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

THE REVIEW CARRIED OUT IN 2014

POLISH FINANCIAL SUPERVISION AUTHORITY
WARSAW, FEBRUARY 2015

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 summarises the review, carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (PFSA) of the 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 2013. It also covered interim consolidated financial statements / financial statements prepared for the periods of the financial year 2014 and 2013 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 2014, 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, consolidation and business combinations, impairment of non-financial assets, going concern and fair value.

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 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. It is expected that the improvement in the 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 a disclaimer of opinion / report issued by an auditing or reviewing entity authorised 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 previous years, 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 currently include: the preparation and presentation of consolidated financial statements, financial reporting by entities which have joint arrangements, and the recognition and measurement of deferred tax assets, as well as related disclosures. The topics specified in the European common enforcement priorities, as published in 2013 and 2012, remain still valid. They include, *inter alia*, impairment of non-financial assets, fair value, financial instruments, accounting policies and provisions

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

1.1 Objective of the report

This report summarises the review, carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (PFSA), of annual consolidated financial statements prepared for the financial year 2013 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 the 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 2014 review of interim financial statements prepared for the periods of financial years 2014 and 2013 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, facilitate the assessment of the financial position and performance of issuers and their groups, as well as enhance 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 range 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 3.4. "Statements, reports and other documents of ESMA, including European common enforcement priorities".

[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 (consolidated text: Journal of Laws of 2014, item 133)

[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

1.2. The PFSA's supervision of compliance of financial statements with the reporting framework

1.2.1. Legal basis for enforcement

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.

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.

As mentioned in recital 16 of the Regulation 1606/2002[6], Member States are required to take appropriate measures to ensure compliance with international accounting standards.

In the years 2005-2014, the Accounting Division of the Public Offerings and Financial Information Department of the PFSA applied the principles of enforcement of standards on financial information, as applicable in that period and presented in the CESR Standard No 1[7]on Financial Information.

The purpose of enforcement of standards on financial information is – according to Principle 1 of 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.

Pursuant to Principle 3 of 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. According to Principle 2 of the above Standard, the reporting framework includes the accounting and disclosure standards adopted by the EU.

In the above period, the Accounting Division of the Public Offerings and Financial Information Department of the PFSA conducted a periodic review of compliance of the issuers' financial reporting with the applicable reporting framework, taking into account Principle 2 of CESR Standard No 1 according to which 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. 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.

ESMA Guidelines on enforcement of financial information (ESMA/2014/1293en, 28 October 2014) entered into force on 29 December 2014[8]. The document contains guidelines, issued under Article 16 of the ESMA Regulation[9], addressed to competent authorities. According to Article 16(3) of the above-mentioned Regulation, the competent authorities shall make every effort to comply with those guidelines and recommendations. After a thorough analysis concerning the application of the Enforcement Guidelines, the PFSA informed ESMA of its intention to apply the Guidelines. For this

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[4] The Act on Capital Market Supervision of 29 July 2005 (consolidated text: Journal of Laws of 2014, item 1537)

[5] Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization 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), as amended

[6] 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), as amended

[7] *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

[8] The document (in Polish) is available at the website
http://www.esma.europa.eu/system/files/2014-esma-1293pl.pdf

[9] 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), as amended

purpose, the activities of, in particular, legislative nature are performed to make it possible to fully apply all the guidelines specified in ESMA's document by the end of 2015.

In accordance with the ESMA Guidelines on enforcement of financial information (par. 17), the objective of enforcement of financial information included in harmonised documents is to contribute to a consistent application of the applicable reporting framework and, thereby, to the transparency of financial information relevant to the decision making process of investors and other users of harmonised documents. Through enforcement of financial information, enforcers contribute to the protection of investors and the promotion of market confidence as well as to the avoidance of regulatory arbitrage. Enforcement of financial information, in accordance with par. 21 of the Enforcement Guidelines, covers examining the compliance of financial information with the relevant financial reporting framework, taking appropriate measures where infringements are discovered during the enforcement process in accordance with the regulations implementing the provisions of the Transparency Directive and taking other measures relevant for the purpose of enforcement.

1.2.2. Selection of Financial Statements for Review

As in previous years, in 2014 the Accounting Division of the Public Offerings and Financial Information Department of the PFSA based the methods of selecting financial statements for the review 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, high priority was given to the following criteria: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion. In addition, the cases of a qualified report on the review of half-yearly financial statements or a disclaimer of report were taken into account. The PFSA treats the audit / review of financial statements by entities authorised to audit financial statements as a first external line of ensuring the correct application of reporting framework[10].

Moreover, in selecting financial statements of issuers for the periodic review conducted in 2014, 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 opinion on the audit / report on the review, in a disclaimer of opinion / report or in an emphasis of matter paragraph). At the end of 2014, 13 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 30.12.2014*), and for two issuers, the court dismissed the petition for bankruptcy or the court's decision to discontinue the bankruptcy proceedings became final – due to the fact that the issuer's assets were insufficient to cover the costs of the proceedings.

In connection with the review of financial statements in respect of their compliance with the financial reporting framework applicable to issuers, in particular with IFRSs, 213 annual and interim financial statements of 109 issuers were subject to review in 2014, including 71 consolidated financial statements prepared for the financial year 2013.

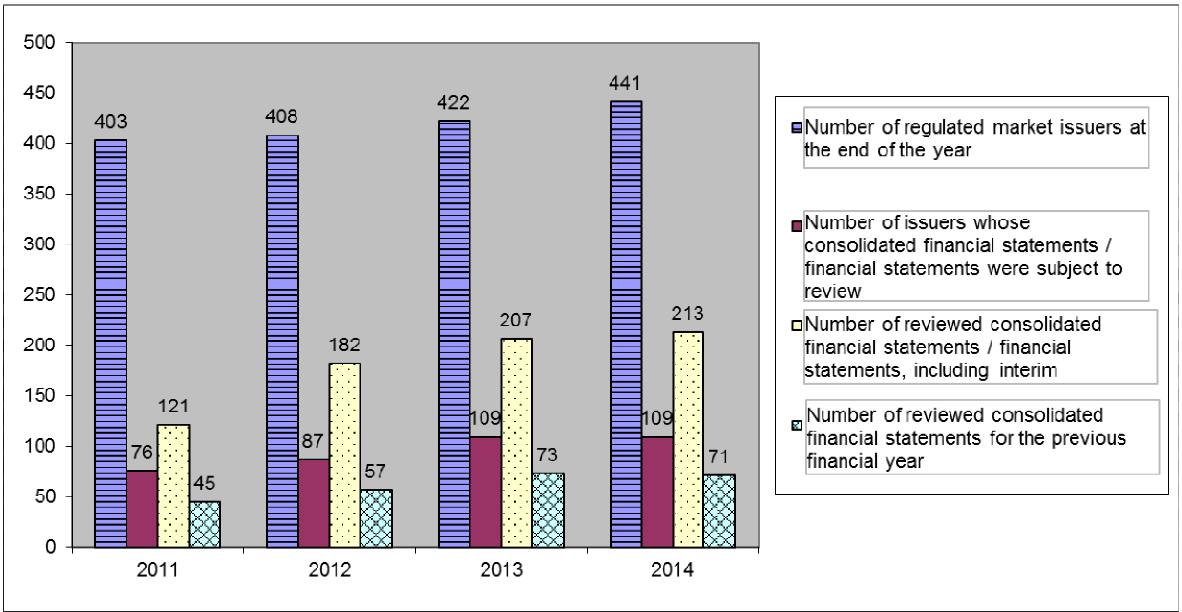
[10] According to the comment to Principle 8 of CESR Standard No 1: "The completeness, accuracy and truthfulness of the financial information is under the responsibility of the issuers' relevant bodies (mainly the board of directors). Where applicable, auditors are required to act as a first external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

Table 1. Number of issuers whose consolidated financial statements / financial statements were subject to the periodic review in 2014

	Number of regulated-market issuers (Warsaw Stock Exchange and BondSpot)*	Number of issuers whose financial statements were subject to review in 2014	Share in the total number of regulated-market issuers*
As at 31.12.2013	422	109	25,8 %
As at 31.12.2014	441		24,7 %

* 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 state. Data on previous years – cf. previous Reports on the Review. Links to previous Reports on the Review are presented on page 31 of this Report

Figure 1. Number of issuers and consolidated financial statements / financial statements subject to the periodic review in the years 2011-2014



In subsequent years, ESMA Enforcement Guidelines will be applied in determining the methods of selecting financial statements for review. In accordance with Guideline 5, enforcement normally uses selection. The selection model should be based on a mixed model whereby a risk-based approach is combined with a sampling and/or a rotation approach. A risk-based approach should consider the risk of a misstatement as well as the impact of a misstatement on the financial markets.

In view of the foregoing, the following will continue to be used as the priority 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 encompass, as in previous years, the cases of going concern risks.

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 currently include: the preparation and presentation of consolidated financial statements, financial reporting by entities which have joint arrangements, and the recognition and measurement of deferred tax assets, as well as related disclosures. We would like to stress that the topics presented in the European common enforcement priorities, as published in 2013 and 2012, remain still valid. They include, *inter alia*, impairment of non-financial assets, fair value, financial instruments, accounting policies and provisions

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

The PFSA pays special attention to the review of the financial statements of issuers who were given 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. The PFSA treats the audit / review of financial statements by the entities authorised to audit financial statements as a first external line of ensuring the correct application of financial reporting standards.

If it is necessary to obtain explanations regarding any non-compliance, an authorised representative of PFSA requests issuers (both management as well as supervisory boards), pursuant to Article 68 of the Act on Public Offering[11], to explain the reasons for not complying with the applicable reporting framework and to assess the impact of irregularities covered by the qualifications on the financial statements. In justified cases, a request for clarification is also directed to the entity authorised to audit / review the financial statements. Moreover, the PFSA's representative asks audit committees for opinions.

We draw attention to the responsibility of management and supervisory boards (cf. Article 4a of the Accounting Act[12]) for ensuring that the financial statements and the management report on operations 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 financial reporting regulations.

Audit committees, which are set up under the Act on Auditors[13], or supervisory boards, which carry out the tasks of these committees, play an important role in ensuring high quality of financial statements.

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 allocation of profit or loss of the entities required to have their annual financial statements audited may only be made 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 allocation of profit or loss is void by operation of law.

If there is a need for the issuer to make a correction in the consolidated interim report or the interim report in connection with the occurrence of misstatements, including non-compliance with IFRSs, the mode of correction is specified in par. 6(4) and (5) of the Regulation on reporting requirements[14].

In case of material infringements of the reporting framework, the PFSA takes appropriate actions in accordance with the applicable law.

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 prospectus.

[11] 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)

[12] The Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2013, item 330, as amended)

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

[14] 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)

This report presents the summary 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 website of PFSA. 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 a year, as part of the CEDUR (Education Centre for Market Participants) initiative[15].

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.

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

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 AUTHORISED TO AUDIT FINANCIAL STATEMENTS

2.1. Review of the financial statements for the financial year 2013 in the light of opinions issued by entities authorised to audit financial statements – a list of areas of non-compliance with the applicable reporting framework, in particular with IFRSs

When 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 (2010-2011) 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 issuers, for the financial year 2010: 36, and for the year 2011: 30 issuers), the figure for the financial year 2012 was 41 issuers or 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 some sectors. In 2013, the number of issuers with a qualified opinion or a disclaimer of opinion decreased by 3 to 38 issuers (a decrease of 7% compared to 2012). It should be noted that the share of the above-mentioned issuers in the total number of issuers on the regulated market (excluding closed-end investment funds and issuers for which the Republic of Poland is the host state) in the financial years from 2010 to 2013 remained at a similar level.

