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

POLISH FINANCIAL SUPERVISION AUTHORITY
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ACCOUNTING DIVISION, PUBLIC OFFERINGS AND FINANCIAL INFORMATION DEPARTMENT

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SYNTHESIS

This report summarizes the review – carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (the "PFSA") – of compliance of the financial statements of security issuers other than investment funds with the applicable reporting framework, particularly with the requirements of IFRSs. The review focused on 2011 annual consolidated financial statements. It also covered interim financial statements prepared for the periods of the financial year 2012 and 2011, respectively, as well as financial statements/historical financial information of entities applying for approval of a prospectus, taking into consideration the methods of selecting financial statements for review.

In selecting financial statements of issuers for the periodic review conducted in 2012 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 interim 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 financial 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 going concern threats, impairment of assets, both financial and non-financial, and risks associated with financial instruments.

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 in their financial statements 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 capital groups, as well as enhance investor confidence in financial reporting. In our opinion, better quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements/qualified reports on the reviewed financial statements, as well as in a reduced number of adverse opinions and disclaimers of opinion/report issued by an auditing or reviewing entity authorized to audit financial statements.

In subsequent years, in order to meet enforcement objectives, the periodic review of compliance of issuers' financial reporting with the applicable reporting framework will be continued. In the selection of issuers' financial statements for review, the following will continue to be used as the 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 cover 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, which priorities include the following issues: risk-exposed financial instruments, impairment of assets, provisions.

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

1.1 Objective of the report

This report summarizes the review – carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (the "PFSA") – of annual consolidated financial statements prepared for the financial year 2011 by security issuers other than investment funds, in the context of their compliance with the applicable reporting framework, particularly with the requirements of IAS[1], i.e. International Accounting Standards, International Financial Reporting Standards and related interpretations issued in the form of regulations of the European Commission. Given that the commonly used abbreviation is "IFRS" and the fact that the European Commission recommended that issuers whose securities are traded on EU regulated markets apply the following clause adopted by the European Commission and ARC[2]: "in accordance with International Financial Reporting Standards as adopted by the EU" or "in accordance with IFRSs as adopted by the EU", the abbreviation "IFRS(s)" is used for the purposes of this report.

This report also takes account of the results of the 2012 review of interim financial statements prepared for the periods of financial years 2012 and 2011, 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 in their financial statements a higher level of compliance with the reporting requirements, particularly with the requirements of IFRSs.

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

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

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

1.2. Overview of the principles of the review

Pursuant to Article 7(1)(2) of the Act on Capital Market Supervision[4], the PFSA shall exercise supervision over the activities of the supervised entities and the performance by such entities of the

[1] Within the meaning of Article 2(3) of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2009, No. 152, item. 1223, as amended) and § 2(1)(12) of the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information provided by security issuers and on the conditions for recognizing information required by the law of a non-member state as equivalent information (Journal of Laws No. 33, item. 259, as amended).

[2] ARC – Accounting Regulatory Committee

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

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

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.

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

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

1.3. Selection of financial statements for review

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

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

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

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

Within the enforcement activities of the PFSA, in selecting financial statements of issuers for the periodic review conducted in 2012, high priority was given to the following criterion: a qualified opinion on the audited financial statements, a disclaimer of opinion and an adverse opinion. In addition, the cases of a qualified report on the review of interim financial statements or a disclaimer of report were taken into account. The PFSA treats the audit/review of the financial statements by entities authorized to audit financial statements as "a first external line" of ensuring the correct application of reporting framework[7].

It should be noted that due to the worsening financial situation, in 2012 a bankruptcy (in most cases – an arrangement bankruptcy) was declared or the court was examining a bankruptcy

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

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

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

petition with respect to 12 regulated-market issuers. Consequently, in selecting issuers' financial statements for the periodic review in 2012, the cases of going concern threats were also taken into account. The emphasis was put in particular on the financial statements of issuers from the construction sector.

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, 182 annual and interim financial statements of 87 issuers were subject to review, including 57 consolidated financial statements prepared for the financial year 2011.

Number of issuers whose financial statements were subject to the periodic review in 2012

	Number of regulated-market issuers (Warsaw Stock Exchange and BondSpot)*	**Number of issuers whose financial statements were subject to review in 2011**	**Share in the total number of regulated-market issuers***
As at 31.12.2011	403	87	21.6%
As at 31.12.2012	408		21.3%

* The number does not include closed-end investment funds listed on the regulated market and issuers to which the Republic of Poland is a host Member State

In subsequent years, the following will continue to be used as the priority criteria in selecting financial statements of issuers for review: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion, as well as a qualified report on the review of half-yearly financial statements or a disclaimer of report. The review will also encompass the cases of going concern threats. Furthermore, the assessment of compliance of issuers’ financial statements with the applicable financial 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, which priorities include the following issues: risk-exposed financial instruments, impairment of assets, provisions.

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

2.1. Review of the financial statements for the financial year 2011 and the first half of the financial year 2012 in the light of the opinions and reports, respectively, issued by entities authorized to audit financial statements – a list of areas of non-compliance with the applicable financial reporting framework, in particular with IFRSs

In order to ensure that issuers pay special attention to the need to comply with the applicable reporting framework, particularly with the requirements of IFRSs, below are presented issues which relate to the qualifications contained in the opinions of entities authorized to audit, which relate to the audited financial statements of issuers other than investment funds for the financial year 2011 and in the reports of the review of the half-yearly financial statements of those issuers for the first half of the financial year 2012. In the case of four issuers, there was a disclaimer of the opinion on the audited financial statements for the financial year 2011 by an auditor; in nine cases – a disclaimer of the report on the review of the half-yearly financial statements for the first half of the financial year 2012. Additionally, in the case of one issuer, there was an adverse opinion on the audited financial statements for the financial year 2011.

The issues to which the above-mentioned qualified opinions, an adverse opinion and a disclaimer of opinion/report referred have been grouped in a manner that makes finding a specific topic easier.

2.1.1. Qualifications and disclaimers of opinion/report regarding going concern

The qualifications in audit opinions /review reports and statements on a disclaimer of opinion/report, respectively, issued by auditors, referred to the following issues related to going concern:

- Uncertainty as to the entity's going concern, which is dependent on securing external financing for the entity;
- A very difficult financial position of the entity – the court declared the entity's arrangement bankruptcy;
- Indications at the balance-sheet date of threats to the entity's and the Group's ability to continue as a going concern – a difficult financial position of the companies, a court declaring the parent's arrangement bankruptcy, the sum of the parent's loss for the current year and previous years exceeds the sum of its equity;
- Threats to the entity's ability to continue as a going concern in the general construction and civil engineering sector, which the entity defined so far as its basic operational activities;
- Significant uncertainty about the appropriateness of the going concern assumption with respect to the parent and the Group;
- Threats to the entity's ability to continue as a going concern and entity filing a petition for bankruptcy;
- Preparation of the financial statements not on a going concern basis due to the fact that the court changed its decision on an arrangement bankruptcy for a decision on bankruptcy with liquidation of the entity's assets *– a disclaimer of review report*;
- The necessity to prepare the financial statements by using other principles for measuring assets as well as liabilities and equity if the creditor's petition for a liquidation bankruptcy is granted, which could materially affect the parent's and the Group's equity and profit or loss;
- The necessity, in accordance with Article 397 of the Code of Commercial Companies and Partnerships, to immediately convene the General Meeting of Shareholders in order to adopt a

resolution on the continued existence of the company, due to the fact that the sum of the losses incurred in previous years less the net profit for the first half of 2012 exceeds than the sum of supplementary capital, capital reserves and one-third of the share capital;

