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

THE REVIEW CARRIED OUT IN 2016

POLISH FINANCIAL SUPERVISION AUTHORITY

WARSAW, FEBRUARY 2017

ACCOUNTING DIVISION, PUBLIC OFFERINGS AND FINANCIAL INFORMATION DEPARTMENT

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KEY WORDS: FINANCIAL STATEMENTS, ISSUERS OF SECURITIES, IFRS, DISCLOSURE REQUIREMENTS, QUALIFICATIONS OF INDEPENDENT AUDITORS, ENFORCEMENT

SYNTHESIS

This report is a summary of the review, carried out by the Accounting Division of the Public Offerings and Financial Information Department of the Polish Financial Supervision Authority (PFSA), concerning the assessment of compliance of the financial statements of securities issuers other than investment funds with the applicable reporting framework, in particular with the requirements of IFRSs. The review concerned annual consolidated financial statements/financial statements prepared for the financial year 2015. In addition, it covered interim consolidated financial statements/financial statements prepared for periods of the financial year 2016, and accordingly for the financial year 2015, as well as historical financial information of entities applying for approval of their prospectus, taking into consideration methods of selecting financial statements for the analysis. In connection with the conducted enforcement activities, consolidated reviews of financial statements/financial statements for periods prior to the aforementioned were also performed.

For selecting the issuers' financial statements for a periodic review conducted in 2016, as in previous years, high priority was given to the criterion of the presence of qualifications in the opinions on audited financial statements, a disclaimer of opinion, or adverse opinion. Also considered were qualifications in the reports on the review of half-yearly financial statements or disclaimers of such reports. In addition, the selection of financial statements has also included cases of threats to the ability to continue as a going concern, including the emphasis of matter paragraphs regarding continuing as a going concern in opinions on the audited financial statements/reports from a review of half-year financial statements.

As a result of the conducted review of the issuers' financial statements, the report presents the most commonly occurring inconsistencies with the applicable reporting framework, especially the IFRS, including missing or incomplete disclosures. The review revealed a need for continued improvement in the quality of financial statements, particularly in areas concerning: financial instruments and risk arising from them, going concern, impairment of non-financial assets, consolidation and business combinations, deferred tax, and revenue recognition.

We also wish to draw attention to the need to ensure completeness and high quality of disclosures in financial statements, as required by the applicable regulations. In our opinion, financial statements of the issuer cannot be considered complete, if they lack material disclosures required in accordance with applicable accounting standards. It is also important to consider the ESMA Public Statement on improving the quality of disclosures, emphasizing the need of including concise and clear disclosures referring to material, specific facts, relevant to understanding the financial position and the performance of the issuers and their capital groups.

The cyclical publication of reports on review aims at contributing to consistent application of the applicable financial reporting framework and allowing the issuers to improve compliance with reporting requirements, in particular the requirements of the IFRSs. An increase in the quality of financial statements prepared by the issuers shall contribute to improving the transparency of financial information useful for the decision-making process of investors and other users of these statements, and shall therefore facilitate the evaluation of the financial position and performance of issuers and their groups, as well as enhance investor confidence in financial reporting. It is expected that an increase of the quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements/qualified reports on the reviewed financial statements, as well as in a reduced number of disclaimers of opinion/report by an auditing or reviewing entity authorized to audit financial statements.

This year and in subsequent years, in order to meet enforcement objectives, the periodic review of compliance of issuers' financial reporting with the applicable reporting framework will be continued. In the selection of issuers' financial statements for review, the following will continue to be used as the criteria: a qualified opinion on the audited financial statements, a disclaimer of opinion or an adverse opinion, as well as a qualified report on the review of half-yearly financial statements or a disclaimer of report. The review shall cover, as in previous years, cases of a threat to going concern. In addition, the process of assessing compliance of issuers' financial statements with the applicable regulations on financial reporting requirements, considers European common enforcement priorities, identified by ESMA, in order to strengthen the transparency as well as proper and consistent application of the IFRSs. Currently, priority topics are: presenting financial performance, financial instruments: distinction between equity instruments and financial liabilities and disclosures of the impact of the new standards on financial statements prepared in accordance with IFRSs.

TABLE OF CONTENTS

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

1.1 Objective of the Report

The present report constitutes a summary of the review, conducted by the Accounting Division of the Department of Public Offerings and Financial Information of the Polish Financial Supervision Authority (PFSA), concerning annual consolidated financial statements prepared for the financial year 2015 by securities' issuers that are not investment funds, in terms of evaluating their compliance with binding regulations concerning financial reporting, in particular with the IAS requirements[1], i.e. The International Accounting Standards, the International Financial Reporting Standards, and interpretations announced in the form of regulations of the European Commission related thereto. Considering the common usage of the abbreviation "IFRS" and the fact that the European Commission (EC) recommended that issuers, whose securities are listed on regulated markets of EU Member States, use the clause adopted by the EC and ARC[2]: "in accordance with the International Financial Reporting Standards approved by the EU" or "in accordance with the IFRS approved by the EU", for the purposes of this report the abbreviation "IFRS" has been adopted.

When preparing the present report, consideration has also been given to the result of the 2016 review of mid-year financial statements, prepared for periods of the financial year 2016 and accordingly of the financial year 2015. The report also considers the results of the conducted reviews of financial statements/historical financial information of entities applying for approval of the prospectus. In connection with the conducted enforcement activities, consolidated reviews of financial statements/financial statements for periods prior to the aforementioned were also performed.

Preparation of a report from the conducted review and publishing this document on the website of the Financial Supervision Authority (PFSA) is intended to present to the users of financial statements, as well as issuers, and statutory auditors, the results of periodic reviews, including the most common deficiencies and cases of non-compliance with regards to applying accounting policies, and make disclosures in financial statements, which should serve the purpose of the issuers reaching a higher level of compliance with the requirements related to reporting, in particular those of the IFRS.

Increasing the quality of issuer generated financial statements shall contribute to improving the transparency of financial information useful for the decision-making process on part of investors and other users of these reports, and therefore, will facilitate evaluation of the material and financial situation and achievements, including results of issuer activities, and their capital groups, as well as contribute to increasing investor trust in financial reporting.

The content of the present report, due to the purpose preparing the document, is just a summary of selected information concerning IFRS regulations. The full scope of requirements is included in the applicable IFRSs.

In order to increase the quality of issuer generated financial statements, we also recommend reading through documents published on ESMA's website[3], described in the present report, in Chapter 3.6. "Statements, reports and other ESMA documents, including European common enforcement priorities".

[1] As defined in Article 2(3) of the Act of 29th September 1994 on Accounting (consolidated text Journal of Laws of 2016, item 1047, as amended and accordingly paragraph 2(1)(12) of the Regulation of the Minister of Finance of 19th February 2009 regarding current and periodical information provided by issuers of securities and conditions for recognition of information as equivalent, required by law of non-member state (consolidated text Journal of Laws of 2014, item 133, as amended)

[2] ARC - Accounting Regulatory Committee

[3] ESMA - European Securities and Markets Autority ; successor of CESR operating before 1st January 2011 - Committee of European Securities Regulators ; www.esma.europa.eu

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

1.2.1. Legal basis for enforcement

In accordance with Art. 7(1)(2) of the Act on Capital Market Supervision[4], PFSA's tasks include supervision over the activities of supervised entities, the performance thereby of obligations related to participation in trading on the capital market, in the scope specified by legal provisions.
Provisions of Art. 24, (4)(h) of the Transparency Directive[5] state that the competent authority shall be empowered, i.a., to examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.

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

On 29 December 2014, ESMA Guidelines on enforcement of financial information came into force (ESMA/2014/1293en, 28 October 2014[7]) (hereinafter: "ESMA Enforcement Guidelines"). This document contains guidelines addressed to competent supervisory authorities, issued on the basis of Art. 16 of the ESMA Regulation[8]. In accordance with Art. 16(3) of the aforementioned Regulation, competent authorities shall make every effort to comply to the contents thereof. In connection with the Guidelines becoming effective, PFSA informed ESMA that they intend to apply them. In 2016 changes were introduced to regulations of the Act on Public Offering[9], the Act on Trading in Financial Instruments[10] and the Act on Supervision over the Capital Market, relevant for applying the Guidelines.

In accordance with the ESMA Enforcement Guidelines (para 17), the purpose of supervising financial information is to contribute to a consistent application of applicable financial reporting framework and, thereby, to transparency of financial information relevant for the decision-making process on part of investors and other users, subject to the requirement of publication in accordance with the Transparency Directive. Through supervision over financial information, supervisory authorities contribute to investor protection and promoting trust in the market, as well as help to avoid regulatory arbitrage. Enforcement of financial information, according to para 21 of the ESMA Enforcement Guidelines, includes an analysis of compliance of financial information with applicable financial reporting framework, undertaking suitable measures in the case of finding violations during the enforcement process, in accordance with regulations implementing the provisions of the Transparency Directive, and undertaking other measures, appropriate for enforcement purposes.

In the period covered by the present report, the Accounting Division of the Department of Public Offerings and Financial Information of the PFSA conducted a periodic review of compliance of issuers' financial reporting with relevant reporting regulations , taking into account Guideline 5 and Guideline 6 of the ESMA Enforcement Guidelines, indicating that enforcement should be based on selection, with the use of the mixed model, including risk analysis and sampling or rotation, and also that as part of activities the supervisory authority may carry out an unlimited scope examination or an unlimited scope examination combined with a focused examination. A periodic review includes an analysis of

[4] Act of 29th July 2005 on capital market supervision (consolidated text Journal of Laws of 2016, item 1289, as amended)
[5] Directive 2004/109/EC of the European Parliament and the Council of 15 December 2004 on harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trade on a regulated market and amending Directive 2001/34/EC (Official Journal of EU L 390 of 31st December 2004, page 38), as amended
[6] Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards (Official Journal of WE no. L 243, of 11th September 2002, page 1; Official Journal EU Polish special edition, Chapter 13, t. 29, page 609), as amended
[7] Document (in Polish) is available on the website: https://www.esma.europa.eu/sites/default/files/library/2015/ll/2014-esma-1293pl.pdf
[8] Regulation of the European Parliament and the European Council (EU) No 1095/2010 of 24 November 2010 on establishing a European Supervisory Authority (European Securities and Markets Authority) amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC (Official Journal of EU L 331 of 15th December 2010, page 84), as amended
[9] Act of 29th July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading System and Public Companies and on amendments to other acts (consolidated text Journal of Laws of 2016, item 1639)
[10] Act of 29th July 2005 on Trading in Financial Instruments (consolidated text Journal of Laws of 2016, item 1636, as amended)

selected financial statements and an on-demand analysis (issuer financial statements, included in the periodic information, in prospectuses or information memoranda), in particular in a situation when another organizational unit of the PFSA requests an opinion in the course of the conducted activities.