In relation to financial statements for the financial year 2013, there were 24 qualified opinions on the audit of financial statements of issuers, while in the case of 14 issuers, auditors issued a disclaimer of opinion. The largest number of issuers with qualifications in opinions on the audited financial statements for the financial year 2013 came from the following sectors: construction (4 issuers), pharmaceutical industry (4), other finance (4) and other services (3), whereas disclaimers of opinion on the financial statements for the above-mentioned period concerned most frequently issuers from the following sectors: construction (4), developers (2), IT (2) and other finance (2).

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 2009-2013

Number of issuers	**2009**	**2010**	**2011**	**2012**	**2013**
Qualified opinions	54	35	25	29	24
Disclaimers of opinion	2	1	4	12	14
Adverse opinions	0	0	1	0	0
TOTAL	**56**	**36**	**30**	**41**	**38**
Number of issuers at the end of the financial year*	368	386	403	408	422
Share in the number of issuers at the end of the financial year	**15%**	**9%**	**7%**	**10%**	**9%**

* 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 state.

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 disclaimers of opinion and qualifications contained in the opinions on the audit of financial statements of issuers for the financial year 2013, respectively, referred. The issues to which the above-mentioned disclaimers of opinion and qualifications referred have been grouped in a manner that makes finding a specific topic easier.

2.1.1. Disclaimers of opinion regarding going concern

Disclaimers of opinion were issued due to, *inter alia*, the following circumstances:

- The existence of serious threats to going concern: a decision issued by the court to discontinue the company's bankruptcy proceedings, negative comprehensive income for 2013, current liabilities in excess of assets, negative equity; a material uncertainty as to the valuation of properties and receivables due to the complex legal situation of these assets; exemption of some subsidiaries from consolidation due to the inability to obtain the financial information of these entities; the auditor's inability to confirm the correctness and completeness of the measurement of liabilities and provisions, and the completeness of disclosures relating to contingent liabilities; recognition, in the consolidated profit or loss and other comprehensive income for the previous financial year, income and expenses from the exchange of financial assets instead of the result of these transactions only; non-compliance of notes with a substantial part of requirements of IFRS 7, IAS 24, IAS 36, IAS 37 and IAS 40
- The existence of serious threat to the entity's ability to continue as a going concern; the cumulative losses in excess of the sum of supplementary capital, capital reserves and one-third of share capital – in accordance with 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; if an impairment loss on non-moving inventory of more that one year was recognised, equity would be negative; the final repayment dates of loans falling in April 2014; a high level of past due trade payables; a significant decline in sales; a decrease in employment; problems with timely payment of statutory liabilities as well as wages and salaries to employees;
- The preparation of financial statements on a going concern basis, based primarily on the expected acceptance of arrangement proposals by creditors, the repayment of past due receivables and attracting a strategic investor; lack of sufficient evidence to prove that the arrangement proposal will be accepted by creditors and approved by the court; failure to carry on the core object of the economic activity; the entity, as one of the parties to the multi-product agreement with the bank, was jointly and severally liable to repay a loan; due to the fact that the bank reported, in the entity's bankruptcy proceedings, its claims under the loan granted, the company recognised this liability in the separate financial statements;
- The preparation of the financial statements on the assumption that the entity will continue as a going concern in the period of at least 12 months after the balance sheet date despite the existence of facts and circumstances indicating uncertainties and threats to the entity's ability to continue as a going concern; failure to adopt a resolution on the continued existence of the company; negative cash flows from operating activities, current liabilities in excess of current assets, lack of sustainable sources of income; the auditor was not provided with plans for improving the financial position, obtaining funding sources for future investment and ensuring the inflow of economic benefits; delays in payment of liabilities; significant encumbrance of property with capped mortgages; failure to subject the financial statements of some subsidiaries to audit; resigning from introducing adjustments to the financial statement, which would have been necessary if the going concern assumption was not valid; failure to provide the auditor with sufficient and appropriate audit evidence with respect to some assets;
- Failure to submit the complete financial statements in time to conduct their audit; serious threat to the Company's ability to continue as a going concern: four ongoing bankruptcy proceedings initiated at the petition of the Company's creditors, failure to redeem the

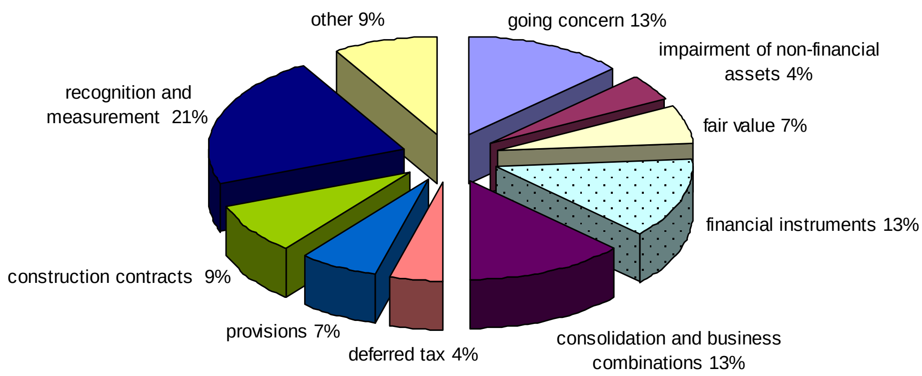
bonds issued, termination of loan agreements by banks, failure to perform the core object of the economic activity;

- The existence of significant threats to the entity's ability to continue as a going concern in the foreseeable future: failure to conclude, by the date of the disclaimer of opinion, an arrangement with creditors on the proposed conditions, difficult financial position, a significant decline in sales and a significant financial loss generated at the operational level, negative equity, no events clearly confirming the possibility to achieve the objectives of the strategy adopted for the Company, failure to obtain, by the end of the audit, sufficient information and explanations concerning some items of the financial statements; the recognition, in called-up share capital, of an amount resulting from failure to recognise, in the books of accounts of the financial year, the conversion of liabilities of the same value;
- The existence of serious threats to the going concern: the company has not attracted a strategic investor, and no agreements have been concluded with the banks financing the company, lack of operating income to pay current liabilities and the costs of current operations; a bankruptcy petition filed by the Management Board, with the possibility of an arrangement; using tax depreciation rates for accounting purposes – if the company applied the depreciation rates resulting from the economic useful lives of assets, both the financial result and equity would have been higher; the auditor's failure to obtain, from the Management Board, a written statement on the completeness, fairness and accuracy of the financial statements, and in the compliance with law; conditioning the reported amounts of assets on the company's ability to continue as a going concern in the future;
- The existence of significant uncertainty as to the entity's ability to continue as a going concern: a petition filed by the Management Board for the company's bankruptcy with a possibility of arrangement, due to the termination of loan agreements by banks and due to the fact that the loans whose timely payment was not possible became immediately due and payable; uncertainty as to the utilisability of economic benefits from deferred tax assets, which depends on the generation of taxable profit in the future;
- A significant uncertainty as to the entity's ability to continue as a going concern in the foreseeable future due to the uncertainty regarding the further course of the bankruptcy proceedings; a difficult position of the Group companies which are in liquidation or in bankruptcy with a possibility of arrangement; conditioning the business activity on the acceptance of arrangement proposals by creditors; due to the uncertainty regarding the further course of the bankruptcy proceedings, the auditor's inability to confirm the correctness of measurement of investment property, inventories, financial assets and the measurement of deferred tax assets; failure to recognise a provision for completed and pending litigation;
- The existence of serious threats to the entity's ability to continue as a going concern and a considerable degree of uncertainty as to the Group's survival: net loss, limitation of the economic activity, lay-offs, lack of evidence of the feasibility of restructuring operations, the loss incurred on the sale of shares; failure to meet the capital adequacy standards,
- The existence of circumstances indicating a threat to the entity's ability to continue as a going concern, due to lack of new contracts and the net losses incurred; the auditor issuing disclaimers of opinion on the financial statements of an entity belonging to the Group, in connection with going concern threat; lack of possibility to confirm that the measurement of recognised bonds and granted loans is correct; failure to include, in the financial statements, a description of the sale of a subsidiary with the right to perpetual usufruct; lack of possibility to confirm that the measurement of receivables is correct; uncertainty as to the feasibility of objectives of the adopted reorganization plan; failure to provide the auditor with all confirmations of disputes and confirmations from banks; the Management Board's inability to provide assurance as to the complete presentation of transactions for the financial years 2011 and 2012; failure to provide the auditor with the documentation confirming the sale carried out by a foreign branch; delays in payment of liabilities and failure to recognise interest on these liabilities; failure to accrue and recognise interest on trade receivables; decrease in the value of cash; failure to provide the auditor with

confirmations of trade balances, loan balances and accrued intercompany interest from subsidiaries; the cash does not cover the liabilities relating to the Company Social Benefits Fund;

- The auditor's inability to state whether the going concern assumption is justified – the Company is negotiating with creditors to sign a restructuring agreement and determine the arrangement conditions in connection with the declaration of bankruptcy with a possibility of arrangement; the amounts of reported liabilities and provisions are subject to change due to the ongoing updating of claims; the auditor's inability to determine what portion of the liabilities related to the granted warranties, guarantees and several liability is to be paid by the Company to subcontractors; the Management Board's failure to prepare sufficient analyses on the recoverable amount of intangible assets, property, plant and equipment and assets held for sale, despite the existence of indicators of permanent impairment of these assets; lack of current valuations of reported investment properties to fair value; inability to confirm the correct amount of the loan granted; lack of sufficient audit evidence to assess whether the reported amount of an investment in a subsidiary is correct;
- Significant degree of uncertainty regarding the going concern: the lack of sufficient evidence to prove that an arrangement will be accepted by creditors and approved by the court, petitions filed by two subsidiaries for liquidation bankruptcy, a limited extent of carrying on the core object of the economic activity, termination of loan agreements by banks, lack of evidence to prove that the property reported at cost was sold by the Management Board at a price at least equal to the carrying amount and that the Management Board has reached an agreement with the bank on the release of the mortgage, the lack of evidence to justify the reported amount of shares in subsidiaries, failure to obtain the valuation of insurance certificates, failure to submit construction acceptance reports, the financial statements have not been signed by the person responsible for maintaining the books of accounts;
- A significant uncertainty regarding the entity's ability to continue as a going concern in a substantially unchanged scope in the near future – at the date of issuing the disclaimer, the auditor was not provided with information confirming the possibility to obtain external funding, which would allow the entity to conduct further exploration and fulfil the obligations under a concession; the passing of the final dates for loan repayment; lack of evidence to prove the recoverability of receivables under the loans granted.

Figure 2. Topics of qualifications contained in opinions on the audit of consolidated financial statements / financial statements of issuers for the financial year 2013



<u>Comment:</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, the figure reflects such qualification 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.

2.1.2. Qualifications regarding going concern

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

- A court decision declaring the issuer bankrupt with the possibility of entering into an arrangement and the preparation of the financial statements on the assumption of going concern threats;
- There are indications of threat to the entity's ability to continue as a going concern in the near future (including the losses incurred, negative equity, a high negative amount of net working capital, low liquidity, the termination of the loan agreement by the bank, difficulties in the payment of statutory and trade liabilities);
- Uncertainty as to the going concern assumption adopted by the entire Group due to the uncertainty as to timely repayment of arrangement liabilities;
- The application of accounting principles appropriate for entities continuing as a going concern, taking into account significant limitations in external audit evidence;
- The possibility of changes in liabilities and in some receivables reported in the consolidated financial statements, due to changes in non-approved lists of claims of the parent and a subsidiary, which are declared bankrupt with a possibility of arrangement.

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 disclose information confirming that the goodwill established in connection with accounting for the combination has been tested for impairment (cf. IAS 36 "Impairment of assets");

- 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);

2.1.4. Qualifications concerning fair value

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

- Uncertainty as to whether the amount of the investment portfolio, as presented in the statement of financial position, reflects its fair value, due to the fact that the measurement of these instruments was based on the market with low liquidity (cf. IAS 39 "Financial Instruments: Recognition and Measurement"; IFRS 13 "Fair Value Measurement");
- Failure to carry out, when accounting for a business combination, the fair value measurement of goods owned by the acquired entity, and failure to carry out physical stocktaking (cf. IFRS 3 "Business Combinations");
- Resignation from the valuation of investment property belonging to a subsidiary at fair value (cf. IAS 40 "Investment Property").

