REPORT ON THE REVIEW OF FINANCIAL STATEMENTS BY ISSUERS OF SECURITIES IN THE CONTEXT OF THEIR COMPLIANCE WITH IFRSs

THE REVIEW CARRIED OUT IN 2013

POLISH FINANCIAL SUPERVISION AUTHORITY
WARSAW, JANUARY 2014

ACCOUNTING DIVISION, PUBLIC OFFERINGS AND FINANCIAL INFORMATION DEPARTMENT

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KEYWORDS: FINANCIAL STATEMENTS, ISSUERS OF SECURITIES, IFRS, DISCLOSURE REQUIREMENTS, INDEPENDENT AUDITORS' QUALIFICATIONS, ENFORCEMENT

SYNTHESIS

This report summarizes the review – carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (the "PFSA") – of compliance of the financial statements of security issuers other than investment funds with the applicable reporting framework, particularly with the requirements of IFRSs. The review focused mainly on annual consolidated financial statements / financial statements prepared for the financial year 2012. It also covered interim consolidated financial statements / financial statements prepared for the periods of the financial year 2013 and 2012 respectively, as well as historical financial information of entities applying for approval of a prospectus, taking into consideration the methods of selecting financial statements for the review. In connection with the conducted enforcement activities, there were also cases of review of consolidated financial statements / financial statements for earlier periods than the above mentioned ones.

In selecting financial statements of issuers for the periodic review conducted in 2013, high priority was given, as in previous years, to the following criteria: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion. Another adopted criterion was a qualified report on the review of half-yearly financial statements or a disclaimer of report. Furthermore, in selecting financial statements for review, the cases of going concern threats were also taken into account.

The review of financial statements of issuers resulted in a report that presents the most common areas of non-compliance with the applicable reporting framework, in particular with IFRSs, including non-disclosures or partial disclosures. The review revealed a need for improvement in the quality of financial statements, in particular in the areas related to financial instruments and risks arising from financial instruments, impairment of non-financial assets, and going concern.

We also want to highlight the need to ensure completeness of disclosures made in financial statements, as required by the applicable regulations. In our opinion, the financial statements of issuers cannot be considered complete if they lack material disclosures required under applicable accounting standards.

The cyclical publication of review reports aims at contributing to a higher level of issuers' compliance with financial reporting requirements, particularly with the requirements of IFRSs. The improved quality of the issuers' financial statements should make them more comparable, especially within individual industry sectors, facilitate the assessment of the financial position and performance of issuers and their groups, as well as enhance investor confidence in financial reporting. In our opinion, better quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements / qualified reports on the reviewed financial statements, as well as in a reduced number of adverse opinions and disclaimers of opinion / report issued by an auditing or reviewing entity authorized to audit financial statements.

In subsequent years, in order to meet enforcement objectives, the periodic review of compliance of issuers' financial reporting with the applicable reporting framework will be continued. In the selection of issuers' financial statements for review, the following will continue to be used as the criteria: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion, as well as a qualified report on the review of half-yearly financial statements or a disclaimer of report. The review will also cover, as in the previous year, the cases of going concern threats. Furthermore, the assessment of compliance of issuers' financial statements with the applicable reporting framework will take into account the European common enforcement priorities identified by ESMA in order to promote transparency as well as the correct and consistent application of IFRSs. The priority topics include i.a. impairment of non-financial assets, fair value, financial instruments, accounting policies.

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1. OBJECTIVE OF THE REPORT AND PRINCIPLES OF THE PERIODIC REVIEW

1.1 Objective of the report

This report summarizes the review – carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (the "PFSA") – of annual consolidated financial statements prepared for the financial year 2012 by security issuers other than investment funds, in the context of their compliance with the applicable reporting framework, particularly with the requirements of IAS[1], i.e. International Accounting Standards, International Financial Reporting Standards and related interpretations, issued in the form of regulations of the European Commission. Given that the commonly used abbreviation is "IFRS" and the fact that the European Commission recommended that issuers whose securities are traded on EU regulated markets apply the following clause adopted by the European Commission and ARC[2]: "in accordance with International Financial Reporting Standards as adopted by the EU" or "in accordance with IFRSs as adopted by the EU", the abbreviation "IFRS(s)" is used for the purposes of this report.

This report also takes account of the results of the 2013 review of interim financial statements prepared for the periods of financial years 2013 and 2012, respectively. Additionally, the report reflects the results of the reviews of financial statements / historical financial information of entities applying for approval of a prospectus.

The report on the review was prepared and published on the PFSA's website to provide users of financial statements, as well as issuers and auditors, with the results of the periodic review, including the most common deficiencies and cases of non-compliance in the application of the accounting policies, and in financial statements' disclosures, which should help issuers achieve a higher level of compliance with the reporting requirements, particularly with the requirements of IFRSs.

The improved quality of issuers' financial statements should make them more comparable, especially within individual industry sectors, as well as contribute to facilitating the assessment of the financial position and performance of issuers and their groups and to increased investor confidence in financial reporting.

Due to the objective of its preparation, this report contains a summary of selected information on the provisions of IFRSs only. The full scope of requirements is included in the applicable IFRSs.

In order to improve the quality of financial statements presented by issuers, we also recommend familiarizing with the documents published on ESMA's[3] website and described in this report in Chapter 3.2. *Statements, reports and other documents of ESMA, including European common enforcement priorities*.

1.2. Overview of the principles of the review

Pursuant to Article 7(1)(2) of the Act on Capital Market Supervision[4], the PFSA shall exercise supervision over the activities of the supervised entities and the performance by such entities of the obligations related to their participation in trading on the capital market, to the extent defined in legal regulations.

[1] Within the meaning of Article 2(3) of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2013, item. 330, as amended) and § 2(1)(12) of the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information provided by security issuers and on the conditions for recognizing information required by the law of a non-member state as equivalent information (Journal of Laws No. 33, item. 259, as amended).

[2] ARC – Accounting Regulatory Committee

[3] ESMA – European Securities and Markets Authority; prior to 1 January 2011 – Committee of European Securities Regulators (CESR); www.esma.europa.eu

[4] Act on Capital Market Supervision of 29 July 2005 (Journal of Laws No. 183, item. 1537, as amended).

According to the provisions of Article 24(4)(h) of the Transparency Directive[5], the competent authority shall be empowered, among other things, to examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.

Additionally, according to Principle 3 of the CESR Standard No. 1[6] on Financial Information, competent independent administrative authorities set up by member States should have the ultimate responsibility for enforcement of compliance of the financial information provided by the issuers with the reporting framework. According to Principle 2 of the above Standard, the reporting framework includes the accounting and disclosure standards adopted by the EU.

Considering the fact that the essential element of full and comprehensive enforcement of the applied standards on financial information is monitoring compliance of the financial information with the applicable reporting framework (Principle 2 of the CESR Standard No. 1 on Financial Information), the Accounting Division of the Public Offerings and Financial Information Department of the PFSA conducts a periodic review of compliance of issuers' financial reporting with the applicable reporting framework. The periodic review encompasses the analysis of the selected financial statements as well as an on-demand analysis (issuers' financial statements contained in the interim information, prospectuses and information memoranda), especially when another organizational unit of the PFSA requests an opinion in the course of its proceedings.

1.3. Selection of financial statements for review

Since 2005, the Accounting Division of the Public Offerings and Financial Information Department of the PFSA has been applying the principles of enforcement of standards on financial information presented in the CESR Standard No. 1.

The purpose of enforcement of standards on financial information is – according to Principle 1 of the CESR Standard No. 1 – to protect investors and promote market confidence by contributing to the transparency of financial information relevant to the investors' decision-making process.

The methods of selecting financial statements for the review were based on the CESR recommendations contained in the CESR Standard No. 1, and the CESR guidelines on the application of selection methods.

According to Principle 13 of the CESR Standard No. 1 "(...) the preferred models for selecting financial information for enforcement purposes are mixed models whereby a risk-based approach is combined with a rotation and/or a sampling approach(...)."

Within the enforcement activities of the PFSA, in selecting financial statements of issuers for the periodic review conducted in 2013, high priority was given to the following criteria: a qualified opinion on the audited financial statements, a disclaimer of opinion and an adverse opinion. In addition, the cases of a qualified report on the review of interim financial statements or a disclaimer of report were taken into account. The PFSA treats the audit / review of financial statements by entities authorized to audit financial statements as a first external line of ensuring the correct application of reporting framework[7].

Moreover, in selecting financial statements of issuers for the periodic review conducted in 2013, similarly as in the previous year, the issuers whose ability to continue as a going concern was at risk were also taken into account (in particular those who had been declared bankrupt or filed for bankruptcy, or if the threat to the entity's ability to continue as a going concern was reflected in a qualified or adverse opinion on the audit / report on the review, in a disclaimer of opinion / report

[5] Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38)

[6] CESR Standard No. 1 on Financial Information. Enforcement of Standards on Financial Information in Europe (Ref.: CESR/03-073, March 2003), website: www.esma.europa.eu/system/files/03_073.pdf

[7] According to the comment to Principle 8 of CESR Standard No. 1: „The completeness, accuracy and truthfulness of the financial information is under the responsibility of the issuers' relevant bodies (mainly the board of directors). Where applicable, auditors are required to act as a first external line of defence against misstatements by expressing their opinion on the financial information based on their audit"

or in an emphasis of matter paragraph). It should be noted that at the end of 2013, 10 issuers from the regulated market, for which Poland is the home state, were declared bankrupt or are the subject of a bankruptcy petition examined by a court (*Source: CEDULA, the Warsaw Stock Exchange Official Bulletin of 30 December 2013*).

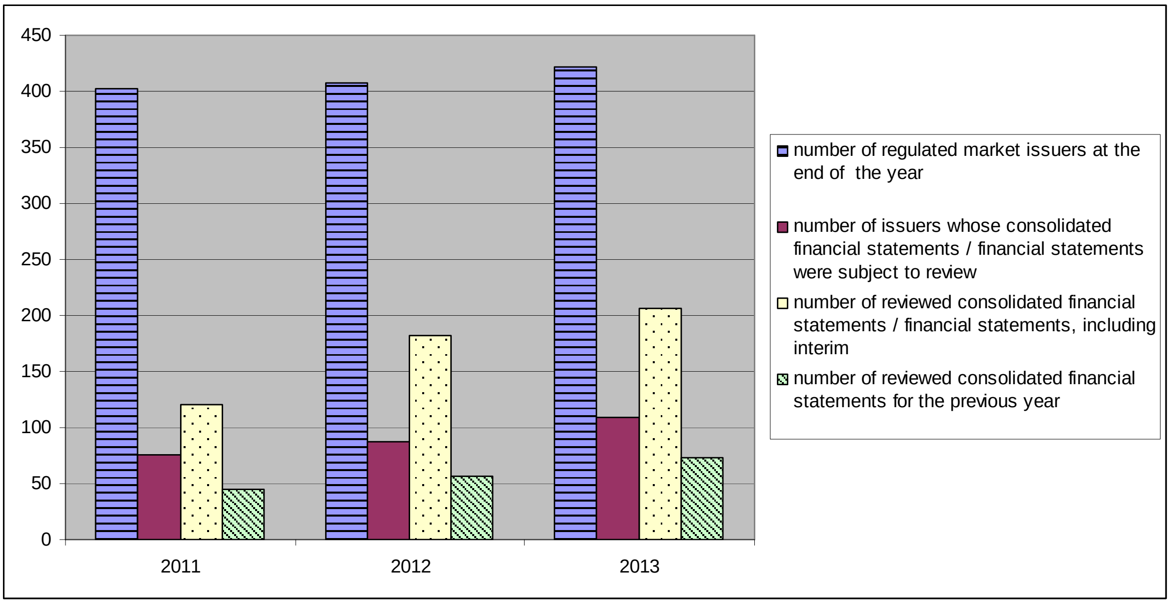
In connection with the review of financial statements in respect of their compliance with the reporting framework applicable to issuers, in particular with IFRSs, 207 annual and interim financial statements of 109 issuers were subject to review in 2013, including 73 consolidated financial statements prepared for the financial year 2012.

Table 1. Number of issuers whose consolidated financial statements / financial statements were subject to the periodic review in 2013

	Number of regulated-market issuers (Warsaw Stock Exchange and BondSpot)*	**Number of issuers whose financial statements were subject to review in 2013**	**Share in the total number of regulated-market issuers***
As at 31 December 2012	408	109	26.7 %
As at 31 December 2013	422		25.8 %

* The number does not include closed-end investment funds listed on the regulated market and issuers to which the Republic of Poland is a host Member State. Data on previous years – cf. previous Reports on the Review. Links to previous Reports on the Review are presented on page 22 of this Report

Figure 1. Number of issuers and consolidated financial statements / financial statements subject to the periodic review in the years 2011-2013



In subsequent years, the following will continue to be used as the priority criteria in selecting financial statements of issuers for review: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion, as well as a qualified report on the review of half-yearly financial statements or a disclaimer of report. The review will also encompass the cases of going concern threats. Furthermore, the assessment of compliance of issuers' financial statements with the applicable reporting framework will take into account the European common enforcement priorities identified by ESMA in order to promote transparency as well as the correct and consistent application of IFRSs. The priorities include the following issues: impairment of non-financial assets, fair value measurement and disclosure, measurement of financial instruments and disclosure of related risks, particularly relevant for financial institutions, disclosures related to significant accounting policies, judgments and estimates, and measurement and disclosure of post-employment benefit obligations.

2. AREAS OF NON-COMPLIANCES WITH IFRSs – BASED ON THE REVIEW OF FINANCIAL STATEMENTS AS WELL AS OPINIONS AND REVIEW REPORTS, RESPECTIVELY, ISSUED BY ENTITIES AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

2.1. Review of the financial statements for the financial year 2012 in the light of opinions issued by entities authorized to audit financial statements – a list of areas of non-compliance with the applicable reporting framework, in particular with IFRSs

Reviewing annual financial statements of issuers of securities, other than investment funds, the Accounting Division of the Public Offerings and Financial Information Department of the PFSA observed that after two years of decreases in the number of issuers with a qualified opinion, an adverse opinion or a disclaimer of opinion (with respect to issuers' financial statements for the year 2009, the number amounted to 56, for the financial year 2010: 36, and for the year 2011: 30), the figure for the financial year 2012 was 41, a 37% increase compared to the previous year. This growth resulted particularly from an increase in the number of disclaimers of opinion related to going concern threats, which was mainly due to a significant deterioration in the position and liquidity of issuers.