- No opinion expressed by the auditor about the correctness of the measurement of assets and liabilities of a subsidiary that was included in the consolidated financial statements and filed a petition for an arrangement bankruptcy due to a significant uncertainty about the success of the bankruptcy proceedings, and consequently about the entity's ability to continue as a going concern;
- Significant uncertainty about the parent's ability to continue as a going concern due to uncertainty about the course of the bankruptcy proceedings; significant uncertainty about the amount of reciprocal claims for construction works and inability to confirm the reliability of the correctness of the measurement of non-current assets, and the recognition and measurement of settlements on account of construction works' contracts – *a disclaimer of opinion*;
- Inability to express an opinion on the consolidated financial statements, taking into account the financial position of the Capital Group (operating loss; the amount of current liabilities, current provisions and current accruals in excess of current assets; offsetting loss against supplementary capital, although there was no opinion on the financial statements; non-recognition of impairment loss for outstanding receivables; a considerable uncertainty about the success of restructuring efforts and serious threats to the entity's ability to continue as a going concern) – *a disclaimer of opinion*;
- Inability to express an opinion on the financial statements due to the high degree of uncertainty about the entity's and the Group's survival (in the financial statements, the entity's Management Board pointed to significant liquidity risk; the entity's assets were measured at net realisable value, without using a relevant valuation prepared by an independent valuer) – *a disclaimer of opinion*;
- Inability to determine whether the assumption that the entity and the Group will continue as a going concern is appropriate due to the circumstances indicating the existence of evident threats to the entity's and the Group's ability to continue as a going concern for the period of the next 12 months after the balance-sheet date (significant losses incurred in recent years; no confirmed and agreed guarantees of further financing; the parent is a party to many legal and administrative proceedings, and in many disputes with its contractors, which may have a crucial impact on the Group's operational and financial position in future) – *a disclaimer of opinion*;
- Inability to obtain sufficient review evidence to allow the auditor to issue a review report, taking into account, among other things, a considerable uncertainty about the entity's and subsidiaries' ability to continue as a going concern in the foreseeable future – *a disclaimer of review report*;
- Inability to confirm that the interim financial statements have been prepared, in all material respects, in accordance with the requirements of IAS 34, due to a significant uncertainty about, among other things, the entity's and the Group's ability to continue as a going concern – *a disclaimer of review report*;
- Inability to determine whether the assumption that the entity and the Group will continue as a going concern is appropriate due to the circumstances indicating the existence of evident threats to the entity's and the Group's ability to continue as a going concern for the period of the next 12 months after the balance-sheet date – *a disclaimer of review report*;
- Failure to recognise a provision for a fine imposed on the entity by the customs office, against which fine the entity appealed; the relevant adjustment would result in negative equity and, pursuant to Article 397 of the Code of Commercial Companies and Partnerships, the General Meeting of Shareholders would be under obligation to adopt a resolution on the continued existence of the entity – *regards an adverse opinion*;
- Failure to provide evidence of the extension of the bank loan liability that expired during the year; court payment orders served on the entity due to delays in settling trade payables – *regards an adverse opinion*;

- Selling loss and loss before tax incurred in a subsequent year, and deterioration of liquidity and debt ratios – *regards an adverse opinion*;
- The preparation of the financial statements on a going concern basis despite the fact that the Management Board indicated a material risk to the entity's ability to continue as a going concern, due to its failure to settle liabilities in a timely manner; if the indicated risk occurs, the entity should prepare the financial statements under Article 29 of the Accounting Act (cf. Accounting Act).

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

Qualifications in audit opinions and review reports, respectively, issued by auditors, related to the following issues concerning impairment of (non-financial) assets:

- The auditor was not provided with the evidence of goodwill's testing for impairment for the purposes of the auditor's assessment (cf. IAS 36 *Impairment of Assets*);
- Failure to test goodwill for impairment and failure to prepare, and provide the auditor with, the tests of shares in associates for impairment (cf. IAS 36) – *regards an adverse opinion*;
- Recognition of shares in a subsidiary, measured at cost, in non-current assets; the auditor was unable to confirm the appropriateness of the judgement by the entity's Management Board that there has been no impairment of these shares (cf. IAS 36);
- Inability to assess the correctness of the measurement of shares in an associate in the absence of complete information, including the expected net realisable value or otherwise determined recoverable amount (cf. IAS 36);
- Failure to recognise an impairment loss for shares in a subsidiary that is not settling its liabilities in a timely manner and has filed a petition for an arrangement bankruptcy (cf. IAS 36);
- Failure to present evidence of non-existence of indications that an impairment of shares in an associate has occurred (cf. IAS 36);
- Accounting for goodwill in the interim consolidated financial statements and for shares in a subsidiary in the interim financial statements, which shares were tested for impairment as at the end of 2011, based on the forecasts of operating performance of subsidiaries, and the test for impairment did not show the necessity to recognise an impairment loss, while the current performance of subsidiaries differs from the assumptions adopted in the forecasts; due to the fact that the forecasts relate to future, uncertain events, the auditor is not able to determine the influence of potential changes in forecasts on the recognized goodwill/amount of shares as at the date of the preparation of the financial statements (IAS 36);
- Failure to test property, plant and equipment as well as intangible assets for impairment as at the balance-sheet date, despite indications that some of the assets are partially or entirely impaired and an impairment loss should be recognised on them (cf. Article 28 of the Accounting Act);
- Failure to recognise an impairment loss for the property to the amount of realisable economic benefits, despite indications of a permanent impairment (cf. Article 28 of the Accounting Act);
- Failure to recognise an impairment loss for the total amount of intangible assets held for sale, recognised in goods for resale, despite indications of a permanent impairment (cf. Article 34 of the Accounting Act).

2.1.3. Qualifications concerning financial instruments

Qualifications in audit opinions and review reports, respectively, issued by auditors, related to the following issues concerning financial instruments:

- Accounting for past due receivables in the financial statements, where there is a risk that the receivables will not be repaid in full (cf. IAS 39 *Financial Instruments: Recognition and Measurement*);
- Failure to recognise an impairment loss for past due and unsecured trade receivables, despite objective evidence indicating a non-repayment risk (cf. IAS 39);
- A subsidiary's failure to recognise an impairment loss for the total amount of the disputed trade receivable (cf. IAS 39);
- Failure to recognise an impairment loss for shares in a NewConnect company, despite the associated risk of impairment (cf. IAS 39);
- The parent's failure to recognise an impairment loss for the total amount of the disputed loan receivable (cf. IAS 39);
- Failure to recognise an impairment loss for receivables from a subsidiary in liquidation (cf. IAS 39);
- Possible difficulties in realising the loan made to a subsidiary, which loan is recognized in non-current assets (cf. IAS 39);
- Failure to recognise an impairment loss for outstanding receivables (the defendant's funds have been seized by the court on account of a litigation in progress) (cf. IAS 39);
- Recognition of a subsidiary's post due trade receivables, for which no impairment loss has been recognised (due to no significant repayments of these receivables after the balance-sheet date the auditor is unable to express their opinion on their recoverability and impairment, if any) (cf. IAS 39);
- Recognition of claimed-at-court receivables from a contractor and recognition of provisions for the contractor's possible penalties in liabilities and recognition of a receivable from the contractor, which may be difficult to recover (cf. IAS 39);
- Failure to recognise an impairment loss for receivables from a financially distressed entity (cf. IAS 39);
- Inability to confirm the appropriateness of the measurement of a past due short-term loan in a subsidiary, due to the uncertainty about the result of the negotiations being held (cf. IAS 39);
- Inability to assess the fair value estimation of an investment portfolio on the basis of the evidence of assumptions and forecasts, submitted by the Management Board (cf. IAS 39);
- Inability to confirm whether the recognised assets arising from an exclusive distribution agreement require an impairment loss to a realisable amount (cf. IAS 39);
- Accounting in the interim financial statements for a receivable from a member of the entity's bodies in the absence of the receivable's balance confirmation (the balance was marked as inconsistent and the evidence was submitted that the debt is non-existent);
- The auditor's failure to obtain the confirmation of loan receivables' balances, which resulted in the auditor's inability to confirm the appropriateness of the measurement of the amounts accounted for in the balance sheet under 'Current investments' and 'Other financial assets';
- The auditor's failure to obtain sufficient documentation confirming of the appropriateness of the measurement of receivables from related parties, in respect of which an arrangement bankruptcy proceedings has been instituted;
- Inability to assess the appropriateness of the measurement and presentation, in the issuer's assets, of loans and bonds issued by a company with negative equity, as well as loans, advances made, bills and bonds of another company – due to the auditor's failure to obtain

sufficient explanation and financial information about those entities, which explanation and information would allow the auditor to obtain assurance on those assets' recoverability;

- Inappropriate presentation of credit exposures as a non-current liability, and not as a current liability, due to the entity's failure to achieve the required level of all economic and financial indicators provided for in loan agreements with banks (cf. par. 74 of IAS 1 *Presentation of Financial Statements*);
- Failure to recognise an impairment loss for receivables brought to the court (cf. Article 35b of the Accounting Act).