2.1.5. Qualifications concerning financial instruments

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

- Failure to recognised impairment and failure to recognise an impairment loss on receivables overdue by more than 1 year from counterparties other than related parties (cf. IAS 39 "Financial Instruments: Recognition and Measurement");
- Failure to recognise an impairment loss on the acquired debt portfolios despite the existence, due to the absence of payments, of indicators of impairment (cf. IAS 39);
- Failure to recognise an impairment loss on receivables pursued through legal processes or doubtful receivables (cf. IAS 39);
- Failure to recognise an impairment loss on trade receivables from an entity declared by the court bankrupt with the possibility of entering into an arrangement (cf. IAS 39);
- Failure to recognise, in the financial statements of a subsidiary, an impairment loss on a receivable from a company in liquidation bankruptcy, due to the fact that, on the basis of the evidence obtained by the Management Board, the claim was considered recoverable (cf. IAS 39);
- Failure to provide the auditor with sufficient documentation confirming the appropriateness of the measurement of non-current receivables from a related party in respect of which there are indicators of impairment due to its financial position, which resulted in lack of possibility to assess the impact of the above issue on the financial statements in question (cf. Article 67 of the Accounting Act).

2.1.6. Qualifications concerning consolidation and business combinations

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

- Information, included by the Management Board of the parent in the notes to the consolidated financial statements, about the consolidation method, in which the departures from IAS 27, as adopted in the Group, were disclosed (cf. IAS 27 "Consolidated and Separate Financial Statements", IAS 1 "Presentation of Financial Statements") ;

- Accounting for the subscription for shares in the increased share capital of a subsidiary in a simplified manner, taking, as a basis, the data on net assets at the end of each quarter of 2013 instead of the data established at the actual dates of subsequent acquisitions (cf. IFRS 3 "Business Combinations");
- Lack of certainty as to the completeness of the recognition of liabilities in the books of accounts of a subsidiary, due to the failure to determine the list of liabilities acquired with the business contributed in kind to the company;
- Inability to confirm the correct stocktaking of inventories in subsidiaries;
- Including subsidiaries' unaudited financial statements in the consolidated financial statements;
- Failure to complete, by the date of the opinion, the audit of the financial statements of a jointly controlled entity, as a result of which the measurement of the investment was based mainly on estimates.

2.1.7. Qualifications concerning deferred tax

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

- Failure to recognise deferred tax assets, which should be recognised in the amount of probable aid utilisable in future periods (cf. IAS 12 "Income tax");
- Overstatement of deferred tax assets as at 31.12.2013 and of net financial result for the year ended 31.12.2013 (cf. IAS 12 / Article 37 of the Accounting Act).

2.1.8. Qualifications concerning provisions

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

- Failure to recognise a provision for a possible liability in connection with the pending action for damages (cf. IAS 37 "Provisions, Contingent Liabilities and Contingent Assets");
- Failure to recognise, in the financial statements of a subsidiary, the effects of pending actions arising from warranties and guarantees granted by the subsidiary to related parties, including failure to recognise a provision for a liability which the Company would have to pay if the case was decided against the subsidiary (cf. IAS 37);
- Failure to submit reliable estimates forming a basis for the provision for employee claims, as recognised by the acquired company, as a result of which it is not possible to determine the correct amount of the provision and its impact on the goodwill determined (cf. IAS 37, IFRS 3).

2.1.9. Qualifications concerning other issues relating to construction contracts

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

- Accounting for claims against customers on some construction contracts in revenue in previous years, even though the legal proceedings and negotiations with customers have not reached an advanced stage yet (cf. IAS 11 "Construction Contracts");
- Failure to recognise, in losses on construction contracts, additional costs incurred in 2014 and necessary to complete these contracts (cf. IAS 11);
- The reduction of liabilities to subcontractors by the amounts of penalties calculated by the entity in connection with pending litigation and out-of-court disputes for payment for the services rendered (according to the Management Board, the right to set-off the amounts

without the contracting parties' consent results from the agreements concluded with these parties);

- A discrepancy in opinions between a subsidiary and the investor with regard to a fee for the construction service carried out by the subsidiary – the subsidiary recognised that the reduction in the fee is unjustified and did not recognise the effects of this case in the books of accounts.

2.1.10. Qualifications concerning other recognition and measurement issues

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

- Failure to recognise adjustments concerning previous years retrospectively in equity (cf. IAS 8 "Accounting policies, changes in accounting estimates and errors");
- The items of property, plant and equipment reported in the consolidated balance sheet did not meet the conditions for including them in non-current assets of the lessee (leases for these items had been terminated by the lessor) (cf. IAS 17 "Leases");
- Recognising leases for equipment as operating leases instead of finance leases (cf. IAS 17);
- Recognition, by the entity, in the balance sheet, of rights to perpetual usufruct of land which 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 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);
- 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");
- Uncertainty as to the actual amount of assets shown under intangible assets, i.e. the trademark and the e-commerce platform (online shop) (cf. IAS 38);
- Doubts as to the reasonableness of adopting a 30-year economic useful life for the amortised e-commerce platform (cf. IAS 38);
- Discrepancies between the purchase price and the resale price of goods previously acquired from a related party, which may indicate that the purchase price of these assets differed significantly from the price that would have been determined in a transaction concluded between unrelated parties;
- Lack of sufficient certainty as to the carrying amount of assets and liabilities and the financial result for the year 2013, which are presented as discontinued operations, due to a refusal of access to the books of accounts of the subsidiary sold (cf. Article 67 of the Accounting Act).

2.1.11. Qualifications concerning other issues

The qualifications in audit opinions issued by auditors concerned also the following issues:

- Distribution of supplementary capital not in accordance with the purpose set out in Article 396(5) of the Code of Commercial Companies and Partnerships, as a result of which it requires supplementation;
- The auditor's inability to assess the correctness of subsidiary's VAT balances and settlements audited by the Tax Office;
- Failure to prepare the separate and consolidated financial statements in accordance with IFRSs starting from 2011, despite the adoption of a resolution by the parent's General Meeting of Shareholders;

- Inability to estimate the impact of the resolution of disputes conducted by the entity, on the entity's future financial position and financial performance.

2.1.12. Emphasis of matter

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 to the following issues:

- The pending bankruptcy proceedings of the parent and the existence of threat to the Entity's ability to continue as a going concern;
- The activities carried out by the Management Board to minimize liquidity risk in the Group;
- A subsidiary's default on timely payment of a loan;
- Special exposure to risk of changes in estimates of the following balance sheet items: other provisions, current assets, property, plant and equipment;
- Lack of certainty as to the feasibility of assumptions used in the impairment test of goodwill;
- Lack of certainty as to the existence of conditions for realisation of economic benefits from deferred tax assets;
- Determination, by an entity, of the fair value of the leased property without using the services of an independent valuer;
- Failure to recognise a provision for a possible zoning fee determined in accordance with the Spatial Planning and Development Act;
- The unknown effect of a construction contract settlement that will be conducted by a court appointed expert;
- Failure to subject the subsidiaries' consolidation packages to audit;
- Failure to file the financial statements for the previous year with the National Court Register.

2.2. Review of financial statements for the first half of the financial year 2014 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, the analysis of the number of issuers with a qualified review report or a disclaimer of review report indicates that the number increased in the first half of 2012 by 54% compared to 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. In the first half of 2014, this number amounted to 36 issuers, which represents an increase of 6% (or 2 issuers) compared to the first half of 2013, where for 25 issuers auditors expressed qualifications in review reports and for 11 issuers auditors issued a disclaimer of the review report.

The largest number of issuers with qualifications in reports on the review of the financial statements for the first half of the financial year 2014 came from the following sectors: construction (4 issuers), other services (3), other finance (3), the metal industry (3), the pharmaceutical industry (2) and the automobile industry (2), whereas a disclaimer of report on the review of the financial statements for the above-mentioned period most frequently concerned issuers from the construction sector (4).

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 2011-2014

Number of issuers	**First half of 2011**	**First half of 2012**	**First half of 2013**	**First half of 2014**
Qualified reports	27	34	27	25
Disclaimer of report	1	9	7	11
TOTAL	**28**	**43**	**34**	**36**
Number of issuers at the end of the previous financial year*	386	403	408	422
Share in the number of issuers at the end of the previous financial year	**7%**	**11%**	**8%**	**9%**

* 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 state.

Presented below are issues covered by disclaimers of report and 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, 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".

2.2.1. Disclaimers of report regarding going concern

Disclaimers of opinion were issued due to, *inter alia*, the following circumstances:

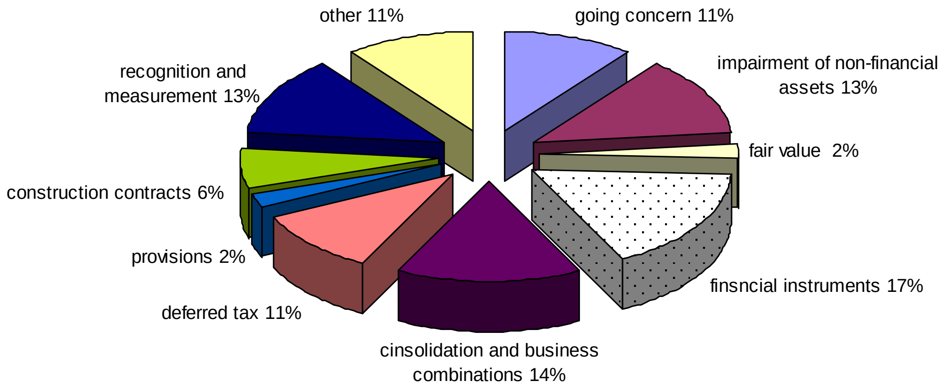
- The existence of visible threats to the entity's ability to continue as a going concern in the period of the next months after the balance sheet date: failure to confirm the balances of receivables from a subsidiary and absence of supporting documentation for the ageing of receivables, failure to confirm the balances of liabilities to a subsidiary; absence of supporting documentation for prepaid expenses and accruals; the reported losses resulting in the need to convene the General Meeting of Shareholders to pass a resolution on the continued existence of the entity;
- The preparation of the financial statements on the assumption that the entity will not continue as a going concern, based on an alternative basis for reporting, in accordance with Article 29(1) and (2a) of the Accounting Act – due to changing the bankruptcy proceeding into a proceeding involving the liquidation of assets; generated net loss; negative equity;
- The existence of visible threats as to the Company's ability to continue as a going concern in the period of the next 12 months from the balance sheet date; the financial statements were prepared on a going concern basis, but the auditor was unable to determine whether it was appropriate; the company's equity is negative, the loss exceeds the sum of supplementary capital, capital reserve and 1/3 of share capital; until the date of the disclaimer, the Company did not pass a resolution on the Company's continued existence; failure to provide the auditor, by the end of the audit, with sufficient information and explanations concerning certain items of the financial statements;
- The existence of significant uncertainty as to the Group's ability to continue as a going concern in the foreseeable future: a court order on changing the arrangement bankruptcy option into the liquidation option in relation to a subsidiary, due to the main creditor's objection expressed at the General Meeting of Shareholders to conclude an arrangement. The court changed the arrangement bankruptcy into the liquidation bankruptcy; the future decision of the main creditor regarding the Issuer's accession to the arrangement has

crucial impact on the adoption of a going concern basis for the parent and the Group; there is no evidence that the proposed arrangement will be accepted by the main creditor;