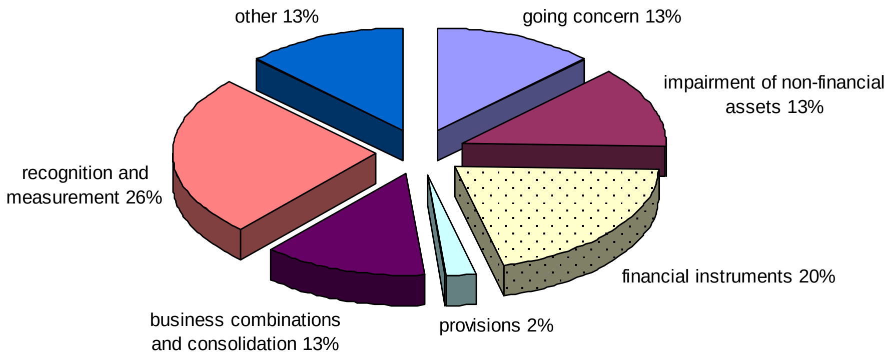
In relation to financial statements for the financial year 2012, there were 29 qualified opinions on the audit of financial statements of issuers, while in the case of 12 issuers auditors issued a disclaimer of opinion.

Table 2. Number of issuers with a qualified opinion, a disclaimer of opinion or an adverse opinion with respect to annual consolidated financial statements / financial statements for financial years 2009-2012

Number of issuers	**2009**	**2010**	**2011**	**2012**
Qualified opinions	54	35	25	29
Disclaimers of opinion	2	1	4	12
Adverse opinions	0	0	1	0
TOTAL	**56**	**36**	**30**	**41**

In order to ensure that issuers pay special attention to the need to comply with the applicable reporting framework, particularly with the requirements of IFRSs, below are presented issues which relate to the qualifications contained in the opinions on the audit of financial statements of issuers for the financial year 2012 and disclaimers of opinion respectively. The issues to which the above-mentioned qualified opinions and disclaimers of opinion referred have been grouped in a manner that makes finding a specific topic easier.

Figure 2. Topics of qualifications contained in opinions on the audit of consolidated financial statements / financial statements of issuers for the financial year 2012



<u>Explanation:</u> If a qualification occurred in the opinion on the audit of the consolidated financial statements and in the opinion on the audit of the financial statements of an issuer, such qualification was taken into account in the figure only once. The figure does not take into account disclaimers of opinion. The percentage share depends on the frequency of occurrence of an issue in qualified opinions, whereas in the following description of issues to which qualifications were related, individual topics are presented only once.

2.1.1. Qualifications regarding going concern

The qualifications in audit opinions issued by auditors referred to the following issues related to going concern:

- Uncertainty as to the going concern assumption adopted for the parent company and the entire group (net loss, negative equity, terminated loan agreements, the issuer has filed for bankruptcy with the possibility of entering into an arrangement, the need to agree on an arrangement with creditors of the parent company, and to obtain the approval of the arrangement by the court);
- A risk of failure of the measures aimed at improving the financial position and obtaining the necessary financing sources, which affects the going concern assumption of the entity and its group (the Management Board describes in the notes the measures taken, but does not mention the related risk of failure);
- Indications of going concern threats in the near future in relation to entities of the group, especially in relation to the parent, the difficult financial position of individual entities of the group (shortage of working capital as well as a low level of liquidity ratios) and making the parent's ability to continue as a going concern conditional on the success of the restructuring process;
- A very difficult financial position of the entity; a court decision declaring the issuer bankrupt with the possibility of entering into an arrangement; the financial statements prepared on the assumption of going concern threats;
- The existence of circumstances indicating threats to the parent's ability to continue as a going concern in the foreseeable future, which circumstances have been mentioned by the Management Board in the introduction to the financial statements; the financial statements have been prepared on a going concern basis and do not contain any adjustments relating to different methods of measurement and classification of assets and liabilities, which might prove

necessary if the entity was not able to continue as a going concern in the period of 12 months after the balance sheet date.

2.1.2. Disclaimers of opinion regarding going concern

Disclaimers of opinion were issued in particular due to i.a. the following circumstances indicating the existence of serious threats to the entity's ability to continue as a going concern:

- Reclassification of the bankruptcy proceedings (arrangement-liquidation-arrangement); uncertainty as to the further course of the bankruptcy proceedings and considerable uncertainty as to the entity's and the group's ability to continue as a going concern in the foreseeable future; inability to determine the extent to which the recognized provisions for guarantees will have to be repaid by the entity; inability to determine the extent of the entity's debt; the entity's failure to comply with lenders' requests to repay loans secured on subsidiaries' assets; failure to complete the settlement process of construction works under severed contracts; uncertainty as to the completeness of events included in, and affecting, the entity's financial statements; inability to assess the final settlement and effects of court proceedings in which the entity is a party; significant uncertainty as to the ability to continue as a going concern by subsidiaries declared bankrupt; failure to submit the financial statements of subsidiaries to audit;
- Negative comprehensive income, short-term liabilities in excess of assets and negative equity; the recognition in the consolidated financial statements of financial data of jointly controlled entity using consolidation instead of proportionate consolidation; lack of certainty whether the impairment losses on assets should be recognised at 31 December 2012 or in previous periods; the exclusion of some subsidiaries from consolidation due to inability to obtain their financial data; differences between the amount of liabilities recognized in the balance sheet and their amount indicated in balance confirmations from third parties; the recognition in the statement of profit or loss and other comprehensive income – in connection with transactions of exchange of financial assets for contractors' claims – of income and the associated costs instead of the profit or loss on those transactions only; failure to fulfil a significant part of the requirements of IFRSs by the information presented in the notes;
- The court's decision declaring the issuer bankrupt, including liquidation of assets; failure to use current valuations of independent valuers in the measurement of property, plant and equipment and investment property;
- No decision of the court on the petition to change the type of the bankruptcy proceedings; worsening of the entity's financial position (net loss, negative profitability ratios, negative equity and total net loss in excess of the sum of capital reserve and supplementary capital and one third of share capital); failure to implement to the date of issuing the disclaimer a majority of the planned activities that were to be taken to prevent the risk of inability to continue as a going concern.

2.1.3. Qualifications concerning impairment of (non-financial) assets

The qualifications in audit opinions issued by auditors related to the following issues concerning impairment of assets other than financial assets:

- Failure to recognise an impairment loss for goodwill arising from the acquisition of subsidiaries (cf. IAS 36 *Impairment of assets*);
- Failure to review the impairment test for trademarks in the situation of restructuring actions undertaken by the Management Board (cf. IAS 36);
- Inability to assess the correctness of the measurement of shares in an associate for which an impairment loss on the total amount was recognised in previous reporting periods, in the absence of complete information, including the expected net realisable value or otherwise determined recoverable amount (cf. IAS 36);

- Uncertainty as to the absence of an impairment loss on shares in a subsidiary with negative equity; the projections of future cash flows concerning this entity are based on the assumptions that the auditor was not able to verify (cf. IAS 36);
- Uncertainty whether an impairment loss on non-current assets held for sale / disposal group are sufficient (cf. IFRS 5).

2.1.4. Qualifications concerning financial instruments

The qualifications in audit opinions issued by auditors related to the following issues concerning financial instruments:

- Failure to recognise an impairment loss on receivables pursued through legal processes (cf. IAS 39 *Financial Instruments: Recognition and Measurement*);
- Failure to measure the liability component and the equity component of an issued compound financial instrument (bonds convertible into shares) on initial recognition and failure to recognize the effects of the conversion in accordance with IAS 32 (cf. IAS 32 *Financial Instruments: Presentation* and IAS 39);
- Recognising loans granted to subsidiaries for short-term periods and subject to extension before the expiry of the repayment period in short-term investments instead of long-term assets (cf. IAS 1 *Presentation of Financial Statements*);
- The possibility of a change in liabilities recognised at the balance sheet date by the entity declared bankrupt with the possibility of entering into an arrangement, due to failure to approve the claims list prepared by a court supervisor and failure to approve the arrangement;
- The auditor's inability to assess the correctness of the measurement of shares not traded on a regulated market in a company acquired in 2012, due to the inability to obtain financial data of the company;
- The auditor's inability to confirm the correctness of the measurement of item „Trade and other receivables" in the statement of financial position due to not obtaining sufficient evidence of the recoverability of the receivables presented in this item;
- Failure to produce to the auditor evidence of the recoverability of loan receivables and financial assets, which resulted in the auditor's inability to confirm the existence and correctness of the measurement of these items recognised in the balance sheet (cf. Article 67 of the Accounting Act);
- Failure to produce to the auditor sufficient documentation confirming the appropriateness of the measurement of long-term receivables from a related party, in respect of which a bankruptcy proceedings with the possibility of entering into an arrangement has been instituted (cf. Article 67 of the Accounting Act).

2.1.5. Qualifications concerning provisions

The qualifications in audit opinions issued by auditors related to the following issues concerning provisions:

- Failure to recognise provisions for liabilities to counterparties in case the court case concerning payment is settled in their favour (cf. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

2.1.6. Qualifications concerning business combinations and consolidation

The qualifications in audit opinions issued by auditors related to the following issues concerning business combinations and consolidation:

- The auditor's inability to assess the reasonableness and correctness of the adjustment to the accounting for the acquisition of a subsidiary acquired in 2010, due to the fact that the presented documentation did not explicitly confirm the necessity of such adjustment (cf. IFRS 3 *Business Combinations*);
- Adoption by the Group of departure from the requirements of application of IAS 27 (cf. IAS 27 *Consolidated and Separate Financial Statements*, IAS 1);
- Recognition in the consolidated financial statements of inventories in subsidiaries that did not undergo physical stocktaking; due to the fact that there was no physical stocktaking, the auditor was unable to assess the possible impairment of inventories (cf. Article 26 of the Accounting Act);
- The auditor's inability to assess the recoverability of the amount of assets involved in a subsidiary in case the subsidiary defaults on a loan repayment and the bank exercises the provisions of the loan agreement;
- Failure to present for audit the financial statements, reviewed by an auditor, of a subsidiary included in the consolidated financial statements by consolidation.

2.1.7. Qualifications concerning other recognition and measurement issues

The qualifications in audit opinions issued by auditors related to the following issues concerning recognition and measurement:

- Accounting for claims against customers on some road construction contracts in revenue, even though the legal proceedings and negotiations with customers have not reached an advanced stage yet (cf. IAS 11 *Construction Contracts*);
- In connection with granted investment tax credits, failure to recognise a deferred tax asset to the amount of deferred tax liability (cf. IAS 12 *Income Taxes* / Article 37 of the Accounting Act);
- The auditor's inability to assess which of the optical fibre lease contracts entered into by the issuer for periods of less than 20 years should be accounted for as operating leases in accordance with IAS 17, due to the fact that the adopted approach was based on the group's experiences and analyses, which the auditor was not able to confirm (cf. IAS 17 *Leases*);
- Recognition by the entity in the balance sheet of rights to perpetual usufruct of land that were obtained free of charge as property, plant and equipment, investment property or assets classified as held for sale, and not as off-balance-sheet items; in the auditor's opinion, those rights are operating leases in accordance with IAS 17 (cf. IAS 17);
- Recognition of the acquired rights to perpetual usufruct of land as non-current assets, and not as an operating lease in accordance with IAS 17 (cf. IAS 17);
- Measurement of the acquired right to perpetual usufruct of land according to a model based on the revalued amounts in accordance with IAS 38; in the auditor's opinion, this right is a form of operating lease in accordance with IAS 17 and should be recognized as an off-balance-sheet item, whereas the initial payment should be deferred and not revalued (cf. IAS 17);
- The auditor's inability to assess the correctness of the measurement of development activities due to the fact that the effect of those activities depends on future events and is difficult to predict (cf. IAS 38 *Intangible Assets*);
- The auditor's inability to confirm the carrying amount of investment property in the absence of the possibility to assess the correctness of assumptions adopted for its measurement due to the fact that the author of the valuation, when valuating the property using the comparative

method, did not specify whether the comparable plots of land were classified as construction plots or as recreational plots (cf. IAS 40 *Investment Property*);

- Failure to re-measure inventories of raw materials kept in stock for over 12 months at the net selling price (cf. Article 28 of the Accounting Act);
- A decrease in the amortization (depreciation) rates of intangible assets and fixed assets below the period of their useful lives, and failure to amortize one of the trademarks (cf. Article 28, 32 and 33 of the Accounting Act).

2.1.8. Qualifications concerning other issues

The qualifications in opinions issued by auditors also referred to the following issues:

- Failure to present, in connection with a retrospective adjustment made, the statement of financial position at the beginning of the earliest comparative period, which is contrary to the principles of IAS 8 and IAS 1 (cf. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1);
- Failure to provide in the notes certain required disclosures as specified in IFRSs, in particular disclosures under IFRS 2, IFRS 7, IFRS 8, IAS 38, IAS 8 (cf. IFRS 2 *Share-based Payment*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 8 *Operating Segments*, IAS 38, IAS 8);
- Failure to disclose in financial statements discontinued operations as required by IFRS 5 (cf. IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*);
- Creating a capital reserve for the acquisition of own shares by transferring for this purpose a portion of supplementary capital, which at the date of passing the resolution on the transfer was less than one third of share capital (Article 396(5) of the Code of Commercial Companies and Partnerships).

Moreover, there was a disclaimer of opinion concerning the absence of signatures of the persons responsible for the preparation of financial statements, incorrect transfer of the closing balance of the preceding financial year to the opening balance and failure to include in financial statements the events from the last three months of the year.