In 2005-2014, the Accounting Division of the Department of Public Offerings and Financial Information of the PFSA applied principles of enforcement binding at that time, over compliance with the standards of Financial Information presented in CESR Standard no. 1[11] concerning Financial Information.

1.2.2. Selection of financial statements for review

In 2016, the Accounting Division of the Department of Public Offerings and Financial Information of the PFSA based their methods of selecting financial statements for the review on the ESMA Enforcement Guidelines, and CESR guidelines concerning the application of selection methods.

In accordance with Guideline 5, specified in the ESMA Enforcement Guidelines, the enforcement is usually based on the selection. The selection model should be based on the mixed model, due to which the risk-based approach is combined with a sampling or a rotation approach. The risk-based approach should take into account the risk of misstatements as well as the impact of misstatements on the financial markets.

As part of the enforcement activities conducted by the PFSA, when selecting issuers' financial statements for a periodic review, high priority was given to the criteria of qualified opinions on audited financial statements, a disclaimer of opinion, or an adverse opinion. Also considered, was the presence of qualifications in the reports on the review of half-yearly financial statements or disclaimer of report. The PFSA emphasizes the importance of audit/review of financial statement by entities authorized to audit financial statements, which it treats as "the first external line" ensuring the proper application of the reporting framework.

Furthermore, when selecting issuer financial statements for the periodic review conducted in 2016, consideration was also paid to issuers, in the case of which, there was a risk of, or lack of ability to continue as a going concern, in particular those issuers, in whose case a restructuring or bankruptcy petition was filed, and also in cases where opinions on audited financial statements or qualified reports on review of interim financial statements included: qualifications or disclaimers of opinion / report, regarding threats to the ability to continue as a going concern or emphasis of matter paragraphs with regards to a possible going concern risk. In accordance with the data as of the end of 2016, in the case of 5 issuers from the regulated market, for which Poland is the home state, the court issued a decision on opening restructuring proceedings, in the case of 1 issuer the court declared the issuer bankrupt, 2 issuers submitted a petition for opening restructuring proceedings, and 1 issuer filed for bankruptcy (*source: CEDULA, the Warsaw Stock Exchange Official Bulletin of 30.12.2016).*

In connection with the conducted financial statements review in terms of their compliance with financial reporting framework applicable to issuers, in particular with IFRS, in 2016 a total of 217 annual and interim financial statements have been reviewed, of 112 issuers, including 84 consolidated financial statements prepared for the financial year 2015.

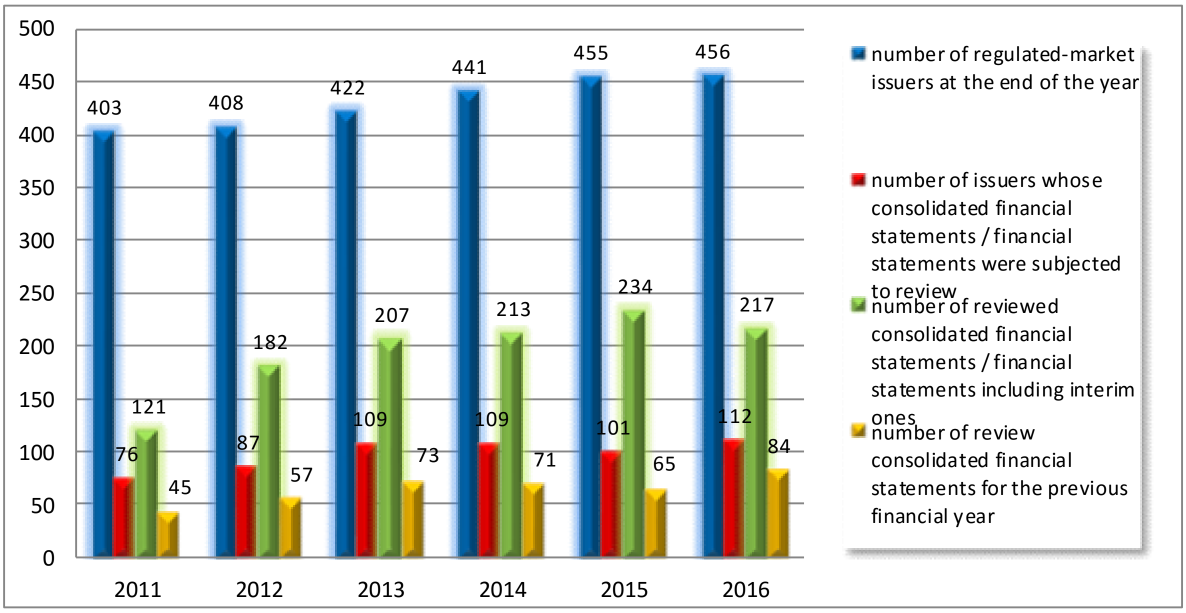
[11] *Standard CESR No. 1 on Financial Information. Enforcement of Standards on Financial Information in Europe (Ref:* CESR/03-073, March 2003), website: https://www.esma.europa.eu/sites/default/files/library/2015/11/03_073.pdf

Table 1. Number of issuers whose consolidated financial statements/financial statements underwent a periodic review in 2016

	Number regulated–market issuers, (the Warsaw Stock Exchange and BondSpot)*	Number of issuers whose financial statements were subject to review in 2016	The share in the total number of issuers from the regulated market*
As of 31.12.2015	*455*	*112*	*24,6 %*
As of 31.12.2016	*456*		*24,6 %*

** stated number does not include closed investment funds listed on the regulated market, nor issuers, for which the Republic of Poland is the host state. Data concerning previous years - see previous reports from the review, with links thereto on page 34 of this report*

Chart 1. Number of issuers and consolidated financial statements/financial statements subject to a periodic review in 2011-2016



In the current and subsequent years, in determining the methods of selecting financial statements for review, ESMA Enforcement Guidelines will be used, in accordance with which (Guideline no. 5), enforcement is usually based on selection. The selection model should be based on the mixed model, due to which the risk analysis-based approach is combined with sampling or rotation. The approach based on a risk analysis should include a risk of misstatements as well as the impact of misstatements on the financial markets.

Bearing the above in mind, the following criteria will be maintained: qualifications in opinions on the audited financial statements, disclaimer of opinion, an adverse opinion, and qualifications in review reports of half-yearly financial statements, or disclaimer of report. The review shall cover, as in previous years, cases of a going concern threat.

In addition, during the process of assessing compliance of issuers' financial statements with the applicable reporting framework, the European common enforcement priorities, as identified by ESMA, are taken into account in order to strengthen the transparency and a proper and a consistent application of the IFRS. Currently, priority topics cover: presentation of financial performance, distinguishing equity from financial liabilities, and disclosing information on the impact of new standards on financial statements prepared in accordance with the IFRS. We would like to point out that the topics specified in the European common ESMA Enforcement Priorities, published in 2015-2012 are still valid. These concern i.a., the impact of financial market conditions on financial statements, cash flow statement and related disclosures, preparing and presenting consolidated financial statements, financial reporting by entities which have joint arrangements, as well as recognition and measurement of deferred tax assets and related disclosures, impairment of non-financial assets, financial instruments, accounting policies and provisions.

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

The PFSA pays special attention to the review of the financial statements of issuers who were given a qualified opinion / report on the financial statements, an adverse opinion / report or if the auditor issued a disclaimer of opinion / report – in order to take appropriate measures under the applicable law. The PFSA treats the audit / review of financial statements by the entities authorized to audit financial statements as "a first external line" of ensuring the correct application of financial reporting standards.

Should explanations prove necessary, on possible inconsistencies, the authorized PFSA representative, on the basis of Art. 68 of the Act on Public Offerings, shall request issuers (accordingly the management or supervisory boards) to explain the reasons of not applying the applicable reporting framework. In justified cases a request for clarification shall also be sent to the entity authorized to audit / review of financial statements.

In 2016, as a result of changes of the provisions of the Act on Public Offerings, the PFSA, starting from mid-point of the year, obtained new enforcement powers. Pursuant to Art. 68(5) of this Act, the Commission or its authorized representative may issue recommendations for the issuer, in order to cease the breach of reporting requirements. During 2016, in connection with the conducted enforcement, in order to ensure the compliance of issuers' financial statements with reporting regulations, a total of 9 issuers have received recommendations.

We would like to point out the responsibility of management and supervisory boards (see Art. 4a of the Act on Accounting[12]) for ensuring that financial statements and management report meet the requirements stipulated in the Act on Accounting (and therefore, also the requirements concerning the preparation of specific financial statements, in accordance with the applicable IFRS, taking into account materiality principles), as well as for ensuring consistency with other financial reporting regulation.

An important role in ensuring high quality of the financial statements is played by audit committees, offset up under the Act on auditors[13], or supervisory boards performing the tasks of these committees. The role of audit committees and accordingly that of supervisory boards performing the function of an audit committee is strengthened due to the incorporation into the Polish legal order of Directive 2014/56/EU of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (draft of a new Act on statutory auditors and audit companies). The tasks of the audit committee shall be broadened, as well as requirements set before the members thereof with regards to knowledge, qualifications and independence.