- The existence of significant uncertainty as to the entity's ability to continue as a going concern: a petition filed by the Management Board for the company's bankruptcy with a possibility of arrangement, due to the termination of loan agreements by banks and due to the fact that the loans whose timely payment was not possible became immediately due and payable; uncertainty as to the utilisability of economic benefits from deferred tax assets, which is conditional on the feasibility of financial projections; non-availability of the financial data as at 30.06.2014 of two subsidiaries included in the consolidation;
- Significant threat to the entity's ability to continue as a going concern resulting from, *inter alia*, the court order to change the manner of conducting the bankruptcy proceedings from the arrangement proceedings to the liquidation proceedings; the loss incurred; reported due current liabilities arising from outstanding debt instruments and loan agreements whose terms have been breached; the auditor's inability to confirm that the valuation of the investment property is correct, in connection with non-fulfilment of assumptions adopted for the purpose of the valuation, and the lack of an update of the valuation; lack of evidence to assess the correctness of the measurement of long-term and short-term borrowings, and assumptions made in the measurement of deferred tax assets; lack of documentation to assess whether the amount of write-down of inventories is correct and whether the carrying amount of inventories does not exceed the realizable selling price;
- The auditor's inability to assess whether the adopted going concern assumption is appropriate; completion of the bankruptcy proceeding with the possibility of an arrangement; failure to pay the arrangement liabilities; recognised loss before tax and loss after tax from continuing operations; the current situation indicating threat to the entity's ability to continue as a going concern, due to a significant decline in sales, loss of liquidity and the related delays in current payments;
- The existence of circumstances indicating a threat to the entity's ability to continue as a going concern, due to lack of new contracts and the net losses incurred; the auditor's disclaimer issued after the completion of the audit of the 2013 financial statements of an entity belonging to the Group, in connection with threat to that entity's ability to continue as a going concern; lack of possibility to confirm that the measurement of reported bonds and granted loans is correct; lack of possibility to confirm that the measurement of receivables is correct; delays in payment of liabilities and failure to recognise interest on these liabilities; failure to accrue and recognise interest on trade receivables; lack of positive cash flows needed to settle liabilities; failure to recognise the result arising from the loss of control of a subsidiary; the cash does not cover the liabilities relating to the Company Social Benefits Fund;
- The auditor's inability to assess whether the adopted going concern assumption is appropriate; the court order declaring the arrangement bankruptcy becoming final; negotiations held with creditors in order to sign a restructuring agreement and agree on the terms of an arrangement; the amounts of reported liabilities and provisions are subject to change due to the ongoing updating of claims; the auditor's inability to determine what portion of the liabilities related to the granted warranties, guarantees and several liability is to be paid by the Company to subcontractors; lack of sufficient audit evidence to assess the presented goodwill arising from the acquisition of control of a subsidiary, and the amount of other potential adjustments related to the final settlement of the cost of acquisition; lack of sufficient analyses on the recoverable amount of intangible assets, property, plant and equipment and other assets, despite the existence of indicators of permanent impairment; lack of current valuations as at 30.06.2014 of reported investment properties to fair value; lack of possibility to determine whether the recognised result on the loss of control of a subsidiary is correct; lack of possibility to assess whether the amount of the presented certificates is correct; uncertainty as to the outcome of the dispute with the employer on the performance of investment; lack of possibility to assess the impact of consolidation of subsidiaries on comparable data; failure to consolidate a subsidiary;

- Significant threat to the entity’s ability to continue as a going concern: the declaration of bankruptcy with the possibility of an arrangement, net loss, current liabilities arising from unpaid trade payables and terminated loan agreements, failure to carry on operating activities; failure to recognise interest on past due debt, lack of possibility to assess what amount of liabilities arising from a loan and interest the Company should recognise in the books of accounts and report in the financial statements, due to failure to obtain bank confirmation, lack of evidence to justify maintaining the reported amount of shares in subsidiaries, failure to recognise, in the books of accounts and in the financial statements, the sale of a controlling interest in a subsidiary, lack of possibility to assess the fair value of insurance certificates, due to failure to obtain valuation, lack of possibility to assess the completeness and amount of liabilities and provisions, due to failure to obtain a list of lawsuits concerning the company, failure to obtain financial data of consolidated entities, as a result of which the entity did not prepare consolidated financial statements;
- A significant uncertainty regarding the entity’s ability to continue as a going concern in a substantially unchanged scope in the near future – at the date of issuing the position, the auditor was not provided with information confirming the possibility to obtain external funding, which would allow the entity to conduct further exploration and fulfil the obligations under a concession; the passing of the final dates for loan repayment; lack of evidence to prove the recoverability of receivables under the loans granted; risk of impairment of assets.

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 2014



<u>Comment:</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, the figure reflects such qualification 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.

2.2.2. Qualifications regarding going concern

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

- The auditor's inability to determine whether the going concern basis adopted by the entity is appropriate (declaration, at the petition of the Management Board, of the company's bankruptcy with the possibility of an arrangement, due to significant deterioration in the company's performance and difficulties associated with the enforcement of receivables);
- The existence of threats to the entity's ability to continue as a going concern in the current legal and financial situation, where an important risk factor is the uncertainty as to the approval of an arrangement with creditors (declaration of the entity's bankruptcy with the possibility of an arrangement, the measurement of assets at the net realisable value not higher than their carrying amount, making significant estimates of provisions);
- A court decision on the entity's bankruptcy with the possibility of an arrangement;
- The existence of uncertainty as to the entity's ability to continue as a going concern due to the entity's failure to provide the auditor with an action plan on repayment of past due liabilities;
- The possibility of significant threat to the entity's ability to continue as a going concern if the entity is required to pay tax liabilities.

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 goodwill allocated to the cash-generating unit for impairment, despite an indication of impairment, which contributed significantly to the deterioration of the conditions of this investment, as a result of which the auditor was unable to express opinion on the recoverable amount of goodwill (cf. IAS 36);

- The auditor's inability to confirm that the measurement of goodwill is correct, in connection with the entity's failure to conduct, at the balance sheet date, tests for impairment of goodwill and failure to recognise, as a result, impairment losses (cf. IAS 36);
- Failure to test shares in subsidiaries and associates for impairment, despite indications of their impairment (cf. IAS 36);
- The existence of indications that an investment in subsidiary and the loan granted to it may be impaired in connection with the suspension, by the Tax Office, of a refund of VAT to this entity; the auditor was unable to estimate the impact of the dispute on the recoverable amount of these assets (cf. IAS 36);
- The auditor's inability to obtain sufficient evidence to confirm that the write-downs of assets are in the correct amount, including whether their amount is not unreasonably high;
- The auditor's inability to determine, on the basis of the documentation submitted by the Management Board, whether the shares in a subsidiary are recognised in the statement of financial position in the correct amount, and whether there is any indication of impairment of these shares.

2.2.4. Qualifications concerning fair value

The qualifications in review reports referred to the following issues related to fair value:

- Uncertainty as to whether the amount of the shares held, as presented in the statement of financial position, reflects their fair value; the measurement was based on the quotations of shares on New Connect and there is no other alternative measurement (cf. IAS 39; IFRS 13).

2.2.5. Qualifications concerning financial instruments

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

- Failure to accrue interest on past due liabilities arising from loans incurred (cf. IAS 39);
- Failure to recognise an impairment loss on disputed / doubtful receivables (cf. IAS 39);
- Failure to recognise an impairment loss on a receivable from an entity whose financial situation indicates low probability of debt recovery (cf. IAS 39);
- Failure to recognise debit notes on account of claims deemed groundless by the entity (cf. IAS 39);
- The methods of estimates relating to the claims portfolio and their revaluation, as described in the financial statements (cf. IAS 39);
- The auditor's inability to objectively assess the possibility to settle the reported receivables and financial assets in the future, due to the fact that the auditor has not been provided with the information on the financial situation of creditors;
- Failure to provide the auditor with sufficient documentation confirming the appropriateness of the measurement of non-current receivables from a related party in respect of which there are indications of impairment due to its financial position, which resulted in lack of possibility to assess the impact of the above issue on the financial statements (cf. Article 67 of the Accounting Act).

2.2.6. Qualifications concerning consolidation and business combinations

The qualifications in review reports referred to the following issues related to consolidation and business combinations:

- Recognising the costs incurred in connection with the planned acquisition of a foreign entity as current prepayments, instead of recognising these costs in the income statement (cf. IFRS 3);
- The auditor's inability to assessment, based on the documentation provided by the Management Board, the accuracy of measurement and the validity of presentation, in the statement of financial position, of goodwill arising from the acquisition of a subsidiary;
- Including, in the consolidated financial statements, the financial statements of subsidiaries which have not been reviewed by an auditor;
- Failure to obtain, by the date of the review report, reports on the review of the financial statements of funds whose certificates and units are included in the company's assets;
- Failure to complete, by the date of the review report, the audit of the 2013 financial statements of a jointly controlled entity and failure to subject the entity's half-yearly data to review, as a result of which the measurement of the investment was based mainly on estimates.

2.2.7. Qualifications concerning deferred tax

The qualifications in review reports referred to the following issues related to deferred tax:

- Failure to recognise deferred tax assets, which should be recognised in the amount of utilisable in future periods (cf. IAS 12);
- A subsidiary's failure to estimate and recognise deferred tax assets in relation to the unutilised amount of State aid (cf. IAS 12);
- The projections provided by the Management Board did not constitute sufficient basis to recognise, as at 31.12.2013, deferred tax assets at the estimated amount; the audit opinion for 2013 included qualifications in this respect. As at 30.06.2014, the entity had sufficient evidence to recognise assets, and the described issue affects the comparability of data (cf. IAS 12);
- The auditor's inability to confirm the utilisability of deferred tax assets due to uncertainties as to the company's future income, in connection with tax proceedings (cf. IAS 12).
- Failure to recognise deferred tax liabilities in connection with licences (cf. IAS 12).

2.2.8. Qualifications concerning provisions

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

- A subsidiary's failure to recognise a provision for claims relating to a refund of the amount relating to aval (cf. IAS 37).

2.2.9. Qualifications in connection with issues concerning construction contracts

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

- Accounting, in revenue in previous years, for claims against customers on some construction contracts, even though the legal proceedings and negotiations with customers have not reached an advanced stage yet (cf. IAS 11);
- The reduction of liabilities to subcontractors by the amounts of penalties calculated by the entity in connection with pending litigation and out-of-court disputes for payment for the services rendered (according to the Management Board, the right to set-off the amounts without the contracting parties' consent results from the agreements concluded with these parties);
- The auditor's inability to assess the correctness of classification of contracts as long-term construction contracts, and the correctness of the concept of accounting for income and expenses, as adopted by the company, and their separate presentation in the financial

statements, due to the entity's failure to provide the auditor with the technical and conceptual documentation of the investment (cf. Article 67 of the Accounting Act).

2.2.10. Qualifications in connection with other recognition and measurement issues

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

- Lack of possibility to confirm the amounts reported in the statement of comprehensive income following their restatement made in connection with corrections of an error (cf. IAS 8);
- Recognition, by the entity, in the balance sheet, of rights to perpetual usufruct of land which 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 rights to perpetual usufruct of land acquired for a payment, as non-current assets, and not as an operating lease in accordance with IAS 17 (cf. IAS 17);
- Recognition, by a subsidiary, of receivables arising from the refund of the disputed VAT amount, despite failure to meet the condition specified in par. 33 of IAS 37, according to which the asset shall be recognised in the balance sheet when the realisation of income is virtually certain (cf. IAS 37);
- 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 verify the correctness of the estimate adopted as to an indefinite useful life of a license, and to verify whether the carrying amount of these items is correctly determined and recoverable, in connection with the fact that the auditor was not provided with detailed records of these items (cf. IAS 38).

2.2.11. Qualifications in review reports concerning other issues

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

- Distribution of supplementary capital not in accordance with the purpose set out in Article 396(5) of the Code of Commercial Companies and Partnerships, as a result of which it requires supplementation;
- The reported items of property, plant and equipment under lease do not meet the conditions set out in IAS 17 for their inclusion in non-current assets due to the termination of finance leases by the lessor;
- Lack of possibility to estimate the potential financial consequences of the pending dispute over the acquisition of shares in a jointly controlled entity;
- Lack of possibility to estimate the potential effects of departure by the existing key management personnel and co-founders, who for many years exercised control of the operating activities of the parent company and Group companies;
- Lack of possibility to estimate the effects of the sale of part of a continuing business to a subsidiary, and in particular the consequences for the entity's continuing business operations, and uncertainty as to whether the transaction will be carried out and on what terms.