2.1.9. Emphasis of matter paragraphs

Additionally, we would like to present the topics covered by the emphasis of matter paragraphs contained in opinions issued by auditors. The emphasis of matter paragraphs related i.a. to the following issues:

- Making the ability of group entities to continue as a going concern conditional on the approval of an arrangement with the parent's creditors;
- An indication by the Management Board in the notes to the financial statements that there are significant uncertainties, which may cause a serious threat to the entity's ability to continue as a going concern;
- An indication by the Management Board in the notes to the consolidated financial statements that a subsidiary's ability to continue as a going concern may be limited to the period resulting from the validity period of the operating license;
- The loss in excess of the sum of supplementary capital, capital reserves and one-third of share capital, as a result of which, in accordance with the requirements of Article 397 of the Code of Commercial Companies and Partnerships, the Management Board is required to immediately convene a General Meeting of Shareholders to adopt a resolution on the continued existence of the entity;
- Testing assets for impairment in some cases based on planned future cash flows, the results of which are subject to uncertainty;

- A departure from the method of estimating impairment losses for receivables past due, as described in the introduction to the financial statements;
- An unknown final outcome of a dispute, in which is the entity is a party, concerning guarantee payment receivables and trade receivables related to the performance of one of the contracts;
- Including in the consolidated financial statements the financial statements of subsidiaries, which were not subject to audit;
- The measurement bases used by a subsidiary for non-current assets are different from the ones adopted in the group;
- Failure to submit the financial statements for the previous year for the purposes of publication in the Official Gazette of the Republic of Poland (Monitor Polski B).

2.2. Review of financial statements for the first half of the financial year 2013 in the light of the reports on the review and statements on disclaimer of report respectively – a list of areas of non-compliance with the applicable reporting framework, in particular with IFRSs

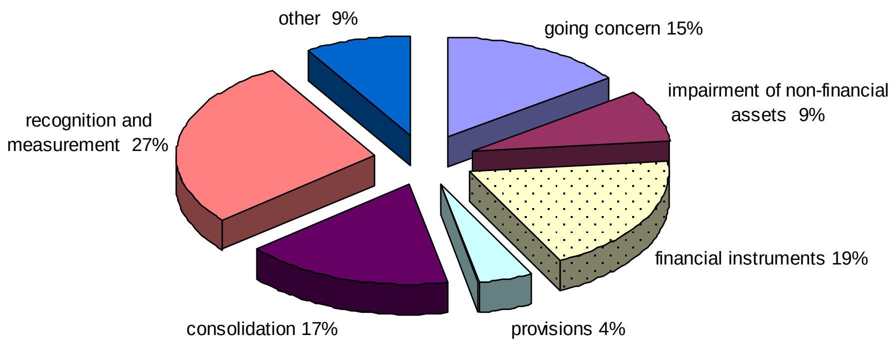
Taking into account the reports on the review of half-yearly consolidated financial statements / financial statements of security issuers other than investment funds, it can be observed that the number of issuers with a qualified report or a disclaimer of report varies. In the first half of 2012, this number increased by 54% compared with the first half of 2011 (28 issuers) and amounted to 43 issuers, while in the first half of 2013, the number of issuers with a qualified report or a disclaimer of report on the review decreased by 21% compared with the first half of 2012 and amounted to 34.

Table 3. Number of issuers with a qualified report or a disclaimer of report on the review with respect to consolidated financial statements / financial statements for the first half of financial years 2011-2013

Number of issuers	First half of 2011	First half of 2012	First half of 2013
Qualified reports	27	34	27
Disclaimer of report	1	9	7
TOTAL	**28**	**43**	**34**

Presented below are issues covered by qualifications expressed in reports on the review of half-yearly consolidated financial statements / financial statements of issuers of securities, other than investment funds, for the first half of the financial year 2013, and disclaimers of report respectively. The issues have been grouped in a manner that makes finding a specific topic easier. The references made to IFRSs should be considered taking into account IAS 34 Interim Financial Reporting.

Figure 3. Topics of qualifications contained in reports on the review of consolidated financial statements / financial statements of issuers for the first half of the financial year 2013



<u>Explanation:</u> If a qualification occurred in the report on the review of the consolidated financial statements and in the report on the review of the financial statements of an issuer, such qualification was taken into account in the figure only once. The figure does not take into account disclaimers of report. The percentage share depends on the frequency of occurrence of an issue in qualified opinions, whereas in the following description of issues to which qualifications were related, individual topics are presented only once.

2.2.1. Qualifications regarding going concern

The qualifications in review reports referred to the following issues related to going concern:

- A threat to the entity's ability to continue as a going concern (the court has declared the issuer bankrupt with the possibility of entering into an arrangement; the procedure of reviewing the creditor list is under way);
- The existence of conditions that threaten the parent's, and thus the group's ability to continue as a going concern (negative equity and almost a fivefold decrease in sales revenue compared to the same period last year); according to the auditor, the group's ability to continue as a going concern depends mainly on the implementation by the parent of an arrangement with creditors, the outcome of the final court proceedings – appeal to the highest instance concerning the compensation adjudged, as well as on rebuilding the parent's position and increasing its revenue;
- Uncertainty regarding the implementation of the intended recovery plans and the legitimacy of the going concern assumption (petitions for bankruptcy with the possibility of entering into an arrangement have been filed for the parent and its subsidiary);
- The Management Board's assurance contained in the introduction to the condensed financial statements that in the Board's opinion, despite the deterioration in the company's financial results and liquidity, there is no uncertainty as to the company's ability to continue as a going concern.
- Indications of going concern threats in the near future in relation to group entities, especially in relation to the parent, the difficult financial position of individual entities of the group (shortage of working capital as well as a low level of liquidity ratios) and making the parent's ability to continue as a going concern conditional on the success of the restructuring process;
- The existence of circumstances indicating threats to the parent's ability to continue as a going concern in the foreseeable future, which circumstances have been mentioned by the

Management Board in the introduction to the financial statements; the financial statements have been prepared on a going concern basis, and do not contain any adjustments relating to different methods of measurement and classification of assets and liabilities, which might prove necessary if the entity was not able to continue as a going concern in the period of 12 months after the balance sheet date.

2.2.2. Disclaimers of report regarding going concern

Disclaimers of report were issued in particular due to the following circumstances indicating the existence of a serious threat to the entity's ability to continue as a going concern:

- A final and binding decision on declaring the entity bankrupt with the possibility of entering into an arrangement; two subsidiaries have filed for bankruptcy with the possibility of entering into an arrangement; the ongoing process of examining the objections raised by creditors and updating the debts shown on a list; the auditor's inability to express an opinion on the correctness of the measurement of the provision for the effects of the entity's possible liability resulting from the warranties and guarantees granted, and joint and several liability to subcontractors; uncertainty whether the financial projections underlying the impairment test of goodwill of the subsidiary will be carried out; lack of sufficient documentation confirming the correctness of the measurement of financial and non-financial assets; a reversal by a subsidiary, not in conformity with IAS 37, of a provision in respect of the valuation of construction contracts, relating to disputes pending in connection with several ongoing contracts;
- A bank's demand for repayment of the debt arising from credit line agreement; bondholders' demand for immediate redemption of bonds guaranteed by the entity; declaring the entity bankrupt including liquidation of assets; inability to confirm the measurement of assets and liabilities planned for disposal as part of a continuing business; inability to verify the budgets of ongoing contracts; failure to update the provisions for jubilee awards as well as pension benefits due to a significant decline in employment; failure to recognize provisions for possible liquidated damages and claims arising from non-performance of agreements in connection with the intended disposal of contracts; failure to provide to the auditor evidence of the completeness of liabilities to lessors; failure to provide to the auditor the confirmation of the balance of loan liabilities;
- The termination of loan agreements by banks and requiring immediate repayment of the loan liabilities; the Management Board's filing for bankruptcy with the possibility of entering into an arrangement; making the entity's ability to continue as a going concern conditional on the court's decision about the bankruptcy procedure applied and accordingly on agreeing on the terms of an arrangement; making the realization of economic benefits from deferred tax assets, goodwill, investments in subsidiaries and short-term receivables from these entities conditional on the degree of performance of financial projections by subsidiaries;
- The establishment by the Tax Office of security on the entity's assets for potential tax on goods and services arrears.

2.2.3. Qualifications concerning impairment of (non-financial) assets

The qualifications in review reports related to the following issues concerning impairment of assets other than financial assets:

- Failure to test property, plant and equipment and intangible assets for impairment (cf. IAS 36);
- Significant doubts about the entity's ability to realise the value, as shown in the financial statements, of non-current assets held for sale concerning unsold parking spaces, which indicates the need to recognize an impairment loss (cf. IAS 36);
- Inability to assess the correctness of the measurement of shares in an associate for which an impairment loss on the total amount was recognised in previous reporting periods, in the

absence of complete information, including the expected net realisable value or otherwise determined recoverable amount (cf. IAS 36);

- Uncertainty as to the absence of an impairment loss on shares in a subsidiary with negative equity; the projections of future cash flows concerning this entity are based on the assumptions that the auditor was not able to verify (cf. IAS 36).

2.2.4. Qualifications concerning financial instruments

The qualifications in review reports related to the following issues concerning financial instruments:

- Recognising, under assets, a trade receivable that has not been written down, from an entity declared by the court bankrupt with the possibility of entering into an arrangement (cf. IAS 39);
- Measurement of Warsaw Stock Exchange listed shares held in an unrelated entity at the purchase price instead of the market value (cf. IAS 39, IFRS 13 *Fair Value Measurement*);
- Measurement of the companies included in the portfolio of assets of the closed-end investment fund, whose investment certificates were recognized in the entity's assets, based on data at the end of the first quarter of 2013, which may differ from the data on 30 June 2013;
- The possibility of a change in liabilities recognised at the balance sheet date by the entity declared bankrupt with the possibility of entering into an arrangement, due to failure to approve the claims list prepared by a court supervisor and failure to approve the arrangement;
- The auditor's inability to assess the correctness of the measurement of shares not traded on a regulated market in a company acquired in 2012, due to the inability to obtain financial data of the company;
- Failure to produce to the auditor sufficient documentation confirming the appropriateness of the measurement of long-term receivables from a related party, in respect of which a bankruptcy proceedings with the possibility of entering into an arrangement has been instituted (cf. Article 67 of the Accounting Act);
- Failure to provide to the auditor sufficient explanations and information allowing the auditor to obtain assurance as to the amount of an impairment loss, the correctness of the measurement and the correctness of the presentation of financial assets: loans, advances made, notes and bonds taken up by group entities (cf. Article 67 of the Accounting Act);
- Failure to provide to the auditor sufficient explanations and information allowing the auditor to assess the correctness of the measurement of investment certificates presented in long-term financial assets (cf. Article 67 of the Accounting Act).

2.2.5. Qualifications concerning provisions

The qualifications in review reports related to the following issues concerning provisions:

- A subsidiary's refusal to pay a claim related to a promissory note's guarantee, and failure to recognize a provision for the amount of a potential liability on the grounds that the claim is baseless (cf. IAS 37);
- Reversal, not in accordance with IAS 37, of provisions in respect of the valuation of construction contracts, relating to disputes pending in connection with several ongoing contracts(cf. IAS 37).

2.2.6. Qualifications concerning consolidation

The qualifications in review reports related to the following issues concerning consolidation:

- Failure to include subsidiaries in consolidation despite not fulfilling any criteria for their exclusion from the scope of consolidation resulting from IAS 27 (departure from the requirements of IAS 27 and fair value measurement); due to the fact that the auditor was not provided with the financial statements prepared as at 30 June 2013 of non-consolidated subsidiaries, the auditor was unable to express an opinion on the possible impact of this departure on the value of assets and on the financial result of the Group (cf. IAS 27 *Consolidated and Separate Financial Statements*, IAS 1);

- A subsidiary's failure to recognise an impairment loss on doubtful debts (cf. IAS 39);
- Overstatement by a subsidiary of the fair value of land, buildings and structures (cf. IAS 16 *Property, plant and equipment*);
- Failure to present information about the nature of changes in equity attributable to non-controlling interests, presented in the consolidated statement of changes in equity (cf. IAS 1);
- Presentation, in a subsidiary's assets, of receivables from the companies against which bankruptcy proceedings have been instituted, which receivables, in the subsidiary's opinion, are recoverable;
- Uncertainty as to the correctness of the value of shares in a subsidiary, as recognized in the condensed interim financial statements, due to the ongoing tax proceedings relating to that company's value-added tax settlements;
- The existence of a misstatement risk in relation to some items shown in the consolidated statement of cash flows, due to the fact that the financial statements of the consolidated related entities have not been subject to audit or review by an auditor;
- Failure to subject the financial data of consolidated subsidiaries to a review by an independent auditor.

2.2.7. Qualifications concerning other recognition and measurement issues

The qualifications in review reports related to the following recognition and measurement issues:

- Failure to take account of fair value measurement of individual items of property, plant and equipment and intangible assets at the date of transition to IFRSs and to use the result of such measurement as the deemed cost, which was due to the inability to obtain valuations in time to recognize their effects in the financial statements (cf. IFRS 1 *First-time Adoption of International Financial Reporting Standards*);
- Accounting for claims against customers on some road construction contracts in revenue, even though the legal proceedings and negotiations with customers have not reached an advanced stage yet (cf. IAS 11 *Construction Contracts*);
- In connection with granted investment tax credits, failure to recognise a deferred tax asset to the amount of deferred tax liability (cf. IAS 12 *Income Taxes* / Article 37 of the Accounting Act);
- Uncertainty concerning the fair value of the right to perpetual usufruct of land included in property, plant and equipment (cf. IAS 16, IFRS 13);
- Withdrawal from the verification of amortisation and depreciation periods of individual items of property, plant and equipment and of intangible assets; the auditor was unable to assess the correctness of the measurement of items of property, plant and equipment and of intangible assets (cf. IAS 16, IAS 38);
- The auditor's inability to assess whether the income recognized by the Management Board on the exchange of non-current assets (the Group entered, as the lessor and the lessee, into an optical fibre lease contracts, which will be settled by mutual offsetting of debts) will be confirmed by future cash flows; the auditor has not obtained sufficient documentation to assess the presented projections (cf. IAS 15, Article 67 of the Accounting Act);
- The auditor's inability to assess which of the optical fibre lease contracts entered into by the issuer for periods of less than 20 years should be accounted for as operating leases in accordance with IAS 17, due to the fact that the adopted approach was based on the group's experiences and analyses, which the auditor was not able to confirm (cf. IAS 17);

- Recognition by the entity in the balance sheet of rights to perpetual usufruct of land that were obtained free of charge as property, plant and equipment, investment property or assets classified as held for sale, and not as off-balance-sheet items; in the auditor’s opinion, those rights are operating leases in accordance with IAS 17 (cf. IAS 17);
- Recognition of the acquired rights to perpetual usufruct of land as non-current assets, and not as an operating lease in accordance with IAS 17 (cf. IAS 17);
- Measurement of the acquired right to perpetual usufruct of land according to a model based on the revalued amounts in accordance with IAS 38; in the auditor’s opinion, this right is a form of operating lease in accordance with IAS 17 and should be recognized as an off-balance-sheet item, whereas the initial payment should be deferred and not revalued (cf. IAS 17);
- The auditor’s inability to assess the correctness of the measurement of development activities due to the fact that the effect of those activities depends on future events and is difficult to predict (cf. IAS 38);
- The auditor’s inability to confirm whether the entity will be able to achieve the income to utilize deductible temporary differences and tax losses, due to the deterioration of the financial result and incurring a loss for the first half of 2013 (cf. Article 37 of the Accounting Act).