2.1.4. Qualifications concerning construction contracts

Qualifications in audit opinions and review reports, respectively, issued by auditors, related to the following issues concerning construction contracts:

- The auditor's inability to confirm that recognition of a claim against the customer in budgeted revenue of some road construction contracts and in revenue complies with the requirements of IAS 11, due to the inability to determine the probability of acceptance of the claim by the customer and to reliably estimate their final amount (cf. IAS 11 *Construction Contracts*);
- Accounting for a claim against the investor in the budgeted revenue of one of the road construction contracts and in the services sales budget, even though the claim does not meet all the requirements of IAS 11;
- Accounting for claims against customers on some road construction contracts in revenue, even though the legal proceedings and negotiations with the customer have not reached an advanced stage yet (cf. IAS 11);
- Failure to recognise an impairment loss for the construction contract costs capitalized in prepayments and being the subject of legal proceedings.

2.1.5. Qualifications concerning consolidation

Qualifications in audit opinions and review reports, respectively, issued by auditors, related to the following issues concerning consolidation:

- Doubts about the accounting policies adopted for shares in a subsidiary, which shares have been contributed into a closed-end investment fund (cf. IAS 27 *Consolidated and Separate Financial Statements*, SIC Interpretation 12 *Consolidation – Special Purpose Entities*);
- Inability to assess whether the tax risk in a subsidiary has been properly reflected in the consolidated financial statements;
- Including in the consolidated interim financial statements the financial data of subsidiaries that have not been reviewed by auditors;
- Failure to subject the financial information of the company accounted for using the equity method and included in the interim consolidated financial statements to the auditor's review;
- Inability to confirm that the loss on discontinued operations, and consequently the profit or loss for the period, have been calculated correctly, due to the fact that the calculation of the loss on discontinued operations was based on a subsidiary's financial statements (prepared as at the date preceding the date of declaring the subsidiary's liquidation bankruptcy) that were not subject to a review by the auditor.

2.1.6. Qualifications concerning rights to perpetual usufruct of land

Qualifications in audit opinions and review reports, respectively, issued by auditors, in related to the following issues concerning perpetual usufruct of land:

- Recognition in the balance sheet of rights to perpetual usufruct of land that were obtained free of charge as property, plant and equipment, investment property or assets classified as held for sale, and not as off-balance-sheet items; in the auditor's opinion, those rights are operating leases in accordance with IAS 17;
- Recognition of the acquired rights to perpetual usufruct of land as non-current assets, and not as an operating lease in accordance with IAS 17;
- The entity's measurement of the acquired rights to perpetual usufruct of land, using the revaluation model in IAS 38 *Intangible Assets*; in the auditor's opinion those rights are operating leases in accordance with IAS 17 and should be accounted for as off-balance-sheet items, whereas the initial fee should be deferred and should not be revalued.

2.1.7. Qualifications concerning other recognition and measurement issues

Qualifications in audit opinions and review reports, respectively, issued by auditors, related to the following issues concerning recognition and measurement:

- Failure to recognise an impairment loss for inventories, which is incompatible with the adopted accounting policies (cf. IAS 2 *Inventories*);
- Unjustified recognition of a portion of deferred tax assets and deferred tax liabilities (cf. IAS 12 *Income Taxes*);
- Recognition of deferred tax assets for tax losses; in the auditor's opinion, there is uncertainty whether the tax loss will be used in subsequent years (cf. IAS 12);
- Failure to provide the auditor with the financial plans and evidence indicating the entity's ability to achieve the taxable profit that will be sufficient to deduct the unused tax losses – *regards an adverse opinion*;
- Recognition of profits from sale and leaseback transactions at the time of sale, instead of their deferral and recognition over the lease period (cf. IAS 17);
- Auditor's inability to assess whether the provision for possible claims of the contractor should be recognized in the financial statements (cf. IAS 37);
- Failure to recognise a provision for the liability to a contractor, for the event of a settlement of the court case in favour of the contractor (cf. IAS 37);
- Failure to recognise in the financial statements foreign exchange losses on the measurement of liabilities in foreign currencies (cf. IAS 21 *The Effects of Changes in Foreign Exchange Rates*);
- Lack of conservative valuation of goods and semi-finished goods (Articles 7 and 28 of the Accounting Act);
- Inappropriate measurement of goods for resale, whose amount has been increased by costs that are not directly related to their acquisition, i.e. mainly advertising costs, insurance costs, bank fees and charges; failure to compare the carrying amount of the goods for resale with net realisable value (cf. Article 28 of the Accounting Act);
- Using, for property, plant and equipment, and for intangible assets, amortisation (depreciation) rates, which in most cases do not reflect the useful lives of these assets (cf. Articles 32-33 of the Accounting Act);
- Recognition, in prepaid expenses, of the costs relating to previous reporting periods and the costs of monthly advisory services (cf. Article 39 of the Accounting Act).

2.1.8. Qualifications concerning other issues

Qualifications in audit opinions and review reports, respectively, issued by auditors, also related to the following issues:

- Inability to confirm the data included in the analysis from which it results that no impairment of inventories has occurred;
- Failure to disclose in the financial statements information about the guarantees provided by the entity (cf. Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus[8]);
- Failure to close the books of accounts, in connection with the bankruptcy liquidation, within the deadline specified in the Accounting Act, and presentation of the data in the financial statements as at the date falling two days after the bankruptcy liquidation was declared (cf. Article 12 of the Accounting Act);
- Failure to carry out, as at the date immediately preceding the declaration of bankruptcy, the stocktaking of receivables and cash; in addition, the auditor did not observe physical inventory of property, plant and equipment, and of inventories (cf. Article 26 of the Accounting Act);
- Incorrect settlements of value-added tax in relation to tax-exempt sales, and failure to file a corrected value-added tax return;
- Failure to provide the auditor with detailed information about the reasons for the removal of the entity's previous Management Board (cf. Article 67 of the Accounting Act);
- Failure to submit, for the auditor's inspection, the documents on the basis of which the auditor would be able to verify the correctness of the figures in the statement of cash flows (cf. Article 67 of the Accounting Act);
- Failure to provide the auditor with valuers' current valuations, on the basis of which the auditor would be able to confirm the current market value of the portfolio companies' properties and failure to take account of economic events that took place in June 2012 in the valuation of the portfolio companies as at 30 June 2012 – *regards a report on the review of interim financial statements of a subsidiary*;
- Statement that the final selling prices may differ from the amounts recognised in the books of accounts; in measuring tangible non-current assets (except for properties) at net realisable selling prices not exceeding the cost of acquisition or manufacture, less accumulated depreciation or amortization and impairment loss, the entity used its knowledge and information generally available on the market, and not the services of valuers;
- Statement that the actual amounts realised from the sale of properties may differ from the amounts shown in the valuations used for recognising an impairment loss for their amounts.