2.2.12. 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 to, *inter alia*, the following issues:

- The existence of significant uncertainties, which may cause a serious threat to the Company's and the Group's ability to continue as a going concern;
- The issues relating to going concern and measures adopted by the Management Board to ensure improvement of performance and an increase in profitability in future periods;
- Basing impairment tests of goodwill on subsidiaries' expected future cash flows conditional on future events, which are not certain and are not always under the control of the management boards of these companies;
- Measurement of certificates in a closed-end investment fund at cost, which is inconsistent with the generally accepted rules of measurement of financial instruments held for trading at fair value;
- Application of par. 31 of IFRS 10 for the measurement of investments in related parties, and the preparation of only separate financial statements due to the fulfilment of the requirements of par. 27 of IFRS 10 in relation to investment entities;
- The financial position of the company whose shares are presented in current financial assets, which indicates the likelihood of the need to recognise an impairment loss on investment;
- Accounting for the acquisition of a subsidiary in a temporary (provisional) manner;
- Failure to subject, to the auditor's review, the financial statements of subsidiaries included in the Group's interim consolidated financial statements;
- The measurement of investments in associates using the equity method, taking into account the most recent financial statements as at 31 December 2013;
- Risks relating to the VAT settlements for previous periods.

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 with the applicable reporting framework, particularly with the requirements of IFRSs, including non-disclosures and incomplete disclosures, which areas were identified as a result of the 2014 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 2013. It also encompassed interim consolidated financial statements / financial statements prepared for the periods of the financial year 2014 and 2013 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 respectively auditors' attention 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*[16] on qualitative characteristics of useful financial information).

In our opinion, it is reasonable that auditors, when issuing their opinions on the audited financial statements, also take into account the completeness of the disclosures required in accordance with applicable framework. Pursuant to par. 69 of the Polish 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.

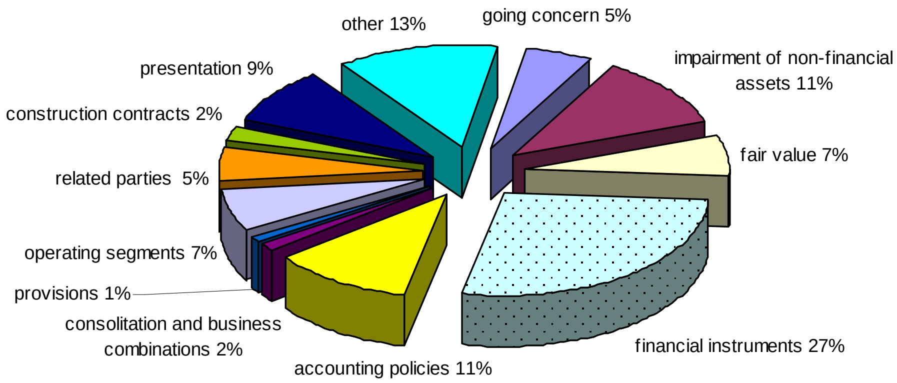
Moreover, please note that the list of the areas of non-compliance with the requirements of IFRSs, including non-disclosure or partial disclosures, has also been presented in previous reports prepared by the Accounting Division of the Public Offerings and Financial Information Department of the PFSA:

- *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;*[17]
- *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;*[18]
- *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;*[19]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. Review carried out in 2010;*[20]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2009*[21];
- *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*[22].

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 2013 or for the first half of the financial year 2014 respectively.

[16] 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.
[17] http://www.knf.gov.pl/en/Images/Raport_MSSF_2013_tcm81-37593.pdf
[18] http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf
[19] 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
[20] http://www.knf.gov.pl/en/Images/Raport_z_analizy_sprawozdan_emitentow_2010_ang_tcm81-30099.pdf
[21] http://www.knf.gov.pl/en/Images/Raport_z_analizy_2009_wer_ang_tcm81-30100.pdf
[22] http://www.knf.gov.pl/en/Images/Report_en_IAIS_2007_publ_tcm81-30102.pdf

Figure 4. Areas of non-compliance identified as a result of the review conducted in 2014 – annual consolidated financial statements / financial statements of issuers for the financial year 2013



<u>Comment:</u> If a non-compliance occurred in the consolidated financial statements and in the financial statements of an issuer, the figure reflects such non-compliance 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.

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

- Failure to provide clear information about material uncertainties about the entity's ability to continue as a going concern (cf. par. 25 of IAS 1);
- Doubts as to the completeness and fairness of disclosures about the existence of significant doubt as to the entity's ability to continue as a going concern, due to the entity's failure to refer, in the financial statements and in the report on the issuer's activities, to the issue covered by the qualification relating to threat to going concern / the emphasis of matter paragraph concerning the fulfilment of conditions set out in Article 397 of the Code of Commercial Companies and Partnerships (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);
- Doubts as to the completeness and fairness of disclosures about the existence of significant doubt as to the entity's ability to continue as a going concern (cf. par. 25-26 of IAS 1) – it is likely that the conditions for declaring bankruptcy will be met (cf. Article 10-11 of the Bankruptcy and Reorganization Law Act of 28 February 2003, consolidated text: Journal of Laws of 2012, item 1112, as amended);
- Doubts about whether in assessing the entity's ability to continue as a going concern, all information available at the date of preparation of the financial statements and relating to the foreseeable future covering a period not shorter than one year from the balance sheet date was taken into account (cf. Article 5(2) of the Accounting Act);

- Failure to disclose, or doubts about compliance with the provisions concerning, the existence of conditions indicating threats to the entity's ability to continue as a going concern (cf. § 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[23]);
- Failure to disclose in the management report on the issuer's operations and in the management report on the Group's operations, or incomplete disclosures about, 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 reporting requirements[24]);

2.3.2. Non-compliance and deficiencies in disclosures regarding impairment of (non-financial) assets

- Failure to disclose comparative information in respect of the previous period for discount rates and growth rates used in cash flow projections in the notes on the impairment tests of goodwill (cf. par. 38 of IAS 1);
- Doubts whether goodwill has been tested for impairment in the absence of the relevant disclosure (cf. par. 10 (b) of IAS 36);
- Failure to perform the impairment test for a cash-generating unit to which goodwill has been allocated, despite the existence of indications of impairment (cf. par. 90 of IAS 36);
- Failure to allocate 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 recognised in the statement of comprehensive income and in other comprehensive income during the period (cf. par. 129 IAS 36);
- Incomplete disclosure / failure to disclose for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit, (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 to sell or its value in use,
  - 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;
- 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 to sell (cf. par. 134(c) of IAS 36);

[23]Regulation of the Minister of Finance of 18 October 2005 on the scope of information disclosed in financial statements and consolidated financial statements, as required in the issue prospectus of issuers having their registered offices in the Republic of Poland and to which the Polish accounting principles apply (consolidated text: Journal of Laws of 2014, item 300)

[24] 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)

- No disclosures required if the unit's (group of units') recoverable amount is based on value in use (cf. par. 134(d) of IAS 36), in particular disclosures concerning:
  - each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts;
  - a description of the adopted approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or are consistent with external sources of information,
  - 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;
- No disclosures required if the unit's (group of units') recoverable amount is based on fair value less costs of disposal (cf. par. 134(e) of IAS 36), in particular disclosures concerning:

  If fair value less costs of disposal is not measured using a quoted price for an identical unit (group of units):
  - each key assumption on which management has based its determination of fair value less costs of disposal,
  - a description of management's approach to determining one value (or several values) and whether those value(s) reflect past experience or how and why they differ from past experience or external sources of information,
  - the level of the fair value hierarchy within which the fair value measurement is categorised in its entirety,
  - if there has been a change in valuation technique, the change and the reason(s) for making it,

  If fair value less costs of disposal is measured using discounted cash flow projections:
  - the period over which management has projected cash flows,
  - the growth rate used to extrapolate cash flow projections,
  - the discount rate(s) applied to the cash flow projections;
- Unclear disclosure / no disclosure of the sensitivity analysis of the key assumption adopted to determine the unit's (group of units') recoverable amount (cf. par. 134(f) of IAS 36), including concerning:
  - the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount,
  - the value assigned to the key assumption,
  - 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.

2.3.3. Non-compliances and deficiencies in disclosures regarding fair value

- Failure to disclose, or incomplete disclosure of, information (cf. par. 91 of IFRS 13 " Fair Value Measurement") that helps users of the financial statements assess:
  - for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements, and

  - for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period;

- Failure to disclose, or incomplete or boilerplate disclosure of, information for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition (cf. par. 93 of IFRS 13), including those relating to:

  - for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement,
  - for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3),
  - for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred,
  - for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement,
  - for recurring fair value measurements categorised within Level 3 of the fair value hierarchy – a reconciliation from the opening balances to the closing balances,
  - for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period, included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised,
  - for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity,
  - for recurring fair value measurements categorised within Level 3 of the fair value hierarchy: (a) for all such measurements, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement, (b) for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, a statement of that fact and disclosure of the effect of those changes,
  - for recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use, disclosure of that fact and indication why the non-financial asset is being used in a manner that differs from its highest and best use;

- Failure to disclose information required by par. 93(b), (d) and (i) of IFRS 13 (including information about the level of the fair value hierarchy, the description of the valuation technique(s) and inputs used in the fair value measurement) for each class of financial assets and liabilities not measured at fair value, but for which the fair value is disclosed (cf. par. 97 of IFRS 13).

2.3.4. Non-compliance and deficiencies in disclosures regarding financial instruments

- 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 "Financial instruments: disclosures);

- 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 information about financial assets the entity has pledged as collateral for liabilities (cf. par. 14 of IAS 7);
- Deficiencies in disclosures about defaults and breaches of a loan agreement (cf. par. 18-19 of IFRS 7);
- Insufficient disclosures about any defaults of principal and interest in connection with failure to redeem bonds (cf. par. 18(a) of IFRS 7);
- Failure to disclose net gains or net losses on financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets, interest income on impaired financial assets and the amount of any impairment loss for each class of financial assets (cf. par. 20(a), (d), (e) of IFRS 7);
- Failure to disclose fair value hedges and cash flow hedges (cf. par. 22-23 of IFRS 7);
- Failure to disclose, for each class of financial assets and financial liabilities, the fair value for that class (cf. par. 25-26 of IFRS 7);
- Failure to disclose quantitative and qualitative information that enables users of financial statements to evaluate 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).
- Insufficient qualitative disclosures about the liquidity risk (cf. par. 32A-33 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 concentrations of credit risk (cf. par. 34(c) of IFRS 7);
- Deficiencies in disclosures about credit risk, by class of financial instrument, including disclosures of the amount of the maximum exposure to credit risk at the end of the reporting period and information about the credit quality of financial assets that are neither past due nor impaired (cf. par. 36 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 and par. B5(f) of Appendix B to IFRS 7);
- Failure to disclose a maturity analysis for non-derivative financial liabilities which analysis shows the remaining contractual maturities, or presenting a maturity analysis for financial liabilities broken down into excessively aggregate time bands, in a manner inappropriate for the entity's position (cf. par. 39(a) of IFRS 7 and par. B11 of Appendix B to IFRS 7);
- Failure to disclose or disclosures inappropriate for the entity's position, 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 reporting date (currency risk, interest rate risk and other market risk), 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 changes from the previous period in the methods and assumptions used, and the reasons for such changes (cf. par. 40 of IFRS 7);

- Failure to disclose information in relation to forbearance practices: details about the use of forbearance practices, a description of risk and its management, a description of accounting policy, quantitative data (cf. IFRS 7, ESMA Public Statement on forbearance practices[25]);
- Failure to disclose, in the explanatory notes relating to financial instruments, information about the analysis of trade receivables by maturity at the balance sheet date, the reasons for reductions and increases in write-downs of receivables, amounts of disputed receivables and past due receivables, interest on financial liabilities (cf. Section A. Explanatory Notes, Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles).