2.2.8. Qualifications in review reports concerning other issues

The qualifications in review reports also related to the following issues:

- Estimations made by an entity, which significantly affect the amounts of assets and liabilities and are subject to change with the occurrence of new conditions, including the occurrence of the events and circumstances affecting the estimations made (cf. IAS 1);
- Presenting as the comparative data in the condensed consolidated statement of comprehensive income the data for the annual period from 1 January 2012 to 31 December 2012, in connection with the retrospective adjustment made in 2012 and concerning the years 2011-2012, instead of data for the comparable interim period of the immediately preceding financial year (cf. IAS 34);
- The auditor’s inability to assess the final settlement and the effects of judicial decisions in court proceedings to which the entity is a party;
- Creating a capital reserve for the acquisition of own shares by transferring for this purpose a portion of supplementary capital, which at the date of passing the resolution on the transfer was less than one third of share capital (cf. Article 396(5) of the Code of Commercial Companies and Partnerships).

2.2.9. Emphasis of matter paragraphs

Additionally, we would like to present the topics covered by the emphasis of matter paragraphs contained in review reports. The emphasis of matter paragraphs related i.a. to the following issues:

- Making the Company’s ability to continue as a going concern conditional on the fulfilment of a number of assumptions underlying the financial projections prepared by the Management Board and relating in particular to the possibility of obtaining the sources of long-term financing in the form of a loan and financial guarantees enabling the Company to carry out contracts;
- The preparation by the Management Board of the interim condensed financial statements on a going concern basis; the adoption of the above basis might be unjustified in case of the bank’s refusal to continue to provide funding to the entity in the form of a short-term loan;
- A disclosure by the Management Board in the notes to the condensed consolidated financial statements of detailed information about violations of certain provisions of loan agreements, delays in the loan repayment and bonds which were not paid off at maturity;

- Recognizing in assets in the balance sheet goodwill relating to a company that incurred a loss in the first half of 2013, and it is likely that it will also incur a loss at 31 December 2013, which may result in a need to recognize an impairment loss; the entity has not tested goodwill for impairment as at 30 June 2013;
- Inability to estimate the amount of impact on the financial result of possible adjustments to the amount of investment properties in the consolidated financial statements resulting from the valuations of independent experts;
- Including in the consolidated financial statements the financial statements of group subsidiaries, which were not subject to half-annual review by an independent auditor.

2.3. The review of financial statements – a list of areas of non-compliance with the applicable reporting framework, in particular with IFRSs

In this section of the report we present the areas of non-compliance, including non-disclosures or partial disclosures, with the applicable reporting framework, particularly with the requirements of IFRSs, which areas were identified as a result of the 2013 review of the consolidated financial statements / financial statements prepared by issuers of securities, other than investment funds. The review focused mainly on annual consolidated financial statements / financial statements prepared for the financial year 2012. It also encompassed interim consolidated financial statements / financial statements prepared for the periods of the financial year 2013 and 2012 respectively, as well as historical financial information of entities applying for approval of a prospectus, taking into consideration the methods of selecting financial statements for the review. In connection with the conducted enforcement activities, there were also cases of review of consolidated financial statements / financial statements for earlier periods than the above mentioned ones.

Some of the presented cases of non-compliance with IFRSs occurred only in single cases. On the other hand, there were relatively numerous cases where issuers made disclosures in a manner that could give rise to doubts about their completeness.

We would like to draw issuers' and auditors' attention respectively to the fact that if financial information is to be useful, it must be relevant and faithfully represent what it purports to represent, and to be a perfectly faithful representation, a depiction should be complete. A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For some items, a complete depiction may entail explanations of significant facts about the quality and nature of the items, factors and circumstances that might affect their quality and nature, and the process used to determine the numerical depiction (cf. par. QC4-QC34 of the Conceptual Framework for IFRSs[8] on qualitative characteristics of useful financial information).

In our opinion, it is reasonable that – when issuing their opinions on the audited financial statements – auditors also take into account the completeness of the disclosures required in accordance with applicable framework. Pursuant to par. 69 of the Polish National Standard on Auditing No. 1 General principles of auditing financial statements: "(...) Significant departure shall also include the presentation of incomplete financial statements. (…)". In our opinion, the financial statements of issuers cannot be considered complete if they lack material disclosures required under applicable accounting standards.

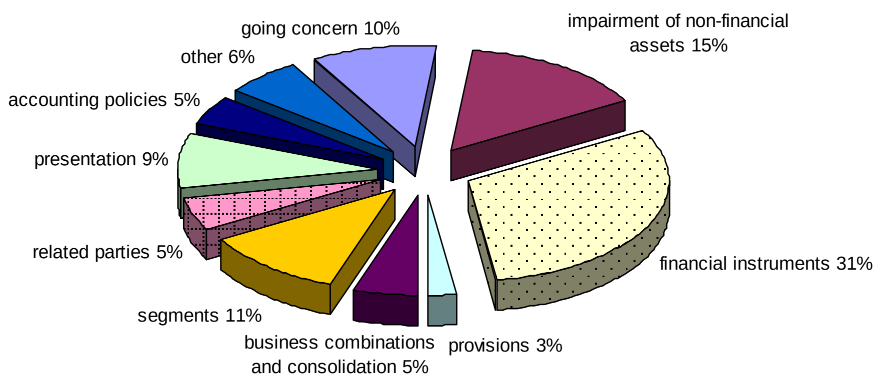
Moreover, please note that the list of the areas of non-compliance with the requirements of IFRSs, including non-disclosure or partial disclosures, has also been presented in previous reports prepared by the Accounting Division of the Public Offerings and Financial Information Department of the PFSA:

[8] Conceptual Framework for Financial Reporting (referred to in the report as 'Conceptual Framework for IFRSs') as adopted by the International Accounting Standards Board (*IASB*) is not subject to the adoption in the form of a Regulation of the European Commission for the application within the EU.

- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2012.*[9]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2011*[10]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2010*[11]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IASs/IFRSs. The review carried out in 2009*[12];
- *Report on the review of annual consolidated financial statements for the accounting year 2007 by issuers of securities in the context of their compliance with IASs*[13].

The issues to which the identified cases of non-compliance or non-disclosure related have been grouped in a manner that facilitates finding the specific topic. The provisions of IFRSs referred to in discussing specific areas of non-compliance are presented in the wording applicable to the financial statements prepared for the financial year 2012 or for the first half of the financial year 2013 respectively.

Figure 4. Areas of non-compliance identified as a result of the review conducted in 2013 – annual consolidated financial statements / financial statements of issuers for the financial year 2012



<u>Explanation:</u> If a non-compliance occurred in the consolidated financial statements and in the financial statements of an issuer, such non-compliance was taken into account in the figure only once. The percentage share depends on the frequency of occurrence of an issue in the identified non-compliances, whereas in the following description of issues to which non-compliances were related, individual topics are presented only once.

[9] http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf
[10] http://www.knf.gov.pl/en/Images/Report_on_the_review_of_the_financial_statements_by_issuers_of_securities_in_the_context_of_their_compliance_with_IFRSs_2011_tcm81-30256.pdf
[11] http://www.knf.gov.pl/en/Images/Raport_z_analizy_sprawozdan_emitentow_2010_ang_tcm81-30099.pdf
[12] http://www.knf.gov.pl/en/Images/Raport_z_analizy_2009_wer_ang_tcm81-30100.pdf
[13] http://www.knf.gov.pl/en/Images/Report_en_IAIS_2007_publ_tcm81-30102.pdf

2.3.1. Non-compliances and deficiencies in disclosures regarding going concern

- Doubts about the completeness and fairness of information about material uncertainties about the entity's ability to continue as a going concern (cf. par. 25 of IAS 1 *Presentation of financial statements*);
- Unclear disclosures relating to the going concern assumption and adopted measurement bases (cf. par. 25 of IAS 1);
- No clear indication that the financial statements have been prepared not on a going concern basis, as follows from the adopted measurement of assets (cf. par. 25 of IAS 1);
- Doubts about the fairness of the assessment of the entity's ability to continue as a going concern and the appropriateness of the going concern assumption adopted by the entity (cf. par. 25-26 of IAS 1);
- In connection with deterioration in operating results and financial position after the reporting period, doubts as to the appropriateness of the going concern assumption and the lack of a change in the adopted basis of accounting (cf. par. 15 of IAS 10 *Events after the Reporting Period*);
- Incomplete disclosures regarding the conditions indicating risks to the entity's ability to continue as a going concern (cf. par. 6(1)(8) and par. 19 of Section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to the Polish Accounting Principles[14]);
- Doubts about the fairness of the disclosure, in the management report on the issuer's operations and in the management report on the operations of the issuer's group, of the assessment of the financial resources management, taking into account in particular the entity's ability to meet the obligations incurred (cf. par. 91(6)(11) and par. 92(3) respectively of the Regulation on disclosure obligations[15]).

2.3.2. Non-compliances and deficiencies in disclosures concerning impairment of (non-financial) assets

- Unclear disclosures relating to impairment of assets (cf. IAS 36);
- Failure to estimate the recoverable amount of goodwill, despite the fact that there are indications of impairment (cf. par. 9-10 of IAS 36);
- Doubts whether goodwill has been tested for impairment in the absence of the relevant disclosure (cf. par. 10(b) of IAS 36);
- A statement in the description of the accounting policies that goodwill is tested for impairment annually, in spite of the obligation under IAS 36 to test goodwill for impairment annually, and whenever there is an indication that goodwill may be impaired (cf. par. 9-10 and 90 of IAS 36);
- Doubts about the correctness of assessing whether there is any indication that goodwill may be impaired (cf. par. 12-14 of IAS 36);
- Doubts about the correctness of allocating goodwill to cash-generating units (cf. par. 80-87 of IAS 36);
- Failure to disclose, for each reportable segment, the amount of impairment loss and the amount of reversals of impairment losses recognized in profit or loss and in other comprehensive income during the period for each reportable segment (cf. par. 129 IAS 36);

[14]Regulation of the Minister of Finance of 18 October 2005 on the scope of information disclosed in financial statements and consolidated financial statements required in the issue prospectus of issuers having their registered offices in the Republic of Poland and to which the Polish accounting principles apply (Journal of Laws No. 209, item. 1743, as amended).

[15] Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information published by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent (consolidated text: Journal of Laws of 2014, item 133),

- Failure to disclose, for each material impairment loss recognised or reversed during the period for an individual asset (cf. par. 130 of IAS 36):
  - the events and circumstances that led to the recognition or reversal of the impairment loss,
  - for an individual asset: (i) the nature of the asset; and (ii) if the entity reports segment information in accordance with IFRS 8, the reportable segment to which the asset belongs,
  - whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use,
  - if recoverable amount is fair value less costs of disposal, the basis used to measure fair value less costs of disposal (such as whether fair value was measured by reference to an active market),
  - if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use;
- Failure to disclose the information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with par. 130 of IAS 36 (cf. par. 131 of IAS 36);
- No / incomplete disclosures about estimates used to measure recoverable amounts for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the total carrying amount of these assets, as required by par. 134 of IAS 36;
- No disclosure of the basis on which the unit's (group of units') recoverable amount has been determined, i.e. whether it is value in use or fair value less costs of disposal (cf. par. 134(c) of IAS 36);
- No disclosures required if the unit's (group of units') recoverable amount is based on value in use, in particular disclosures about the period over which management has projected cash flows based on financial budgets/forecasts approved by management, the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the discount rate(s) applied to the cash flow projections (cf. par. 134(d) of IAS 36);
- Unclear disclosures about the sensitivity analysis of key assumptions on which the management has based its determination of the unit's (group of units') recoverable amount, including the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount (cf. par. 134(f) of IAS 36).