2.1.9. Emphasis of matter paragraphs

Additionally, we would like to present the topics covered by the emphasis of matter paragraphs included in audit opinions and review reports, respectively, issued by auditors. The emphasis of matter paragraphs related to the following issues:

- Negative impact on the entity's financial position, financial performance and ability to continue as a going concern, which may result from the entity's failure to maintain the existing and obtain additional financing sources;
- Deterioration of the Group's financial position and liquidity assessment;
- Potential threats to the entity's ability to continue as a going concern;
- Necessity to sell within one year the shares of the parent acquired by a subsidiary;
- No information confirming the insignificance of the subsidiary excluded from consolidation;
- Recognition of development projects, even though the realisation of these assets is dependent on the project successful completion requiring significant expenditure;

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

- Recognition in equity of a fundamental error relating to the measurement of long-term contracts and provisions for warranty repairs;
- Possibility of changes in the amount of goodwill, resulting from the fact that the acquisition of shares is not yet finally accounted for;
- Risk that bills of exchange payable will be redeemed; in the entity's opinion, the bills of exchange have been used in violation of law;
- Possibility that contingent liabilities arising from guarantees provided to a subsidiary will change into due liabilities, if the subsidiary's financial position continues to deteriorate;
- Possibility of changes in the recognized amounts of impairment losses and provisions, which reflect estimates of the impact of pending litigation;
- Presence of emphasis of matter paragraphs in the report on the review of the financial statements of a subsidiary;
- Management's retrospective adjustment of prior periods due to the fact that the financial statements for comparative periods, which contained significant errors, have been recognised to be not in compliance with IFRSs;
- Presenting in the notes to the financial statements justification for recognising loan receivables in current assets;
- Failure to submit the financial statements for the previous year for the purposes of promulgation in the Official Gazette of the Republic of Poland (Monitor Polski B).

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

In this section of the report we present the areas of non-compliance, including non-disclosures or partial disclosures, with the applicable reporting framework, particularly with the requirements of IFRSs, which areas were identified as a result of the 2012 review of the financial statements prepared by security issuers other than investment funds.

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

We would like to draw issuers' and auditors' attention, accordingly, 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[9] on qualitative characteristics of useful financial information).

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

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

Moreover, please note that the list of the areas of non-compliance with the requirements of IFRSs, including non-disclosures 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 2011.*[10]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2010.*[11]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IASs/IFRSs. The review carried out in 2009.*[12]
- *Report on the review of annual consolidated financial statements for the accounting year 2007 by issuers of securities in the context of their compliance with IASs.*[13]

The issues to which the identified cases of non-compliance or non-disclosure related have been grouped in a manner that facilitates finding the specific topic, and the first issue taken into account was the subject of non-compliance. The provisions of IFRSs referred to in discussing specific areas of non-compliance with IFRSs in this report are presented in the wording applicable to the financial statements prepared for the financial year 2011 or for the first half of the financial year 2012, respectively.

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

- No indication of the reason why the going concern assumption is not considered appropriate for the entity (cf. par. 25 of IAS 1);
- Doubts about the completeness and fairness of information about material uncertainties about the entity’s ability to continue as a going concern, and consequently doubts about fair presentation of the financial position and financial performance of the entity (cf. par. 25 and par. 15 of IAS 1);
- Doubts about the fairness of the assessment of the entity’s ability to continue as a going concern (cf. par. 25-26 of IAS 1);
- Doubts whether the preparation of the entity's financial statements not on a going concern basis is appropriate, given the fact that the entity submitted a letter to the District Court to withdraw the petition for a liquidation bankruptcy (cf. par. 25 and par. 26 of IAS 1);
- Doubts as to the appropriateness of the going concern assumption made by the entity, given material uncertainties about the entity's ability to continue as a going concern (cf. Article 5(2) of the Accounting Act);
- No comprehensive disclosures regarding the conditions indicating threats to the entity's ability to continue as a going concern (cf. par. 6(1)(8) and par. 19 of Section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus);
- Doubts about the fairness of the disclosure relating to the assessment of the entity’s ability to meet its obligations and about identification of factors that, in the issuer’s opinion, will have an impact on its financial performance at least for the period of the next quarter (cf. par. 87(7)(10)-(11) and par. 87(10), respectively, of the Regulation on disclosure obligations);

[10] http://www.knf.gov.pl/en/Images/Report_on_the_review_of_the_financial_statements_by_issuers_of_securities_in_the_context_of_their_compliance_with_IFRSs_2011_tcm81-30256.pdf
[11] http://www.knf.gov.pl/en/Images/Raport_z_analizy_sprawozdan_emitentow_2010_ang_tcm81-26578.pdf
[12] http://www.knf.gov.pl/en/Images/Raport_z_analizy_2009_wer_ang_tcm81-22800.pdf
[13] http://www.knf.gov.pl/en/Images/Report_en_IAIS_2007_publ_tcm81-30102.pdf

- Doubts about the fairness of the disclosure relating to the entity's ability to meet its obligations in the report on the operations of the issuer and in the report on the operations of the issuer's capital group (cf. par. 91(6)(11) and par. 92(3), respectively, of the Regulation on disclosure obligations).

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

- Failure to disclose information relating to impairment of assets (cf. IAS 36);
- Failure to estimate, in preparing the interim financial statements, the recoverable amount of tangible non-current assets in spite of indications that the assets may be impaired and failure to recognise a corresponding impairment loss (cf. par. 9 and par. 59 of IAS 36 in connection with par. 28, 29, 30(a) and 32 of IAS 34);
- Failure to disclose for each material impairment loss recognised or reversed during the period for an individual asset the most important events and circumstances that led to the recognition or reversal of the impairment loss (cf. par. 130-131 of IAS 36);
- The description of the adopted accounting policies does not contain a description of accounting policies relating to the determination of permanent impairment losses for assets (cf. par. 6(1) of the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

2.2.3. Non-compliances and deficiencies in disclosures of information concerning impairment of goodwill and impairment of intangible assets with an indefinite useful life

- Uncertainties about not taking account of indications that goodwill may be impaired (cf. par. 9 and par. 12-14 of IAS 36);
- Failure to test the goodwill and the trademark, at the end of the interim period, for impairment, despite indications that the assets may be impaired (cf. par. 9 and 59 of IAS 36 read in conjunction with par. 28, 29 and 30(a) and 32 of IAS 34);
- Too general descriptions of the events and circumstances that led to the recognition or reversal of a material impairment loss (cf. par. 130(a) of IAS 36), for example, only a statement that an indication of an impairment loss for goodwill have occurred;
- No description of a cash-generating unit 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(d) of IAS 36)
- 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; the disclosures limited to a general description of the accounting policies on the impairment of goodwill and intangible assets with indefinite useful lives (cf. par. 134-137 of IAS 36 with Illustrative Example 9).
- No disclosure of the carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of units) (cf. par. 134(a)-(b) 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);
- Too general description of each key assumption on which management has based its cash flow projections, if the recoverable amount was based on the value in use (cf. par. 134(d)(i) of IAS 36) and, accordingly, of key assumptions on which management has based its determination of fair value less costs to sell (cf. par. 134(e)(i) of IAS 36);

- No description of the approach to determining the values assigned to each key assumption, and no statement on whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information (cf. par. 134(d)(ii) and par. 134(e)(ii) of IAS 36);
- No explanation of why the cash flows projection over a period greater than five years is justified (cf. par. 134(d)(iii) of IAS 36);
- If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the carrying amount to exceed the recoverable amount, making only some of the required disclosures or presenting the disclosures in a manner hindering the understanding of the presented data (cf. par. 134(f) of IAS 36).