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

- Failure to include notes on the summary of significant accounting policies (cf. par. 10(e) of IAS 1);
- Incomplete description of accounting policies (cf. par. 17(b), par. 117(b) and par. 119-121 of IAS 1);
- Failure to disclose, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements (cf. par. 117(a) 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);
- Non-disclosure of information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (cf. par. 125-131 of IAS 1);
- Non-disclosure of information that enables users of the financial statements to evaluate the objectives, policies and processes for managing capital (cf. par. 134-135 of IAS 1);
- Insufficient disclosure of information about capital management, in particular failure to provide a description of what the entity manages as capital and summary quantitative data about components of capital (cf. par. 135(a)(i) and (b) of IAS 1);
- Failure to describe the accounting policies concerning inventories, including measurement models (cf. par. 36(a) of IAS 2 "Inventories");
- Failure to describe the accounting policies applicable to combinations under common control, to which IFRS 3 does not apply; it was only indicated that the pooling of interests method was used (cf. par. 10 of IAS 8 and par. 17 and par. 117(b) of IAS 1);
- Failure to disclose information about a voluntary change in accounting policy, in relation to the expenditure on development (cf. par. 29 of IAS 8);
- 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 "Revenue");
- Failure to appropriately describe 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);
- Failure to disclose accounting policy for transactions between reportable segments (cf. par. 27(a) of IFRS 8);
- Failure to recognise impairment losses on receivables, contrary to the principles presented in the description of the accounting policies.

[25] *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 3.4 of this Report

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

- Failure to consolidate, in the consolidated financial statements, the investment in a subsidiary, or to provide reasons why the ownership of more than half of the voting power does not constitute control (cf. par. 9 and par. 41(b) of IAS 27 "Consolidated and Separate Financial Statements)";
- Failure to disclose information relating to the acquisition of a subsidiary during the current reporting period, enabling users of the consolidated financial statements to evaluate the nature and financial effect of the business combination (cf. par. 59(a) of IFRS 3), including:
  - 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 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),
  - 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 had been as of the beginning of the annual reporting period (cf. par. B64(q) of Appendix B to IFRS 3);
- Reporting cash flows arising from the acquisition on a net basis instead of separate reporting of cash receipts and payments (cf. par. 39 in conjunction with par. 22-24 of IAS 7 „Cash flow statements").

2.3.7. Non-compliances and deficiencies in disclosures regarding provisions

- Failure to make, for each class of provision, disclosures (cf. par. 84(b)-(e) of IAS 37) concerning:
  - additional provisions made in the period, including increases to existing provisions;
  - amounts used during the period;
  - unused amounts reversed during the period; and
  - the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate;
- Failure make, for each class of provision, disclosures (cf. par. 85 of IAS 37) concerning:
  - 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.

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

- Failure to report information about operating segments (cf. IFRS 8 "Operating segments");
- Failure to disclose information about 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);

- Failure to report a measure of profit or loss for each reportable segment (cf. par. 23 of IFRS 8);
- Failure to disclose the following information for each reportable segment: revenues from external customers, revenues from transactions with other operating segments of the same entity – 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 of IFRS 8);
- Failure to reconcile the total of the reportable segments' assets to the entity's assets, and of the total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported in accordance with par. 23 of IFRS 8 (cf. par. 28(c)-(d) of IFRS 8);
- Failure to disclose 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. par. 32 of IFRS 8);
- Failure to disclose / 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;
- Failure to disclose information about the extent of the entity's reliance on its major customers (cf. par. 34 of IFRS 8);

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

- Failure to report separately the share of the profit or loss of associates accounted for using the equity method (cf. par. 82(c) of IAS 1);
- Disclosure of relationships between a parent and its subsidiaries for a different period than the period covered by the financial statements (cf. par. 13 of IAS 24 "Related party disclosures");
- The entity's failure to disclose the name of its parent (cf. par. 13 of IAS 24);
- Contradictory disclosures regarding the issuer's ownership of subsidiaries and associates (cf. par. 13 of IAS 24 and par. 37 of IAS 28 "Investments in associates");
- 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 disclose information about related party transactions (cf. par. 18 (b)-(d) of IAS 24), in the following scope:
  - the amount of outstanding balances, including liabilities, and whether they are secured, and the nature of the consideration to be provided in settlement,
  - 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;
- In the section on related party disclosures, failure to disclose information about the provision of guarantees to other related parties (cf. par. 18 of IAS 24 in connection with par. 21(h) and (i));

- Failure to disclose summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (cf. par. 37(b) of IAS 28);
- Failure to disclose the reasons why the presumption that an investor does not have significant influence on another entity is overcome (see. P. 37 point c of IAS 28);
- Failure to disclose the total amount of salaries, bonuses and benefits paid, payable or potentially payable, separately for each of the persons managing and supervising the issuer (cf para. 10 Section B. Additional Explanatory Notes, Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles);
- Failure to disclose, in the report on the issuer's operations, the salaries and other benefits separately for each of the managing and supervising persons (cf. par. 91(6)(17) of the Regulation on reporting requirements).

2.3.10. Non-compliance and deficiencies in disclosures regarding construction contracts

- Non-disclosure / incomplete disclosure of information about construction contracts (cf. par. 39-45 of IAS 11), in relation to, *inter alia*, the following:
  - the amount of contract revenue recognised as revenue in the period, the methods used to determine the contract revenue recognised in the period and the methods used to determine the stage of completion of contracts in progress,
  - the aggregate amount of costs incurred and recognised profits (less recognised losses) at the end of the reporting period, the amount of advances received and the amount of retentions,
  - the gross amount due from customers for contract work and the gross amount due to customers for contract work,
  - any contingent liabilities and contingent assets that may arise from such items as warranty costs, claims, penalties or possible losses.

2.3.11. Non-compliances and deficiencies in disclosures regarding presentation

- 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 "The Effects of Changes in Foreign Exchange Rates" and the level of rounding used in presenting amounts in the financial statements (cf. par. 51(b)-(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 interest' (cf. par. 54(q) and par. 81B of IAS 1, par. 27 of IAS 27);
- Reporting, in the statement of financial position and statement of comprehensive income, extraordinary items (cf. par. 87 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);
- Failure to disclose separately cash flows arising from losing control of subsidiaries, and to classify them as investing activities (cf. par. 39 of IAS 7);
- Incorrect reconciliation of the amounts of cash or cash equivalents in the statement of cash flows with the equivalent items reported in the statement of financial position (cf. par. 45 of IAS 7);

- Doubts about the disclosures of events after the end of the reporting period (cf. IAS 10 "Events after the Reporting Period");
- Disclosing information about assets, liabilities, income and expenses related to the entity's interests in joint ventures, in the report on the issuer's activities instead of the financial statements (cf. par. 56 of IAS 31 "Interests in joint ventures");
- Presentation of an incorrect amount of loss per share (cf. par. 10 of IAS 33 "Earnings per share");
- Failure to disclose separately groups of assets and liabilities classified as held for sale – in connection with the intention of disposal of subsidiaries (cf. par. 38 of IFRS 5 "Non-current assets held for sale and discontinued operations");
- 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);
- Failure to report certain items of the profit and loss account in the function of expense variant (cf. Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles);
- Inconsistent disclosures in relation to the amounts of non-current assets in the statement of financial position and in the notes.

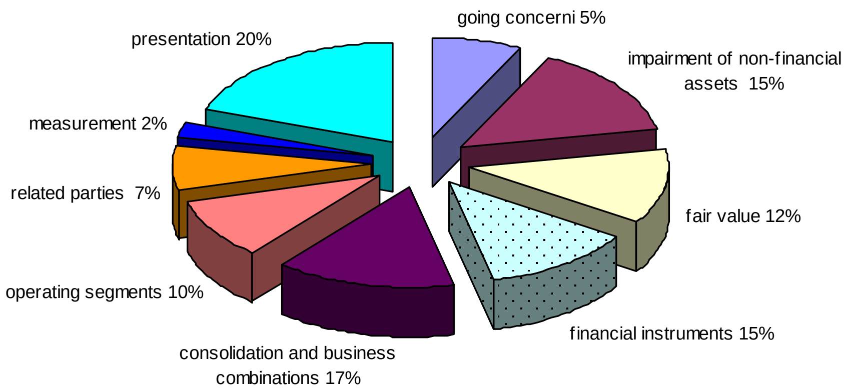
2.3.12. Other inconsistencies and deficiencies in disclosures

- 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);
- Failure to disclosure the number of shares, their par value, the manner of coverage, the rights attaching to the shares (cf. par. 79(a)(i), (ii), (iii), (v) of IAS 1);
- No description of the nature and purpose of each reserve within equity (cf. par. 79(b) of IAS 1);
- Failure to disclose the amount of inventories recognised as an expense during the period (par. 36(d) of IAS 2 "Inventories");
- Failure to disclose adjustments to profit or loss as part of determining the net cash flows from operating activities (cf. par. 18(b) and par. 20 of IAS 7 "Statement of Cash Flows");
- Failure to make disclosures in relation to the loss of control of subsidiaries, as required under par. 40 of IAS 7;
- Failure to disclose the relevant information about prior period errors (cf. par. 49 of IAS 8);
- Failure to disclose the date when the financial statements were authorised for issue (cf par. 17 of IAS 10);
- Insufficient (too general) disclosures of non-adjusting events after the balance sheet date (cf. par. 21 of IAS 10);
- Failure to make some disclosures relating to income taxes, including the amount of the deferred tax expense relating to the origination and reversal of temporary differences and an explanation of the relationship between tax expense (income) and accounting profit (cf. par. 80(c) and par. 81 (c) of IAS 12 "Income Taxes");
- Unclear disclosures, in relation to the revaluation of the property, of information about: the date of the last revaluation, the involvement of an independent valuer, the carrying amount of these assets, which would have been recognised had the assets been carried under the cost model (cf. par. 77(a), (b), (e) of IAS 16 "Property, plant and equipment");
- Failure to disclose the amount of borrowing costs 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);
- Failure to make disclosures relating to an indication of the uncertainties relating to the amount or timing of any outflow relating to contingent liabilities and the possibility of any reimbursement (cf. par. 86(b)-(c) of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets");
- Failure to disclose the required information relating to investment property, about rental income, as well as the existence and amounts of restrictions on the realisability of investment property (cf. par. 75(f)(i) and (g) of IAS 40 "Investment Property");
- Failure to explain how the transition from previous GAAP to IFRSs affected the reported cash flows (cf. par. 23 of IFRS 1 "First-time adoption of international financial reporting standards");
- Failure to distinguish, in reconciliations, the correction of errors from changes in accounting policies, in connection with becoming aware of errors made under previous GAAP (cf. par. 26 of IFRS 1);
- Incorrect adjustment of the annual report and consolidated annual report – failure to make public the current report informing about the subject matter and nature of the adjustment (cf. par. 6(4) of the Regulation on reporting requirements);
- Failure to include, in the report on the issuer's activities, a description of significant risk factors and threats, together with the extent to which the issuer is exposed to them, (par. 91(5)(3) of the Regulation on reporting requirements);
- Failure to include, in the report on the issuer's activities, a statement on the application of corporate governance (par. 91(5)(4) of the Regulation on reporting requirements);
- Failure to include, in the report on the issuer's activities in the description of the management, supervisory or administrative bodies and their committees, information about committees operating within the bodies, including the audit committee (cf. 91(5)(4)(k) of the Regulation on reporting requirements);
- Failure to present required disclosures about the differences between the financial statements prepared in accordance with the Polish accounting principles and the financial statements that would be prepared in accordance with IAS, or to include the information about inability to identify such data in a reliable manner, with appropriate explanations (cf. § 7 of the Regulation on financial statements according to the Polish Accounting Principles);
- Failure to indicate the date of concluding an agreement with an entity authorised to audit the financial statements and the term for which the agreement was concluded (cf. par. 11a(a) of Section B. Additional Explanatory Notes, Appendix No 1 to the Regulation on financial statements according to the Polish Accounting Principles).