2.3.3. Non-compliances and deficiencies in disclosures regarding financial instruments

- Doubts about the use of the provisions of IAS 39 about impairment and uncollectability of financial assets, and in particular the assessment of objective evidence that a financial asset or group of financial assets is impaired and determination of the amount of any impairment loss (cf. par. 58-70 of IAS 39);
- Doubts about the completeness and fairness of disclosures about financial instruments, including liquidity risk (cf. IFRS 7);
- Failure to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments (cf. par. 6 of IFRS 7 and par. B1 and B2 of Appendix B Application Guidance to IFRS 7);
- Failure to disclose the carrying amount of each of the categories of financial assets and financial liabilities (cf. par. 8 of IFRS 7);

- Failure to disclose the terms and conditions relating to the pledge established as collateral for liabilities (cf. par. 14(b) of IFRS 7);
- Suspected absence of disclosures about the collateral held (cf. par. 15 and 38 of IFRS 7);
- No disclosures about breaches of other loan agreement terms (covenants), which permit the lender to demand accelerated repayment (cf. par. 18-19 of IFRS 7) and doubts about the fulfilments of the requirement to reclassify the obligation arising from such loans as current (cf. par. 74 of IAS 1);
- Failure to disclose interest income and expense, and net gains or net losses on financial assets or financial liabilities (cf. par. 20 of IFRS 7);
- Failure to disclose the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities, as well as other information about fair value (cf. par. 27 of IFRS 7);
- No classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (cf. par. 27A of IFRS 7);
- Failure to disclose the fair value hierarchy level, under which each fair value measurement was classified, in classifying fair value measurements in accordance with the levels defined in par. 27A of IFRS 7 and failure to disclose other information to be disclosed in the statement of financial position for each class of financial instruments measured at fair value (cf. par. 27B pf IFRS 7);
- No disclosures about the nature and extent of risks arising from financial instruments (cf. par. 31-42 of IFRS 7 and par. B6-B28 of Appendix B to IFRS 7).
- Failure to disclose information about the nature of the established collateral, in particular about possible significant changes in its value (cf. par. 31 and 36(b) of IFRS 7);
- No disclosure, for each type of risk arising from financial instruments, about the exposures to risk and how they arise and the objectives, policies and processes for managing the risk and the methods used to measure the risk (cf. par. 33 of IFRS 7);
- Failure to disclose information about the exposure to credit risk at the end of the reporting period (cf. par. 34 of IFRS 7);
- No disclosure, by class of financial instrument, of the financial effect of collateral in respect of the amount that best represents the maximum exposure to credit risk disclosed in accordance with par. 36 (a) of IFRS 7, i.e. no disclosure of the value of collateral, assignment of collateral to individual assets, disclosure of information whether assets are excessively or insufficiently secured and the manner of determining the value of the collateral (cf. par. 36(b) of IFRS 7; cf. also par. 22 of Guidance on Implementing to IFRS 7);
- No disclosure of information about the credit quality of financial assets that are neither past due nor impaired (cf. par. 36(c) of IFRS 7);
- Failure to disclose by class of financial instrument an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired (cf. par. 37 of IFRS 7);
- No disclosures about credit enhancements obtained (cf. par. 38 of IFRS 7);
- No / inadequate disclosures, taking into account the entity’s situation, concerning a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities broken down into time bands (cf. par. 39(a) of IFRS 7 and par. B11 of Appendix B to IFRS 7);
- No / inadequate disclosures, taking into account the entity’s situation, concerning a description of how the entity manages the liquidity risk and a maturity analysis of financial assets held for managing liquidity risk (cf. par. 39(c) of IFRS 7 and par. B11E-F of Appendix B to IFRS 7);

- Failure to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; failure to disclose the methods and assumptions used in preparing the sensitivity analysis and of changes from the previous period in the methods and assumptions used, as well as the reasons for such changes (cf. par. 40 of IFRS 7);
- No incorporation by cross-reference of disclosures concerning the nature of the loan granted disclosed in the management report (cf. par. B6 of Appendix B to IFRS 7);
- An incomplete disclosure about forbearance practices (cf. IFRS 7, ESMA's Public Statement on forbearance practices[16]).

2.3.4. Non-compliances and deficiencies in disclosures regarding provisions

- Doubts about the appropriateness of non-recognition of provisions by a subsidiary (cf. par. 14 of IAS 37);
- No disclosures for each class of provision (cf. par. 85 of IAS 37), including the following:
  - a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits,
  - an indication of the uncertainties about the amount or timing of those outflows, and
  - the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement;
- Doubts about the correctness of the aggregation of provisions by the entity in one type (cf. par. 87 of IAS 37).

2.3.5. Non-compliances and deficiencies in disclosures concerning business combinations and consolidation

- Failure to disclose information related to the acquisition of a subsidiary during the current reporting period, enabling users of the financial statements to evaluate the nature and financial effect of the business combination (cf. par. 59(a) of IFRS 3), including:
  - the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree (cf. par. B64(d) of Appendix B to IFRS 3),
  - a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors (cf. par. B64(e) of Appendix B to IFRS 3),
  - the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration (cf. par. B64(f) of Appendix B to IFRS 3),
  - the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed (cf. par. B64(i) of Appendix B to IFRS 3),
  - a description of the reasons why the transaction resulted in a gain – in a bargain purchase (cf. par. B64(n) of Appendix B to IFRS 3),
  - the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period, and the revenues and profit or loss of the combined entity for the current reporting period, as though the acquisition date for all business combinations that occurred during the period

[16] *Public Statement. Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions* (ESMA/2012/853, 20 December 2012); the document is described in more detail in chapter 3.2 of this Report

had been as of the beginning of the annual reporting period (cf. par. B64(q) of Appendix B to IFRS 3);

- No disclosure of information about the initial incomplete accounting for a business combinations (cf. par. B67(a)(i)-(iii) of Appendix B to IFRS 3 in connection with par. 45, 49, 61-62 of IFRS 3), including:
  - the reasons why the initial accounting for the business combination is incomplete,
  - the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete, and
  - the nature and amount of any measurement period adjustments recognized during the reporting period in accordance with par. 49;
- No separate disclosure of information for each material business combination carried out in the reporting period (presentation of aggregate amounts concerning the acquisition of several entities) (cf. par. 59-62 of IFRS 3 and par. B64-67 of Appendix B to IFRS 3);
- No disclosure in the consolidated financial statements of information about the nature of the relationship between the parent and a subsidiary, in which the parent owns half of the voting power (cf. par. 41(a) of IAS 27);
- Doubts about the appropriateness of the departure from IAS 27 in relation to consolidation of entities (cf. IAS 27, par. 19 of IAS 1);
- No separate presentation of the aggregate cash flows arising from the obtaining or losing control of a subsidiary (cf. par. 39 of IAS 7 *Statement of Cash Flows*);
- Failure to disclose in respect of both acquisitions and disposals of subsidiaries the total amounts referred to in par. 40 of IAS 7:
  - the total consideration paid or received,
  - the portion of the consideration consisting of cash and cash equivalents;
  - the amount of cash and cash equivalents in the subsidiaries over which control is obtained or lost,
  - the amounts of assets and liabilities other than cash and cash equivalents in the subsidiaries over which control is obtained or lost, summarised by each major category.

2.3.6. Non-compliances and deficiencies in disclosures regarding reporting by segments

- Failure to present in the financial statements information about operating segments (cf. IFRS 8);
- Failure to describe the sources of the revenue included in the 'all other segments' category (cf. par. 16 of IFRS 8);
- No / unclear disclosure of factors used to identify the entity's reportable segments, including the basis of organisation, types of products and services from which each reportable segment derives its revenues (cf. par. 22 of IFRS 8);
- No / incomplete disclosure of the following information for each reportable segment: revenues from external customers, revenues from transactions with other operating segments of the same entity, interest income, interest expense, depreciation and amortisation – if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker even if not included in that measure of segment profit or loss (cf. par. 23(a) to 23(e) of IFRS 8);
- No explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment, including the basis of accounting for any transactions between reportable segments and the nature of any differences between the measurements of

the reportable segments' profits or losses and the entity's profit or loss before income tax expense or income and discontinued operations (cf. par. 27(a)-(b) of IFRS 8);

- Failure to provide reconciliations of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations (cf. par. 28(b) of IFRS 8);
- No / incomplete disclosure of information about the revenues from external customers for each product and service, or each group of similar products and services or information that the necessary information is not available and the cost to develop it would be excessive (cf. 32 of IFRS 8);
- No / incomplete disclosure of geographical information or information that the necessary information is not available and the cost to develop it would be excessive (cf. par. 33 of IFRS 8), including about:
  - revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues.
  - non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts (i) located in the entity's country of domicile and (ii) located in all foreign countries in total in which the entity holds assets;
- No / incomplete disclosure of information in the financial statements about the extent of the entity's reliance on its major customers (cf. par. 34 of IFRS 8).

2.3.7. Non-compliances and deficiencies in disclosures regarding related parties

- Failure to disclose related party relationships (cf. par. 3, 13-14 and 18 of IAS 24 *Related party disclosures*);
- Failure to disclose information about key management personnel compensation for each of the following categories: (a) short-term employee benefits, (b) post-employment benefits, (c) other long-term benefits, (d) termination benefits, and (e) share-based payment (cf. par. 17 of IAS 24);
- Failure to present salaries due and unpaid in the note about key management personnel compensation (cf. par. 17 IAS 24);
- Failure to disclose information about related party transactions (cf. par. 18 of IAS 24), including at a minimum:
  - the amount of the transactions,
  - the amount of outstanding balances, including commitments,
  - provisions for doubtful debts related to the amount of outstanding balances; and
  - the expense recognised during the period in respect of bad or doubtful debts due from related parties.

2.3.8. Non-compliances and deficiencies in disclosures regarding presentation

- Doubts about the legitimacy of offsetting income and expenses, i.e. about presenting profits or losses arising from transactions on a net basis (cf. par. 32-35 of IAS 1);
- Failure to repeat in financial statements the information whether the financial statements are of an individual entity or of a group of entities, the date of the end of the reporting period or the period covered by the set of financial statements or notes, the presentation currency as defined in IAS 21 and the level of rounding used in presenting amounts in the financial statements (cf. par. 51(b)-51(e) of IAS 1);

- Using in the statements of financial position and statement of comprehensive income, the terms 'minority interest' and 'minority shareholders' instead of 'non-controlling interests' (cf. par. 54(q) and par. 83 of IAS 1, par. 27 of IAS 27);
- Presentation of item „minority interest" in the statement of financial position that was not a consolidated statement;
- Incorrect presentation of financial results in the financial statements that are not consolidated financial statements, by assigning the results to the „parent's shareholders" and „minority shareholders";
- No presentation of other comprehensive income in the separate statement of comprehensive income (cf. par. 81 of IAS 1);
- Failure to cross-reference / making incorrect cross-references to related information in the notes (cf. par. 113 of IAS 1);
- No separate disclosure of cash flows arising from taxes on income and failure to classify them as cash flows from operating activities (cf. par. 35 of IAS 7);
- Doubts related to the presentation of revenue (cf. IAS 18 *Revenue*);
- Failure to present in the statement of financial non-current assets classified as held for sale separately from other assets (cf. par. 38 of IFRS 5);
- All or some of the explanatory notes and additional explanatory notes missing (cf. Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles).

2.3.9. Non-compliances and deficiencies in disclosures regarding accounting policies

- An incomplete description of the accounting policies relating to the assets held for sale and consolidation principles (cf. par. 117(b) of IAS 1).
- No description of the accounting policies concerning inventories, including measurement bases (cf. par. 36(a) of IAS 2);
- Failure to disclose information about the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services (cf. par. 35(a) of IAS 18);
- Failure to disclose information about the accounting policy for recognising actuarial gains and losses (cf. par. 120A(a) of IAS 19);
- Unclear disclosures about the accounting policies concerning financial instruments (por. par. 21 IFRS 7);
- No appropriate description of the accounting policies concerning financial instruments, taking into account the nature of an entity's operations (par. 21 of IFRS 7, par. B5 of Appendix B to IFRS 7, par. 120 of IAS 1);
- No description of the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements (cf. par. 122-124 of IAS 1);
- Failure to disclose information about the key assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year (cf. par. 125-131 of IAS 1).

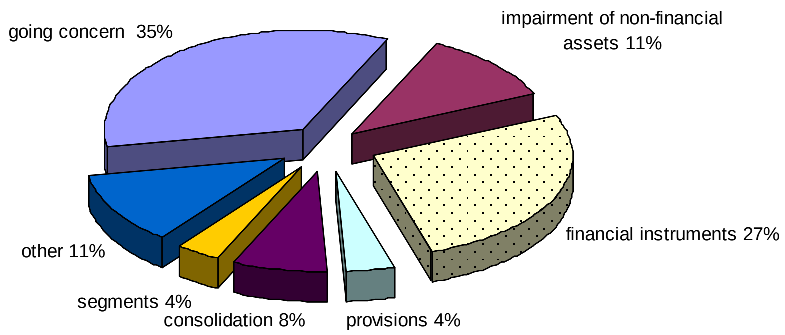
2.3.10. Other inconsistencies and deficiencies in disclosures

- Including in the annual financial statements a statement of compliance with IAS 34 instead of a statement appropriate for annual financial statements (cf. par. 16 of IAS 1);

- Making in the statement of compliance with IFRSs in the annual financial statements a reference to IFRSs or the IFRSs as adopted by the IASB, instead of IAS within the meaning of Article 2(3) of the Accounting Act and § 2(1)(12) of the Regulation on disclosure obligations (i.e. International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission), or IFRS as adopted by the EU (clause recommended by the European Commission);
- Failure to disclose for each class of share capital: the number of shares authorised, the number of shares issued and fully paid, and issued but not fully paid, par value per share, and a reconciliation of the number of shares outstanding at the beginning and at the end of the period (cf. par. 79(a)(i)–79(a)(iv) of IAS 1);
- Failure to disclose information about standards and interpretations that have been issued but are not effective yet, and of information relevant to assessing the possible impact that application of the new standard or interpretation will have on the entity's financial statements in the period of initial application (cf. par. 30-31 of IAS 8);
- Failure to disclose the date when the financial statements were authorised for issue (cf. par. 17 of IAS 10 *Events after the balance sheet date);*
- Uncertainties whether the entity complies with the provisions of par. 29 of IAS 11, pursuant to which it is also usually necessary for the entity to have an effective internal financial budgeting and reporting system;
- No appropriate revision of construction contracts' budgets (cf. par. 29 and 36 of IAS 11);
- Failure to disclose the gross amount due from customers for contract work and the gross amount due to customers for contract work (cf. par. 42 of IAS 11);
- Failure to disclose the useful lives or the depreciation rates used for property, plant and equipment (cf. par. 73(c) of IAS 16);
- Failure to disclose a general description of the type of plan in the case of a defined benefit plan (cf. par. 120A(b) of IAS 19 *Employee benefits*);
- Failure to disclose information about the amount of borrowing costs capitalised during the period and the capitalisation rate used to determine this amount (cf. par. 26 of IAS 23 *Borrowing Costs*);
- Failure to present basic and diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity for the period (cf. par. 66-67 of IAS 33 *Earnings per share*);
- No reconciliation of the equity reported in accordance with previous GAAP to the equity in accordance with IFRSs (cf. par. 24-25 of IFRS 1);
- Failure to disclose in the notes a description of the non-current asset sold and a description of facts and circumstances of the sale (cf. par. 41(a)-41(b) of IFRS 5);
- No disclosure of information about the risks of increasing fuel and construction material prices and failure to determine the extent to which the entity is exposed to such risks (cf. par. 91(5)(3) and par. 92(3) respectively of the Regulation on disclosure obligations);
- Failure to disclose the date of the agreement with an auditor and the fee of the auditor (cf. par. 91(6)(a)-(b) and par. 92(3) respectively of the Regulation on disclosure obligations).