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 or coverage of profit or loss. We would like to note that pursuant to Article 53(3) of the Accounting Act, the allocation or coverage of net profit or loss of the entities required to have their annual financial statements audited may only be made after the financial statements' approval by the approving body, preceded by an unqualified or qualified opinion on these financial statements expressed by an auditor. If this condition is not met, the allocation or coverage of net profit or loss is void under the law.

Should the need arise for the issuer to correct the consolidated periodic report or a periodic report, in

[12] Act of 29th September 1994 on Accounting (consolidated text Journal of Laws of 2016, item 1047, as amended)
[13] Act of 7th May 2009 on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (consolidated text Journal of Laws of 2016 item 1000)

connection with the occurrence of misstatements, including non-compliance with the IFRS, the manner of said correction is determined in par. 6(4) and (5) of the Regulation on current and periodic information[14].

In case of material infringements of regulations concerning financial reporting, the PFSA undertakes appropriate actions, in accordance with binding regulations.

In connection with the review of financial statements/historical financial information of entities applying for approval of the prospectus (results of these analyses have also been considered in the report), the issuers shall receive comments in order to obtain explanations or correct the financial information included in the Prospectus.

The present report constitutes a summary of the conducted review of consolidated financial statements/financial statements of securities issuers other than investment funds, in terms of assessment of compliance of these statements with binding regulations related to financial reporting, in particular the IFRS.

For educational purposes, the report shall be published on the PFSA's website. The issues mentioned in the qualifications made by auditors and in disclaimers of opinion/report and the most often occurring non-compliance and failures regarding disclosures required by the IFRSs shall also be presented during a seminar for the participants in the financial market, organized annually by the PFSA, usually in the 4th quarter of a year, under initiatives of CEDUR (Centre of Education for Market Participants)[15].

In subsequent years, for meeting the objectives of the performed enforcement, it is planned to continue the periodic compliance review of issuer financial reporting with applicable reporting framework.

[14] Regulation of the Minister of Finance of 19th February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition of information as equivalent, required by law of a non-member (consolidated text Journal of Laws of 2014, item 133, as amended)

[15] Information on CEDUR are available on the website: http://www.knf.gov.pl/dla_rynku/edukacja_cedur/index.html

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

2.1. Review of the financial statements for the financial year 2015 in light of opinions of entities authorized to audit financial statements – a list of areas of non-compliance with the applicable reporting framework, especially the IFRSs

When reviewing annual financial statements of issuers of securities that are not investment funds, the Accounting Division of the Public Offerings and Financial Information Department of the PFSA observed that after two years (2013-2014) of a decreasing number of issuers with a qualified opinion or disclaimers of opinion (with regards to issuers' financial statements for the financial year 2012, the number amounted to 41 issuers, for the financial year 2013: 38, and for the financial year 2014: 30 issuers), this number for the financial year 2015 was 37 issuers, which is a 23% increase as compared to the previous year. This growth was, in particular, caused by an increased number of qualified opinions, related to 29 issuers, which is a growth by 45% (i.e. by 9 issuers), whereas, in the case of disclaimers of opinion, a decrease has been recorded by 20% to 8 issuers (i.e. by 2 issuers). The review found that the reasons behind disclaimers of opinion are related to going concern risks and furthermore, the issue of discontinuing operations has the highest share in the overall number of qualifications (see Chart 2, p. 17), which is caused mainly by a deterioration of the condition and financial liquidity of a certain number of issuers. The share of the number of issuers with a qualified opinion or disclaimers of opinion in the total number of issuers at the end of the financial year 2015, increased from 7% to 8% as compared to the previous year.

With regards to financial statements for the financial year 2015, opinions on the audited financial statements of 29 issuers included qualifications, whereas, in the case of 8 issuers a disclaimer of opinion was issued by auditors. The largest number of issuers with objections in the opinions on the audited financial statements for the financial year 2015 originated from the following sectors: pharmaceutical industry (5), other services (4 issuers), capital market (3), electromechanical industry (3) and telecommunications (3), while disclaimers of opinion about the financial statement for the aforementioned period were related to issuers from the following sectors: computer science (2), construction (1), power sector (1), wholesale (1), other services (1), wood industry (1), and fuel industry (1).

Table 2. Number of issuers with a qualified opinion, a disclaimer of opinion or an adverse opinion with respect to annual consolidated financial statements / financial statements for financial years 2009-2015

No. of issuers	2009	2010	2011	2012	2013	2014	2015
Qualified opinions	54	35	25	29	24	20	29
Disclaimers of opinion	2	1	4	12	14	10	8
Adverse opinions	0	0	1	0	0	0	0
TOTAL	56	36	30	41	38	30	37
No. of issuers at the end of the financial year*	368	386	403	408	422	441	455
Share in the no. of issuers at the end of the financial year	15%	9%	7%	10%	9%	7%	8%

* numbers stated are exclusive of closed investment funds listed on the regulated market and issuers for which the Republic of Poland is the host state

In order to draw issuers' attention to the need to comply with the applicable reporting framework, particularly the IFRSs, listed below are issues, to which the positions on disclaimers of opinion, and accordingly, qualifications included in the opinions on the reviewed issuer financial statements for the financial year 2015 pertained. Issues, to which the aforementioned disclaimers of opinion were related, have been grouped in a manner facilitating locating a specific topic.

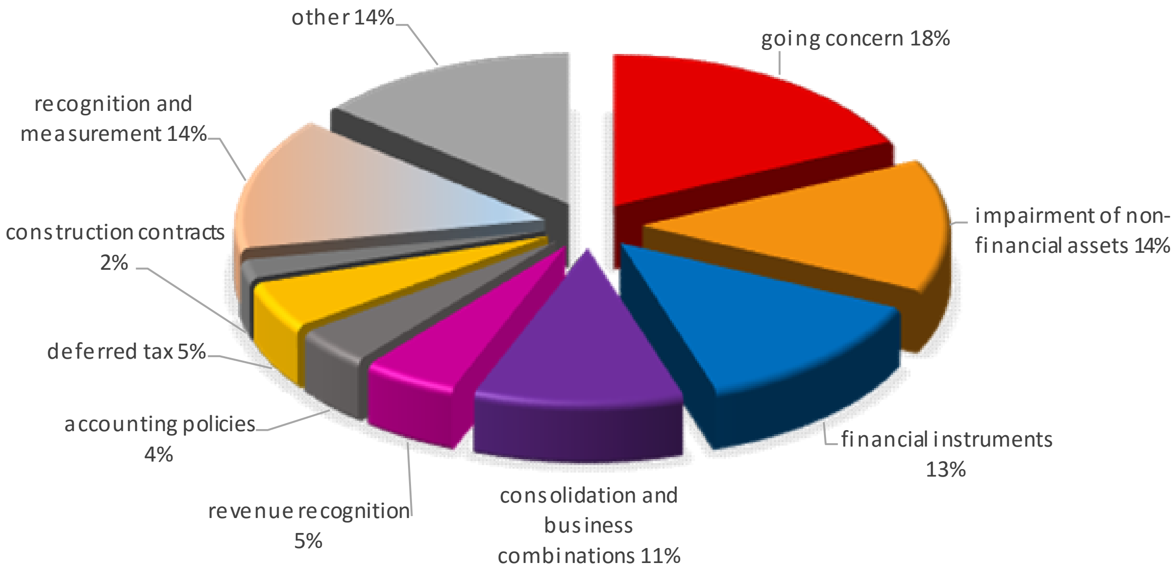
2.1.1. Disclaimers of opinion related to going concern

Disclaimers of opinion were issued due to, i.a., the following circumstances:

- The presence of a serious going concern threat; lack of operational activities being carried out and achieving significant sales revenues, while simultaneously incurring costs; gradual deterioration of the financial and material position; negative equity; lack of a possibility to confirm that receivables and liabilities have been reported in the correct amount;
- Financial statement prepared on a going concern basis; gradual deterioration of the financial and material situation; negative equity, in connection with this fact, a going concern threats; until the date of concluding the examination, the statutory auditor did not obtain sufficient information and evidence in the following areas: measurement of receivables and liabilities, measurement of bank credits and loans and their maturity;
- Financial statement prepared with the assumption of going concern; the presence of materials uncertainty with regards to continuing as a going; until the date of issuing of the disclaimer of opinion, the Court did not issue a decision on entering into an arrangement, in the opinion of the Management Board, premises exist, to enter into an arrangement with creditors; proceedings at the stage of submitting a draft of the list of liabilities; as part of bankruptcy proceedings with the possibility of entering into an arrangement, enforcement proceedings are conducted; presence of a high probability of the carrying amount of deferred tax assets would not be recovered in the future, in the form of economic benefits; lack of a possibility for the statutory auditor to evaluate the performed consolidation transformations, and relevant notes, due to important organizational changes in the unit and limiting access to data; the presence of indications of impairment of assets: investments in subordinate units, and other financial assets (including the loan granted to a subsidiary);
- Financial statement/consolidated financial statement not prepared on the going concern; measurement of a part of the assets not in line with the provisions of the Act on Accounting; non-recognition of provision for the expected liabilities, costs and losses related to discontinuing operations;
- Inability to determine whether the assumption of continuing as a going concern is reasonable; no possibility to assess the correctness of the value of liabilities and provisions, in connection with non-examination of submitted complaints on the arrangement; no possibility to determine in what part the obligations under the granted warranties, guarantees and joint liability towards subcontractors, resulting from agreements under consortium contracts and other obligations, shall be paid by the capital group; non-performance of corrections of the temporary purchase price settlement, and in connection therewith, no possibility to express an opinion about the correctness of the goodwill resulting from assuming control and the value of potential corrections in connection with the final purchase settlement (in the financial statement: no possibility of determining the correct amount of the impairment loss of investment value); no possibility of expressing an opinion on the correctness of financial data as of 31.12.2014 and the amount of impairment losses recognised to the amount of the fair value of buildings and structures as of 31.12.2015; no possibility of expressing an opinion on the correctness of financial data as of 31.12.2014 and the amount of the impairment loss of the value of natural resources as of 31.12.2015; no possibility to assess the effect of changing the methods of consolidation on the value of the investment in the joint venture and on comparable data; no possibility to express an opinion about the correctness of the measurement and the need and value of the possible impairment loss updating the investment certificates issued by the fund under Ukrainian law; no possibility of expressing an opinion on the value of final settlements related to the investment of constructing a gas warehouse due to significant uncertainty of finally settling the dispute; not updating the cost budget for the contract;