2.2.4. Non-compliances and deficiencies in disclosures concerning financial instruments

- Failure to take account of objective evidence that receivables are impaired in the preparation of the financial statements (cf. par. 58, 59 and 63 of IAS 39);
- Failure to take account of objective evidence that receivables are impaired for the purpose of measuring their value in the preparation of interim financial statements (cf. par. 58, 59 and 63 of IAS 39 read in conjunction with par. 28, 29, 30(a) and 32 of IAS 34);
- Failure to make in the financial statements the disclosures concerning financial instruments, required by IFRS 7 *Financial Instruments: Disclosures*;
- Recognition and presentation of financial instruments in a manner not complying with the requirements of IFRS, including failure to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments (cf. par. 6 of IFRS 7 and par. B1 and B2 of Appendix B Application Guidance to IFRS 7);
- Failure to disclose the breaches by the entity of additional terms (covenants) under agreements with banks (cf. par. 18-19 of IFRS 7);
- Failure to disclose interest income and expense, and net gains or net losses on financial assets or financial liabilities (cf. par. 20 of IFRS 7);
- Failure to disclose the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities, as well as other information about fair value (cf. par. 27 of IFRS 7);
- No classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (cf. par. 27A of IFRS 7);
- Failure to disclose the fair value hierarchy level, under which each fair value measurement was classified, in classifying fair value measurements in accordance with the levels defined in par. 27A of IFRS 7 and failure to disclose other information to be disclosed in the statement of financial position for each class of financial instruments measured at fair value (cf. par. 27B of IFRS 7);
- Failure to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; failure to disclose the methods and assumptions used in preparing the sensitivity analysis and changes from the previous period in the methods and assumptions used, as well as the reasons for such changes (cf. par. 40 of IFRS 7);
- Disclosure of incomplete information about the objectives and principles of financial risk management, taking into account the requirements of par. 31-42 of IFRS 7.

2.2.5. Non-compliances and deficiencies in disclosures concerning construction contracts

- Uncertainties whether the entity complies with the provisions of par. 29 of IAS 11, pursuant to which it is also usually necessary for the entity to have an effective internal financial budgeting and reporting system;
- Failure to disclose information about construction contracts (cf. par. 39-45 of IAS 11), including the following information:
  - 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.

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

- Failure to disclose information related to the acquisition of a subsidiary during the current reporting period, enabling users of the financial statements to evaluate the nature and financial effect of the business combination (cf. par. 59(a) of IFRS 3 *Business Combinations*), including:
  - the acquisition date (cf. par. B64(b) of Appendix B to IFRS 3),
  - the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree (cf. par. B64(d) of Appendix B to IFRS 3),
  - a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors (cf. par. B64(e) of Appendix B to IFRS 3),
  - the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration (cf. par. B64(f) of Appendix B to IFRS 3),
  - the fair value of the acquired receivables, and the disclosures by major class of receivable, such as loans, direct finance leases and any other class of receivables (cf. par. B64(h) of Appendix B to IFRS 3),
  - the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed (cf. par. B64(i) of Appendix B to IFRS 3),
  - a description of the reasons why the transaction resulted in a gain – in a bargain purchase (cf. par. B64(n) of Appendix B to IFRS 3),
  - the amount of the non-controlling interest in the acquiree recognized at the acquisition date and the measurement basis for that amount, and in the case of any non-controlling interest in an acquiree measured at fair value – the valuation techniques and key model inputs used for determining that value (cf. par. B64(o) 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);

- No presentation of provisional amounts for the items identified during the business combination, for which the accounting is incomplete (cf. par. 45 of IFRS 3);
- No separate presentation of the aggregate cash flows arising from the obtaining or losing control of a subsidiary (cf. par. 39 of IAS 7 *Statement of Cash Flows*);
- Failure to adjust the description of the consolidation principles set out in the accounting policies to the characteristics of the capital group, with respect to reference to SIC Interpretation 12;
- No comprehensive justification for the exclusion of a subsidiary from the consolidated financial statements.

2.2.7. Non-compliances and deficiencies in disclosures concerning segment reporting

- Failure to present in the financial statements information about operating segments (cf. IFRS 8 *Operating Segments*);
- Failure to disclose general information, i.e. 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 disclose the following information for each reportable segment: revenues from external customers, revenues from transactions with other operating segments of the same entity, and depreciation and amortisation – if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker even if not included in that measure of segment profit or loss (cf. par. 23 of IFRS 8);
- No explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment, including the basis of accounting for any transactions between reportable segments (cf. par. 27 of IFRS 8);
- No reconciliation of 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 (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 geographical information or to make a disclosure that the necessary information is not available and the cost to develop it would be excessive (cf. par. 33 of IFRS 8);
- Failure to disclose information in the financial statements about the extent of the entity's reliance on its major customers (cf. par. 34 of IFRS 8);
- Presentation of segment information in accordance with IAS 14 *Segment Reporting*, instead of in accordance with IFRS 8;
- Inappropriate reference in the description of the accounting policies and in the segment disclosures in the notes to the provisions of IAS 14, instead of the provisions of IFRS 8.

2.2.8. Non-compliances and deficiencies in disclosures concerning the presentation of financial statements

- No consolidated statement of cash flows (cf. par. 10(d) of IAS 1);
- Failure to disclose, or incomplete description of, applied accounting policies (cf. par. 10(e) and par. 117 of IAS 1);
- Uncertainties about the compliance of the description of the accounting policy for valuation of investment property with par. 38 of IAS 40 *Investment Property*;
- Incomplete description of the accounting policies concerning the recognition of rights to perpetual usufruct of land;
- No description of the accounting policies concerning inventories, including measurement methods (cf. par. 36(a) of IAS 2);
- No presentation in the notes of an explicit and unreserved statement of compliance with IFRSs (cf. par. 16 of IAS 1);
- Making in the statement of compliance with IFRSs in the financial statements a reference to IFRSs or the IFRSs as adopted by the IASB, instead of IAS within the meaning of Article 2(3) of the Accounting Act and § 2(1)(12) of the Regulation on disclosure obligations[14] (i.e. International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission), or IFRS as adopted by the EU (clause recommended by the European Commission);
- No separate presentation of each material class of similar items in the statement of cash flows (cf. par. 29 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) of IAS 1 and par. 27 of IAS 27);
- Failure to disclose for each class of share capital the number of shares issued and fully paid, and issued but not fully paid, and the preferences attaching to that class (cf. par. 79(a)(ii) and 79(a)(v) of IAS 1);
- No description of the nature and purpose of each reserve within equity (cf. par. 79(b) of IAS 1);
- No presentation of other comprehensive income in the statement of comprehensive income (cf. par. 82 of IAS 1);
- No description of the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements (cf. par. 122-124 of IAS 1)
- Failure to disclose information about the key assumptions concerning the future, and other 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);
- Failure to disclose information that enables users of the financial statements to evaluate the objectives, policies and processes for managing capital (cf. par. 134-136 of IAS 1);
- Most of the explanatory notes on the balance sheet, off-balance-sheet items and profit and loss account missing; additional explanatory notes missing (cf. Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus);
- Failure to make in the notes to the financial statements all the required disclosures, e.g. presentation of the total of liabilities without presenting their maturity in the explanatory note

[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 (Journal of Laws No. 33, item. 259, as amended),

concerning non-current liabilities according to maturity (cf. note 22.2, Section A. Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

