed for 2019, we determined that a wholly substantive approach was appropriate. We evaluated and challenged the nature and classification of transactions as exceptional in accordance with the group and parent company's accounting policy, whilst also, evaluating whether the accounting policy for exceptional items is appropriate and is consistent with previous periods. We evaluated the presentation of exceptional items and adequacy of the related disclosures in the group's financial statements against requirements under IFRS and Irish Company Law. Our work focused on items of income or expense that could impact the quality of earnings.

MANAGEMENT OVERRIDE OF CONTROLS

Key audit matter description	ISA (Ireland) 240 – The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements, highlights the risk of management override of controls as a presumed audit risk area. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. As a result of the breakdown in internal controls uncovered in early 2019 and detailed within the 2018 Annual Report, there is an increased risk of management override of controls.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the financial reporting process and assessed the design and tested the implementation of the relevant controls therein. Based upon the significant control deficiencies which were identified as part of the prior year audit, and as a result of our design and implementation work performed for 2019, we determined that a wholly substantive approach was appropriate. We incorporated specific, directed and focused criteria, in our selection of journal entries processed during the reporting period for testing, in the Significant Component ledgers, utilising data analytics tools. We performed a retrospective review of management's judgements and assumptions relating to significant estimates reflected in the prior year's financial statements. We reviewed certain accounting estimates for bias including revenue recognition and going concern, incorporating the following procedures: – We engaged our internal specialists to assist in key judgement areas including the assessment of bundled performance obligations within revenue contracts, and cashflow forecasts as part of the going concern assessment. – In respect of revenue recognition, we independently obtained confirmations from customers of the contracts in place during the year ended 31 December 2019. These customer confirmations validated the work order status as at the financial year end date and the completeness of the contracts in issue. – We engaged with management experts in assessing the reasonableness of certain provisions from a measurement perpspective. We obtained an understanding of the business rationale of significant transactions, with a specific focus on the loan facility received from a related party, Mr Dermot Desmond through his vehicle Tireragh Limited, during the year. We reviewed the shareholder approval for the loan and obtained external confirmation of the balance as at 31 December 2019.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be $224k which is approximately 0.5% of revenue. We have considered revenue to be the critical component for determining materiality because it is the most important measure for users of the group's financial statements.

We determined materiality for the parent company to be $114k which is approximately 1% of third party debt, as the most significant driver of the parent company financial statements.

We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the group and reliability of the control environment.

We agreed with the Audit Committee that we would report to them any audit differences in excess of $11.2k, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The structure of the group's finance function is such that the central group finance team in Dublin provides support to group entities for the accounting of the majority of transactions and balances. The audit work was undertaken and performed by an audit team based in Dublin.

We determined the scope of our group audit on an entity level basis, assessing components against the risk of material misstatement at the group level. Based on this assessment, we focussed our work on 7 components covering 100% of revenue and 99% of net assets. 5 of these were subject to a full audit, whilst the remaining 2 were subject to audits of specified procedures where the extent of our testing was based on our assessment of the associated risks of material misstatement and of the materiality of the component's operations to the group. The legal entities, which were subject to a full scope audit, were Datalex plc, Datalex (Ireland) Limited, Datalex Solutions (UK) Limited, Datalex Netherlands BV, and Datalex USA Inc. We also carried out specified audit procedures on Datalex China Limited and Datalex Employee Benefit Trust.

At the parent company level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified audit procedures.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Datalex Annual Report 2019, other than the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Aside from the impact of the matter disclosed in the '*Basis for disclaimer of opinion*' section of this report, we have nothing to report in this regard. In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information as required by ISAs (Ireland) and the Listing Rules and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and the parent company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex* - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex containing provisions specified for review by the auditor in accordance with Listing Rule 6.1.85 and Listing Rule 6.1.86 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code or the Irish Corporate Governance Annex.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the group and parent company's financial statements in accordance with International Standards on Auditing (Ireland) and to issue an auditor's report. However, because of the matter described in the '*Basis for disclaimer of opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2014

Aside from the impact of the matter disclosed in the '*Basis for disclaimer of opinion'* section of this report, based on the work undertaken in the course of the audit:

- the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014;

Aside from the impact of the matter disclosed in the '*Basis for disclaimer of opinion'* section of this report:

- we have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited;
- the Parent Company balance sheet is in agreement with the accounting records.

CORPORATE GOVERNANCE STATEMENT

Notwithstanding our disclaimer of opinion on the financial statements, based on the work undertaken in the coures of our audit we report, in relation to information given in the Corporate Governance Statement on pages 34 to 41 that:

- In our opinion based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and 2(d) of section 1373 of the Companies Act 2014 is consistent with the company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014.

Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

- In our opinion, based on the work undertaken during the course of the audit, the Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended); and
- In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Notwithstanding our disclaimer of an opinion on the financial statements, based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the directors' report.

Notwithstanding our disclaimer of an opinion on the financial statements, we have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

The Listing Rules of Euronext Dublin require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee. Notwithstanding our disclaimer of an opinion on the financial statements, we have nothing to report in this regard.

OTHER MATTERS, WHICH WE ARE REQUIRED TO ADDRESS

Datalex plc appointed us on 31 December 2019 to audit the financial statements for the financial year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagements including previous renewals and reappointments of the firm is one financial year, covering the financial year ended 31 December 2019.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our disclaimer of opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Daniel Murray

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland

30 June 2020

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 GOING CONCERN

The consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future. The time period that the Board has considered in evaluating the appropriateness of the going concern basis in preparing the consolidated financial statements for 2019 is a period of twelve months from the date of approval of these consolidated financial statements.

The Group incurred a loss of US$12.1m in 2019 (2018: loss of US$47.2m). At 31 December 2019, the Group had net liabilities of US$17.1m (2018: net liabilities of US$9.4m) and net current liabilities of US$16.5m (2018: net current liabilities of US$11.7m). Operating cash outflows in the year were US$15.2m (2018: US$1.9m outflow). The total decrease in cash was US$5.3m (2018: US$7.8m).

The Group continues to operate in a very competitive environment and COVID-19 has brought unprecedented challenges to the aviation industry. COVID-19 has had a significant adverse impact on the aviation industry to date and there remains uncertainty as to when the industry will recover from it. This leads to the risk that airlines could fail in the near future due to the travel restrictions imposed by governments throughout the world. A number of significant events occurred during 2019 and in 2020 to date that have given rise to material uncertainties for the business that may cast significant doubt on the Group's ability to continue as a going concern.

As the Group recovers from the financial challenges it encountered in 2019, the Board acknowledges that there is a risk that some customers may look to alternative providers. As described in the Financial & Operational Review section on pages 14 to 19, Lufthansa AG and Swiss International Airlines Limited terminated their contracts with Datalex during 2019. In April 2020 the Group received a termination from another customer which is related to the customers own internal restructuring and we are in discussions with the customer regarding a new contractual arrangement. In evaluating our cash flow needs for the next twelve months, we have taken into account our commitments to customers in both deployment and ongoing service commitments.

The UK Corporate Governance Code requires the Board to assess and report on the prospects of the Group and whether the business is a going concern. In considering this requirement, the Directors have taken into account the Group's forecast cash flows, liquidity, borrowing facilities and related covenant requirements and the expected operational activities of the Group. To prepare financial forecasts for the business is challenging in this environment, as there are a number of different outcomes, both positive and negative which could arise as a result of COVID-19. We have adjusted our 2020 forecast to take into account the potential impacts that COVID-19 could have on the Group, such as:

- A material reduction in transaction volumes to approximately 15% of 2019 levels in Q2 2020, improving to 60% in Q4 2020 and remaining at this level in H1 2021;
- A 33% reduction in post go-live services revenue for FY 2020, with an additional 10% reduction in 2021;
- No additional losses of customers. The Group relies on a small number of significant customers;
- Delays in a large project implementation to H1 2021
- Successfully winning new business in H1 2021;
- Significant reduction across all operating costs of the business;
- Continued ability to negotiate extended payment terms with our key suppliers; and
- Delays in cash receipts over the course of H2 2020 in relation to platform revenue to the Group by an additional 30 days to normal payment terms. This delay is assumed to return to normal over the course of H1 2021;

In our sensitivity analysis, management made further assumptions to reflect COVID-19 having a more adverse impact on the global economy, the aviation industry & Datalex, together with certain actions the Group would take in these circumstances:

- A further reduction in transaction volumes of 10% from 2020 forecast levels;
- A further reduction in post go-live services revenue versus 2020 forecast of 30% for FY 2020 and 17% for FY 2021;
- Removal of new win opportunities and further delays in a large project go-live;
- Additional cost saving measures across the business, impacting headcount, contractors and operating costs;
- Continued ability to negotiate extended payment terms with our key suppliers; and
- The delays in cash receipts from platform revenues in 2020 are not assumed to catch up over the course of H1 2021.