- Threat to the entity's ability to continue as a going concern, the financial statement has been prepared with the assumption that the "Group may encounter problems with continuing operations in the foreseeable future"; the statutory auditor informed that the management board "decided to assume that further business activities are as of this moment, endangered or may even prove impossible"; the total income statement shows a negative total sum of income; purchased bonds and held stocks and shares of independent entities, evaluated in accordance with value, which should be considered as "not final, corresponding to fair value of these assets"; the statutory auditor was not presented with documentation confirming the possibility of achieving the benefits, nor confirmation of the value of the commitment; accounting for the level of liquid assets, the issuer is unable to fulfill obligations resulting from issued bonds; also, there is high uncertainty regarding fulfilling other obligations; The Management Board in accordance with the Code of Commercial Companies (hereinafter: CCC) shall be obliged to call a General Meeting of Shareholders (hereinafter: General Meeting) in order to decide with regards to the continued existence of the company;
- The existence of threats regarding the entity's ability to continue as a going concern; non-extension of the exploration period for the contract until the date of issuing the disclaimer by the statutory auditor; a significant limitation of the possibility to continue as a going concerns by the group unless additional, external funding sources are obtained, a final settlement and obtaining resources from sales of shares and in the subsidiary, and a final agreement with the financing banks; lack of a final agreement on the loan taken by the subsidiary, and the group does not have appropriate funds ensuring the repayment of this liability; expiry of the deadline for repayment of installments of the syndicated loan; lack of a final settlement of the sale of shares in a subsidiary, income from which is to constitute a partial source of loan repayments; the statutory auditor did not obtain evidence confirming a return of the involved amounts in the granted loan;
- The minority shareholder filed an action for repealing or stating the invalidity of the General Meeting resolutions concerning submission, as a non-cash contribution, and sale of the entire company; financial statement prepared on a going concern basis; the issuer has not undertaken any new business activity since the date of sale; in this period, the issuer received income only from interest on the bonds and did not obtain new sources of financing; uncertainty regarding the possibility of obtaining funding for conducting the planned business activity; the statutory auditor was not presented with financial data of issuers of debt securities (the issuer's related parties), in which the issuer allocated cash received from the sale of the company, and consequently the statutory auditor was not able to assess whether the issuer controls these assets, and whether it will be able to achieve economic benefits.

Chart 2. Topics of qualifications contained in the opinions on the audited consolidated financial statements/financial statements of issuers for the financial year 2015



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

2.1.2. Qualifications related to going concern

Qualifications included in the opinions of entities authorized to audit referred to the following issues related to going concern:

- A lack of confidence as to the amount of actual company liabilities, due to the fact that arrangement proceedings are currently at the stage of court evaluation of reported lists of claims;
- The possibility of going concern threats as a result of pending court proceedings in connection with an attempt of a hostile takeover of the company and its assets; the company undertook legal steps; high probability of settling court dispute favourable for the company;
- The recognition of assets and sources of financing of a subsidiary, who filed for bankruptcy with a possibility of arrangements; the assets of this company have been recognized as assets related to discontinued operations, and the trademark as an asset related to continuing operations; these assets are encumbered with liabilities as discontinued operations; asset measurement considers future positive effects in the form of approving an arrangement with creditors and operations initiated in 2016 consisting of a lease of intangible assets of the subsidiary; due to the fact that restructuring of this company is at the initial stage, the statutory auditor is unable to confirm that the value of its assets recognized in the consolidated balance sheet corresponds to their real value;
- The inability to predict the final outcome of the pending tax and audit proceedings regarding the correctness of VAT settlements, involving the parent company; the parent company appealed against the decisions issued; if there is any need to pay liabilities on that account, the auditor takes the view that there would be a serious threat to entity's ability to continue as a going concern;

- The impairment of shares in the subsidiary, due to the bad financial condition of this company;
- Possibilities of change of the state of liabilities reported in the books, in connection with not submitting to the court, a list of liabilities, works on which have been completed;
- The existence of serious threats to the ability to continue as a going concern of two companies, including the parent company (submitted requests for opening restructuring proceedings);
- The presence, as of the balance sheet day, of indications of threats to the ability to continue as a going concern; the sum of sustained losses in previous years, and a loss in 2015 exceeds the reserve capital and 1/3 of the equity; pursuant to Art.397 of the CCC, the General Meeting passed a resolution regarding the purposefulness of the continued existence of the company; the scale of unprofitability indicators, high negative value of the net working capital and a low level of liquidity, indicate the existence of material uncertainties with regards to the going concern; there are also difficulties in timely repayment of commercial and credit liabilities;
- Lack of circumstances ascertained by the Management Board indicating the existence of serious going concern threats, although the subsidiary undergoes restructuring and has no restructuring plan; in the opinion of the statutory auditor, in the event of lacking a plan and information on the creditors' position concerning the acceptance of the plan, a serious threat exists to the going concern in an unchanged scope;
- The presence, as of the balance sheet day, of indications of a threat to the ability to continue as a going concern; the bank terminated the contract for an investment loan (high level of debt under this loan); difficulties are encountered in repayment of budget and trade liabilities; the following are a confirmation of the difficult financial situation of the capital group: negative value of equity and net working capital, low level of sales revenues and a lack of financial liquidity; in the opinion of the statutory auditor a threat is present, in the form of initiation of bankruptcy proceedings should there be no possibility to fulfill the planned activities.

2.1.3. Qualifications related to impairment of (non-financial) assets

Qualifications included in the opinions of entities authorized to audit referred to the following issues related to impairment of assets other than financial:

- Recognising an impairment loss on development carried out by a subsidiary in the consolidated financial statements (in the financial statements: revaluation impairment loss n shares in subsidiaries related to development works); without questioning the amount of the allowance, the statutory auditor, due to the significant uncertainty as to the viability of these assets in the previous year, was not able to confirm what portion of the recognized write-off relates to the year 2015 and what was the previous year.;
- No possibility on part of the statutory auditor to express an opinion with regards to the sufficiency of the write-down for the value of goods, due to the fact that the statutory auditor did not observe the stocktaking of goods carried out by the administrator;
- Not performing impairment tests of assets despite the existence of indications for such impairment;
- A lack of disclosure of all information resulting from requirements of par. 126-136 IAS 36 "Impairment of Assets" concerning the performed impairment loss of shares in the subsidiary;
- The presence of a risk of impairment of assets connected with a revealed uncertainty with regards to the sales price (the parent company has sold four subsidiaries after the balance day; part of the sales price (conditional payment) is based on forecasts of financial results of sold companies for 2016); the statutory auditor was not able to confirm the credibility of the presented forecasts;
- No possibility on part of the statutory auditor to determine whether the impairment loss on goodwill and the consolidated net assets of subsidiaries (in the financial statement: the value of shares held in subsidiaries) was established on the basis of credible information;
- No possibility for the statutory auditor to assess the feasibility of measurement of the company shares recognized in the financial statements (at the present stage of changes in the company - the company is undergoing changes of the business model and operational profile), due to no

possibility of comparing assumptions with historical data, with regards to the profitability of the company taken over, adopted in the conducted test for the impairment of shares owned in this company.

2.1.4. Qualifications related to issues concerning financial instruments

Qualifications included in the opinions of entities authorized to audit referred to the following issues related to financial instruments:

- No possibility for the statutory auditor to estimate whether receivables of the parent company that are past due and unsettled until the day of concluding the audit, and confirmed by debtors, will bring economic benefits in the future, due to a lack of possibility to view the financial situation of these debtors;
- No possibility for the statutory auditor to confirm that the value of the assets of the subsidiary, which filed for bankruptcy with a possibility of entering into an arrangement, recognized in the measurement of close-end investment fund investment certificates, corresponds to its real value (measurement accounts for future positive effects in the form of approving an arrangement with creditors and, operations initiated in 2016, based on a lease of intangible assets of the subsidiary, restructuring of this company is at the initial stage);
- According to the statutory auditor, there is a need to recognise impairment of receivables of the former subsidiary in connection with the risk of non-payment of those receivables;
- No possibility to determine the need for recognizing impairment losses on receivables, which, as of the balance sheet day, were significantly past due, and the management board was not able to reliably confirm that they shall be paid;
- Not presenting to the statutory auditor sufficient documentation indicating a possibility of enforcing the payment of receivables from a related party, which was declared bankrupt with the possibility to enter into an arrangement, in relation to which indications exist, of impairment, due to the financial situation of said related party; the statutory auditor was not able to assess the impact of the abovementioned issue on a given financial statements;
- Not presenting the statutory auditor with impairment tests of bonds, nor sufficient information and evidence that these assets shall bring the anticipated economic benefits; the statutory auditor was not able to state whether their value presented in the statements is correct;
- Not presenting the statutory auditor with sufficient evidence that the value of receivables for the sales of shares and the transfer of receivables presented in the statement, is correct; no impairment losses have been recognized on these assets.