2.2.9. Other cases of non-compliance and deficiencies in disclosures

- No separate disclosure of cash flows from interest and dividends received and paid (cf. par. 31 of IAS 7 *Statement of Cash Flows*);
- 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 information about standards and interpretations that have been issued but are not effective yet, and information relevant to assessing the possible impact that application of the new standard or interpretation will have on the entity's financial statements in the period of initial application (cf. par. 30-31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*);
- Failure to disclose the date when the financial statements were authorised for issue, and the information who gave the authorisation (cf. par. 17 of IAS 10 *Events After the Balance Sheet Date*);
- Failure to disclose the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation (cf. par. 26(b) of IAS 23 *Borrowing Costs*);
- Failure to disclose information about key management personnel compensation in total and for each of the categories listed in par. 17 of IAS 24 *Related Party Disclosures*;
- Failure to disclose information about related party transactions and outstanding balances necessary to understand the potential effect of the related party relationship on the financial statements (cf. par. 18 of IAS 24);
- No summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (cf. par. 37(b) of IAS 28 *Investments in Associates*);
- The calculation of basic and diluted earnings per share not in accordance with IAS 33 , i.e. for profit from continuing operations, and not for profit from continuing operations attributable to the ordinary equity holders of the parent entity for the period (cf. par. 9 and par. 30 of IAS 33 *Earnings Per Share*);
- Failure to present 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 comply with the requirement to prepare and present a statement of financial position at the date of transition to IFRSs (cf. par. 6 and par. 21 of IFRS 1 *First-time Adoption of International Financial Reporting Standards*);
- Failure to explain how the transition from previous GAAP to IFRSs affected the entity's reported financial position, its financial performance and cash flows (cf. par. 23 of IFRS 1).
- Failure to present the reconciliations for the transition to IFRSs (cf. par. 24-25 of IFRS 1);
- Incorrect identification of the date of transition to IFRSs (cf. Appendix A to IFRS 1);
- Failure to present in the statement of financial non-current assets classified as held for sale separately from other assets (cf. par. 38 of IFRS 5);
- Failure to present the 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 IFRSs, or to make a disclosure with appropriate explanations that the identification of such data in a reliable manner is impracticable (cf. par. 7 of the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

2.2.10. Other cases of non-compliance and deficiencies in disclosures relating to interim reporting

- No condensed statement of comprehensive income – the entity presented a condensed profit and loss account only (par. 8(b) of IAS 34 *Interim Financial Reporting*);
- In the statement of comprehensive income, failure to present total comprehensive income attributable to non-controlling interests and the owners of the parent (cf. par. 10 and par. 12 of IAS 34, par 83 of IAS 1 and par. 28 of IAS 27);
- Failure to present diluted earnings per share (cf. par. 11 of IAS 34);
- Failure to make a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements (cf. par. 16(a) of IAS 34);
- Failure to present operating segment information as required by par. 16(g) of IAS 34;
- Failure to present information on compliance with IAS 34 (cf. par. 19 of IAS 34);
- Failure to present the statement showing changes in equity cumulatively for the current financial year to date (cf. par 20(c) of IAS 34);
- Failure to take account in the preparation of interim financial statements of circumstances indicating the need to make estimates net realisable value of inventories (cf. par. 9 and par. 33 of IAS 2 read in conjunction with par. 28, 29, 30(a) and 32 of IAS 34);
- Failure to present cumulative data for all full quarters of the financial year in the statement of changes in equity (cf. par. 87(1) of the Regulation on disclosure obligations).

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

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

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

For educational purposes, the report has been published on the PFSA website. The issues referred to in the qualifications made by auditors, in adverse opinions 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 as part of the CEDUR (Education Centre for Market Participants) initiative.

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

In addition, in our view, if the auditor expresses in its opinion on the audited financial statements a qualification on a matter affecting the profit or loss of the issuer, the issuer’s management should take the qualification into account when formulating a proposal, for the approving body, for the allocation of profit or loss. We would like to note that pursuant to Article 53(3) of the Accounting Act, the allocation of profit or loss of the entities required to have their annual financial statements audited may divide or cover the net financial result 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.

Audit committees, which are set up under the Act on Statutory Auditors[15], or supervisory boards, which have been entrusted with the tasks of these committees, play an important role in ensuring high quality of financial statements.

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

Using the powers under Article 68 of the Act on Public Offering[16], in the case of a qualified opinion on the audited financial statements / report on the review of financial statements, an adverse opinion or in the case of a disclaimer of opinion/report, the PFSA's authorized representative requests issuers (both management as well as supervisory boards) to explain the reasons for not complying with the applicable financial reporting framework and to assess the impact of misstatements which are the subject of the qualifications on the financial statements. Moreover, the PFSA's representative asks audit committees for opinions.

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

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

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

[16] 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 2009, No. 185, item 1439, as amended).

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 going concern

Pursuant to par. 3(1) of the Regulation on disclosure obligations, interim reports should contain information reflecting the special characteristics of the situation described and should be prepared in a true, fair and complete manner. 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.

The observed weakening economic situation may increase the risk of omissions in, or incompleteness or unfairness of, the financial statements of issuers, particularly in the areas relating to: going concern, impairment of (both financial and non-financial) assets, risks arising from financial instruments, provisions. Therefore, we draw issuers' attention especially to the presented provisions.

Financial statements of issuers prepared in accordance with IFRSs

IAS 1 Presentation of Financial Statements

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.

The issues related to going concern are regulated in par. 25-26 of IAS 1 According to par. 25 of IAS 1, when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

Pursuant to par. 26 of IAS 1 in assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Additionally, it should be noted that pursuant to par. 74 of IAS 1, when an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.

IAS 11 Construction Contracts

We would also like to draw attention to the provisions of IAS 11 *Construction Contracts*. Pursuant to par. 29 of IAS 11, it is also usually necessary for the entity to have an effective internal financial budgeting and reporting system. The entity reviews and, when necessary, revises the estimates of contract revenue and contract costs as the contract progresses. The need for such revisions does not necessarily indicate that the outcome of the contract cannot be estimated reliably.

In our opinion, it should be particularly emphasised that pursuant to the provisions of IAS 11, when it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately (cf. par. 22, par. 26, par. 32 and par. 36 of IAS 11).

IAS 36 Impairment of Assets

IAS 36 *Impairment of Assets* shall be applied in accounting for the impairment of all assets, other than the assets listed in par. 2 of this Standard. Pursuant to par. 9 of IAS 36, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

According to par. 10 of IAS 36, irrespective of whether there is any indication of impairment, an entity shall also:
(a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period;
(b) test goodwill acquired in a business combination for impairment annually in accordance with par. 80-99 of IAS 36.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, external and internal sources of information listed in par. 12 of IAS 36 (cf. also par. 13 and par. 14 of IAS 36).

Pursuant to par. 59 of IAS 36, if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

IAS 39 Financial Instruments: Recognition and Measurement

In case of impairment of financial assets, which are covered by IAS 39 *Financial Instruments: recognition and measurement*, according to the applicable provisions of this Standard, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply par. 63 (for financial assets carried at amortised cost), par. 66 (for financial assets carried at cost) or par. 67 (for available-for-sale financial assets) to determine the amount of any impairment loss (cf. par. 58 of IAS 39).

According to par. 59 of IAS 39, a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result

of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised. The above-mentioned provision also lists data that comes to the attention of the holder of the asset about the loss events, which constitutes objective evidence of impairment of a financial asset or group of assets.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss (cf. par. 63 of IAS 39)

IFRS 7 Financial Instruments: Disclosures

We would also like to draw attention to the disclosures of information about financial instruments and associated risks. This matter is regulated by the provisions of IFRS 7 *Financial Instruments: Disclosures*. The objective of this Standard, as presented in par. 1 of IFRS 7, is to require entities to provide disclosures in their financial statements that enable users to evaluate:
a) the significance of financial instruments for the entity's financial position and performance; and
b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

An entity shall disclose qualitative and quantitative information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed (cf. par. 31-42 of IFRS 7).

Pursuant to par. 39 of IFRS 7, an entity shall disclose the following information on liquidity risk:
(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;
(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows;
(c) a description of how it manages the liquidity risk inherent in (a) and (b).

In respect of credit risk, according to par. 36 of IFRS 7, an entity shall disclose by class of financial instrument:
(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk;
(b) a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument);
(c) information about the credit quality of financial assets that are neither past due nor impaired.