Based on the forecasts prepared by management and approved by the Board post COVID-19, and the additional sensitivity analysis performed, maximum potential cash shortfalls of $4m and $8.4m respectively, have been identified in the 12 month period to 30 June 2021. In addition, the Group is required to repay the Tireragh Limited (a company ultimately beneficially owned by Mr. Dermot Desmond) loan facility (US$12.4m) and accrued interest (US$1.5m) on 1 November 2020. The Group's current forecasts indicate that there will not be sufficient Group resources to repay the loan facility as it falls due, and additional funding will be required by the Group in order to repay the loan facility. The Group has secured certain covenant waivers from Tireragh Limited in relation to both 2019 and 2020, in order to preserve flexibility to operate the business through the economic challenges resulting from COVID-19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 GOING CONCERN (continued)

The Board intends to arrange an equity fundraising to raise, net of expenses, sufficient proceeds for the repayment of the loan facilities and the funding of the working capital needs of the business in 2021 and beyond. Due to the significance of the potential funding requirement the Group sought and received confirmations of intended financial support from Tireragh Limited's ultimate beneficial shareholder, Mr. Desmond, to extend the repayment date for the loan facility from 1 November 2020 to 1 November 2021 and to provide additional funding of up to €10 million, if required, subject to payment of a financing fee and a number of conditions and on terms to be agreed to meet the short-term cash flow needs of the Group. The Company anticipates that the provision of such finance to the Group will require independent shareholder approval as a related party transaction under the Euronext Dublin Listing Rules.

The Board is currently seeking to have the suspension in trading in the Company's shares lifted and intends to arrange an equity fundraising as described above. The additional debt funding facility that Mr. Desmond intends to provide will provide Datalex with the flexibility to complete this equity fundraising at a more appropriate time when market conditions are more favourable. We are very grateful for the support provided by Mr. Desmond.

We have incorporated sensitivity analysis into our forecasted plan which reflects plausible but severe combinations of the principal risks of the business, primarily through reducing revenues and contract losses. The Directors believe that these forecasts form a reasonable basis for their estimation of the future cash needs of the business. We will continue to monitor the current situation very closely and will take the additional measures necessary to protect the business. In addition to the actions already taken, there are a number of further cost saving measures which could be implemented if required. We will continue to update our shareholders as circumstances change.

The Board recognises that the combination of the circumstances described above represents material uncertainties that may cast significant doubt as to the Group's ability to continue as a going concern. Nevertheless, on the basis of Mr. Desmond's intention to support, the Board has a reasonable expectation that the Group will be able to successfully navigate the present uncertainties and are satisfied to prepare the consolidated financial statements on a going concern basis. Therefore, the consolidated financial statements do not include any adjustments that would be required if the Group were unable to continue as a going concern.

2.6 FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The Consolidated financial statements are presented in US Dollar, which is the presentational currency of the Group and the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss.

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each statement of financial position presented, are translated at the closing exchange rate at the date of that statement of financial position;
ii. income and expenses for each statement of profit and loss are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction; and
iii. all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net qualifying investment in foreign operations are taken to shareholders' equity.

2.7 REVENUE RECOGNITION

(A) GENERAL

The Group applies IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15").

Revenue is recognised by applying the following five step model to the contracts with customers.

i. Identify the contract with the customer;
ii. Identify the performance obligations in the contract;
iii. Determine the transaction price;
iv. Allocate the transaction price; and
v. Recognise revenue when (or as) a performance obligation is satisfied.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX (IRELAND) LIMITED

Disclaimer of Opinion

We have audited the financial statements of Datalex (Ireland) Limited ("the Company") for the year ended 31 December 2018, which comprise the Profit and Loss Account, Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including the summary of significant accounting policies set out in note 1 to the financial statements. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Irish Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Basis for Disclaimer of Opinion

On 15 January 2019, the Company's ultimate parent undertaking Datalex plc ("the Group") announced that they had identified a number of accounting issues relating to revenue recognition in closing the accounting records in respect of the year ended 31 December 2018. The Board of Datalex plc appointed an independent firm of accountants to conduct a review ("the Review"). The Review focused on the recognition of service revenue during the year ended 31 December 2018, in particular with respect to a fixed fee professional service contract for a significant customer deployment ("the Deployment").

On 27 March 2019, the Group announced that the Review had identified significant accounting irregularities in respect of the year ended 31 December 2018, as the underlying cause for the overstatement of revenue and noting material weaknesses in the internal control environment during the year. The Group accounting process in this area was largely manual and dependent on significant judgement and there was a failure to track operational and financial performance on the Deployment and to retain sufficient appropriate documentation to support the accounting entries recorded during the year.

We took these circumstances into account when planning and executing our audit procedures. Four matters arose during our audit and have resulted in an inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. These matters are detailed below. The possible effects on the financial statements of undetected misstatements in respect of these matters, if any, could be both material and pervasive. As a result of these matters, we are unable to determine the nature, timing, and extent of any adjustments which might have been found necessary in order for the financial statements to present a true and fair view, and accordingly we have disclaimed our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX (IRELAND) LIMITED (Continued)

Basis for Disclaimer of Opinion (continued)

1. Information and explanations

   As is the case with any audit, we made various enquires of management and requested supporting information and documentation during the course of our audit. As a result of the material breakdown in internal control during the period under audit, a number of these requests either could not be responded to, or the information provided was not sufficient for the purposes of our audit. We therefore have not received all the information and explanations that we consider necessary for the purpose of our audit. Some of the more significant areas of our audit affected by this are referred to below, although it is possible that additional areas or matters not listed below may have been identified had additional audit evidence been obtained. As a result, we are unable to determine the completeness and accuracy of the disclosures in the financial statements. This represents a limitation in scope.

2. Going concern

   As disclosed in the Directors Report and Note 1 (a) to the financial statements, the financial statements are prepared on the assumption that the Company will continue as a going concern.

   The Company's ultimate parent undertaking, Datalex plc, confirmed they will provide sufficient funding to enable the Company to meet its contractual obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements.

   In order to review Datalex plc's ability to provide sufficient funding to the Company, management provided us with the cash flow forecast model for Datalex plc and subsidiaries as at 5 September 2019 to support their assessment that the Group will continue as a going concern. In assessing the appropriateness of that model and the assumptions contained therein, we made enquires of management to which they are unable to provide sufficient appropriate audit evidence to support both the use of the model and the underlying assumptions.

   Further, we note that the Group's cash flow forecast model did not extend beyond December 2020. We are unable to ascertain the appropriateness of the Group's cash flow forecasts. Due to the material uncertainties set out in the Directors' Report to the financial statements, we are unable to obtain sufficient appropriate audit evidence to support the assumption that the Company will continue as a going concern. This represents a limitation in scope.

   The financial statements do not reflect any changes or adjustments that would be required should the Company be unable to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX (IRELAND) LIMITED (Continued)

Basis for Disclaimer of Opinion (continued)

3. Revenue recognition

A significant portion of the Company's revenue is in the form of professional service fees. As disclosed in note 1(b) to the financial statements, professional service revenue is recognised by determining the percentage of completion method which is used as a measure of progress for fixed fee services. This requires that the Company's future performance obligations under customer contracts are determinable at the outset of the arrangement. As a result of the material weakness in internal control noted by the Review, management were not in a position to provide sufficient appropriate audit evidence to support the percentage of completion for implementation services and fully define the Company's performance obligations under certain customer contracts. This represents a limitation in scope.

Taking into account the conclusions arising from the Review and a requirement to exercise professional scepticism, we sought as part of our audit procedures, to independently corroborate customer contract terms and conditions directly with three customers. The directors viewed this audit procedure as potentially commercially damaging and also unlikely to result in response, accordingly we were not permitted to perform this audit procedure. This represents a limitation in scope.

As disclosed in note 9 to the financial statements, the Company recorded accrued income of US$3.8 million (US$1.3 million current, US$2.5 million non-current) at 31 December 2018. As a result of the material weaknesses in internal control noted in the Review, we are unable to ascertain the appropriateness or recoverability of the carrying value of accrued income at 31 December 2018. This represents a limitation in scope.

4. Intercompany

As disclosed in note 9 to the financial statements, intercompany receivables are fully provided for at 31 December 2018. We are unable to determine the appropriateness of the carrying amount of these assets as a result of the material uncertainties referred to in the information and explanations and going concern paragraphs above. This represents a limitation in scope.

As disclosed in note 11 to the financial statements, the Company recorded intercompany payables of US$3.3 million. We are unable to determine the appropriateness of the carrying amount of intercompany payables as a result of the material uncertainties referred to in the information and explanations paragraph above. This represents a limitation in scope.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX (IRELAND) LIMITED (Continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view on the matters set out above.

Opinions on other matters prescribed by the Companies Act 2014

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have been unable to form an opinion, whether, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Companies Act 2014.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- the accounting records of the Company were not sufficient to permit the financial statements to be readily and properly audited; and
- we cannot assess if the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view as to whether there are material misstatements in the Directors' Report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made; due to the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form a view in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATALEX (IRELAND) LIMITED (Continued)

Responsibilities of directors for the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with ISAs (Ireland) and to issue an Auditor's Report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

George Deegan
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

Date: 5 March 2020

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Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40
Ireland

Tel: + 353 1 475 0555
Fax: + 353 1 475 0599
ey.com

7237875

Companies Registration Office
O'Brien Road
Carlow

29 October 2020

Company Name: Datalex Ireland Limited

Company Number: 110325

Dear Sirs

Pursuant to section 400 (4) of the Companies Act, 2014, we are sending you a copy of our notice of resignation from the office of auditor of the above named Company.