2.1.5. Qualifications related to issues concerning consolidation and business combinations

Qualifications published in opinions of entities authorized to audit related to the following issues connected with consolidation and business combinations:

- No possibility to express an opinion on the correctness of the measurement of the cash line item in the most material subsidiary, and said company not obtaining confirmation of cash on the bank accounts, as well as other cash, trade receivables, and other receivables;
- No possibility for the statutory auditor to express an opinion as to the completeness of liability recognition in the most important subsidiary, due to a lack of confirmations;
- Not obtaining financial statements of a foreign subsidiary entity for the purposes of preparing consolidated financial statements - data has been adopted from unaudited primary financial statements prepared by this company as of 30.09.2015;
- No possibility for the statutory auditor to express an opinion with regards to the correctness of determining the goodwill and a bargain purchase gain as of the moment of including the subsidiaries in the consolidated financial statements, in connection with no bases being presented for determining the fair value of subsidiary net assets, as of the moment of obtaining control;
- Not fulfilling the provisions of par. B92 and B93 IFRS 10 "Consolidated Financial Statements", because subsidiary financial statements do not apply to the material and financial position as of

the same balance sheet day as the consolidated financial statement, and the time interval between the dates of these financial statements is longer than three months; according to the management board of the parent company, no substantial transactions or economic events occurred that would have significant effect on standalone and consolidated financial statements;

- Recognition of assets and liabilities associated with discontinued operations in the consolidated financial statement for 2015, despite the fact that formally, the process of liquidating the indirect subsidiary has commenced after the balance sheet day; evaluation of net assets to the liquidation value made on the basis of estimates of the management board (apart from the real estate being evaluated based on an appraisal study); the financial statement of the indirect subsidiary has not been audited by the statutory auditor.

2.1.6. Qualifications related to issues concerning revenue recognition

Qualifications published in opinions of entities authorized to audit related to the following issues connected with income recognition:

- Overvaluation, in the opinion of the statutory auditor, of income and corresponding expenses, presented in the consolidated financial statement, due to the accounting policies applied by the group, concerning revenue recognition; in the opinion of the statutory auditor, the operations conducted by the group companies are agency operations and consequently, in accordance with par. 8 IAS 18 "Revenue", revenue should only be the commission, received or due, for the provided services;
- Overestimations of receivable value, as well as the profit, in connection with revenue recognized in the consolidated financial statements concerning subsidiaries, which, in the opinion of the statutory auditor, do not meet the criteria of revenue set forth in par. 34 IAS 18 in connection with the uncertainty of obtaining economic benefits;
- Overestimating recognized revenues and corresponding expensed, resulting from an incorrect, in the opinion of the statutory auditor, recognition in the books for 2015; in the opinion of the statutory auditor, accounting for the terms of the agreement, in accordance with IAS 18, the goods transfer to the ship-owner did not warrant income recognition in 2015, the income should be recognized in 2016.

2.1.7. Qualifications related to issues concerning accounting policies

Qualifications included in the opinions of entities authorized to audit, concerned the following issues related to accounting policies:

- Non-compliance with the principle of matching costs and revenues in consequence of an incorrect recognition, in the opinion of the statutory auditor, of the signed contract, in which the group is the party receiving the right to optical fibres being the property of an unrelated company, as a financial lease instead of an operational lease, as well as an incorrect recognition of revenue on the basis of a contract, in which the group is the provider of the right to their own optical fibres, each time in 2015, instead of settling them over time; in addition, in the opinion statutory auditor, the economic substance of the transactions, i.e. clear mutual references and equivalent nature make it so that the group should not present any profit or loss on the concluded transactions, book entries should be removed, and balances offset and presented jointly (in net values);
- No possibility for the statutory auditor to express an opinion as to the existence and correctness of fixed assets measurement presented in the balance sheet, due to a lack of an inventory of fixed assets in the most important subsidiary from the beginning of its existence (i.e. X'2012).

2.1.8. Qualifications related to issues concerning deferred tax

Qualifications included in the opinions of entities authorized to audit, concerned the following issues connected with the deferred tax:

- No evaluation and failure to recognise assets due to deferred income tax, in connection with the right of subsidiaries to receive public aid in the form of exemptions from the corporate income tax; bearing in mind the level of realized results, in the opinion of the statutory auditor, the company should estimate and recognize the asset due to the deferred income tax with regards to the amounts of public aid planned to be used in the future, in accordance with IAS 12"Income Tax";

- No possibility on part of the statutory auditor, to confirm the possibility of settling deferred tax assets, in connection with an uncertainty of future income of the group related to tax proceedings (see IAS 12);
- No possibility on part of the statutory auditor, to confirm the probability of achieving taxable income, against which deductible temporary differences arising from impairment losses on shares; in the opinion of the statutory auditor, the company should, as of the balance sheet day, recognise a write-down of the value of the recognized deferred tax asset (see IAS 12).

2.1.9. Qualifications related to issues concerning construction contracts

Qualifications included in the opinions of entities authorized to audit, referred to the following issues connected with contracts for construction services:

- Recognition in the revenues in previous years, during the construction contract settlement, of claims in relation to ordering parties on certain contracts, in a situation when the legal process and negotiations with the ordering party have not reached an advanced stage; impact on net profit or loss of the previous years and recognized gross amounts due from the ordering parties; (see IAS 11 "Construction Contracts").

2.1.10. Qualifications related to other issues connected with recognition and measurement

Qualifications included in the opinions of entities authorized to audit, concerned the following issues connected with recognition and measurement:

- Not presenting sufficient documentation confirming in an unambiguous manner, the grounds for recognizing sales transactions and consequently, overestimations of net profit or loss (recognition includes sales revenue and cost of sold products concerning non-invoiced sales);
- Non-recognition of provisions for court proceedings concerning claims and consequently, overestimations of the profit or loss and equity;
- No possibility for the statutory auditor to estimate, at the present stage, the changes in the subsidiary, the feasibility of measurement assumptions of the shares in a subsidiary, which is in development of its business model, and acquisition of new business partners, in connection with the lack of the possibility to compare the adopted assumptions with historical data; implementation of the adopted assumptions depends on future events;
- Recognition in the retained earnings the results of two important transactions, regarding changes of the conditions of leasing contracts, including one contract termination; in the opinion of the statutory auditor, the effects of these transactions, should be recognised in the profit or loss of the current period;
- Overestimation of income and net profit in connection with indicating in the statement of profit or loss and other comprehensive income the realized outcome created as a result of issuing shares; in the opinion of the statutory auditor, the result on this transaction does not constitute profit on the operations and should be settled through equity; the error had no effect on the sums of assets and liabilities indicated in the statement of financial position;
- Inclusion by the company of rights of perpetual usufruct of lands, obtained thereby free of charge, in the balance sheet as fixed assets, investment properties, or assets classified as held for sale, instead of as an off-balance sheet item; in the opinion of the statutory auditor, these rights constitute a form of operational lease, in accordance with IAS 17 (see IAS 17,);
- Measurement, in the book value of assets in the form of the right to annual fees due to letting the grounds for perpetual usufruct, presented as investment properties; in the opinion of the statutory auditor, these components should be evaluated accounting for the expected cash flows related to this right.

2.1.11. Other issues referred to in the qualifications

Qualifications published in opinions of entities authorized to audit also concerned the following issues:

- No possibility to confirm the existence of an inventory in the parent company (the statutory auditor did not participate in the stocktaking);
- Lack of material disclosures required by the IFRS, including in particular, lack of a presentation of comparative data, in accordance with the situation as of the date of transition to the IFRS;
- The net income of the company is comprised mainly of interest on receivables claimed through court proceedings, operational activities generate a small loss; the company did not receive any inflows from the interest on receivables;
- Based on a binding court decision, the company is obliged to return apportionment contribution in the form of real estate, which was illegally sold by a "hostile" management board; if the company should legally regain the real estate, it shall return them in accordance with the court ruling;
- Limitation on the scope of the audit in connection with the lack of participation of the statutory auditor in the stocktaking in the most important subsidiary, and the lack of confirmation that the physical inventory covered all the locations of goods' storage, including a lack of documentation of the goods' inventory in the main warehouse;
- No possibility to confirm the existence of an inventory in the parent company (the statutory auditor did not participate in the stocktaking and the applied inventory system prevented the application of procedures other than a physical stocktaking);
- A foreign subsidiary's auditor included an explanatory comment in the opinion on the subsidiary's financial statements, regarding the lack of the possibility to confirm the functioning of internal control systems in this foreign subsidiary (no formal documentation);
- The parent company concluding material one-time sales transactions, which did not have a direct connection with the main object of operations, and purchasing services related to programming works; transactions have been entered into as part of the cooperation with these same entities; the statutory auditor did not receive sufficient evidence to ascertain whether transactions have been conducted with the assumption of a lack of interrelationships and on the basis of the fair value of assets.

2.1.12. Emphasis of matter paragraphs

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

- Presence of serious threats with regards to the company's ability to continue as going concern in the current financial condition, due to unpaid liabilities; ability to continue as a going concern is dependent on the course of arrangement proceedings underway;
- Failure to audit the subsidiaries (in accordance with Art. 64 of the Act on Accounting);
- Persistent low liquidity ratios;
- Indication of significant threats and uncertainties with regards to ability to continue as a going concern in the foreseeable future i.e. within 12 months from the balance sheet day; the financial statements of the parent company shows losses causing, in accordance with Art. 397 of the CCC, an obligation of summoning the general meeting to pass a resolution concerning the further existence of the company;
- Preparing consolidated financial statements for the first time, in connection with the creation of the capital group; as comparative data, data was presented from the parent's individual financial statement was presented;
- Highlighting the described sales transaction of instruments held for trading, in result of which a receivable was recognized; this receivable was measured at amortised cost with an effective interest rate l of 5%;
- Highlighting the bad financial position of the subsidiary;

- The issuer's ability to continue as a going concern is contingent on the approval of the arrangement with creditors and the possibility to generate surpluses for the settlement of liabilities; in accordance with Art. 397 of the CCC, the management board is obliged to call a General Meeting to pass a resolution concerning further existence;
- Uncertainties with regards to the going concern related to claims of the consortium of two banks, and the claims of the bondholder;
- Not finding, in result of the conducted impairment test of share value of the subsidiary, in which restructuring proceedings are underway; the basis for the test were cash flow projections, determined on the basis of the restructuring plan submitted to the court, not performing forecasts resulting from the plan may affect a decrease of the value of owned shares; existence of major going concern threats, the going concern is conditioned by opening the restructuring proceedings, as of the date of issuing the opinion, the proceedings were not open; the incurred loss and its relation to equity value result in the need to make a decision on the continued existence of the company;
- The surplus of current liabilities over current assets, and low liquidity ratio, and also the occurrence of premises resulting from Art. 397 of the CCC, obligating the management board to call the General Meeting in order to adopt a resolution concerning the continued existence of the company;
- Valuation of shares in the subsidiary in restructuring on the basis of forecasted cash flows from operational activities with a simultaneous assumption of a going concern despite the fact that it undergoes restructuring proceedings; the company has no restructuring plan prepared; in the opinion of the statutory auditor, there is uncertainty as to the implementation the forecasted flows;
- The uncertainties of prepared estimates, in particular the forecasts, during an analysis of the impairment of intangible assets in the form of trademarks;
- Existence of significant uncertainties with regards to the assumed size of the order portfolio in future years;
- Near maturity of liabilities; should the Company not execute its plans concerning the strategy of continued financing, it may affect the threat of a going concern
- The incurred loss on operating activities and net loss, as well as significant balances of short-term liabilities; in the opinion of the management board, these facts do not indicate that significant uncertainty would be present, as to the ability to continue operations; the valuation of investments in the subsidiary includes real estate owned thereby and its group, a significant part of the property of the subsidiary and its group, acts as collateral for loans taken by companies from outside the group, and the level of mortgages is higher than the value of net assets of the subsidiary and its group.