2.3.11. Non-compliances and deficiencies in disclosures regarding interim reporting

Figure 5. Areas of non-compliance identified as a result of the review conducted in 2013 – interim consolidated financial statements / financial statements of issuers for the periods of the financial year 2013 and 2012 respectively



<u>Explanation:</u> If a non-compliance occurred in the consolidated interim financial statements and in the interim financial statements of an issuer, such non-compliance was taken into account in the figure only once. The percentage share depends on the frequency of occurrence of an issue in the identified non-compliances, whereas in the following description of issues to which non-compliances were related, individual topics are presented only once.

The identified non-compliances and deficiencies in disclosures regarding interim consolidated financial statements / interim financial statements of issuers related to the following issues concerning going concern, impairment of non-financial assets, financial instruments, provisions, consolidation, reporting by segments and other thematic areas:

- Incomplete disclosures about the existence of uncertainties related to events and conditions that might cast serious doubt upon the entity's ability to continue as a going concern (cf. par. 25 of IAS 1);
- Doubts whether the assessment of the entity's ability to continue as a going concern is appropriate (cf. par. 26 of IAS 1);
- Doubts about the appropriateness of the going concern assumption (cf. par. 25-26 of IAS 1);
- Doubts about the fairness of the disclosure of information relevant for the assessment of the ability to meet obligations (cf. par. 89(1)(3) of the Regulation on disclosure obligations in connection with par. 87(7)(10) and par. 90(1)(3) in connection with par. 87(7)(10) respectively);
- Failure to take into account an indication that there is a need to estimate the recoverable amount of goodwill (test goodwill for impairment) (cf. par. 9 of IAS 36);
- Failure to take into account an indication that there is a need to estimate the recoverable amount of shares in a subsidiary (cf. par. 9 of IAS 36);

- Failure to recognise write-downs of inventories, despite the occurrence of a situation in which the purchase price / cost of manufacture may not be recoverable (cf. par. 28 of IAS 2 in connection with par. 28 and 30(a) of IAS 34);
- Doubts about the fulfilment of the requirements regarding impairment of financial assets (cf. par. 58-70 of IAS 39 in connection with par. 28 and 15B(b) of IAS 34);
- Failure to disclose, for loans payable recognised at the end of the reporting period, details of any defaults of principal, interest, sinking fund, redemption terms of those loans payable or breaches of other loan terms (cf. par. 18 and 19 of IFRS 7 in connection with par. 15 of IAS 34);
- An inadequate, taking into account the entity’s situation, maturity analysis for non-derivative financial liabilities (cf. par. 39(a) of IFRS 7 and par. B11 of Appendix B to IFRS 7 in connection with par. 15 of IAS 34);
- An inadequate, taking into account the entity’s situation, description of how the entity manages the liquidity risk and maturity analysis of financial assets held for managing liquidity risk (cf. par. 39(c) of IFRS 7 and par. B11E-F of Appendix B to IFRS 7 in connection with par. 15 of IAS 34);
- Doubts as to the correctness of offsetting receivables and liabilities (cf. par. 32 of IAS 1);
- Failure to disclose for each class of provision: a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; an indication of the uncertainties about the amount or timing of those outflows and the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement (cf. par. 85 of IAS 37 in connection with par. 15 of IAS 34);
- Doubts about the appropriateness of the departure from IAS 27 in relation to consolidation of entities (cf. IAS 27, par. 19 of IAS 1);
- No disclosures in relation to the loss of control of a company (cf. par. 16A (i) of IAS 34);
- No disclosures of segment information (cf. par. 16A (g) of IAS 34);
- No appropriate revision of construction contracts’ budgets (cf. par. 29 and 36 of IAS 11 in connection with par. 28 of IAS 34);
- Presenting in the statement of comprehensive income the comparable data for the annual period ended 31 December 2012 instead of data for the comparable interim period of the immediately preceding financial year (cf. par. 20 of IAS 34);
- Failure to indicate the changes in the prices of fuel and construction materials as a factor that will have an impact on the results achieved in the perspective of at least one quarter (cf. par. 87(7)(11) and par. 87(10) respectively of the Regulation on disclosure obligations).

2.4. Supervisory activities related to the review of the compliance of financial statements with the reporting framework

As indicated in Chapter 1.2, describing the principles adopted for the review, pursuant to Principle 3 of the CESR Standard No. 1, competent independent administrative authorities set up by Member States should have the ultimate responsibility for enforcement of compliance of the financial information provided by the issuers with the reporting framework.

This report presents the results of the review of consolidated financial statements / financial statements of security issuers other than investment funds, in respect of the assessment of compliance of these financial statements with the applicable reporting framework, in particular with IFRSs.

For educational purposes, the report has been published on the PFSA’s website. The issues referred to in the qualifications made by auditors and in disclaimers of opinion / report, and the most common cases of non-compliance and failure to make disclosures as required by IFRSs are also presented at the seminar for financial market participants, which is organized annually by the PFSA, usually in the fourth quarter of the year, as part of the CEDUR (Education Centre for Market Participants) initiative[17].

We draw attention to the responsibility of management and supervisory boards (cf. Article 4a of the Accounting Act) for ensuring that the financial statements and the management reports meet the requirements provided for in the Accounting Act (and consequently the requirements for the preparation of specific financial statements in accordance with the applicable IFRSs, taking into account the concept of materiality), and for ensuring their compliance with other regulations regarding reporting framework.

In addition, in our view, if the auditor expresses in its opinion on the audited financial statements a qualification on a matter affecting the profit or loss of the issuer, the issuer's management should take the qualification into account when formulating a proposal, for the approving body, for the allocation of profit or loss. We would like to note that pursuant to Article 53(3) of the Accounting Act, the entities required to have their annual financial statements audited may divide or cover the net financial result after the financial statements' approval by the approving body, preceded by an unqualified or qualified opinion on these financial statements expressed by an auditor. If this condition is not met, the division or coverage of the financial result is void.

Audit committees, which are set up under the Act on Statutory Auditors[18], or supervisory boards, which have been entrusted with the tasks of these committees, play an important role in ensuring high quality of financial statements.

In case of material infringements of the reporting framework, the PFSA takes appropriate actions in accordance with the applicable law. The PFSA pays special attention to the review of the financial statements of issuers who received a qualified opinion / report on the financial statements, an adverse opinion / report or if the auditor issued a disclaimer of opinion / report – in order to take appropriate measures under the applicable law. As indicated in Chapter 1.3., the PFSA treats the audit / review of the financial statements by the entities authorized to audit financial statements as "a first external line" of ensuring the correct application of the reporting framework.

Using the powers under Article 68 of the Act on Public Offering[19]*,* in the case of a qualified or an adverse opinion / report on the audited financial statements or in the case of a disclaimer of opinion / report, the PFSA's authorized representative requests issuers (both management as well as supervisory boards) to explain the reasons for not complying with the applicable reporting framework and to assess the impact of misstatements which are the subject of the qualifications on the financial statements. Moreover, the PFSA's representative asks audit committees for opinions.

In connection with the review of financial statements / historical financial information of entities applying for approval of their prospectus (the results of this review have also been included in the report), the issuers are presented with comments and requested to provide explanations or to correct the financial information in the prospectuses.

In subsequent years, in order to meet enforcement objectives, the periodic review of compliance of issuers' financial reporting with the applicable reporting framework will be continued. In the selection of financial statements of issuers for the review, the following priority criteria will continue to be taken into account: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion, as well as a qualified report on the review of half-yearly financial statements or a disclaimer of report. The financial statements' review will also cover the cases of issuers whose ability to continue as a going concern is at risk (i.e. those who have been declared bankrupt or filed for bankruptcy, or if the threat to the entity's ability to continue as a going concern is reflected in a qualified or adverse audit opinion / review report, in a disclaimer of opinion / report or in an emphasis of matter paragraph). Furthermore, the assessment of compliance of issuers' financial statements with the applicable reporting framework will take into account the European common enforcement priorities identified by ESMA in order to promote transparency as

[17]Information about CEDUR is available on the website: http://www.knf.gov.pl/en/About_us/cedur/index.html

[18] Act of 7 May 2009 on auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws No. 77, item 649, as amended)

[19]The Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to the organised trading system and on public companies, as well as on amendments to other acts (consolidated text Journal of Laws of 2013, item 1382)

well as the correct and consistent application of IFRSs. The current priorities include the following issues: impairment of non-financial assets, fair value measurement and disclosure, measurement of financial instruments and disclosure of related risks, particularly relevant for financial institutions, disclosures related to significant accounting policies, judgments and estimates, and measurement and disclosure of post-employment benefit obligations.

3. SELECTED ISSUES THAT REQUIRE SPECIAL ATTENTION IN THE PREPARATION OF FINANCIAL STATEMENTS

The purpose of this Chapter is to present the selected issues related to reporting framework, which are useful both in the preparation of the financial statements and in using the information contained therein.

3.1. Issues relating going concern

The going concern-related issues, which we emphasised in the *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2012* still remain valid[20]. In our opinion, the current economic conditions, in which companies operate, may increase the risk of omissions in, or incompleteness or unfairness of, the financial statements of issuers, particularly in the areas relating to: going concern, impairment of assets, risks arising from financial instruments, provisions.

Also ESMA in its Public Statement. European common enforcement priorities for 2013 financial statements, which is described in more detail in chapter 3.2. of this Report, draws attention to the issues related in particular to: impairment of non-financial assets, fair value measurement and disclosure, measurement of financial instruments and disclosure of related risks, including forbearance practices[21] (restructuring debt, renegotiating loan agreements, refraining from action, etc.), disclosures related to significant accounting policies, judgements and estimates as well as measurement and disclosure of post-employment benefit obligations.

According to the authors of the Report, in the case of issuers preparing financial statements in accordance with IFRSs, in the current economic situation it is of great importance to apply the provisions mentioned in the previous Report on the Review of the following standards: IAS 1 *Presentation of Financial Statements*, IAS 11 *Construction Contracts*, IAS 36 *Impairment of Assets*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, as well as the provisions of IFRS 13 *Fair Value Measurement*.

We would like to stress that pursuant to par. 3(1) of the Regulation on disclosure obligations, periodic reports should contain information reflecting the special characteristics of the situation described and should be prepared in a true, fair and complete manner. If a specific nature of the event covered by the periodic report requires additional disclosures to ensure its true, fair and complete view, the issuer is required to make such disclosures in the interim report in accordance with par. 3(2) of the above-mentioned Regulation. Furthermore, par. 3(3) of the above-mentioned Regulation stipulates that periodic reports presented by an issuer should be prepared in a manner that allows investors to assess the impact of the information presented on the issuer's economic and financial position.

We would also like to remind par. 15 of IAS 1 *Presentation of Financial Statements* which states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Framework.* The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

Additionally, we would like to specifically mention the following provisions of IFRS 7 and IAS 36.

[20] Cf. the previous Report on the Review, Chapter 3.1., p. 26, available on the website: http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf

[21] Cf. this Report on the Review, Chapter 3.2., p. 41

IRFS 7 Financial Instruments: Disclosures – selected provisions concerning disclosures about risks arising from financial instruments

An entity shall disclose qualitative and quantitative information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed (cf. par. 31-42 of IFRS 7 and par. B6-B28 of Appendix B Application Guidance, forming an integral part of IFRS 7).

According to par. B11E of Appendix B to IFRS 7, par. 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in par. 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (e.g. financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Other factors that an entity might consider in providing the disclosure required in par. 39(c), which are listed in par. B11F of Appendix B to IFRS 7, include, but are not limited to, whether the entity:
(a) has committed borrowing facilities (e.g. commercial paper facilities) or other lines of credit (e.g. stand-by credit facilities) that it can access to meet liquidity needs;
(b) holds deposits at central banks to meet liquidity needs;
(c) has very diverse funding sources;
(d) has significant concentrations of liquidity risk in either its assets or its funding sources;
(e) has internal control processes and contingency plans for managing liquidity risk;
(f) has instruments that include accelerated repayment terms (e.g. on the downgrade of the entity's credit rating);
(g) has instruments that could require the posting of collateral (e.g. margin calls for derivatives);
(h) has instruments that allows the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or
(i) has instruments that are subject to master netting agreements.

It should be also noted that according to par. 32A of IFRS 7 providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

IAS 36 Impairment of Assets – selected provisions concerning disclosures, including with reference to estimates used to measure recoverable amounts

According to par. 126 of IAS 36, an entity shall disclose the following for each class of assets:
(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are included;
(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed;
(c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period;
(d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.

Based on par. 130 of IAS 36 an entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:
(a) the events and circumstances that led to the recognition or reversal of the impairment loss;
(b) the amount of the impairment loss recognised or reversed;
(c) for an individual asset:
  (i) the nature of the asset; and
  (ii) if the entity reports segment information in accordance with IFRS 8, the reportable segment to which the asset belongs;
(d) for a cash-generating unit:

(i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in IFRS 8);
(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with IFRS 8, by reportable segment; and
(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified;

(e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use;
(f) if recoverable amount is fair value less costs of disposal, the basis used to measure fair value less costs of disposal (such as whether fair value was measured by reference to a quoted price in an active market for an identical asset). An entity is not required to provide the disclosures required by IFRS 13;
(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

Par. 131 of IAS 36 requires an entity to disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with par. 130:
(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses;
(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

Special attention should be paid to the fact that according to par. 134(a)-(f) of IAS 36, an entity shall make a number of disclosures for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, including, but not limited to, about the sensitivity of key assumptions, for which a reasonably possible change in those key assumptions would cause the unit's (group of units') carrying amount to exceed its recoverable amount.

Moreover, we would like to point out that par. 135 of IAS 36 specifies the scope of information subject to disclosure if:
- some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, and
- the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

3.2. Statements, reports and other documents of ESMA, including European common enforcement priorities

According to EU Regulation no 1095/2010 establishing the European Securities and Markets Authority („ESMA"), ESMA shall act in the field of financial reporting, to ensure the effective and consistent application of the EU legislation on the transparency of information about issuers whose securities are admitted to trading on a regulated market. According to Article 16(3) of the above-mentioned Regulation, the competent authorities and financial market participants shall make every effort to comply with those guidelines and recommendations. The PFSA is a member of ESMA.[22]

[22] Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84)

Corporate Reporting Standing Committee (CRSC), which operates within ESMA, deals with issues relating to financial reporting and accounting. One of the tasks of the CRSC is to coordinate the activities of national enforcers from the EEA relating to the enforcement of compliance of financial information with the IFRSs to ensure their consistent application within the EEA. This area is the subject of activities of EECS (European Enforcers Coordination Sessions), which has been established as a standing working group under the auspices of CRSC. The EECS is a forum to exchange information about the decisions and the adopted enforcement practice relating to financial information of the regulated-market issuers. An important aspect of the activities of EECS is the database to which enforcers provide information on important decisions taken to enforce compliance of issuers' financial statements with IFRSs. To ensure the convergence of the application of IFRSs within the EEA, ESMA publishes on its website extracts containing selected decisions from the EECS's database.