Please debit account number 4313 with the required amount to cover this resignation.

Yours faithfully

for and on behalf of Ernst & Young

an Oifig um Chláru Cuideachtaí
RECEIVED
02 NOV 2020
CAR-027
Companies Registration Office

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Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40
Ireland

Tel: + 353 1 475 0555
Fax: + 353 1 475 0599
ey.com

The Directors
Datalex Ireland Limited
Block U, Eastpoint Business Park
Dublin 3
D03 H704

29 October 2020

Re: Datalex Ireland Limited ("the Company")

Dear Sirs

In accordance with section 400 of the Companies Act 2014, we write to notify you of our resignation as auditors to the Company with effect from the date of this letter.

The circumstances connected with our resignation which we consider should be brought to the attention of the members or the creditors of the Company, for the purpose of section 400(3) of that Act, are set out in our Independent Auditor's Report to the Members of Datalex Ireland Limited on the financial statements for the year ended 31 December 2018 dated 5 March 2020 (copy attached).

Please note we are obliged to send a copy of this letter to the Registrar of Companies with 14 days of the date of service of this letter and to notify IAASA of our resignation within 30 days of the same.

Yours faithfully

Ernst & Young
Dublin

an Oifig um Chlárú Cuideachtaí
RECEIVED
02 NOV 2020
Companies Registration Office

The Football Association of Ireland
(a company limited by guarantee and not having a share capital)

Reports and Financial Statements for the financial year ended 31 December 2018

Registered number: 17081

THE FOOTBALL ASSOCIATION OF IRELAND
(a company limited by guarantee and not having a share capital)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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THE FOOTBALL ASSOCIATION OF IRELAND
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DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS	D. Conway	- President
	P. Cooke	- Vice President (appointed 7 August 2019)
	J. Earley	- Schoolboys & Schoolgirls (appointed 31 July 2019)
	J. Finnegan	- Amateur Adult Football (appointed 31 July 2019)
	D. Moran	- Amateur Adult Football (appointed 7 August 2019)
	J. O'Brien	- Others & Affiliates (appointed 1 August 2019)
	M. Heraghty	- National Leagues (appointed 7 August 2019)
	R. Shakespeare	- National Leagues (appointed 1 August 2019)

NATIONAL COUNCIL MEMBERS

R. Barber	E. Harrington	N. Morton
P. Barrett	P. Harrington	J. Murphy
D. Bradley	S. Kavanagh	J. O'Brien
T. Browne	T. Kearney	P. O'Brien
D. Cassin	D. Kelly	S. O'Conaill
P. Clarke	J. Hayden	D. O'Donnell
J. Cleary	N. Jordan	T. O'Dowd
M. Conlon	S. Kavanagh	N. O'Driscoll
M. Connolly	T. Kearney	P. O'Halloran
T. Considine	D. Kelly	N. O'Mahony
D. Conway	K. Kelly	T. O'Mahony
P. Cooke	M. Kiernan	J. O'Regan
P. Costelloe	S. Lambert	M. O'Regan
L. Counihan	T. Leahy	P. O'Sullivan
N. Cronin	M. Lynch	G. Perry
D. Cruise	J. MacArdle	J. Power
A. Delaney	T. Martin	M. Price-Bolger
P. Dempsey	T. McAuley	J. Rodgers
J. Earley	C. McCarthy	P. Ryan
M. Farrell	J. McConnell	F. Smith
J. Finnegan	M. McDonald	P. Treanor
T. Gains	S. McGuinness	M. Wallace
S. Gilhooly	P. McHale	S. Weafer
G. Gorman	D. Moran	C. Young
J. Hackett	S. Moran	
A. Harkin	J. Morley	

AUDITORS
Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

BANKERS
Bank of Ireland
College Green
Dublin 2

SOLICITORS
A. & L. Goodbody
IFSC
North Wall Quay
Dublin 1

REGISTERED OFFICE
National Sports Campus
Abbotstown
Dublin 15

THE FOOTBALL ASSOCIATION OF IRELAND
(a company limited by guarantee and not having a share capital)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of The Football Association of Ireland ("the Association") for the financial year ended 31 December 2018.

EVENTS AFTER THE BALANCE SHEET DATE

In March 2019, following the Association informing the Office of the Director of Corporate Enforcement (ODCE) that the then CEO and Director provided the Association with a €100,000 loan in 2017, the ODCE requested the Association restate and refile its 2017 financial statements.

In addition, in April 2019, following the Association's Board becoming aware of contracts entered into by the Association and the former CEO, and sharing same with its auditors, Deloitte Ireland LLP filed a H4 form notifying the Companies Registration Office that proper books of account had not been kept. These issues have now been addressed alongside the revision of these financial statements.

As a result of the above the Association undertook a number of investigations which discovered transactions which were not reported in the financial statements for a number of years. These previously undeclared transactions are declared and disclosed in these revised Financial Statements.

The Association was notified subsequent to the year end of the Revenue Commissioners' intention to audit the Association which has resulted in the Association making voluntary prompted and unprompted disclosure statements to the Revenue. These statements disclosed significant underpayment of employment taxes and VAT liabilities.

Currently the affairs of the Association are under investigation by the Office of Director of Corporate Enforcement.

In September 2019, the Association agreed a settlement with the former CEO and Director of €462,000.

(i)	Payment in lieu of notice	€90,000
(ii)	Contribution to former CEO and Director pension fund	€372,000
	Total Amount	€462,000

The payment of these amounts is in full and final settlement of liabilities of €2,142,857 as at 31 December 2018, potentially due under two contracts to the former CEO and accrued for in these financial statements under current and non-current liabilities. These financial statements do not contain any reduction to the accrued liability of €2,142,857 as the settlement is regarded as a non-adjusting post balance sheet event in accordance with FRS 102.

As noted in note 16 to the financial statements, bank loans of €28.2m as at 31 December 2018 (2017: €33.2m) are presented as current liabilities. This has arisen due to technical covenant breaches. The covenant breaches may have allowed for debt repayment to be requested on demand on the basis of the loan agreement in place. Subsequent to the year end the Association received covenant waivers from its bankers in relation to technical covenant breaches in 2019, however accounting standards deem this to be a non-adjusting subsequent event, hence require bank debt to be presented in the financial statements as a current liability.

GOVERNANCE

As a result of the issues identified above and to assist the Directors in identifying other unrecorded liabilities, the Association undertook/partook in 3 investigations, namely:

1. A detailed forensic review to uncover any undisclosed/incorrectly calculated tax liabilities for the period 2015-2018. This review was conducted in conjunction with an external professional services firm.
2. The commissioning of the Mazars report to investigate specific transactions.
3. Participation in the Sport Ireland KOSI audit of the Association.

Some of these investigation are ongoing and to date they have revealed the following:

1. A number of contracts and transactions where business justification was uncertain and sufficient approvals were not obtained.
2. There were no procurement policies or procedures in place.
3. The Finance and Audit Committees operated with no official terms of reference.
4. The absence of internal audit and compliance functions in FAI meant a key safety net was absent from the Association's structure.
5. There was no policy or standard protocol regarding business cases, options appraisal or business justifications.
6. In relation to the financial statements for 2017, which were originally approved on 7 June 2018, it was noted that not all relevant audit information had been provided to the Association's statutory auditor.

As a result, the Association, in conjunction with Sport Ireland, commissioned the drafting of a Governance Review Report. This Report was published in June 2019. The report was overwhelmingly adopted by an EGM on 20 July 2019 and implemented at an AGM on 27 July 2019.

The Report contains 78 recommendations, the most significant of these recommendations being:

1. The appointment of a new 12-person Board in accordance with the structures proposed within the report.
2. The composition of the new Board includes 4 Independent Directors and an Independent Chair Person.
3. Chief Executive Officer to no longer be a member of the Board.
4. New robust internal control procedures.
5. Recruitment of a compliance officer.
6. Appointment of a new robust audit risk and compliance committee.

At the time of signing these financial statements, 40% of the 78 recommendations have been implemented.

PRINCIPAL ACTIVITY

The principal activity of the Association is the management and direction of Association Football throughout the Republic of Ireland.

RESULTS FOR THE FINANCIAL YEAR AND STATE OF AFFAIRS AT THE FINANCIAL YEAR END AND REVIEW OF THE BUSINESS

The results for the year and state of affairs at the financial year end are set out in the Statement of Comprehensive Income and Balance Sheet respectively.

The following is a summary of the results for the current financial year:

	2018	2017 revised
	€	€
Deficit on ordinary activities before grants	**(5,469,532)**	(458,168)
Development and operating grants to affiliates	**(3,406,829)**	(2,394,571)
Retained deficit for financial year	**(8,876,361)**	(2,852,739)

INCOME AND EXPENDITURE

Overall the Association's turnover was €44.8m (2017 revised: €48.4m).

During 2018, Sport Ireland assisted the running of the technical department by allocating €2.9m in grants (2017: €2.7m) to the FAI's football programmes.

The Association received sponsorship income of €8.0m in 2018 (2017: €7.7m).