2.2. Review of financial statements for the first half of the financial year 2016 in the light of the reports on the review and statements on disclaimer of report, respectively – a list of areas of non-compliance with the applicable reporting framework, in particular with IFRSs

Accounting for the reports from the review of half-year consolidated financial statements/financial statements of securities issuers other than investment funds, the review indicates that a downwards trend was maintained, of the total number issuers with a qualified review report or a disclaimer of review report. In the first half of 2015, a decrease occurred by 11% in relation to the first half of 2014 (by 4 issuers), to 32 issuers, and in the first half of 2016, a decrease in relation to the first half of 2015, by 3% (by 1 issuer), to 31 issuers, and in the first half of 2016, the decrease pertained to disclaimers of review report (by 36%, i.e. by 4 issuers), and the increase, in the case of qualifications in the reports from the review (by 14%, i.e. by 3 issuers).

The largest number of issuers with qualifications in reports on the review of the financial statements for the first half of the financial year 2016, originated in the following sectors: construction (4), telecommunications (4), electromechanical industry (3), media (2), and other services (2), while a disclaimer or report on the review of the financial statement for the aforementioned period were related to issuers from the following sectors: wood industry (2), wholesale (1), power sector (1), fuel industry (1), metal industry (1) and other services (1).

Table 3. Number of issuers with a qualified report or a disclaimer of report on the review with regards to consolidated financial statements / financial statements for the first half of the financial years 2011-2016

No. of issuers	**First half of 2011**	**First half of 2012**	**First half of 2013**	**First half of 2014**	**First half of 2015**	**First half of 2016**
Qualified reports	**27**	**34**	**27**	**25**	**21**	**24**
Disclaimer of report	**1**	**9**	**7**	**11**	**11**	**7**
TOTAL	**28**	**43**	**34**	**36**	**32**	**31**
Number of issuers at the end of the previous financial year*	**386**	**403**	**408**	**422**	**441**	**455**
Share in the number of issuers at the end of the previous financial year	**7%**	**11%**	**8%**	**9%**	**7%**	***7%***

* numbers stated are exclusive of closed-end investment funds listed on the regulated market and issuers for which the Republic of Poland is a host state

The following are issues covered by disclaimers of report and qualifications expressed in reports on the review of half-yearly consolidated financial statements / financial statements of issuers of securities, other than investment funds, for the first half of the financial year 2016, respectively. The issues were grouped in a manner that makes finding a specific topic easier. The references made to IFRSs should be considered taking into account IAS 34 "Interim Financial Reporting".

2.2.1. Disclaimers of report related to going concern

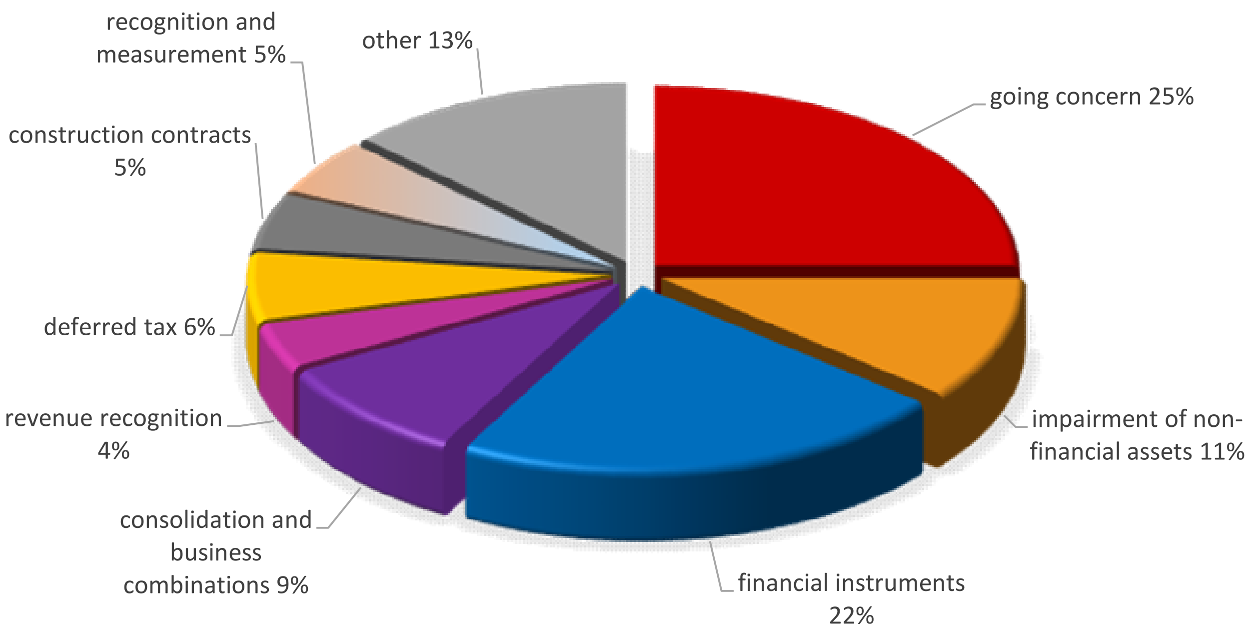
Disclaimers of opinion have been expressed with regards to, i.a., the following circumstances:

- Financial statement prepared on a going concern basis; gradual deterioration of the financial and material position; existence of going concern threats; the statutory auditor cannot confirm the correctness of bank credits and loans measurement, and due to a lack of information, they are unable to express an opinion on the maturity of these liabilities; there is a significant uncertainty about the possibility of repaying the liabilities; the approved arrangement with the creditors is delayed, and the financial statement review and the assessment of the results of operational activities points to significant risks of a lack of a possibility to repay the arrangement liabilities with basic operations; no sufficient information, which would allow to assess transactions recognized in the books in the scope of receivables and liabilities, in particular from previous years, and consequently, no possibility to confirm that the receivables and liabilities were presented in the correct amount; the management board failed to notify, in the introduction to the financial statement, about the significant going concern threat due to unpaid liabilities;
- The existence of significant uncertainty with regards to going concern, financial statements prepared on a going concern basis; in the opinion of the management board, premises exist, to enter into an arrangement with creditors; proceedings are at the stage of examination by the bankruptcy court commissioner of objections to the list of reported liabilities; banks have submitted applications for changing the method of conducting the proceedings for such as would include property liquidation; under the bankruptcy procedure, enforcement proceedings shall be conducted; the company presents deferred tax assets, in the opinion of the statutory auditor it is highly probable that the carrying value of these assets may not be realized in the future, in the form of economic benefits; no clear and complete consolidation documentation, the management board undertook actions in order to determine a new methodology of transforming subsidiary data, and presenting consolidated data;
- Financial statement prepared with the assumption that the entity will not continue as a going

concern; property valuation has been made more realistic, in accordance with current knowledge; impairment losses of fixed assets and financial assets were recognised on the basis of obtainable net sales prices in accordance with current knowledge of the management board, and in connection with enforcement proceedings underway for real estate, real values may be recorded in the books only after their settlement; evidence presented to the statutory auditor, does not allow them to confirm the correctness of the evaluation performed;•

- The Group did not enter into contracts confirming the possibility of obtaining external funding, which would enable them to continue as going concern, and fulfilling licence obligations; without acquiring additional, external sources of financing and a final agreement with the financing banks, the ability to continue as a going concern is indeed substantially limited; the group does not have appropriate funds, to allow a repayment of the loan taken by the subsidiary; until the date of issuing a report, the statutory auditor did not obtain evidence confirming the return of cash involved in the granted loan, and in consequence they are unable to confirm the existence, nor the correctness of the measurement of the granted loan recognised in the balance sheet; the financial statement has been prepared with the assumption the entity will continue as a going concern, and does not include adjustments concerning different measurement principles, introducing the adjustments could cause a significant decrease in net assets; the statutory auditor did not obtain sufficient evidence concerning the possibility of repayment, or restructuring of the past due debt and plans of the group concerning the possibility of obtaining additional sources of financing, which would allow it to continue as a going concern;
- A material going concern threat (debt due to tax liabilities and salaries, untimely payment of trade liabilities, the statement does not include potential liabilities due to statutory interest on any past due liabilities, current liabilities exceed current assets, group companies have liabilities due under loan agreements - no agreement has been reached between the companies and banks, bankruptcy declared in the case of a subsidiary, property of the group is mortgaged); no valuation of the investment property in fair value reduced by sales costs, the statutory auditor was not able to assess whether corrections should be necessary; no impairment test of shares, despite of the existence of indications of the impairment; no information from law firms about court cases and disputes (no possibility to assess the completeness and correctness of the measurement of liabilities and provisions); the statutory auditor did not obtain evidence confirming the assumptions in the test for the loss of value; determination of the lack of indications of impairment in relation to the trademark; no calculations of impairment loss of loans granted to subsidiaries, despite the existence of objective evidence of impairment;
- The existence of a significant uncertainty with regards to the ability to continue as a going concern; the petition for restructuring filed in connection with initiating the enforcement proceedings by the bank under the terminated contract for credit; no possibility to pay any past due public liabilities; the source of repayment of the liabilities, in accordance with arrangement proposals in the restructuring plan, shall be sales transactions, the statutory auditor did not obtain sufficient evidence to confirm the possibility of such sales; the statutory auditor did not obtain sufficient evidence to confirm the possibility of executing plans, including in the scope of obtaining new sources of financing;
- Open restructuring proceedings; the existence of going concern threats; financial statement prepared with the assumption of that the entity will continue as a going concern; the statutory auditor was not able to ascertain whether the assumption of going concern is reasonable due to the lack of a restructuring plan (short period from the date of opening the restructuring proceedings); loss exceeding the sum of supplementary and reserve capital, and 1/3 equity, the need to call the General Meeting; no possibility to ascertained whether and to what extent, the value of fixed assets will in the future bring the assumed economic benefits; terminating contracts for credit and loans prior to submitting the application for opening restructuring proceedings, the statutory auditor was not able to express an opinion about the final amount of liabilities and when should they be repaid, which influences presentation of the liabilities in the financial statement.