ESMA acknowledges that it is the role of the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) to develop accounting standards and to provide authoritative guidance on how IFRSs should be applied.

The following documents were published by ESMA on its website (http://www.esma.europa.eu/):

- **Review of Accounting Practices. Comparability of IFRS Financial Statements of Financial Institutions in Europe** (ESMA/2013/1664, 18 November 2013) (www.esma.europa.eu, tab: Investment and Reporting / Corporate Reporting Policy);

  The report provides an overview of accounting practices of financial institutions in Europe in selected areas related to financial instruments. It evaluates the level of comparability and quality of the disclosures in the 2012 IFRS financial statements of a sample of 39 major European financial institutions and includes recommendations to enhance the transparency of financial information through the application of the IFRS provisions. The areas selected for review included: structure and content of the income statement, liquidity and funding including the effects of asset encumbrance, hedging and the use of derivatives, credit risk with a focus on credit risk management, forbearance practices (e.g. restructuring debt, renegotiating loan agreements, refraining from action, etc.), non-performing loans and country concentration risk, criteria used to assess impairment of equity securities classified as available for sale.

- **Public Statement. European common enforcement priorities for 2013 financial statements**[23] (ESMA/2013/1634, 11 November 2013) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);

  As in 2012, ESMA published this Public Statement which defines the common enforcement priorities for 2013 financial statements in order to promote consistent application of the European securities and markets legislation. ESMA stresses the need for transparency and the importance of appropriate and consistent application of the recognition, measurement and disclosure principles provided for in IFRS for the proper functioning of financial markets. ESMA, together with European national enforcers, identified common financial reporting topics which they believe listed companies and their auditors should particularly consider when preparing and auditing, respectively, the IFRS financial statements for the year ending 31 December 2013.

  The European common priorities for 2013 financial statements, presented in ESMA's Statement, cover the following topics:

  - impairment of non-financial assets;

    ESMA has included the topic of impairment of non-financial assets in the European common enforcement priorities for 2013 financial statements, with a view to focus on some specific areas:

    - cash-flow projections: As pointed out in par. 33(a) of IAS 36, greater weight should be given to external evidence when management determines its best estimate of cash flow

[23] ESMA Public Statement translated into Polish is available on the website: http://www.knf.gov.pl/Images/tlumaczenie_ESMA_2013_1634_tcm75-36608.pdf

projections. Par. 34 of IAS 36 states that management should assess the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows and ensure consistency of the current cash flow projections with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate.

- key assumptions: For value in use, par. 134(d)(ii) of IAS 36 requires management to explain its approach in determining the values assigned to each key assumption by allowing users to understand whether these values are consistent with external sources of information, or how and why they differ from past experience or external sources of information. ESMA is of the view that it is particularly important for users of the financial statements to be provided with an appropriate level of disaggregated entity-specific disclosures and prompts issuers to consider whether they can improve the quality of their disclosure in this area. ESMA also notes that such assumptions should extend beyond the long-term growth rates and discount rates applied.

- sensitivity analysis: Par. 134(f) of IAS 36 calls for disclosures aimed at helping users in assessing the safety margin and evaluating how sensitive the assessment is to a change in one or several of the key assumptions used when determining the recoverable amount. ESMA reminds issuers that disaggregated disclosures by significant cost-generating unit (CGU) or group of CGUs should be provided in the financial statements in relation to the long-term growth rate, the discount rate and the key operational assumptions applied (e.g. revenue growth).

➢ measurement and disclosure of post-employment benefit obligations;

ESMA reminds issuers of the importance of disclosing significant actuarial assumptions used to determine the present value of the defined benefit obligation and related sensitivity analysis as required by par. 144-145 of IAS 19. As the discount rate is usually considered a significant actuarial assumption, ESMA expects issuers to disclose any significant judgements that management has made in its determination in accordance with par. 122 of IAS 1. In addition, issuers should provide disaggregation information on plans and fair value of the plan assets when the level of risk of those plans is deemed to be different as required by par. 138 and 142 of IAS 19.

➢ fair value measurement and disclosure;

Issuers should assess the impact of any changes to their fair value measurement practice based on the requirements of IFRS 13, defining fair value, clarifying and refining the principles for its determination as well as setting out its measurement framework. Appendix B to IFRS 13 provides detailed explanations and indicators that should be taken into account when assessing whether a market is active and the consequences for classification of fair value measurement within the fair value hierarchy. ESMA draws issuers' attention to the following specific elements related to fair value measurement: non-performance risk, unit of account, disclosures.

➢ disclosures related to significant accounting policies, judgements and estimates;

ESMA draws issuer's attention to the following IFRS disclosure requirements where, based on ESMA experience, quality could be improved:

- Par. 117 of IAS 1 requires disclosure of a summary of significant accounting policies. ESMA notes that significant accounting policies could be included in the financial statements in the most appropriate order for the issuer, starting with those policies considered most material and relevant as well as highlighting any options chosen in their application, when allowed.

- ESMA expects issuers to disclose the judgments made by management that have the most significant effect on the amounts recognised in the financial statements as required by par. 122 of IAS 1.

- Par. 125 of IAS 1 requires disclosure of sources of estimation uncertainties that have a significant risk of resulting in material adjustments in the next financial period. ESMA reminds issuers that these should be reviewed regularly to ensure that they are relevant for each set of financial statements.

- ESMA reminds issuers of the requirements of par. 25 of IAS 1 related to disclosure of uncertainties related to events and conditions that might cast doubt upon the entity's ability to continue as a going concern.

In line with the examples provided in par. 129 of IAS 1, ESMA expects issuers to provide the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including reasons for that sensitivity.

ESMA emphasises that disclosure of new standards issued but not yet effective as required by par. 30 of IAS 8 is relevant when the new standard might have a material impact on the financial statements (as might be the case in 2013 for many issuers in relation to IFRS 10 *Consolidated Financial Statements* and/or IFRS 11 *Joint Arrangements*) or if that impact is not known (as required by par. 31 of IAS 8).

➢ measurement of financial instruments and disclosure of related risks, particularly relevant for financial institutions.

The following aspects are particularly relevant to financial statements for the year ending 31 December 2013: general disclosures, impairment of financial assets, forbearance practices and credit risk as well as liquidity risk. ESMA expects issuers to provide liquidity risk disclosures with a granularity that corresponds to their risk profile in order to enable users to get a comprehensive picture of liquidity risk and funding needs of the entity and their evolution over time as required by par. 39 of IFRS 7. In particular, issuers should disclose an appropriate number of time bands in the maturity analysis as suggested by par. B11 of IFRS 7 and include maturity analysis of financial assets held for managing liquidity risk as required by par. B11E of IFRS 7.

When presenting the above European priority enforcement areas, it should also be taken into account that in selecting issuers' financial statements for the periodic review conducted by the PFSA, a high priority is given to the cases of a qualified or adverse opinion on the audited financial statements or a disclaimer of opinion, as well as the cases of going concern threats.

- Activity Report of the IFRS Enforcement activities in Europe in 2012 (ESMA/2013/1634, 11 November 2013) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);
- Feedback Statement. Considerations of materiality in financial reporting (ESMA/2013/218, 14 February 2013) (www.esma.europa.eu, tab: Investment and Reporting / Corporate Reporting Policy);
- **ESMA Report. European enforcers review of impairment of goodwill and other intangible assets in the IFRS financial statements** (ESMA/2013/2, 7 January 2013) (www.esma.europa.eu, tab: Investment and Reporting / Corporate Reporting Policy);

The report provides an overview of accounting practices related to impairment testing of goodwill and other intangible assets with indefinite useful lives. It also evaluates the appropriateness of disclosures in the 2011 IFRS financial statements of a sample of issuers and includes recommendations to enhance the application of the requirements of IAS 36. The reviewed financial statements of issuers included significant amounts of goodwill. As a result of the review, the report presents five areas of concern:

- key assumptions of the management: ESMA urges issuers to disclose all key assumptions and discuss the approach management has adopted in determining them for impairment testing;

- sensitivity analysis: For issuers where the book value of their net assets exceeded their market capitalisation, only half presented a sensitivity analysis. In ESMA's view this figure appears low since this is an indication that impairment might have occurred. ESMA would expect those issuers to be more transparent and disclose the sensitivity of the impairment calculation to changes in key assumptions. ESMA urges issuers to make realistic estimates in determining possible changes in key estimates that would cause the carrying amount of the cash generating unit to exceed its recoverable amount.

- determination of recoverable amount: ESMA would expect more weight to be given to external sources of information rather than entity-specific assumptions when determining fair value less costs to sell using discounted cash flows;

- determination of growth rates: ESMA urges issuers to provide realistic estimates of future growth rates that correspond to forecasts of economic development;

- disclosure of an average discount rate: Because of the impact of the applied discount rate on determining value in use and fair value less costs to sell if a discounted cash-flows model has been used, ESMA urges issuers to use, and disclose, separate discount rates for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit, is significant when the risk profile of the identified cash-generating units differs. By disclosing single average discount rate, issuers potentially obscure information that may be relevant to financial statement users.

A link to ESMA Report on the review of impairment of goodwill and intangible assets with indefinite lives has been placed on the PFSA's website – in the News tab (Polish: Aktualności) on the home page and in the tab: O NAS / Współpraca międzynarodowa/ Europejski System Nadzoru Finansowego. The document is also available in tab: Regulacje / Praktyka / Dokumenty ESMA.

- **Public Statement. Treatment of Forbearance[24] Practices in IFRS Financial Statements of Financial Institutions** (ESMA/2012/853, 20 December 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate Reporting Policy);

  The statement concentrates on three areas:

  - forbearance and objective evidence of impairment: ESMA is of the view that the indicators of objective evidence of impairment in IAS 39 cover forbearance measures, even though IFRSs do not use the term forbearance. The practice of extending forbearance measures constitutes an objective indicator that requires assessing whether impairment is needed. Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Based on these difficulties, the issuer decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially;

  - assessment of impairment of assets subject to forbearance practices: As a forbearance measure is objective evidence of impairment, once such a measure has been identified, in accordance with par. 59(c) of IAS 39, an issuer shall evaluate whether this loss event has had an impact on the estimated future cash flows of the financial asset. ESMA considers that given that forbearance measures are extended to borrowers with financial difficulties, issuers should apply a heightened level of scepticism when estimating the future cash flows, collateral values as well as other parameters used in calculating the impairment of forborn financial assets;

  - disclosures in the IFRS financial statements: ESMA recommends a wide scope of quantitative and qualitative disclosures, which should provide users of financial statements with sufficient information on, among other things, forbearance activities and their impact on the financial position and performance, as well as disclosures enabling users to evaluate the impact of forbearance on the credit risk profile of the loan portfolios and their impairment charges.

  In connection with the engagement in assets to which forbearance relates and the results of such engagement, financial institutions (as well as other entities affected by forbearance activities) and their auditors should take this Public Statement of ESMA into due consideration with regard to exposure and the effect of forbearance related practices, when preparing or

[24] For more information on forbearance – see:
- Reports of the Scientific Advisory Committee of the European Systemic Risk Board "Forbearance, resolution and deposit insurance", July 2012,
http://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_1_1207.pdf?73e625e8c964c70654f862e73ccc983b ;
- EBA FINAL draft Implementing Technical Standards On Supervisory reporting on forbearance and exposures under article 99(4) of Regulation (EU) No 575/2013 (EBA/ITS/2013/03), 21.10.2013 r.,
http://www.eba.europa.eu/documents/10180/449824/EBA-ITS-2013-03+Final+draft+ITS+on+Forbearance+and+Non-performing+exposures.pdf

auditing IFRS financial statements beginning from the financial statements for the year ending 31 December 2012.

A link to ESMA Public Statement on forbearance has been placed on the PFSA's website – in the News tab (Polish: Aktualności) on the home page and in tab: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego. The document is also available in tab: Regulacje / Praktyka / Dokumenty ESMA.

- **Public Statement. European common enforcement priorities for 2012 financial statements**[25] (ESMA/2012/725, 12 November 2012) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);
- Summary of Responses. Considerations of materiality in financial reporting (ESMA/2012/525, 16 August 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- Review of Greek Government Bonds accounting practices in the IFRS Financial Statements for the year ended 31 December 2011 (ESMA/2012/482, 26 July 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- Public Statement. Sovereign Debt in IFRS Financial Statements (ESMA/2011/397, 25 November 2011) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- Review of European enforcers on the implementation of IFRS 8 – Operating Segments (ESMA/2011/372, 9 November 2011) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);
- Public Statement. ESMA Statement on Disclosures related to sovereign debt to be included in IFRS financial statements (ESMA/2011/226, 28 July 2011) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- **Fourteen extracts from EECS's Database of Enforcement Decisions,** containing decisions of EEA enforcers in connection with IFRS enforcement (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement); the publication of extracts will be continued.

3.3. The most recent changes connected with the application of IFRSs, announced in 2013

According to Article 3(1) of the Regulation (EC) No. 1606/2002[26], the Commission shall decide on the applicability within the Community of international accounting standards. Article 3(4) of the above-mentioned Regulation stipulates that adopted international accounting standards shall be published in full in each of the official languages of the Community, as a Commission Regulation, in the Official Journal of the European Communities.

According to the requirements of par. 10-12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy (...).