The underlying retained deficit was €8.9m (2017 revised: deficit of €2.9m) after taking all income, expenditure, investment income, interest costs, amortisation and grants into account.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 we had net assets of €5.3m, a decrease of €8.9m from 2017. The Association has assets of just over €91.1m (2017: €93.4m) and bank and other borrowings of €32.2m (2017: €38.2m.)

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE ASSOCIATION

As at the date of approval of the financial statements, the current Directors have assessed the principal risks and uncertainties facing the Association as below;

Given the financial issues which were uncovered in 2019 relating to prior years, the Association is reliant upon renegotiating existing financing arrangements or through receipt of financial support to enable it to continue as a going concern and meet its liabilities as they fall due. These liabilities relate to both ongoing liabilities from the Association's operations and financing loans received. The Association continues to negotiate with relevant parties for appropriate financing to be obtained.

The Association is also aware of the risks inherent in being able to fund grassroots football related activities where Government funding has been suspended.

The Association is also dependent upon the income generated by the success of the Senior International team by way of ticketing and commercial revenue to enable it to invest in all aspects of football throughout the country. Similar to suspension of government funding, any reduction in revenue generated from the Senior International team may affect the level of investment in grassroots football.

As with other organisations the Association is conscious of the possible impact of business interruption from a cyberattack and the risks this possesses to being able to continue to operate the Association on a day to day basis. Following an incident in June 2019, the Association has made significant investment in the technological infrastructure of the organisation. This has included; upgrading the Association's server infrastructure, network switches, routers and firewalls, in-house Wi-Fi access, migration of in-house mail and file storage to secured cloud-based storage, and upgrading the corporate antivirus system.

FUNDING AND FUTURE CHALLENGES

The Association remains committed to securing immediate financing to support current working capital requirements. The Association acknowledges the success of centralised television deals negotiated through UEFA which have secured long term TV rights revenue streams which extend to 2022, UEFA Hattrick Programme funding and commercial contracts. These revenues, allied to future income from the resale of premium seats, our day to day revenues, provides a foundation for day to day financing of the Association's activities, albeit there is a need to refinance the existing balance sheet position.

The Association, in conjunction with external advisors, is currently drafting a business plan to ensure the future well-being of the Association. This business plan will align with the adoption of the Governance Review Report.

GOING CONCERN

As at the year end, the company had net current liabilities of €55m. Since the end of 2018, the Association has had negative operating cashflow. The Association is reliant upon continued financial support from UEFA and the Association's bankers. Since 31 December 2018, the Association has received continuous financial support from UEFA to assist it in meeting its ongoing operations.

As at the date of approval of the financial statements, the Association is in advanced discussions with its bankers in trying to agree long term funding that will enable the Association to meet its liabilities as they fall due and provide financial stability to the balance sheet in the short and medium term. The Association's current Directors are optimistic that an agreement can be reached, however note that this presents a material uncertainty as regards the ability of the Association to meet its liabilities as they fall due.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

THE FOOTBALL ASSOCIATION OF IRELAND
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS & SECRETARY

The present membership of the Board of Directors is set out on page 2, including their date of appointment. At the Annual General Meeting held on 27 July 2019, N. Fitzroy, P. Treanor, E. Naughton, M. Hanley, J. McConnell and N. O'Donoghue resigned from the Board of Directors. On the 15 April 2019, M. Cody and E. Murray resigned from the Board of Directors. On the 18 July 2018, T. Fitzgerald resigned from the Board of Directors. On the 26 March 2019 J. Delaney resigned as a director of the company.

In addition, the present National Council members are set out on page 2.

The Company Secretary at 31 December 2018 was Rea Walshe.

None of the directors, nor the secretary, held any interests in the company, in accordance with s329 of the Companies Act 2014.

D. Conway has announced his intention to resign as a director at an EGM on 25 January 2020.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at the National Sports Campus, Abbotstown, Dublin 15.

We acknowledge that due to issues which have subsequently been uncovered and are disclosed in note 23, we have been required to refile the 2017 financial statements and restate comparative balances. As a result of the items detailed in note 23, the Directors have undertaken steps to satisfy themselves regarding the accuracy of the financial statements and controls. These include the engaging of an external professional services firm to augment the existing finance function, provide support in assessing the financial implications of the items in note 23 for enhancing the processes and controls of the finance function of the Association going forward.

In addition, another external professional services firm was engaged to perform an investigation of specific transactions. This is ongoing.

STATEMENT ON RELEVANT AUDIT INFORMATION

In the case of each of the persons who are directors at the time the Directors' Report and Financial Statements are approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's statutory auditors are unaware, and

(b) the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

As also noted in the Governance note above, in relation to the financial statements for 2017, which were originally approved on 7 June 2018, it was noted that not all relevant audit information had been provided to the Association's statutory auditor.

DIRECTORS' COMPLIANCE STATEMENT

As noted above, certain tax obligations were not met during the year ended 31 December 2018 and that led to non-compliance with the Association's relevant obligations under the Companies Act 2014. The Directors have subsequently put new controls and procedures in place.

The Directors have reassessed the compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Association's relevant obligations under the Companies Act 2014.

The Directors confirm that these arrangements and structures were reviewed subsequent to the financial year end at a Board meeting on 4 March 2019 and again 5 December 2019. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Association's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Association and of persons retained by the Association under contract, who they believe have the requisite knowledge and experience to advise the Association on compliance with its relevant obligations.

AUDIT COMMITTEE

Pending the establishment of the new audit risk and compliance committee adopted under the governance report the entire Board with has taken over responsibility for monitoring the effectiveness of the Association's risk management and internal control systems. In addition, the entire Board has interacted with the auditors on the 2018 accounts.

AUDITORS

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, have indicated their intention not to seek reappointment as auditors.

Signed on behalf of the Board of Directors:

Donal Conway
President

Paul Cooke
Vice President

Martin Heraghty
Board Member

Date: 6/12/2019

THE FOOTBALL ASSOCIATION OF IRELAND
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DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council* ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

Independent auditor's report to the members of the Football Association of Ireland

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of the Football Association of Ireland (the "company") for the year ended 31 December 2018.

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows and
- the related notes 1 to 23, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council.

Basis for disclaimer of opinion

Introduction

As disclosed in the directors' report, subsequent to the year end, the company identified a number of accounting issues relating to transactions entered into by the company over a number of years.

As a result of an undisclosed transaction with a director during 2017, the Office of the Director of Corporate Enforcement requested the company to refile revised 2017 financial statements to reflect the transaction. Following internal investigations, further unrecorded and undisclosed transactions were identified which have been outlined in the directors' report and in note 23 to the financial statements.

We took these circumstances into account when planning and executing our audit procedures. The following matters arose during our audit and have resulted in an inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the company. These matters are detailed below. The possible effects on the company's financial statements of undetected misstatements in respect of these matters, if any, could be both material and pervasive. As a result of these matters, we were unable to determine the nature, timing and extent of any adjustments which might have been found necessary in order for the company's financial statements to present a true and fair view, and accordingly we have disclaimed our audit opinion.

Going concern

The company has prepared its financial statements on the going concern basis. At the balance sheet date the net current liabilities amounted to €55,067,472 and the company has incurred significant losses since that date and will need additional financing in order to meet its liabilities that fall due in the foreseeable future. As disclosed in note 23 to the financial statements, as a result of unrecorded transactions, additional liabilities were identified in the revised financial statements as at 31 December 2017 which result in technical breaches of the company's banking convents.

While the company has received some advanced funding from UEFA during 2019 to enable the company to meet some of its current liabilities there is not sufficient audit evidence that the company will be able to meet its liabilities as they fall due. Therefore we were unable to obtain sufficient audit evidence to support the assumption that the company will continue as a going concern.

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Deloitte.

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Independent auditor's report to the members of the Football Association of Ireland

Report on the audit of the financial statements (continued)

Completeness of liabilities

As set out in note 23 to the financial statements, a number of financial liabilities relating to prior years and arising from previously unrecorded contracts were identified subsequent to the year end and recorded as prior year adjustments in the financial statements. This indicated a material breakdown in internal control relating to management override of controls over a number of years.

As at the date of approval of the financial statements, further enquiries are on-going, including an internal independent investigation into transactions with directors and an investigation by the Office of the Director of Corporate Enforcement into company law related matters. It is possible that further unrecorded liabilities may arise as a result of these or other investigations or if additional audit evidence were obtained. In preparing the financial statements, the directors have undertaken internal reviews but have not implemented a sufficiently robust independent process to identify if other unrecorded liabilities exist at the balance sheet date. The internal processes undertaken by the directors do not provide sufficient audit evidence that reduces the likelihood of there being unrecorded liabilities to an acceptable level.

As a result of not obtaining sufficient appropriate audit evidence in respect to the going concern assumption applied by the directors and the completeness of liabilities we were unable to form an opinion on the truth and fairness of the financial statements.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law, and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Deloitte.