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

Figure 5. Areas of non-compliance identified as a result of the review conducted in 2014 – interim consolidated financial statements / financial statements of issuers for the periods of the financial year 2014 and 2013 respectively



Comment: 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, fair value, financial instruments, consolidation and business combinations, operating segments, related parties, measurement and presentation:

- Missing 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);
- Failure to disclose the information which, according to the issuer, is relevant for the assessment of the ability to fulfil obligations (cf. par. 87(7)(10) in connection with par. 90(1)(3) of the Regulation on reporting requirements);
- Doubts as to the fulfilment of the obligation to assess the existence of any indication that property may be impaired (cf. par. 9 of IAS 36);
- Failure to perform the impairment test for a cash-generating unit to which goodwill has been allocated, despite the existence of indications of impairment (cf. par. 90 of IAS 36);
- Insufficient disclosures in relation to an impairment loss on goodwill arising in connection with the acquisition of control of a subsidiary (cf. par. 15 and 15B(b) of IAS 34);

- Incorrect presentation of the effects of valuation of the investment property measured at fair value, as an impairment loss (cf. par. 117-119 of IAS 36);
- Failure to disclose a sensitivity analysis of the key assumption adopted to determine the unit's (group of units') recoverable amount (cf. par. 134(f) of IAS 36);
- Failure to apply the adopted accounting policies in relation to the permanent impairment of property (cf. Article 4(1) of the Accounting Act);
- Failure to disclose information on fair value, as required by IFRS 13, including relating to: the levels of fair value hierarchy (cf. par. 93(b) of IFRS 13 in connection with par. 16A(j) of IAS 34), the valuation techniques and inputs used to develop those measurements, the effect of the measurements on profit or loss or other comprehensive income for the period (cf. par. 91 of IFRS 13 in connection with par. 16A(j) of IAS 34);
- Failure to disclose a 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);
- Failure to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date (cf. par. 40 of IFRS 7 in conjunction with par. 15 of IAS 34);
- Failure to include a Group company in the consolidated financial statements by consolidation (cf. par. 4 in connection with par. 5-18 of IFRS 10 "Consolidated Financial Statements");
- Failure to disclose judgements and assumptions made by the issuer in determining that it has control of an investee (cf. par. 7(a) of IFRS 12 "Disclosure of Interests in Other Entities");
- Referring, in the notes to the consolidated financial statements, to the application of SIC 12 "Consolidation – Special Purpose Entities", despite the fact that the interpretation does not apply (as disclosed in the description of standards and interpretations applied for the first time in 2014);
- Incomplete disclosure of information relating to the acquisition of subsidiaries in the current reporting period, enabling users of the financial statements to evaluate the nature and financial effects of the business combination, including failure to disclose: the primary reasons for the business combination, the fair value of the consideration transferred, the amount recognised as of the acquisition date for each major class of assets acquired and liabilities assumed (cf. par. B64 of IFRS 3 in connection with par. 16A(i) of IAS 34);
- Failure to disclose information relating to operating segments, including information about revenues from external customers and intersegment transactions and assets and liabilities of segments (cf. par. 16A(g) of IAS 34);
- Failure to disclose related party transactions (cf. par. 15B(j) of IAS 34);
- Unclear information about the composition of the group (cf. par. 13-14 of IAS 24 in connection with par. 15 of IAS 34);
- Classifying shares in associates which are accounted for under the equity method as financial assets available for sale, in a situation where when IAS 39 does not apply to such shares (cf. par. 14 of IAS 28 "Investments in Associates and Joint Ventures");
- Failure to revalue, since the end of 2009, the property carried at a revalued amount (cf. par. 31 and 34 of IAS 16);
- Failure to present separately, in the statement of cash flows, the amounts associated with the disposal of a subsidiary (cf. par. 39 of IAS 7);
- Incorrect reconciliation of the amounts of cash or cash equivalents in the statement of cash flows with the equivalent items reported in the statement of financial position (cf. par. 45 of IAS 7);
- Failure to present the effects of a change in accounting policy, resulting from the entry into force of new standards (cf. par. 16A(a) of IAS 34);
- Failure to disclose events after the interim period (cf. par. 16A(h) of IAS 34);

- Unclear disclosures about compliance of the interim financial report with the IFRS (cf. par. 19 of IAS 34);
- Failure to report separately, in the statement of financial position, non-current assets classified as held for sale (cf. par. 38 of IFRS 5 in connection with par. 15 of IAS 34);
- Inconsistent disclosures in relation to the amounts of non-current assets in the statement of financial position and in the notes;
- Presentation of financial statements in accordance with the scope defined in the Regulation on financial statements according to the Polish Accounting Principles, despite the application of IFRSs (cf. par. 90(1)(2)(b) and par. 89(1)(2)(b), respectively, of the Regulation on reporting requirements).

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 to the ability to continue as a going concern

We would like to emphasize that pursuant to § 3(1) of the Regulation on reporting requirements, interim reports should contain information reflecting the special character 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 interim 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.

Moreover, it should be noted that pursuant to par. 15 of IAS 1 "Presentation of Financial Statements", 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.

In the opinion of the authors of the review, due to the current economic situation, 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 2013*[26] and *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*[27] are still valid.

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, in the areas relating to, *inter alia*, going concern, impairment of assets, risks arising from financial instruments, provisions. We would like to emphasize again the importance of application of the provisions of the following standards, as mentioned in the previous Review Reports: 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 of the provisions of IFRS 13 "Fair Value Measurement".

Also ESMA in its public statements on the European common enforcement priorities for 2013 and 2012 financial statements, stresses the issues related to, *inter alia*, impairment of non-financial assets, fair value measurement and disclosure, measurement of financial instruments and disclosure of related risks, and provisions. It should be noted that the above-mentioned topics are still relevant. Thus, the application of IFRSs by issuers in the above scope, in addition to the topics of the European common enforcement priorities specified in relation to 2014 financial statements, will continue to be the subject of our review. ESMA public statements on the European common enforcement priorities for 2014-2012 financial statements have been described in more detail in Chapter 3.4. of this Report.

[26] Cf. Chapter 3.1., p. 37 of the Report available on the website http://www.knf.gov.pl/en/Images/Raport_MSSF_2013_tcm81-37593.pdf
[27] Cf. Chapter 3.1., p. 27 of the Report available on the http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf

3.2. Requirements resulting from the so-called "consolidation package"

From reporting periods beginning on or after 1 January 2014, the new or revised standards on consolidation, or the so-called "consolidation package", shall apply. It covers the following standards: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", the amended IAS 27 "Separate Financial Statements" and IAS 28 "Investment in Associates and Joint Ventures".

One of the changes is the introduction, in IFRS 10, of a new definition of control, which is based on three elements: the investor's power over the investee, the investor's exposure, or rights, to variable returns from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. This definition is accompanied by detailed application explanations, including examples of facts and circumstances that can or cannot prove the existence of control over the investee. Thus, the implementation of IFRS 10 may have an influence on different, than in previous reporting periods, decisions concerning the obligation to include entities in the consolidation. We would like to note that in accordance with IFRS 10, the investor, regardless of the nature of its involvement in another entity, should always analyse whether it is the parent company, taking into account its influence on that entity. Taking into account new significant disclosures required by the "consolidation package", we expect, *inter alia*, that in connection with the requirements specified in par. 7(a) of IFRS 12 concerning the disclosure of information about significant judgements and assumptions made in determining the control of another entity, issuers will carefully explain the assessment they used.

3.3. Issues relating to the limitation on the scope of the audit and failure to subject subsidiaries' financial statements to audit / review

The review of opinions on the audited financial statements, review reports and disclaimers of opinion / review report, respectively, as carried out by the PFSA, shows that there are numerous qualifications and matters related to the limitation on the scope of audit, and related to inclusion, in the consolidated financial statements, of data of subsidiaries not audited / reviewed by an auditor. In addition, the matters related to the limitation on the scope of audit may form a basis for a disclaimer of opinion on audit or a disclaimer of report on review.

We would like to emphasise that in accordance with Article 67(1) of the Accounting Act, the manager of the audited entity shall provide the auditor conducting the audit of the financial statements with access to books of accounts and documents constituting the basis for accounting entries, as well as any other documents, and shall provide the auditor with comprehensive information, explanations and statements – as required for the auditor to express opinion on the audited financial statements. The auditor is entitled to obtain information related to the course of audit from the audited entity's counterparties, including banks and its legal advisors – with the authorization of the audited entity's manager (cf. Article 67(2) of the above-mentioned Act). If the financial statements of the parent company are the subject of audit, the auditor's entitlements referred to in par. 1 and 2, pursuant to Article 67(3), also cover subsidiaries, jointly controlled entities and associates.

As provided for in par. 68 of the Polish Standard on Auditing No 1 "General principles of auditing financial statements", if, at the entity's fault or for reasons beyond the entity's control, the scope of audit has been limited so that the auditor is unable to use audit procedures considered by the auditor as indispensable, or for other reasons there are circumstances preventing the auditor from obtaining reasonable assurance as to the reliability of material items of the audited financial statements, provided that these limitations concern only individual items and do not adversely affect the reliability of the overall view presented by the financial statements, the auditor shall express a qualified opinion on the financial statements. If the effects of the limitations on audit or other reasons prevent the auditor from conducting audit procedures considered by the auditor as indispensable, as a result of which the auditor cannot obtain sufficient and appropriate audit evidence, the auditor shall issue a disclaimer of opinion. The limitation on the scope of audit takes place, for example, in situations in which the manager of an entity fails to provide the auditor with sufficient and appropriate evidence for assessing whether there has been or might have been an infringement having a significant impact on the financial statements.

The above regulation also applies to the audit of consolidated financial statements (cf. par. 9 of the Polish Standard on Auditing No 2 "Audit of consolidated financial statements of groups") and the review of financial statements / condensed financial statements (cf. par. 10 of the Polish Standard on Auditing No 3 "General principles of conducting review of financial statements / condensed financial statements and rendering other assurance services").

In the opinion of authors of this review, issuers should make every effort to provide the auditor conducting audit / review of the financial statements with books of accounts and documents, as well as with comprehensive information, explanations and statements so that the auditor is able to apply the appropriate audit procedures and, consequently, obtain sufficient and appropriate evidence which, in the auditor's opinion, is indispensable to express a reliable opinion on the audited financial statements or to issue a report on the review of the financial statements, respectively.

Moreover, referring to the second topic discussed and taking into account the possible situations in which the financial statements of a subsidiary are not subject to the requirement of audit or are not audited before the date of the audit of the Group's consolidated financial statements, we would like to mention the regulation contained in par. 11 of the Polish Standard on Auditing No 2, according to which the financial statements of subsidiaries which are included in the consolidated financial statements should be audited. This standard also provides that if the financial statements of one or more subsidiaries included in the consolidated financial statements have not been audited and this is not in breach of the provisions of the Accounting Act, the auditor of the Group shall – having regard to the materiality requirement – decide whether, despite that fact, the consolidated financial statements have been prepared in accordance with the applicable accounting policies of the group and whether they truly and fairly present, in all material respects, the financial position, as well as the financial result of the group; the fact that the consolidated financial statements also include unaudited financial statements shall be reflected in the opinion on the consolidated financial statements.

The above provisions also apply mutatis mutandis to review of financial statements / condensed financial statements (cf. par. 10 of the Polish Standard on Auditing No 3).

In our opinion, in order to ensure a fair presentation of the consolidated financial statements, as referred to in par. 15 of IAS 1 "Presentation of Financial Statements" and in par. 3(1)-(3) of the Regulation on reporting requirements, and to ensure the disclosure, in the consolidated financial statements, of reliable information for investors, it would be reasonable for parent companies to take actions resulting in subjecting subsidiaries' financial statements to audit or review, respectively, early enough before the audit / review of the group's consolidated financial statements.