Additionally, in case of financial assets that are either past due or impaired, pursuant to par. 37 of IFRS 7, an entity shall disclose by class of financial asset:
(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and

(b) 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.

In respect of defaults and breaches, according to par. 18 of IFRS 7, for loans payable recognised at the end of the reporting period, an entity shall disclose:
(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
(b) the carrying amount of the loans payable in default at the end of the reporting period; and
(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

Pursuant to par. 19 of IFRS 7, if, during the period, there were breaches of loan agreement terms other than those described in par. 18, an entity shall disclose the same information as required by par. 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In the current economic situation, the application of the provisions of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is also of great importance. According to par. 14 of IAS 37, a provision shall be recognised when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.
If these conditions are not met, no provision shall be recognised.

Pursuant to par. 23 of IAS 37, for a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of IAS 37, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, i.e. the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Issuers' financial statements prepared in accordance with Polish accounting principles

We want to emphasise that pursuant to Article 5(2) of the Accounting Act, adopted accounting policies are applied on the assumption that an entity will continue as a going concern in the foreseeable future, without material curtailing of the scope of its operations, without being put into receivership or declared bankrupt, unless it is in contradiction with the actual or legal status. When assessing the entity's ability to continue as a going concern, the entity's manager takes into account all information available as at the date of preparing the financial statements relating to the foreseeable future, covering a period not shorter than 12 months from the balance sheet date.

If the going concern assumption, referred to in Article 5(2) of the Accounting Act is not valid, then, according to Article 29(1) of the Act, the assets shall be measured at the lower of the realisable net selling prices and the cost of acquisition or manufacture, less accumulated depreciation or amortization and permanent impairment loss. In such a case an entity is also required to recognise a provision against expected additional costs and losses caused by discontinuation of operations or inability to continue as a going concern.

The measurement at the net selling prices and recognising a provision are carried out in particular as at the date preceding the date when an entity was put into receivership or declared bankrupt; as

at the end of a financial year, if, as at the date of approval of the financial statements for a given financial year the entity discontinues its operations; as at the end of a financial year during being under receivership or bankruptcy proceedings; as well as at the date preceding a transfer, demerger or sale of an entity, if an appropriate agreement does not specify that the values of assets determined on the assumption of a going concern will be the basis for related settlements (cf. Article 29(2) of the Accounting Act).

It should be also noted that pursuant to Article 29(3) of the Accounting Act, the commencement of recovery proceedings or an arrangement bankruptcy proceedings or a change in the legal status does not prevent an entity from being regarded as a going concern.

The conclusions from the assessment of the entity's ability to continue as a going concern should be presented in the financial statements. Pursuant to par. 6(1)(8) of the Regulation on financial statements according to the Polish Accounting Principles in prospectus, the issuer shall disclose – in the introduction to the financial statements and in comparative information – information about whether the financial statements have been prepared on the assumption that the issuer will continue as a going concern in the foreseeable future and whether there are any indications of threats to the entity's ability to continue as a going concern.

Furthermore, if there are uncertainties as to the entity's ability to continue as a going concern, the additional explanatory notes to the financial statements shall contain a description of these uncertainties and a statement that such uncertainties exist, as well as information about whether the financial statements include associated adjustments. The information shall also include a description of the measures taken or planned by the issuer to remove the uncertainties (cf. par. 19 of Annex 1, Section B. Additional explanatory notes, to the above-mentioned Regulation).

Requirements related to the assessment of the entity's ability to meet its obligations

Regardless of the type of accounting standards applied in the preparation of the financial statements, issuers shall disclose in their periodic reports/consolidated periodic reports the information required by the following provisions of the Regulation on disclosure obligations.

We would like to emphasise that pursuant to par. 87(7)(10)-(11) and par. 10 respectively of the Regulation on disclosure obligations, the quarterly/consolidated quarterly report shall contain disclosures of other information that the issuer deems relevant to the assessment of its personnel and financial position, its financial performance and their changes, information that is relevant to the assessment of the issuer's ability to meet its obligations, as well as the factors that in the issuer's opinion will be having an impact on its financial performance at least for the period of the next quarter.

Pursuant to par. 89(1)(3) and par. 90(1)(3) respectively of the Regulation on disclosure obligations, half-yearly reports/half-yearly consolidated reports shall present the management board's or the managing director's report on the operations of the issuer/issuer's capital group and the basis for the preparation of the half-yearly condensed financial statements/half-yearly condensed consolidated financial statements, referred to as 'half-yearly report on the operations of the issuer'/'half-yearly report on the operations of the issuer's capital group', which report shall include a description of the principal threats and risks related to the remaining months of the financial year and take into account, accordingly, the requirements set out in par. 87(7)(2)-(11) of the above-mentioned Regulation.

It should also be stressed that in the annual reports/annual consolidated reports, in the report on the operations of the issuer/report on the operations of the issuer's capital group, the information shall be disclosed about the assessment, together with its justification, of the management of financial resources, with particular emphasis on the entity's ability to meet its obligations, and about identification of possible threats and actions the issuer has taken or intends to take to address

those threats (cf. par. 91(6)(11) and par. 92(3) respectively of the Regulation on disclosure obligations).

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

According to EU Regulation no 1095/2010 establishing the European Securities and Markets Authority ("ESMA"), ESMA shall act in the field of financial reporting, to ensure the effective and consistent application of the EU legislation on the transparency of information about issuers whose securities are admitted to trading on a regulated market. The PFSA is a member of ESMA.[17]

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

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

In order to improve the quality of the financial statements presented by issuers, we also recommend familiarizing with the documents that are published on the website of ESMA (http://www.esma.europa.eu/)

- **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);

  This 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 *Impairment of Assets*. The reviewed financial statements of issuers included significant amounts of goodwill. As a result of the review, the report presents five areas of concern:

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

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

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

[17] 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)

- 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: Współpraca międzynarodowa/ Europejski System Nadzoru Finansowego. The document is also available in tab: Regulacje / Praktyka / Dokumenty ESMA.

- **Public Statement. Treatment of Forbearance**[18] **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); this Statement is also relevant for other issuers to which forbearance activities apply.

  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 *Financial Instruments: Recognition and Measurement* cover forbearance measures, even though MSSF does not use the term forbearance. The practice of extending forbearance measures constitutes an objective indicator that requires assessing whether impairment is needed. Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Based on these difficulties, the issuer decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially;

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

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

  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: Współpraca międzynarodowa/ Europejski System Nadzoru Finansowego. The document is also available in tab: Regulacje / Praktyka / Dokumenty ESMA.

[18] For more information on the term forbearance – see: Reports of the Scientific Advisory Committee of the European Systemic Risk Board "Forbearance, resolution and deposit insurance" July 2012, http://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_1207.pdf?204986e6f35bc5913ec897547c3cf266

- **Public Statement. European common enforcement priorities** for 2012 financial statements (ESMA/2012/725, 12 November 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);

  ESMA has published a list of priority topics to be applied by European national competent authorities in the assessment of compliance of 2012 consolidated and separate financial statements of regulated-market issuers. ESMA defined the common enforcement priorities in order to promote consistent application of the European securities and markets legislation, and more specifically that of IFRSs. ESMA stresses the need for transparency and the importance of appropriate and consistent application of the recognition, measurement and disclosure principles provided for in IFRS in order to ensure the proper functioning of financial markets. Issuers and auditors should take into due consideration these priorities when preparing and auditing financial statements. The European common priorities for 2012 financial statements, presented in the ESMA Statement, cover the following topics:

  - financial instruments: financial instruments subject to risk – IFRS 7 *Financial Instruments: Disclosures*; sovereign debt; impairment of financial assets – IAS 39 *Financial Instruments: Recognition and Measurement* (cf. also two Statements ESMA/2011/397 of 25.11.2011 and ESMA/2011/226 of 28.07.2011 pointing at issues related to exposure to government bonds);

    In addition to the elements included in the above-mentioned statements and based on the outcome of the review performed in 2012, ESMA encourages issuers to further enhance transparency on the following topics:

    - quality of the country-by-country disclosures, more specifically with respect to the granularity of information provided on significant sovereign debt exposures including, but not limited to, quantitative disclosures on gross and net exposures,

    - non-sovereign exposures by type of exposures (corporates, banks, municipalities, etc.), including qualitative and quantitative information on credit risk; and

    - impact of credit derivatives (e.g. credit default swaps) used in managing the material exposures to financial instruments, more specifically with respect to disaggregation of information (e.g. distinguishing between additional exposures resulting from the sale of derivative instruments and the estimated level of protection resulting from the purchase of credit derivatives).