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Independent auditor's report to the members of the Football Association of Ireland

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report is consistent with the financial statements; and
- the financial statements are in agreement with the accounting records

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.
- we were unable to confirm that the directors' report has been prepared in accordance with the Companies Act 2014
- we were unable to determine whether adequate accounting records have been kept; and
- we are unable to report to you, if in our opinion, the disclosure of directors' remuneration and transactions specified by law are made

Richard Howard

Richard Howard
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 6 December 2019

THE FOOTBALL ASSOCIATION OF IRELAND
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **€**	2017 revised €
TURNOVER	*3*	**44,824,905**	48,388,340
Cost of sales		**(32,028,482)**	(30,410,187)
OPERATING INCOME		**12,796,423**	17,978,153
Administration expenses		**(15,464,166)**	(15,985,386)
OPERATING (DEFICIT)/SURPLUS		**(2,667,743)**	1,992,767
Interest payable and similar charges	*5*	**(2,801,789)**	(2,450,935)
DEFICIT ON ORDINARY ACTIVITIES BEFORE GRANTS	*6*	**(5,469,532)**	(458,168)
Development and operating grants to affiliates		**(3,406,829)**	(2,394,571)
DEFICIT RETAINED FOR THE FINANCIAL YEAR		**(8,876,361)**	(2,852,739)

All amounts within the Statement of Comprehensive Income relate to continuing operations.

There is no other comprehensive income for the financial year (2017: none) other than that included above.

The notes on pages 17 to 36 form part of these financial statements.

THE FOOTBALL ASSOCIATION OF IRELAND
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BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	**2018** **€**	2017 revised €
Fixed Assets			
Tangible assets	*7*	**2,723,370**	2,966,496
Intangible assets	*8*	**56,893,217**	58,512,035
Financial assets	*9*	**24,196,503**	25,196,503
		83,813,090	86,675,034
Current Assets			
Debtors and prepayments	*10*	**7,288,561**	6,754,354
		7,288,561	6,754,354
Current Liabilities			
Creditors: Amounts falling due within one year	*12*	**(62,356,033)**	(64,305,073)
Net Current Liabilities		**(55,067,472)**	(57,550,719)
Total Assets less Current Liabilities		**28,745,618**	29,124,315
Creditors: Amounts falling due after more than one year	*12*	**(22,460,329)**	(14,962,665)
NET ASSETS		**5,285,289**	14,161,650
Represented by:			
Capital reserve		**29,775**	29,775
Revenue reserves		**5,255,514**	14,131,875
TOTAL RESERVES		**5,285,289**	14,161,650

The financial statements were approved by the Board of Directors on 6/12/2019 and signed on its behalf by:

Donal Conway
Donal Conway
President

Paul Cooke
Vice President

Martin Heraghty
Board Member

Date: 6/12/2019

The notes on pages 17 to 36 form part of these financial statements.

THE FOOTBALL ASSOCIATION OF IRELAND
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Capital Reserves €	Revenue Reserves revised €	Total revised €
At 1 January 2017	29,775	16,984,614	17,014,389
Revised loss for the financial year	-	(2,852,739)	(2,852,739)
At 31 December 2017 revised	29,775	14,131,875	14,161,650
Loss for the financial year	-	(8,876,361)	(8,876,361)
At 31 December 2018	**29,775**	**5,255,514**	**5,285,289**

The notes on pages 17 to 36 form part of these financial statements.

THE FOOTBALL ASSOCIATION OF IRELAND
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** €	2017 revised €
Net cash flows from operating activities before grants	*15*	**10,933,611**	2,950,466
Payment of development and operating grants to affiliates		**(3,331,001)**	(2,320,307)
Net cash flows from operating activities		**7,602,610**	630,159
Cash flows from investing activities			
Acquisitions of intangible fixed assets		**(129,528)**	(418,200)
Acquisitions of tangible fixed assets		**(297,344)**	(355,514)
Dividend received from investments		**1,000,000**	-
Net cash flows from investing activities		**573,128**	(773,714)
Cash flows from financing activities			
Repayments of obligations under leases		**(148,952)**	(145,744)
Repayments of borrowings		**(5,125,000)**	(786,840)
Interest payable and similar charges		**(1,941,480)**	(1,224,415)
Net cash flows from financing activities		**(7,215,432)**	(2,156,999)
Net increase / (decrease) in cash and cash equivalents	*14*	**960,306**	(2,300,554)
Cash and cash equivalents at beginning of financial year		**(1,363,107)**	937,447
Cash and cash equivalents at end of financial year	*12*	**(402,801)**	(1,363,107)

The notes on pages 17 to 36 form part of these financial statements.

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and to the preceding year.

General Information and Basis of Accounting

The Football Association of Ireland is a company limited by guarantee and without share capital incorporated in Ireland. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the directors' report on pages 3 to 8.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of The Football Association of Ireland is considered to be euro because that is the currency of the primary economic environment in which the company operates. The financial statements are presented in euro.

During 2019, the Association became aware of certain accounting matters relating to prior years where contracts had not been accounted for appropriately. Following the discovery of these accounting issues, the Association commissioned an independent firm of accountants to investigate possible related party transactions with Directors. This investigation is still ongoing at the date of approval of the financial statements.

The Directors have also provided additional resources to the finance function to assist in strengthening controls and processes and in helping to deal with the increased burden of work.

No additional material unrecorded transactions have been uncovered subsequent to the year-end which may impact the 2017 refiled financial statements. The Board of Directors are not aware of any further unrecorded transactions which have not been accounted for, however the Board acknowledge that there is a possibility that other unrecorded transactions may exist which have not been accounted for which may be discovered as the ongoing reviews are concluded.

Going Concern

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report.

The Association had a loss for the financial year of €8,876,361 (2017 revised: €2,852,739) and as at the balance sheet date had net assets of €5,285,289 (2017 revised: €14,161,650) with net current liabilities of €55,067,472 (2017 revised: €57,550,719). The net current liabilities excluding deferred income at the balance sheet date was €44,047,127 (2017: €43,322,406).

In 2019 the Association carried out a review of its detailed cash position. The Association is currently in negotiations with its banking partner to secure long term financing to allow it to restructure its existing balance sheet position. At the date of approval of the financial statements, negotiations are ongoing. The Association acknowledge the assistance provided by UEFA in providing advances, however we acknowledge this is a short term solution and it will be necessary in the coming months for the Association to obtain further long term financing.

While the Association is in the process of refinancing its balance sheet and there is uncertainty as regards when this will be finalised, the Directors believe that it is appropriate to prepare these financial statements on a going concern basis.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The Association has been granted sporting body status, and accordingly no charge to Corporation tax arises by virtue of Section 235 of the Taxes Consolidation Act, 1997.

Turnover

Turnover comprises the value of sales of goods and services in the normal course of business including gate receipts, sponsorship monies, subventions, marketing, commercial and miscellaneous income.

Turnover from marketing contracts is recognised rateably over the period of the contract or where a fair value can be attributed to an element of a contract when that element has been delivered. Subvention and grant income is recognised over the period when the related cost is recognised.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and any allowance for impairment. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line balance basis over its expected useful life, as follows:

Office, machinery Furniture and equipment	10% – 33% per annum
Motor Vehicles	25% per annum
Training grounds	10% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives.

In the opinion of the directors, any charge to depreciation on the grounds and related accumulated depreciation would not be material as the value of the assets relate primarily to land.

Intangible Fixed Assets

Intangible fixed assets are stated at cost net of depreciation and any allowance for impairment.Intangible fixed assets comprise of contributions to New Stadium Limited in respect of the construction of Aviva Stadium and software licences.

The stadium asset is amortised on a straight line basis over a 50 year period in line with the estimated useful life. Software Licences are capitalised at their fair value and amortised on a straight line basis over the shorter of their estimated useful lives or licence duration from the date the software is available for use.

Financial Assets

Financial assets consist of investments in joint venture undertakings together with other financial asset investments held at cost. Investments are carried at cost less provisions for any permanent diminution in carrying value below cost.

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through surplus or deficit, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Investments
Investments are measured at fair value with changes in fair value recognised through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in joint ventures are measured at cost less impairment.

(ii) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Finance Costs

Interest and similar costs are expensed to the Statement of Comprehensive Income over the period to which the loan financing relates. Where the financing related directly to the addition of a fixed asset, such costs were attributed to the related asset.

Finance costs associated with the raising of finance are netted against the related loan and amortised over the period of the loan. Where future contracted revenue cashflows are securitised, the resulting difference between the upfront proceeds and the gross value of the contract is recognised over the period of the related contract as a finance cost.

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

Charges in respect of pension arrangements under a defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year to which they relate.

Grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets.

Grants relating to fixed assets are treated as a deferred credit, which is credited to the Income Statement over the estimated useful lives of the related assets on a straight line basis. Grants relating to non-capital expenditure are credited to the S.O.C.I. in the same period as the related expenditure is incurred.

Foreign Currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. All exchange differences are dealt with in the S.O.C.I.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements include;

- the assessment of expected useful lives for fixed assets, both tangible and intangible. Depreciation rates are set by reference to internal estimation of useful lives and benchmarking assets against externally available information,
- assessment of period over which revenue is recognised for contracts which span more than one accounting period and where multiple deliverables may form part of the contract.
- calculation of interest charge on financial instruments.

The key source of estimation is the determination of bad debt provisions at year end where such provisions include an estimation of future cashflows and where they may not reflect the eventual cash receipts.

During 2019, the Association was subject to a Revenue audit. This has resulted in the Association making a voluntary disclosure of underpaid employment taxes and VAT, and consequent interest and penalties to the Irish Revenue Commissioners, estimated at €2,712,721 across the years 2015, 2016, 2017 and 2018. These potential liabilities have yet to be accepted by the revenue authorities. The amounts provided are best estimates of the directors based on the facts presented and after consultations with a professional service firm.