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

According to Regulation No 1095/2010 establishing the European Securities and Markets Authority ("ESMA")[28], 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 the guidelines and recommendations issued by ESMA. The PFSA is a member of ESMA.

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 European Economic Area (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

[28] 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) as amended.

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 the EECS is the database to which enforcers provide information on 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 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/):

- **Public Statement. European common enforcement priorities for 2014 financial statements**[29] (ESMA/2014/1309, 28 October 2014) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);

  As in previous years, ESMA, together with European national enforcers, identified financial reporting topics, which listed companies and their auditors should particularly consider when preparing and auditing, respectively, the IFRS financial statements for the year ending 31 December 2014**.**

  ESMA, together with the European national enforcers, will pay particular attention to these common enforcement priorities as well as priorities identified in previous years (i.e. in 2012 and 2013), when monitoring and assessing the application of all relevant IFRS requirements.

  The European common enforcement priorities for 2014 financial statements, as presented in ESMA's Statement, cover the following topics:

  - Preparation and presentation of consolidated financial statements and related disclosures (IFRS 10) – *issuers are expected to carefully explain the judgements made about the existence of control;*
  - Nature of risks associated with an entity's interests in structured entities and disclosures (IFRS 12);
  - Financial reporting by entities which have joint arrangements and related disclosures (IFRS 11);
  - Recognition and measurement of deferred tax assets (IAS 12);
  - Disclosures of accounting policies related to material uncertain tax positions in accordance with par. 117 and 122 of IAS 1.

Additional areas indicated in ESMA Statement, which should be taken into account include:

  - Specific consideration relevant for the banking sector (in the light of the European Central Bank's Comprehensive Assessment, including Asset Quality Review) – explanation of material impacts of Asset Quality Review on financial statements;
  - Findings of ESMA's Report (ESMA/2013/1664, 18 November 2013): Comparability of Financial Statements of Financial Institutions in Europe (*see the description below*);
  - Disclosures in financial statements – they should not be boilerplate; they should describe relevant facts that are specific to the entity; they should be clear and complete.

  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 was given, except for the above-indicated areas, 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 risks.

- **ESMA Guidelines on enforcement of financial information** (ESMA/2014/1293en, 28 October 2014); the Guidelines entered into force on 29.12.2014 – they are also available in Polish (www.esma.europa.eu, Tab: Investment and Reporting / Corporate reporting policy);

[29] ESMA Public Statement translated into Polish is available on the website:
http://www.knf.gov.pl/Images/ESMA_priorytety_nadzorcze_A_tcm75-40191.pdf

ESMA guidelines relate to the scope of enforcement, the methods of selecting financial statements of issuers for the review, analytical procedures, enforcement actions, European coordination and reporting on enforcement activities.

After a thorough analysis concerning the application of the Enforcement Guidelines, the PFSA informed ESMA of its intention to apply the Guidelines. For this purpose, the activities of, in particular, legislative nature are performed to make it possible to fully apply all the guidelines specified in ESMA's document by the end of 2015.

A link to ESMA Guidelines on enforcement of financial information 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.

- **ESMA's Report. Review on the application of accounting requirements for business combinations in IFRS financial statements** (ESMA/2014/643, 16 June 2014) (www.esma.europa.eu, Tab: Investment and Reporting / IFRS Enforcement);

  A link to ESMA's Review on the application of accounting requirements for business combinations in IFRS financial statements 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.

- ESMA's Annual Report: Activities of the IFRS Enforcers in Europe in 2013 (ESMA/2014/551, 21 May 2014) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);

- **ESMA's consultation paper. ESMA Guidelines on Alternative Performance Measures** (ESMA/2014/175, 13 February 2014) (www.esma.europa.eu, Tab: Investment and Reporting / Corporate reporting policy);

  A link to ESMA's consultation paper ESMA Guidelines on Alternative Performance Measures 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.

- **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 terms, refraining from action, etc.), non-performing loans and country concentration risk, criteria used to assess impairment of equity securities classified as available for sale.

  A link to ESMA's Report Comparability of IFRS Financial Statements of Financial Institutions in Europe 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.

- **ESMA Public Statement. European common enforcement priorities for 2013 financial statements**[30] (ESMA/2013/1634, 11 November 2013) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);

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

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 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 "Employee benefits". 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 of 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 issuers' 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 the 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.

- ESMA's Annual 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 carrying amount 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**[31] **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;

[31] For more information about forbearance – see:
- *Reports of the Advisory Scientific 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 non-performing exposures under article 99(4) of Regulation (EU) No 575/2013* (EBA/ITS/2013/03/rev1), 24.07.2014,
http://www.eba.europa.eu/documents/10180/449824/EBA-ITS-2013-03+Final+draft+ITS+on+Forbearance+and+Non-performing+exposures.pdf

- 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 auditing IFRS 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** [32] (ESMA/2012/725, 12 November 2012) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);

  The European common enforcement priority areas for 2012 financial statements:

  - financial instruments: financial instruments subject to risk, sovereign debt, impairment of financial assets, disclosures concerning a renegotiated debt (IAS 39, IFRS 7, IAS 1);
  - impairment of non-financial assets (IAS 36);
  - measurement of post-employment benefits obligations (IAS 19);
  - provisions (IAS 37).
- Summary of Responses. Considerations of materiality in financial reporting (ESMA/2012/525, 16 August 2012) (www.esma.europa.eu, section: 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, section: 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);
- **Sixteen extracts from EECS's Database of Enforcement**, containing decisions of EEA enforcers in connection with the enforcement of IFRSs (www.esma.europa.eu, Section: Investment and Reporting / IFRS Enforcement); the publication of extracts will be continued.

3.5. The most recent changes connected with the application of IFRSs and announced in January 2015 and in 2014

According to Article 3(1) of the Regulation (EC) No 1606/2002[33], the Commission shall decide on the applicability within the Community of international accounting standards. Article 3(4) of the

[32] For more information about ESMA Public Statement – see the Report on the Review conducted in 2012:
http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.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

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 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 January 2015, two regulations of the European Commission adopting amendments to IFRSs were issued:

1) Commission Regulation (EU) No 2015/29 of 17 December 2014 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 19

   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 February 2015.

2) Commission Regulation (EU) No 2015/28 of 17 December 2014 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 2, 3 and 8 and International Accounting Standard 16, 24 and 38

   Each entity shall apply the amendments to IFRS 2, 3 and 8 and IAS 16, 24 and 38 at the latest, as from the commencement date of its first financial year starting on or after 1 February 2015.

In 2014, two regulations of the European Commission adopting amendments to IFRSs were issued:

1) Commission Regulation (EU) No 1361/2014 of 18 December 2014 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation

[33] 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, 21.08.2007, 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).

(EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 3 and 13 and International Accounting Standard 40

Each entity shall apply amendments to IFRS 3, IFRS 13 and IAS 40, at the latest, as from the commencement date of its first financial year starting on or after [set the first day of the month following the date of entry into force of this Regulation]. It follows from the regulation that it shall be applied for annual periods beginning on or after 1 January 2015.

2) Commission Regulation (EU) No 634/2014 of 13 June 2014 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 Interpretation 21 of the International Financial Reporting Interpretations Committee

   Each entity shall apply IFRIC Interpretation 21, at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014.

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

- http://ec.europa.eu/finance/accounting/legal_framework/regulations_adopting_ias/original_text_en.htm
- http://eur-lex.europa.eu/homepage.html

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 of security issuers other than investment funds, carried out in 2014 by the Accounting Division of the Public Offerings and Financial Information Department of the PFSA, revealed that the issues raised in auditors' qualifications presented in opinions on the audit of consolidated financial statements / financial statements of issuers for the financial year 2013 and in reports on the review of consolidated financial statements / financial statements for the first half of the financial year 2014 respectively concerned, in particular, the issues related to financial instruments, consolidation and business combinations, going concern, impairment of non-financial assets, goodwill and provisions. Disclaimers of opinion/ report related to the going concern issues.

The number of issuers with a qualified opinion or a disclaimer of opinion on the consolidated financial statements / financial statements for the financial year 2013 decreased by 3 to 38 issuers, as compared to the previous year (a decrease of 7% compared to 2012). 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 2014 increased by 2 issuers or 6%, as compared to the first half of the financial year 2013, and amounted to a total of 36 issuers. In the long term, an increasing number of disclaimers of opinion or review reports can be observed. In relation to consolidated financial statements / financial statements for the financial year 2013 and consolidated financial statements / financial statements for the first half of the financial year 2014, the number of disclaimers amounted to 14 and 11 respectively. In our opinion, this situation results from the deterioration of the position and liquidity of issuers in certain sectors. However, the share of issuers with qualifications or a disclaimer of opinion / review report in the total number of issuers on the regulated market (excluding closed-end investment funds and issuers for which the Republic of Poland is the host state) in recent years remained at a similar level, which results from the decline in the number of issuers with qualifications expressed by auditors.

This report identifies the areas of non-compliance with the applicable reporting framework, in particular with IFRSs, occurring in the financial statements of issuers. The areas requiring improvement still include financial instruments and related risks, consolidation and business combinations, impairment of non-financial assets, going concern, fair value and the related disclosures. These topics concern the issues covered by the European common enforcement priorities as defined by ESMA.

The cyclical publication of review reports aims at contributing to a higher level of issuers' compliance with financial reporting requirements, in particular with the requirements of IFRSs. Enhancing the quality of the financial statements prepared by issuers should result in their greater comparability, especially within individual industry sectors, facilitate the assessment of the financial position and performance of issuers' and their capital groups' operations, as well as enhance investors' confidence in financial reporting. It is expected that 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 a disclaimer of opinion / report issued by an auditing or reviewing entity authorised to audit financial statements.

Another factor that could contribute to a reduction in the number of modified opinions / reports is the achievement, by issuers (the manager of the entity within the meaning of the Accounting Act), of improvement in relation to providing the auditor conducting audit or review with all the required documents and explanations.

For educational purposes, the report has been published on the website of PFSA. The issues referred to in qualifications made by auditors and in disclaimers of opinion / report, as well as the most common cases of non-compliance and deficiencies in compliance with the requirements of 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, and also during the meetings with auditors. 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 Coordination Sessions (EECS) within ESMA.

LIST OF TABLES

LIST OF FIGURES

Appendix 1
IFRSs AND AMENDMENTS TO IFRSs ANNOUNCED IN THE YEARS 2008-2013

IFRSs and amendments to IFRSs, issued in the form of the regulations of the European Commission in the years 2008-2013, in the reverse chronological order:

In 2013:

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.

<u>In 2012</u>:

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.

<u>In 2011</u>:

3) 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.

4) 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.

In 2010:

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

In 2009:

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

www.knf.gov.pl
(Tab: Regulacje / Praktyka / Stanowiska urzędu / Rynek kapitałowy)
(Tab: Opracowania / Rynek kapitałowy / Raporty i opracowania)
(Tab: Regulacje / Regulacje UE / Międzynarodowe standardy rachunkowości i sprawozdawczości finansowej (IAS, IFRS))
(Tab: Regulacje / Praktyka / Dokumenty ESMA)
(Tab: O nas / Współpraca międzynarodowa / Unia Europejska / Europejski System Nadzoru Finansowego)
(Tab: Dla rynku / Relacje z biegłymi rewidentami)
(Tab: Dla rynku / ESPI)

www.mofnet.gov.pl
(Tab: Działalność / Rachunkowość / Międzynarodowe standardy rachunkowości / Rozporządzenia Komisji Europejskiej przyjmujące określone międzynarodowe standardy rachunkowości)

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/finance/accounting/legal_framework/regulations_adopting_ias/original_text_en.htm

http://eur-lex.europa.eu/homepage.html

www.ifrs.org

www.iasplus.com

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