Chart 3. Topics of qualifications included in the reports on the review of consolidated financial statements / financial statements of issuers for the 1st half of the financial year 2016



<u>Comments:</u> In the case when the qualification is found in the review report of a consolidated financial statement, and in the review report of the issuer financial statements, the chart shows it only once. The chart does not include disclaimers of report. The percentile share is affected by the frequency of occurrence of a given issue in the qualifications, while in the below description of the issues, to which the qualifications pertained, individual topics have been presented only once.

2.2.2. Qualifications related to going concern

Qualifications published in review reports related to the following issues connected with going concern:

- Opening the restructuring proceedings; the initial restructuring plan adopted to be realized in the proceedings is being implemented;
- Preparing an interim financial statement on a going concern basis; the management board notified about threats to the possibility of going concern and undertaken activities, with the aim of entering into arrangements with creditors in order to continue functioning;
- Not submitting the restructuring plan to the Court Commissioner; failure to complete the process of inventory-taking of the restructuring estate, and listing the liabilities; the financial statement does not include any possible adjustments on this account;
- No confidence as to the amount of actual liabilities of the company; arrangement proceedings have not been concluded; final arrangement proposals shall be presented, after verification and validation of liability lists;
- Recognition, in the consolidated financial statements, of assets and financing sources of a subsidiary, which filed for bankruptcy with a possibility of entering into an arrangement; the assets of this company have been recognized as financial assets related to discontinued operations, and the trademark, as an asset of continued operations; these assets shall be

encumbered with liabilities as discontinued operations; asset valuation accounts for future positive results in the form of approving an arrangement with creditors and operations initiated in 2016, based on a lease of intangible assets of the subsidiary; due to the fact that restructuring of this company is at the initial stage, the statutory auditor is unable to confirm that the value of its assets recognized in the consolidated balance sheet corresponds to their actual value;

- No possibility of predicting the final resolution of pending tax and control proceedings concerning the correctness of VAT settlements, to which the parent company is a party; the parent company appealed against the issued decisions; in the case of a possible necessity to pay the liabilities on this account, in the opinion of the statutory auditor, a significant going concern threat would be created;
- The existence of circumstances indicating a threat to going concern; preparation of the consolidated financial statements on a going concern basis; deciding on opening reconstruction proceedings for the subsidiary; the receiver submitted a restructuring plan to the court; request for bankruptcy of the indirect subsidiary;
- Preparation of the liabilities inventory in connection with restructuring proceedings; closing the inventory shall enable a complete recognition of liability;
- Preparing the financial statements on the going concern basis; continuing as a going concern depending on the restructuring process in the subsidiary, in which the issuer possesses 100% of shares, and main income is comprised of inflows due to trademark lease; risk of proceeding termination and a shift to liquidation proceeding, and no arrangement with creditors both in the company and the subsidiary; The Court issued a decision on opening reconstruction proceedings for the company, and appointed the reconstruction administrator;
- Possible difficulties in timely repayment of liabilities, due to the financial situation in the scope of liquidity and indebtedness of the group; short-term liabilities surpass the value of current assets; fulfilled premise of Art. 397 of the CCC obliging the management board to immediately call the General Meeting in order to adopt a resolution concerning further existence;
- Expiry of loan contracts with banks; and the lack of their extension until the end of the review;
- The existence, in the opinion of the Statutory Auditor, of a significant uncertainty with regards to going concern of the issuer and its group, due to the ongoing restructuring proceedings in the issuer's parent company and subsidiary; financial statement prepared with the assumption of going concern, the management board indicated only a key impact of these proceedings;
- Possible difficulties in timely repayment of liabilities, due to the financial position in the scope of liquidity and debt levels of the group; current liabilities surpass the value of current assets;
- No possibility of observing by the statutory auditor which part of the provision dissolution for the effects of possible liabilities due to granted guarantees and joint liability towards subcontractors, and for other non-recognized liabilities, should be included in the result for 6 months ending on 30.06.2016, nor expressing an opinion on the correctness of the presented comparative data as of 31.12.2015; company in arrangement bankruptcy; in the reporting period, the group used a part of the provisions i.a. in connection with recognizing arrangement liabilities.

2.2.3. Qualifications related to impairment of (non-financial) assets

Qualifications included in reports from the review related to the following issues connected with an impairment of assets other than financial:

- Failure to carry out impairment tests for fixed assets, intangible assets and inventory, despite circumstances, which may indicate that they could partially lose their economic usability;
- No possibility for the statutory auditor to verify the correctness of the estimated recoverable amounts of assets included in the segment, due to the impossibility to sufficiently confirm the credibility of the assumptions adopted for testing, concerning a growth of revenue and the assumed profitability from 2017, due to uncertainty of their execution, resulting from factors beyond the issuer's control; the issuer conducted a segment impairment test as of 31.12.2015, as of 30.06.2016 no impairment was identified and the test was not repeated;

- No asset impairment test, in the subsequent reporting period, despite indications of possible impairment of these assets;
- No possibility to express an opinion on the correctness of recognition of goodwill impairment in the profit or loss and of the recognised goodwill at the end of the reporting period and in the comparative information;
- No possibility to express an opinion on the correctness of recognising in the profit or loss an impairment loss of the investment in a subsidiary and the correctness of the measurement of these assets in comparative information;
- No possibility for the statutory auditor to assess the real value of the company's shares (at the present stage of changes in the company - the company is undergoing changes in the business model and business profile) included in the financial statement, due to the impossibility to compare historical data with assumptions in relation to future profitability of the company taken over, adopted in the conducted impairment test of the shares held in that company; the adopted assumptions depend on future events.

2.2.4. Qualifications related to issues concerning financial instruments

Qualifications included in review reports with regards to the following issues connected with financial instruments:

- Not disclosing to the statutory auditor, data allowing confirmation of the disclosed information concerning credit risk related to receivables;
- No disclosures with regards to financial instruments, in particular qualitative and quantitative information concerning the risk of liquidity and market risk (in the opinion of the statutory auditor, such a lack is significant, due to considerable share of financial liabilities in the structure of finance sources, the present past due liabilities, and a going concern threat);
- Presence of a significant risk concerning the obtaining of economic benefits due to sales of subsidiaries caused by disclosed uncertainty as to the sales price (conditional payment), based on forecasts of financial results of sold subsidiaries for 2016 and therefore, uncertainty concerning prudent measurement of receivables and consequently, the risk defined by the statutory auditor, of impairment related account receivables;
- No possibility to estimate, due to lack of access into the debtors' financial situation, whether the receivables of the parent company, past due and unsettled as of the day of concluding a review of the financial statement, shall yield economic benefits in the future;
- Material uncertainty with regards to the final result of a legal dispute; the issuer reports receivables, settlement of which is the subject of dispute; accounting for an uncertainty with regards to the final result of the dispute, and the lack of documentation indicating the realisability of this liability, the statutory auditor was not able to assess the impact of this issue on financial statements, including on receivables reported therein and the financial result;
- No possibility for the statutory auditor to verify whether write-downs for receivables are necessary, which are significantly past due, and no information nor explanations exist, on the possibility of their repayment;
- No possibility to express an opinion on the correctness of measurement and the need and value of a possible write-down of investment certificates issued by the fund organized in accordance with Ukrainian law;
- The Company is a party in a legal dispute concerning settlements due to a contract for construction; the object of the dispute is a part of the receivables; statutory auditor was not able to assess the impact of this issue on the interim financial statement, including the reported receivables and net result, due to significant uncertainty with regards to the final result of the dispute, and the lack of sufficient documentation indicating the date and likelihood of realizing this liability;
- Not disclosing sufficient documentation indicating the likelihood of realizing the receivables from the subsidiary in bankruptcy proceedings, and consequently the statutory auditor was not able to

assess the impact of this issue on the financial statement;

- Not disclosing to the statutory auditor, impairment tests of assets in the form of bonds and not delivering sufficient information and evidence that these investments would bring the anticipated economic benefits, and consequently, the statutory auditor was not able to ascertain whether the presented value is correct;
- Not recognizing impairment losses on assets in the form of receivables due to sales of shares, and transfer of receivables arising from issuing bonds; in the opinion of the parent company, these receivables are not endangered, however the statutory auditor did not receive sufficient evidence that the presented value is correct;
- Not disclosing to the statutory auditor, impairment tests of assets in the form of bonds, issued by an entity from outside the Group, acquired by way of liability conversion, and not delivering sufficient information, nor evidence that these investments would bring the anticipated economic benefits, and consequently the statutory auditor was not able to ascertain whether the presented value is correct.