In making the judgement, management shall refer to, and consider the applicability of, the sources listed in par. 11 of IAS 8, in the order determined in par. 11 of IAS 8. Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar

[25] For more information about ESMA Public Statement – see the previous Report on the Review:
http://www.knf.gov.pl/Images/Raport_MSSF_2012_tcm75-33561.pdf
ESMA Public Statement translated into Polish is available on the website:
http://www.knf.gov.pl/Images/Priorytety_nadzorcze_ESMA_tlumaczenie_09_01_2013_tcm75-33028.pdf

[26] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1; OJ Special edition in Polish: Chapter 13, Volume 29, p. 609);
Corrigendum to regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 216, 21.8.2007, p. 32);
Regulation (EC) No 297/2008 of the European Parliament and of the Council of 11 March 2008 amending Regulation (EC) No 1606/2002 on the application of international accounting standards, as regards the implementing powers conferred on the Commission (OJ L 97, 9.4.2008, p. 62).

conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in par. 11 of IAS 8 (cf. par. 12 of IAS 8).

We would like to note that when making the judgement management may take into account the provisions of the Accounting Act and national accounting standards issued by the Accounting Standards Committee, but only if the conditions of IAS 8 are met.

We would also like to remind that when initial application of a standard or an interpretation has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose the information required by par. 28 of IAS 8. In addition, when an entity has not applied a new standard or interpretation that has been issued but is not yet effective, the entity shall make disclosures required by par. 30 of IAS 8 (cf. also par. 31 of IAS 8).

In 2013, six regulations of the European Commission adopting amendments to IFRSs were issued:

1) Commission Regulation (EU) No 1375/2013 of 19 December 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39

   Each entity shall apply the amendments to IAS 39, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

2) Commission Regulation (EU) No 1374/2013 of 19 December 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 36

   Each entity shall apply the amendments to IAS 36, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

3) Commission Regulation (EU) No 1174/2013 of 20 November 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 10 and 12 and International Accounting Standard 27

   Each entity shall apply the amendments to IFRS 10, IFRS 12 and IAS 27, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

4) Commission Regulation (EU) No 313/2013 of 4 April 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to International Financial Reporting Standards 10, 11, and 12)

   Each entity shall apply the amendments to IFRS 10, IFRS 11 and IFRS 12, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

5) Commission Regulation (EU) No 301/2013 of 27 March 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Annual Improvements to International Financial Reporting Standards, 2009-2011 Cycle

Each entity shall apply the amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

6) Commission Regulation (EU) No 183/2013 of 4 March 2013 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 1

   Each entity shall apply the amendments to IFRS 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

A list of the regulations of the European Commission adopting IFRSs and amendments to IFRSs, issued in the years 2008-2012, is provided in Appendix 1 to the Report.

The full list of the regulations of the European Commission on IFRSs is available on the following websites:

- http://ec.europa.eu/internal_market/accounting/legal_framework/regulations_adopting_ias/index_en.htm
- http://eur-lex.europa.eu/pl/index.htm

or through the PFSA’s website: (www.knf.gov.pl, tab: Regulacje / Regulacje UE / Międzynarodowe standardy rachunkowości i sprawozdawczości finansowej (IAS, IFRS) / Regulations adopting IAS)

or through the website of the Ministry of Finance (www.mofnet.gov.pl, tab: Działalność / Rachunkowość / Międzynarodowe Standardy Rachunkowości / Rozporządzenia Komisji Europejskiej przyjmujące określone międzynarodowe standardy rachunkowości).

4. CONCLUSIONS

The review of financial statements by security issuers other than investment funds, carried out in 2013 by the Accounting Division of the Public Offerings and Financial Information Department of the PFSA, revealed that the issues covered by qualifications of auditors in opinions on the audit of consolidated financial statements / financial statements of issuers for the financial year 2012 and in reports on the review of consolidated financial statements / financial statements for the first half of the financial year 2013 respectively particularly concerned the issues related to financial instruments, consolidation, going concern and impairment of non-financial assets.

The number of issuers with a qualified opinion, an adverse opinion or a disclaimer of opinion on the consolidated financial statements / financial statements for the financial year 2012 increased by 37% compared to the previous year. This growth resulted particularly from an increase in the number of disclaimers of opinion related to going concern threats, which was mainly due to a significant deterioration in the position and liquidity of issuers. At the same time, the number of issuers with a qualified report or a disclaimer of report on the review of the consolidated financial statements / financial statements for the first half of the financial year 2013 decreased by 21% compared to the first half of the financial year 2012 and amounted to a total of 34 issuers.

This report identifies the areas of non-compliance with the applicable reporting framework, in particular with IFRSs, occurring in the financial statements of issuers. In our opinion, the following areas require further improvement: financial instruments and risks arising from financial instruments, impairment of non-financial assets, going concern. If should be noted that these areas are consistent with the European common enforcement priorities as defined by ESMA.

In the opinion of the authors of the report, the cyclical publication of review reports aims at contributing to a higher level of issuers' compliance with financial reporting requirements, particularly with the requirements of IFRSs. The improved quality of issuers' financial statements should make them more comparable, especially within individual industry sectors, facilitate the assessment of the financial position and performance of issuers and their groups, as well as enhance investor confidence in financial reporting. In our opinion, better quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements / qualified reports on the reviewed financial statements, as well as in a reduced number of cases of an adverse opinion and a disclaimer of opinion / report issued by an auditing or reviewing entity authorized to audit financial statements.

For educational purposes, the report has been published on the website of PFSA. The issues referred to in the qualifications made by auditors, in adverse opinions and disclaimers of opinion / report, as well as the most common cases of non-compliance and deficiencies in disclosures as required by IFRSs are also presented at the seminar for financial market participants, which is organized annually by the PFSA as part of the CEDUR (Education Centre for Market Participants) initiative. It should be mentioned that the topics mentioned in this Report are present in public debates on the supervision of issuers' financial reporting. Moreover, the information on the results of the cyclical review of issuers' financial statements is exchanged during European Enforcers Co-ordination Sessions (EECS) within ESMA.

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Appendix 1

IFRSs AND AMENDMENTS TO IFRSs ANNOUNCED IN THE YEARS 2008-2012

IFRSs and amendments to IFRSs, issued in the form of the regulations of the European Commission in the years 2008-2012, in the reverse chronological order:

In 2012:

1) Commission Regulation (EU) No 1256/2012 of 13 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 7 and International Accounting Standard 32

   Each entity shall apply the amendments to IFRS 7 as from the commencement date of its first financial year starting on or after 1 January 2013.

   Each entity shall apply the amendments to IAS 32, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

2) Commission Regulation (EU) No 1255/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee

   Each entity shall apply the amendments to IAS 12 and IFRS 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

   Each entity shall apply IFRS 13 and IFRIC 20, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

3) Commission Regulation (EU) No 1254/2012 of 11 December 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 10, International Financial Reporting Standard 11, International Financial Reporting Standard 12, International Accounting Standard 27 (2011), and International Accounting Standard 28 (2011)

   Each entity shall apply IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

4) Commission Regulation (EC) No 475/2012 of 5 June 2012 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1 and International Accounting Standard (IAS) 19

   Each entity shall apply the amendments to IAS 1, at the latest, as from the commencement date of its first financial year starting on or after 1 July 2012.

   Each entity shall apply the amendments to IAS 19, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

In 2011:

1) Commission Regulation (EU) No 1205/2011 of 22 November 2011 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with

Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 7

Each entity shall apply the amendments to IFRS 7, at the latest, as from the commencement date of its first financial year starting after 30 June 2011;

2) Commission Regulation (EU) No 149/2011 of 18 February 2011 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs)

   Each entity shall apply the amendments to IFRS 3, at the latest, as from the commencement date of its first financial year starting after 30 June 2010.

   Each entity shall apply the amendments referred to in IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13, at the latest, as from the commencement date of its first financial year starting after 31 December 2010.

<u>In 2010</u>:

1) Commission Regulation (EU) No 662/2010 of 23 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 19 and International Financial Reporting Standard (IFRS) 1

   Each entity shall apply IFRIC 19 and amendment to IFRS 1, at the latest, as from the commencement date of its first financial year starting after 30 June 2010;

2) Commission Regulation (EU) No 633/2010 of 19 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 14

   Each entity shall apply the amendments to IFRIC 14, at the latest, as from the commencement date of its first financial year starting after 31 December 2010;

3) Commission Regulation (EU) No 632/2010 of 19 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 24 and International Financial Reporting Standard (IFRS) 8

   Each entity shall apply IAS 24 and amendment to IFRS 8, at the latest, as from the commencement date of its first financial year starting after 31 December 2010;

4) Commission Regulation (EU) No 574/2010 of 30 June 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1 and IFRS 7

   Each entity shall apply the amendments to IFRS 1 and IFRS 7, at the latest, as from the commencement date of its first financial year starting after 30 June 2010;

5) Commission Regulation (EU) No 550/2010 of 23 June 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1

   Each company shall apply the amendments to IFRS 1, at the latest, as from the commencement date of its first financial year starting after 31 December 2009;

6) Commission Regulation (EU) No 244/2010 of 23 March 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 2

Each entity shall apply the amendments to IFRS 2, at the latest, as from the commencement date of its first financial year starting after 31 December 2009;

7) Commission Regulation (EU) No 243/2010 of 23 March 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs)

   Each entity shall apply the amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16, at the latest, as from the commencement date of its first financial year starting after 31 December 2009.

<u>In 2009</u>:

1) Commission Regulation (EU) No 1293/2009 of 23 December 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32

   Each entity shall apply the amendment to IAS 32, at the latest, as from the commencement date of its first financial year starting after 31 January 2010;

2) Commission Regulation (EC) No 1171/2009 of 30 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 9 and International Accounting Standard (IAS) 39

   Each entity shall apply the amendments to IFRIC 9 and IAS 39, at the latest, as from the commencement date of its first financial year starting after 31 December 2008;

3) Commission Regulation (EC) No 1165/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4 and IFRS 7

   Each entity shall apply the amendments to IFRS 4 and IFRS 7, at the latest, as from the commencement date of its first financial year starting after 31 December 2008;

4) Commission Regulation (EC) No 1164/2009 of 27 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 18

   Each entity shall apply IFRIC 18, at the latest, as from the commencement date of its first financial year starting after 31 October 2009;

5) Commission Regulation (EC) No 1142/2009 of 26 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 17

   Each entity shall apply IFRIC 17, at the latest, as from the commencement date of its first financial year starting after 31 October 2009;

6) Commission Regulation (EC) No 1136/2009 of 25 November 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1

   Each entity shall apply IFRS 1, at the latest, as from the commencement date of its first financial year starting after 31 December 2009;

7) Commission Regulation (EC) No 839/2009 of 15 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation

(EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39

Each entity shall apply the amendments to IAS 39, at the latest, as from the commencement date of its first financial year starting after 30 June 2009;

8) Commission Regulation (EC) No 824/2009 of 9 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standard (IFRS) 7

   This Regulation entered into force on the third day following that of its publication in the Official Journal of the European Union, i.e. 13 September 2009;

9) Commission Regulation (EC) No 636/2009 of 22 July 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 15

   Each entity shall apply IFRIC 15, at the latest, as from the commencement date of its first financial year starting after 31 December 2009;

10) Commission Regulation (EC) No 460/2009 of 4 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 16

    Each entity shall apply IFRIC 16, at the latest, as from the commencement date of its first financial year starting after 30 June 2009;

11) Commission Regulation (EC) No 495/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 3

    Each entity shall apply the revised IFRS 3, at the latest, as from the commencement date of its first financial year starting after 30 June 2009;

12) Commission Regulation (EC) No 494/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 27

    Each entity shall apply the amendments to IAS 27, at the latest, as from the commencement date of its first financial year starting after 30 June 2009;

13) Commission Regulation (EC) No 254/2009 of 25 March 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 12

    Each entity shall apply IFRIC 12, at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation, i.e. after 29 March 2009;

14) Commission Regulation (EC) No 70/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs)

    Each entity shall apply the amendments to IAS 1, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41, at the latest, as from the commencement date of its first financial year starting after 31 December 2008.

Each entity shall apply the amendments to IFRS 5, at the latest, as from the commencement date of its first financial year starting after 30 June 2009;

15) Commission Regulation (EC) No 69/2009 of 23 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards amendments to International Financial Reporting Standard (IFRS) 1 and International Accounting Standard (IAS) 27

    Each entity shall apply the amendments to IFRS 1 and IAS 27, at the latest, as from the commencement date of its financial year starting after 31 December 2008;

16) Commission Regulation (EC) No 53/2009 of 21 January 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 32 and IAS 1

    Each entity shall apply the amendments to IAS 32 and to IAS 1, at the latest, as from the commencement date of its first financial year starting after 31 December 2008.

In 2008:

1) Commission Regulation (EC) No 1274/2008 of 17 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1

   Each entity shall apply IAS 1 (revised), at the latest, as from the commencement date of its first financial year starting after 31 December 2008;

2) Commission Regulation (EC) No 1263/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 14

   Each entity shall apply IFRIC 14, at the latest as from the commencement date of its first financial year starting after 31 December 2008.

3) Commission Regulation (EC) No 1262/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretation Committee's (IFRIC) Interpretation 13

   Each entity shall apply IFRIC 13, at the latest, as from the commencement date of its first financial year starting after 31 December 2008.

4) Commission Regulation (EC) No 1261/2008 of 16 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 2

   Each entity shall apply the amendment to IFRS 2, at the latest, as from the commencement date of its first financial year starting after 31 December 2008;

5) Commission Regulation (EC) No 1260/2008 of 10 December 2008 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 23

   Each entity shall apply IAS 23 (revised), at the latest, as from the commencement date of its first financial year starting after 31 December 2008;

6) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council

This Regulation entered into force on the third day following its publication in the Official Journal of the European Union, i.e. 2 December 2008.

Appendix 2

USEFUL LINKS

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(tab: Regulacje / Praktyka / Stanowiska urzędu / Rynek kapitałowy)
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www.esma.europa.eu

(tab: Investment and reporting / Corporate Reporting)
(tab: Investment and reporting / Corporate Reporting SC)
(tab: Investment and reporting / Corporate reporting policy)
(tab: Investment and reporting / Comment letters)
(tab: Investment and reporting / IFRS Enforcement)

http://ec.europa.eu/internal_market/accounting/legal_framework/regulations_adopting_ias/index_en.htm

http://eur-lex.europa.eu/pl/index.htm

www.ifrs.org

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POLISH FINANCIAL SUPERVISION AUTHORITY
Plac Powstańców Warszawy 1
00-950 Warszawa

Tel. (+48 22) 262-50-00
Fax (+48 22) 262-51-11 (95)
Email: knf@knf.gov.pl

www.knf.gov.pl