3. TURNOVER

An analysis of the Association's turnover is as follows:

	2018 **€**	2017 revised €
International match income	**12,179,076**	17,361,298
Commercial income	**17,984,541**	16,271,173
Grants & subvention income	**6,210,263**	6,147,300
Income from technical department courses	**6,872,877**	6,180,956
Other income	**1,578,148**	2,427,613
	44,824,905	48,388,340

In addition to this revenue, the FAI also received benefits from sponsors in the form of discounts and usage of sponsors' equipment. The value of this sponsorship is not reflected in the turnover figure.

All income arose in the Republic of Ireland.

During the year the FAI received grant funding from the Young Peoples Facilities and Services Fund 2 (YPFSF 2) - Football in the Community Officers funding €392,436 (2017: €361,778) - Limerick/Clare ETB for €98,311, Kildare/Wicklow ETB for Arlow 4 towns project €8,262, Kildare/Wikclow ETB for €24,477, Longford/Westmeath ETB for programme costs €8,262, Louth/Meath ETB for programme cost €8,262, Wexford/Waterfore ETB for programme cost €8,262, Wexford/Waterford ETB for €24,937, Dun Laoghaire Rathdown Co Co for Late night leagues €2,155, Dun Laoghaire Rathdown Co Co for €24,476, Dublin City ETB for €167,152, Dublin City ETB for summer soccer school places €12,918, Cork ETB for 3rd level facilitator programme €16,246, Sligh/Leitirm/Mayo ETB for 3rd level Facilitator programme €8,122; Department of Justice €Nil (2017: €45,022), Sport Ireland €2,707,910 (2017: €2,707,910); Sport Ireland for Womens National Team €195,000 (2017: €Nil); Department of Foreign Affairs and Trade Emigrant Support Programme €Nil (2017: €Nil); Department of Children and Youth Affairs €4,800 (2017: €Nil) for LGBTI; Dublin Waste to Energy Project Grant - Community Gain €Nil (2017: €Nil); DCYA / CDYSB – General Fund Youth Employability Grant €Nil (2017: €Nil); City of Dublin ETB/CDYSE - DCYA Capital Grant €20,000 (2017: €Nil); Limerick & Clare ETB - Capital Grant €7,500 (2017: €Nil); Ferrero for Move & Learn CSR Project Cork £18,000; Dormant Account funding €64,855 (2017: €18,000). These grants have been expended for the purpose for which they were intended.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. STAFF COSTS

	2018 €	2017 revised €
Wages and Salaries	**13,241,183**	11,117,506
Social welfare costs	**1,516,052**	1,274,989
Pension costs	**380,006**	365,853
	15,137,241	12,758,348

Average number of persons employed (including directors) was:

	Number	Number
Management	**13**	13
Administration and operations	**187**	184
	200	197

Included in staff costs in 2018 are €1,903,277 relating to the early termination of contracts, being primarily the previous international management team.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 €	2017 revised €
Interest payable on overdraft and loans payable within 5 years	**1,876,998**	1,607,946
Unwinding of discount (Note 12)	**581,818**	390,909
Unwinding of discount on other creditors (Note 12)	**287,766**	274,063
Interest and penalties on additional tax disclosure	**55,207**	178,017
	2,801,789	2,450,935

6. DEFICIT ON ORDINARY ACTIVITIES BEFORE GRANTS

	2018 €	2017 revised €
Deficit on ordinary activities before grants is arrived at after charging:		
Directors' Remuneration:		
- Directors emoluments – details below	**994,688**	863,061
- Officers' emoluments	**77,841**	79,095
Tangible fixed asset depreciation	**540,470**	391,253
Intangible fixed assets amortisation	**1,748,346**	1,712,205
Operating lease charge - land & building	**2,794,605**	2,794,605

Including in the operating result for the period are exceptional professional fees of €324,660 (2017: €2,496,736) incurred in dealing with the matters outlined in note 23.

	2018 €	2017 €
Auditors' Remuneration (including VAT) is as follows:		
- Audit of company's accounts	**255,000**	165,190
- Other assurance services	**11,993**	11,255
- Tax advisory services	**-**	4,305
- Other non-audit services	**1,169**	50,984
	268,162	231,734

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6. DEFICIT ON ORDINARY ACTIVITIES BEFORE GRANTS (CONTINUED)

The refiled figure for 2017 and restated comparative period amount arise due to contracts with the former CEO that had not been previously recorded. These include:

- a contract entered into by the Association and the former CEO and Director
- personal expenses paid by the Association on behalf of the former CEO and Director (net of reimbursements) and related benefit in kind tax payable. These amounts are still subject to agreement with the revenue authorities as set out in note 2.

Officers' emoluments represents set fees paid to executive board members.

	2018 **€**	2017 revised €
Director's' Remuneration:		
Aggregate emoluments paid to or receivable by directors - in respect of qualifying services	**566,117**	434,490
Aggregate amount of money receivable by directors under long term incentive schemes in respect of qualifying services (including deferred pension arrangements outlined below)	**428,571**	428,571
Total	**994,688**	863,061
- Fees paid to directors (Officers' emoluments)	**77,841**	79,905
Aggregate defined contribution pension payments payable in respect of qualifying services of directors	**285,714**	285,714

7. TANGIBLE ASSETS

	Football Grounds €	Office Machinery, Furniture and Equipment €	Training Grounds €	Total €
Cost or valuation				
At 1 January 2018	773,712	3,961,275	2,034,909	6,769,896
Additions	184,361	70,483	42,500	297,344
As at 31 December 2018	**958,073**	**4,031,758**	**2,077,409**	**7,067,240**
Depreciation				
At 1 January 2018	-	3,349,050	454,350	3,803,400
Charge for the financial year	-	332,729	207,741	540,470
At 31 December 2018	-	**3,681,779**	**662,091**	**4,343,870**
Carrying value				
At 31 December 2018	**958,073**	**349,979**	**1,415,318**	**2,723,370**
At 31 December 2017	773,712	612,225	1,580,559	2,966,496

Grounds represent the Associations interest in United Park in Drogheda, Ferrycarrig Park in Wexford, St. Colman's Park in Cobh, the FAI Centre of Excellence in Glanmire, Cork and Ray McSharry Park in Sligo. Training grounds represent the Associations interest in National Sports Campus and AUL sports ground.

Included in Furniture and Equipment are assets held under finance leases with a net book value of €159,290 (2017: €276,389). The depreciation charge on these assets amounted to €109,174 (2017: €129,118).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INTANGIBLE ASSETS

	Stadium Contributions €	Software Licences €	Total €
Cost or valuation			
At 1 January 2017	69,376,193	1,520,399	70,896,592
Additions	-	418,200	418,200
As at 31 December 2017	69,376,193	1,938,599	71,314,792
Additions	-	129,528	129,528
As at 31 December 2018	**69,376,193**	**2,068,127**	**71,444,320**
Depreciation			
At 1 January 2017	10,246,127	844,425	11,090,552
Amortisation in financial year	1,399,524	312,681	1,712,205
At 31 December 2017	11,645,651	1,157,106	12,802,757
Amortisation in financial year	1,399,524	348,822	1,748,346
At 31 December 2018	**13,045,175**	**1,505,928**	**14,551,103**
Net Book Value			
At 31 December 2018	**56,331,018**	**562,199**	**56,893,217**
At 31 December 2017	57,730,542	781,493	58,512,035

9. FINANCIAL ASSETS

	2018 €	2017 €
Investments:		
Prize bonds	**1,270**	1,270
Unquoted investments	**1**	1
Investments in joint ventures (Note 17)	**24,195,232**	25,195,232
	24,196,503	25,196,503

During the year the Association received a dividend of €1,000,000 from New Stadium Dac and treated this as a repayment of capital.

10. DEBTORS AND PREPAYMENTS

	2018 €	2017 €
Amounts falling due within one year:		
Trade debtors	**3,646,827**	3,980,940
Loans to clubs and leagues	**254,082**	452,854
Prepayments & Other Debtors	**1,638,931**	993,610
Accrued Income	**1,748,721**	1,326,950
	7,288,561	6,754,354

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10. DEBTORS AND PREPAYMENTS (CONTINUED)

Loans to clubs and leagues includes bridging finance advanced to clubs and leagues to cover capital expenditure in advance of them receiving other financial aid and normal loans to clubs and leagues, the terms of which are specific to each individual loan.

Included in debtors and prepayments is €254,082 (2017: €452,854) of debtors which are due after one year.