  - impairment of non-financial assets – IAS 36 *Impairment of Assets*: Due to the widespread economic slowdown, assessing future cash flows requires considerable judgement to be exercised by management and is subject to higher levels of uncertainty. In this context, ESMA considers that particular attention should be paid to the valuation of goodwill and intangible assets with indefinite life whenever significant amounts are recognised in the financial statements. ESMA emphasises the need to use assumptions that represent realistic future expectations;

  - measurement of post-employment benefits obligations – IAS 19 *Employee Benefits*: ESMA is aware that the IFRS IC has planned to discuss the notion of high quality corporate bond during its November 2012 meeting. Based on this information, ESMA believes that entities should wait for a clarification to come from the IFRS IC and should not change their approach to determining discount rates. In the meantime, ESMA emphasises that there is a particular need for transparency in this area. Therefore entities are expected to disclose: if they used yields coming from high-quality corporate bonds or other means, a description of how they determined yields from high-quality corporate bonds (including any significant judgement used, or any reference to a regional market to which the issuer has access);

  - provisions that fall within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: the measurement of provisions involves significant management judgement and is subject to higher levels of uncertainty. Furthermore, there is a strong link between provisions and the risks an entity is subject to. Disclosures should be adapted to reflect the risks attached to the issuer's activities. Therefore boilerplate wording should be avoided, and the granularity of disclosures should be such that the financial consequences of risks that are dissimilar in nature should be presented in separate classes of provision.

A link to ESMA Public Statement on enforcement priorities has been also placed on the PFSA's website – in the News tab (Polish: Aktualności) on the home page and in the tab: Współpraca międzynarodowa / Europejski System Nadzoru Finansowego. The Polish translations of Public Statements and original English versions are available in the tab: Regulacje / Praktyka / Dokumenty ESMA.

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 to the cases of a qualified or adverse opinion on the audited financial statements or a disclaimer of opinion, as well as the cases of going concern threats.

- Summary of Responses. Considerations of materiality in financial reporting (ESMA/2012/525, 16 August 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- Review of Greek Government Bonds accounting practices in the IFRS Financial Statements for the year ended 31 December 2011 (ESMA/2012/482, 26 July 2012) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);

  ESMA published a report (ESMA/2012/482) on the findings of a review by ESMA of the accounting practices and disclosures regarding exposure to Greek government bonds. The principles to which the report refers are, however, applicable more generally and should be applied to material exposures to financial instruments that become subject to increased risk. Each issuer should assess at every reporting period whether it holds any such instruments and provide disaggregated and expanded disclosures about these instruments to explain the nature and extent of risk. The document also refers to ESMA Statements mentioned in this Chapter: of 28.11.2011 and 28.07.2011, pointing to the issues related to exposure to government bonds.

  A link to ESMA Report on the review of Greek Government Bonds accounting practices been also placed on the PFSA's website – in the News tab (Polish: Aktualności) on the home page and in the tab: Współpraca międzynarodowa/ Europejski System Nadzoru Finansowego. There are also links to the two above-mentioned Public Statements of ESMA of 25 November 2011 and 28 July 2011, pointing at the issues related to exposure to government bonds.
- Activity Report on IFRS enforcement in the European Economic Area in 2011 (ESMA/2012/412, 28 June 2012) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);
- Public Statement. Sovereign Debt in IFRS Financial Statements (ESMA/2011/397, 25 November 2011) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- Review of European enforcers on the implementation of IFRS 8 *Operating Segments* (ESMA/2011/372, 9 November 2011) (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement);
- Public Statement. ESMA Statement on Disclosures related to sovereign debt to be included in IFRS financial statements (ESMA/2011/226, 28 July 2011) (www.esma.europa.eu, tab: Investment and Reporting / Corporate reporting policy);
- **Twelve Extracts from EECS's Database of Enforcement Decisions**, containing decisions of EEA enforcers in connection with IFRS enforcement (www.esma.europa.eu, tab: Investment and Reporting / IFRS Enforcement); the publication of extracts will be continued.

3.3. The most recent changes connected with the application of IFRSs

According to Article 3(1) of the Regulation (EC) No. 1606/2002[19], the Commission shall decide on the applicability within the Community of international accounting standards. Article 3(4) of the above-mentioned Regulation stipulates that adopted international accounting standards shall be published in full in each of the official languages of the Community, as a Commission Regulation, in the Official Journal of the European Communities.

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

In making the judgement, management shall refer to, and consider the applicability of, the sources listed in par. 11 of IAS 8, in the order determined in par. 11 of IAS 8. Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar 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 2012, four regulations of the European Commission adopting IFRSs and amendments to IFRSs were issued:

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.

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

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 (EU) 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.

A list of the regulations of the European Commission adopting IFRSs and amendments to IFRSs, issued in the years 2008-2011, is provided in Appendix 1 to the report.

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

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

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

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

4. CONCLUSIONS

The review of financial statements of security issuers other than investment funds, carried out by the Accounting Division of the Public Offerings and Financial Information Department of the PFSA in 2012, revealed that the number of issuers with a qualified opinion/report, an adverse opinion or a disclaimer of opinion/report, after an initial decrease for the year 2011 (a decrease by 17% in comparison to the financial year 2010), increased significantly in the first half of the financial year 2012 (an increase by 54% in comparison to the first half of the financial year 2011 and by 43% in comparison to the financial year 2011).

In our opinion, this was due to the weakening economic situation in the market, resulting in deterioration of the position and liquidity of issuers in certain sectors, including the construction sector.

This report identifies the areas of non-compliance with the applicable reporting framework, in particular with IFRSs, occurring in the financial statements of issuers. In our opinion, the areas where the quality of disclosure is of key importance in the current economic situation include in particular the following issues: going concern threats, impairment of (both financial and non-financial) assets, risks arising from financial instruments, and provisions. These areas are mostly in line with the European common enforcement priorities as defined by ESMA.

In the opinion of the authors of the report, the cyclical publication of review reports should contribute to a higher level of issuers' compliance with financial reporting requirements, particularly with the requirements of IFRSs, in financial statements. Enhancing the quality of the financial statements presented 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. Better quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements/qualified reports on the reviewed financial statements, as well as in a reduced number of cases of an adverse opinion and a disclaimer of opinion/report issued by an auditing or reviewing entity authorized to audit financial statements.

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

Appendix 1

IFRSs AND AMENDMENTS TO IFRSs ISSUED IN THE YEARS 2008-2011

IFRSs and amendments to IFRSs, issued in the form of regulations of the European Commission in the years 2008-2011, in the reverse chronological order:

In 2011:

1) Commission Regulation (EU) No 1205/2011 of 22 November 2011 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 7

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

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

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

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

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 entity 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;

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 Interpretation 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 Interpretations 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 2007), 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 / ESPI – Instrukcje)
(tab: Dla rynku / Relacje z biegłymi rewidentami)

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/internal_market/accounting/legal_framework/regulations_adopting_ias_text_en.htm

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

www.ifrs.org

www.iasplus.com

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