11. CASH AND CASH EQUIVALENTS

	2018 €	2017 €
Cash at bank and in hand	-	-
Bank Overdraft	(402,801)	(1,363,107)
Cash and cash equivalents at the end of financial year	(402,801)	(1,363,107)

12. CREDITORS

	2018 €	2017 revised €
Amounts due within one year:		
Bank and other loans (Note 16)	29,223,735	33,223,160
Bank overdraft	402,801	1,363,107
Deferred Income	11,020,345	14,228,313
Trade creditors	7,930,206	6,786,060
Accruals	9,535,428	4,961,676
Service-related director bonus (Note 23)	714,286	571,428
Other creditors grants	184,518	108,690
PAYE/PRSI	2,760,923	2,559,147
VAT	447,584	358,800
Finance lease obligation	136,207	144,692
	62,356,033	64,305,073

	2018 €	2017 revised €
Amounts due after more than one year:		
Other loans (Note 16)	3,000,000	5,000,000
Deferred Income	12,913,163	2,848,512
Finance lease obligations	75,511	215,978
Service-related director bonus (Note 23)	1,428,571	1,142,857
Other creditors	6,043,084	5,755,318
	23,460,329	14,962,665

12. CREDITORS (CONTINUED)

Bank loans of €28.2m as at 31 December 2018 (2017: €33.2m) are presented as current liabilities. This has arisen due to technical covenant breaches which have arisen due to the restated items in the 2017 financial statements. The covenant breaches may have allowed for debt repayment to be requested on demand on the basis of the loan agreement in place. Subsequent to the year end the Association received covenant waivers from its bankers in relation to technical covenant breaches in 2019, however accounting standards deem this to be a non-adjusting subsequent event, hence require bank debt to be presented in the financial statements as a current liability.

Included in deferred income is €8,628,636 (2017: €3,065,286) of net revenue arising under a securitised sponsorship agreement where the net revenue was received upon commencement of the contract. Gross revenue from this contract is recognised rateably over the contract period with an implied interest chargeable to the income and expenditure account was €581,818 (2017: €390,909).

Included in other creditors is a discounted liability of €6,043,084 (2017: €5,755,318) arising on an option agreement entered into with a sponsor in 2016. The implied interest chargeable to the income and expenditure account was €287,766 (2017: €274,063) (Note 5) which arises on the unwinding of the discounted amount.

Included in deferred revenue is €6,500,000 (2017: €2,000,000) of advances received from UEFA in respect of future TV funding. These advances are liable to interest at a rates of interest from 3% to 4% per annum up until 30 June 2020.

Included in Creditors are finance leases of €211,718 (2017: €360,670) which are broken down as follows:

	2018	2017
	€	€
Amount due within one year	**136,207**	144,692
Amount due between two and five years	**75,511**	215,978
	211,718	360,670

13. FINANCIAL INSTRUMENTS

The carrying value of the financial assets and liabilities are summarised by the categories below:

Financial assets	**2018** **€**	2017 revised €
Debt instruments measured at amortised cost		
Loans receivable (Note 10)	**254,082**	452,854
Measured at cost less impairment		
Other investments (Note 9)	**24,196,503**	25,196,503
Measured at undiscounted amounts receivable		
Debtors and prepayments (Note 10)	**5,285,758**	4,974,550
	29,736,343	30,623,907

Financial Liabilities	**2018** **€**	2017 revised €
Measured at amortised cost		
Bank loans and other loans (Note 12)	**32,223,735**	38,223,160
Obligations under finance leases (Note 12)	**211,718**	360,670
Other creditors (Note 12)	**6,043,084**	5,755,318
Measured at undiscounted amounts payable		
Bank overdraft (Note 12)	**402,801**	1,363,107
Trade and other payables (Note 12)	**23,001,516**	16,488,658
	61,882,854	62,190,913

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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14. ANALYSIS OF NET DEBT/FUNDS

	1 January 2018 €	Movement €	**31 December 2018 €**
Bank overdraft	(1,363,107)	960,306	**(402,801)**
	(1,363,107)	960,306	**(402,801)**
Debt due within one year (Note 13)	(33,223,160)	3,999,425	**(29,223,735)**
Debt due after one year (Note 13)	(5,000,000)	2,000,000	**(3,000,000)**
	(38,223,160)	5,999,425	**(32,223,735)**
Net Debt	(39,586,267)	6,959,731	**(32,626,536)**

15. RECONCILIATION OF OPERATING (DEFICIT)/ SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 €	2017 revised €
(Deficit) / surplus on ordinary activities	**(2,667,743)**	1,992,767
Depreciation of tangible fixed assets	**540,470**	350,809
Amortisation of intangible fixed assets	**1,748,346**	1,712,205
(Increase) / decrease in debtors & prepayments	**(344,150)**	(40,879)
Increase / (decrease) in creditors & deferred income	**11,656,688**	(1,064,436)
	10,933,611	2,950,466

16. BANK AND OTHER LOANS

	2018 €	2017 revised €
Bank and other loans are due as follows:		
Amount due within one year	**29,500,000**	33,625,000
Capitalised borrowing costs	**(276,265)**	(401,840)
Amount due between one and two years	**3,000,000**	1,000,000
Amount due between two and five years	-	4,000,000
	32,223,735	38,223,160

Bank loans of €28.2m (including related borrowing costs) as at 31 December 2018 (2017: €33.2m) are presented as current liabilities. This has arisen due to technical covenant breaches. The covenant breaches may have allowed for debt repayment to be requested on demand on the basis of the loan agreement in place. Subsequent to the year end the Association received covenant waivers from its bankers in relation to technical covenant breaches relating to 2019, however accounting standards deem this to be a non-adjusting subsequent event, hence require bank debt to be presented in the financial statements as a current liability.

17. INVESTMENT IN JOINT VENTURES

New Stadium Designated Activity Company

(i) The Association holds 2 shares of €1 in New Stadium DAC (2017: 2 shares), representing a 50% interest in its issued share capital. New Stadium DAC was formed as a joint venture with the Irish Rugby Football Union to develop Aviva Stadium and has its registered address at Earlsfort Terrace, Dublin 2. The disclosure requirements in relation to New Stadium Limited as required by FRS102, are as outlined below and are for the year ended 31 December 2018. The following details the Associations 50% share of each balance:

	2018 €'000	2017 €'000
Turnover	**5,831**	5,723
Operating loss	**(1,485)**	(1,291)
Loss after tax	**(1,653)**	(1,574)
Fixed assets	**161,620**	166,573
Current assets	**3,444**	2,762
Liabilities due within one year	**(2,170)**	(3,663)
Liabilities due after one year	**(83,074)**	(83,199)
Net Assets	**79,820**	82,473

17. INVESTMENT IN JOINT VENTURES (CONTINUED)

During the financial year, payments in respect of deferred contributions and loans of €Nil (2017: €Nil) were made by the Association to New Stadium DAC in relation to construction of Aviva Stadium. During the financial year New Stadium DAC charged the Association €3,321,734 (2017: €3,219,275), of which €2,544,605 is an annual licence fee, in relation to use of the stadium and ancillary usage costs. This licence fee is payable over the useful life of the stadium which has been determined as being a minimum of 30 years, which is due to expire in 2040. As at the financial year end, an amount of €1,543,995 (2017: €522,237) is payable by the Association to New Stadium DAC which in included in trade creditors and accruals.

During the financial year, the Association received a dividend of €1,000,000 (2017: €175,000) from New Stadium DAC.

AUL-FAI Limited

(ii) The Association hold 100,000 ordinary shares in AUL-FAI Limited, a company incorporated to manage and develop the AUL complex in Clonshaugh, Co Dublin. AUL-FAI Limited was formed as a joint venture with the Athletic Union Football League and has its registered address at Clonshaugh, Co Dublin. The disclosure requirements in relation to New Stadium Limited as required by FRS102, are as outlined below and are for the year ended 31 December 2018. The following details the Associations 50% share of each balance:

	2018 €'000	2017 €'000
Turnover	**158**	160
Operating profit	**7**	10
Profit after tax	**6**	9
Fixed assets	**1,035**	1,066
Current assets	**20**	2
Liabilities due within one year	**(40)**	(51)
Liabilities due after one year	**(421)**	(428)
Net Assets	**594**	589

During the financial year, the Association paid rental fees for the use of the facilities at the AUL Complex of €162,000 (2017: €162,000). During the financial year, the AUL Complex made loan repayments to the Association of €Nil (2017: €50,000). As at financial year end, an amount of €40,281 (2017: €27,775) is payable by the AUL-FAI Limited to the Association which is included in debtors & prepayments.

18. AFFILIATED BODIES

The activities of the Affiliated Bodies listed below are not incorporated in these financial statements as they are independently run bodies;

Colleges Football Association of Ireland
Defence Forces Athletic Association
F.A.I. Junior Council
F.A.I. Schools
Irish Soccer Referees' Society
Irish Universities Football Union
Schoolboys Football Association of Ireland
Football for All

19. SPORT IRELAND

Grant received of €2,902,910 (2017: €2,707,910) from Sport Ireland during the financial year have been expended for the purpose for which they were intended by Sport Ireland.

The Sport Ireland grant of €2,902,910 is allocated across the following programmes:

	2018	2017
	€	€
Grassroots	**740,000**	740,000
FAI Education	**305,000**	305,000
Player Development	**400,410**	400,410
Central & Regional Development Staff	**1,120,000**	1,120,000
Women in Sport	**142,500**	142,500
Women's National Team	**195,000**	-
	2,902,910	2,707,910

20. RELATED PARTY TRANSACTIONS

The total remuneration for key management personnel for the period totalled €1,072,529, (2017: €942,966). Key management includes: Chief Executive Officer, President, Vice President, Honorary Secretary, Honorary Treasurer and Chairman of the National League Executive Committee. Remuneration includes salaries paid, honorarium and expenses incurred where there is a personal; benefit.

There were no bridging loans provided to the Association by the Chief Executive Officer in 2018 (2017: €100,000). The Chief Executive Officer was afforded the use of a company car during the year. The value of this benefit in 2018 was €2,539 (2017: €2,369) and is included in remuneration above. On 11 December 2018, the former CEO and director, as part of a fundraising exercise by the FAI, personally provided a donation to the Association of €50,000. This was unconditional and did not provide any rights or obligations.

The total grants paid to affiliates of the Board of Directors in 2018 was €353,298. In addition, total income received by the Association from affiliates of the Board of Directors in 2018 was €66,900.

21. GUARANTEES AND COMMITMENTS AND CONTINGENT LIABILITIES

The Association has entered into bank guarantees. The maximum amounts guaranteed were €235,166 as at 31 December 2018 (2017: €244,030).

The Association has provided security and guarantees on loan balances encompassing charges over certain bank accounts, receivables, including future contracted receivables and first floating charge over the Association's property, assets and undertakings. The Association also issued a joint and several letter of undertaking in conjunction with the IRFU to secure a bank guarantee issued by New Stadium DAC, trading as Aviva Stadium, in favour of Iarnród Éireann in the amount of €2,250,000.

The Association entered into a loan agreement with Oscar Traynor Coaching and Development Centre whereby the Association agreed to lend €40,000 per annum from 30 May 2014 until 30 May 2034. The total amount paid as at 31 December 2018 was €190,000 (2017: €150,000).

As set out in note 1 the Directors are not aware of any further unrecorded transactions which have not been accounted for, however the Directors acknowledge that there is a possibility of contingent liabilities arising from various investigations by the Revenue Commissioners, ODCE and other bodies where it is not possible to assess present obligations.

The Association has received funding and grants of €8,500,000 (2017: €5,000,000) from UEFA which are repayable on demand in certain circumstances including termination or suspension of UEFA membership or failure to comply with certain financial solvency obligations.

Total future minimum lease payments under non-cancellable operating leases (land and buildings) and license fees payable to New Stadium DAC are as follows:

	2018 **€**	2017 €
- within one year	**2,794,605**	2,794,605
- between one and five years	**11,178,420**	11,178,420
- after five years	**46,758,285**	49,552,890
	60,731,310	63,525,915

22. EVENTS AFTER THE BALANCE SHEET DATE

In March 2019, following the Association informing the Office of the Director of Corporate Enforcement (ODCE) that the then CEO and Director provided the Association with a €100,000 loan in 2017, the ODCE requested the Association restate and refile its 2017 financial statements.

It was subsequently discovered that the Association had entered into two contracts with the then CEO and Director. 1) a service-related employee bonus and 2) a deferred pension arrangement, neither of which were reflected in either Board minutes or the payroll and personnel records of the Association. The financial effect was an annual charge of €428,571 from 2014 for a term of 7 years, broken down as follows:

(i) Service-related Director bonus - €142,857 per annum
(ii) Deferred pension arrangement - €285,714 per annum

In addition, following an internal investigation, it was noted that certain expenses incurred during 2017 and 2016 by the then CEO were of a personal nature and these have been now disclosed as part of directors' emoluments.

In April 2019, the Association became aware of an option contract with a commercial partner which resulted in previously recognised revenue being refundable due to an option which was available to the commercial partner.

During 2019, the Association was subject to a Revenue audit. This has resulted in the Association undertaking an internal review and making prompted and unprompted disclosure statements to the Revenue Commissions. These statements disclosed significant underpayment of employment taxes and VAT liabilities in previous years and have been included in these financial statements and in the revised 2017 financial statements (see note 23).

Currently the affairs of the association are also under investigation by the Office of Director of Corporate Enforcement.

In September 2019, the Association agreed a settlement with the former CEO and Director of €462,000.

(i) Payment in lieu of notice	- €90,000
(ii) Contribution to former CEO and Director pension fund	- €372,000
Total Amount	€462,000

The payment of these amounts is in full and final settlement of liabilities of €2,142,857 as at 31 December 2018, potentially due under two contracts to the former CEO and accrued for in these financial statements under current and non-current liabilities. These financial statements do not contain any reduction to the accrued liability of €2,142,857 as the settlement is regarded as a non-adjusting post balance sheet event in accordance with FRS 102.

23. REVISION OF PRIOR YEAR FINANCIAL STATEMENTS

As required by section 366 of the Companies Act 2014, below are details of the matters which required revision to the originally approved 2017 financial statements.

i. In 2014, the Association entered into two contracts with the then CEO and Director. 1) a service-related employee bonus and 2) a deferred pension arrangement, neither of which were reflected in either Board minutes or the payroll and personnel records of the Association. The financial effect was an annual charge of €428,571 from 2014 for a term of 7 years, broken down as follows:

(i)	Service-related employee bonus	- €142,857 per annum
(ii)	Deferred pension arrangement	- €285,714 per annum

This amount has been charged in the revised 2017 financial statements in the Statement of Comprehensive Income. In addition, an amount of €857,143 to reflect the prior year amounts has been charged against the opening revenue reserves in 2017. An additional amount of €1,714,284 has been included in creditors and accruals in the revised financial statements to reflect these additional liabilities.

ii. During 2019, the Association was subject to a Revenue audit. This has resulted in the Association making a voluntary disclosure of underpaid employment taxes and VAT, and consequent interest and penalties to the Irish Revenue Commissioners. The 2017 revised financial statements reflected an additional charge of €658,116 for the year and an additional liability at the year-end of €2,317,723 reflecting the expected liability relating to payroll taxes and VAT and associated interest and penalties. The amounts provided are best estimates of the directors based on the facts presented and after consultations with a third party.

iii. In 2016, the Association entered into a 10 year contract with a sponsor which provided for sponsorship rights and access to a corporate box in the Aviva stadium. Revenue was released to the Statement of Comprehensive Income on a straight line basis on this agreement. Also in 2016, a further option agreement was entered into with the sponsor which provided them with the right to terminate and seek repayment of the amount in the sponsorship if exercised from 2019. The Association was served notice of this termination in March 2019. The option agreement had not been provided to the auditors and had not been accounted for in the financial statements for 2016 and 2017. As the revenue recognised in 2016 and 2017 did not meet revenue recognition requirements, being that it was refundable, amounts of €379,167 and €650,000 respectively have been reversed in the Statement of Comprehensive Income. The balance owing has also been reclassed from deferred income to other creditors on the balance sheet of the revised financial statements. The liability has been appropriately discounted in 2016 and 2017 in line with the requirements of FRS 102 and repayment of the balance commenced in 2019 in line with an agreed repayment plan.

iv. As a result of the above, in 2019 the Association has incurred significant professional fees and other costs in relation to the matters above. Due to these issues existing in 2017, the Association has accrued the majority of these costs of €3,596,735 including VAT in 2017.

In addition, bank loans of €33.2m in the revised statements as at 31 December 2017 (2016: €34.0m) are presented as current liabilities in the revised financial statements. This has arisen due to technical covenant breaches. The covenant breaches may have allowed for debt repayment to be requested on demand on the basis of the loan agreement in place. Subsequent to the year end the Association received covenant waivers from its bankers in relation to technical covenant breaches in 2019, however accounting standards deem this to be a non-adjusting subsequent event, hence require bank debt to be presented in the financial statements as a current liability.

CRO AN OIFIG UM CHLÁRÚ CUIDEACHTAÍ
COMPANIES REGISTRATION OFFICE

H4

Notice that Proper Accounting Records not kept
Section 392(1)(b) Companies Act 2014

um Chlárú Cuideachtaí
PAID IN FULL
15 APR 2019
PC008
Companies Registration Office

6298953

an Oifig um Chlárú Cuideachtaí
12 APR 2019
EP003
Companies Registration Office

CRO receipt date stamp & barcode

Company number
170181

Please complete using black typescript or BOLD CAPITALS, referring to explanatory notes

Company number 170181

Company name *in full*
CUMANN PEILE NA H-EIREANN
"FOOTBALL ASSOCIATION OF IRELAND"

Statement *note one*

Name: DELOITTE IRELAND LLP

Address: Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2, D02 AY28

☐ I, being auditor ☑ We, being auditors

of the above-named company hereby declare that notice has been served pursuant to section 392 of the Companies Act 2014, that, in my/our opinion:

☑ the company is contravening: ☐ the company has contravened:

- ☑ section 281 of the Companies Act 2014
- ☑ section 282 of the Companies Act 2014
- ☐ section 283 of the Companies Act 2014
- ☐ section 284 of the Companies Act 2014
- ☐ section 285 of the Companies Act 2014

Certification

I hereby certify that the particulars contained in this form are correct and have been given in accordance with the Notes on Completion of Form H4.

Signature: Richard Howard

Name *in bold capitals or typescript*: Richard Howard

☑ Auditor

Date: 12 April 2019

Presenter details

Person to whom queries can be addressed

Name	Deloitte Ireland LLP		
Address	Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2, D02 AY28		
Telephone number	01 4172906	Fax number	
Email	rihoward@deloitte.ie	Contact Person	Richard Howard
DX number/Exchange		Reference number	