2.2.5. Qualifications related to issues concerning consolidation and business combinations

Qualifications published in review reports related to the following issues connected with consolidation and business combinations:

- No introduction of uniform accounting policies for the group, and the statutory auditor not auditing, nor reviewing financial statements and consolidation documentation of subsidiaries, and consequently uncertainty with regards to the similarity of accounting policies and data presentation in financial statements of the capital group companies, included in the consolidated financial statements;
- Differences in data on mutual transactions and settlement balances concerning companies subject to consolidation, resulting from financial statements and the consolidation documentation thereof; if the group entities would agree the value of balances and mutual transactions, it could affect the amount of performed consolidation exclusions;
- Not obtaining the financial statements of a foreign subsidiary - data has been adopted as of 30.09.2015, which have been excluded from consolidation adjustments;
- Not fulfilling the provisions of par. B92 and B93 of IFRS 10, due to the fact that subsidiary financial statements do not apply to the property and financial position as of the same balance sheet date, as the consolidated financial statement, and the time between the date of these financial statements is longer than three months; according to the management board of the parent company, no substantial transactions occur, nor economic events that could significantly affect unit and consolidated financial statements;
- Determining the goodwill on the basis of book value of net assets as of the take-over date; of failure to adjust the temporary settlement of the purchase price, and thus not recognizing the fair value of identifiable purchased assets and liabilities taken over.

2.2.6. Qualifications related to issues concerning revenue recognition

Qualifications published in review reports connected with the following issues related to revenue recognition:

- Overestimations of receivable value, as well as profit or loss, in connection with revenue demonstrated in the consolidated financial statements concerning subsidiaries, which, in the opinion of the statutory auditor, do not meet the criteria of revenue set forth in par. 34 IAS 18 "Revenues" in connection with an uncertainty of obtaining economic benefits;
- Overestimations of reported revenue and corresponding manufacturing costs, for the previous reporting period and lowering revenue and corresponding manufacturing costs , for the current financial period in result of an incorrect, in the opinion of the statutory auditor, sales recognition in books from 2015; in the opinion of the statutory auditor, taking into account the contract terms, in accordance with IAS 18, goods transfer to the boat owner did not authorize recognizing revenue in the books for 2015; revenue should be recognized in 2016.

2.2.7. Qualifications related to issues concerning deferred tax

Qualifications published in review reports connected with the following issues related to deferred tax:

- No estimation, nor recognition of deferred tax assets with regard to the amount public aid not used by the subsidiaries as of individual balance sheet dates presented in the condensed interim consolidated financial statement, in accordance with IAS 12 "Deferred Tax";
- Material uncertainty concerning the possibility to realize the anticipated future economic benefits related to deferred tax assets (company is incurring tax losses since 2014); the management board did not present sufficient justification in the scope of the mode of obtaining economic benefits due to deferred tax;
- No possibility for the statutory auditor to confirm the possibility to utilise deferred tax assets, due to an uncertainty of future company income, connected with tax proceedings.

2.2.8. Qualifications related to issues concerning construction contracts

Qualifications included in review reports, pertain to the following issues connected with construction contracts:

- Not presenting to the statutory auditor, a calculation of the assumed budgets, nor explanations with regards to differences between the level of costs incurred and planned, valuation of contracts for services is prepared on the basis of simplified cost and revenue schedules; conclusions resulting from review differences present could indicate the need for updating the determination of planned costs, which could affect the results of realized contracts for services; no explanations were presented, connected with not including one of the contracts in the valuation;
- Recognition in the revenues in previous years, during the construction contract settlement, of claims in relation to ordering parties on certain contracts, in a situation when the legal process and negotiations with the ordering party have not reached an advanced stage; impact on the net result from previous years and recognized gross amounts due from ordering parties (see IAS 11 "Construction Contracts");
- Significant uncertainty with regards to the final result of the dispute concerning execution of one of the construction contracts, the lack of sufficient documentation indicating the deadline and likelihood of realizing unsettled receivables, as well as no possibility to estimate the impact of the above issues on the financial statement, also due to the consequences related to possibly fining the group with a contractual penalty.

2.2.9. Qualifications related to other issues connected with recognition and measurement

Qualifications included in review reports, were connected with the following issues related to recognition and valuation:

- Inclusion by the company of rights of perpetual usufruct of lands, obtained thereby free of charge, in the balance sheet as fixed assets, investment property, or assets classified as held for sale, instead of the off-balance register; in the opinion of the statutory auditor, these rights constitute a form of operational leasing in accordance with IAS 17 "Leases";
- Recognition of purchased rights of perpetual usufruct of land as fixed assets instead as operational leasing in accordance with IAS 17;
- Overestimating the value of the investment property (land property with buildings) in connection with the application of the measurement method to fair value of this property, not accounting for the impact of the amount of revenues from rent resulting from an effective lease contract of the entirety of this property, in accordance with the requirements of IAS 40 "Investment Property".

2.2.10. Other issues referred to in the qualifications

Qualifications included in reports from the review also related to the following issues:

- Non-recognition of provisions for financial effects of received decisions of the Tax Inspection Office, imposing an obligation to pay VAT with interest; the received decisions are not final and the management board filed an appeal;

- Discrepancy between data shown in individual items of the financial statements;
- Not providing the statutory auditor with necessary explanations enabling them to confirm the data included in the consolidated cash flow statement; during the analysis, the statutory auditor found discrepancies between data in consolidation documentation of individual companies and data in the consolidated financial statements;
- No disclosures in the scope of: revenues from sales and changes of the estimated values resulting from the valuation of contracts for services (significant reduction of the revenue value as compared to a comparative period, in result of estimates in this respect significantly affect both the balance sheet total and group result) factors adopted for identifying segments and explanations of the measuring method for segment results (IFRS 8 "Operating Segments"), transactions with members of key management personnel, new or amended IFRS applied for the first time, along with an assessment of the impact of such an application on the financial statement;
- The net income of the company is comprised mainly of interest on receivables claimed through court proceedings, operational activities bring a small loss; the company did not receive any inflows from the interest on receivables;
- Based on a binding court decision, the company is obliged to perform a return apportionment contribution in the form of a real estate, which was sold illegally by a "hostile" management board; if the company should legally regain the real estate, it shall return them in accordance with the court ruling;
- The foreseen completion of stocktaking, by way of a physical stocktaking of fixed assets and inventory; after determining the actual state the value of the fixed assets and inventory shall be corrected.

2.2.11. Emphasis of matter paragraphs

Additionally, we present the subject of emphasis of matter paragraphs, included in the reports from the review. Emphasis of matter paragraphs related to i.a., the following issues:

- The existence of uncertainties which may cause a serious threat to the Company's and the Group's ability to continue as a going concern;
- Not auditing the subsidiaries (see Art. 64 of the Act on Accounting);
- Maintaining the measurement of shares in the subsidiary under restructuring, according to the state as of 31.12.2015, on the basis of forecasted cash flows from operational activity with a simultaneous assumption of going concern although it undergoes restructuring proceedings; in the opinion of the statutory auditor, significant uncertainty still exists, with regards to the flows forecasted;
- Existence of significant uncertainty with regards to the assumed size of the order portfolio in future years;
- Significant uncertainty with regards to the ability to continue as a going concern; current liabilities exceed current assets and fixed assets qualified as held for sale; indication of hazards connected with the parent company executing the approved arrangement with creditors, in particular those concerning conversion of debt towards creditors of the parent company, to the bonds thereof, effectiveness of achieving the targets of the financial plan, including the divestment of non-operating fixed assets, as well as the development of operational activities of the group companies.

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

In this section of the report, we present areas of discrepancy with applicable reporting framework, in particular, with the requirements of IFRSs, including shortages of disclosures or incomplete disclosures, the occurrence of which has been observed as a result of the 2016 review of the consolidated financial statements/financial statements prepared by securities issuers other than investment funds. The review concerned annual consolidated financial statements/financial statements prepared for the financial year 2015. In addition, it covers interim consolidated financial statements/financial statements prepared for the periods of the financial year 2016, as well as historical financial information of entities applying for approval of the prospectus, accounting for methods of selecting financial statements for review. In connection with the conducted enforcement activities, reviews of consolidated financial statements/financial statements for periods prior to the aforementioned were also performed.

Part of the presented inconsistencies with the IFRS pertained only to singular cases. On the other hand, quite numerous cases occurred, where disclosure were made by issuers in a manner rising doubts with regards to the completeness and relevance of the disclosed information.

We would like to draw the issuers' attention and accordingly that of the statutory auditors that if the information is to be useful, it has to be relevant and faithful in its presentation, whereas, to be faithful, the presentation should be complete. A complete presentation includes all information necessary for the user to understand the presented phenomenon, including any and all necessary descriptions and explanations. In the case of certain items a complete presentation may include an explanation of important facts associated with the quality and type of items, factors and circumstances that may affect the quality and type of these items and process used for the quantitative presentation (see item CJ4-CJ34 of the *Conceptual Framework for IFRS*[16], concerning qualitative characteristics of useful financial information).

Considering the ESMA Public Statement on improving the quality of disclosures, emphasizing the need of including concise and clear disclosures referring to important, specific facts, significant for understanding the financial position and performance of the issuers and their capital groups is also of importance during the preparation of financial statements. This statement has been discussed in more detail in Chapter 3.6. of this report.

ESMA in its statement on European common enforcement priorities for 2016 financial statements (discussed in Chapter 3.6. of the report) also stresses that in order to improve the readability of the financial statements, cross-reference of significant elements of the primary financial statements to the notes should be provided, as well as details on material line items, in accordance with the requirements of accordingly par. 113 and 97 IAS 1 "Presentation of Financial Statements". ESMA also indicates that in accordance with par. 30A IAS 1, issuers shall not reduce the understandability of financial statements by obscuring material with immaterial information or by aggregating material items that have a different nature or function.

In our opinion it is justified that the entity authorized to audit, while issuing an opinion on the audited financial statement, also took into consideration the completeness and usefulness of disclosures required in accordance with the applicable regulation. In our opinion, the financial statements of the issuer may not be considered complete, if they lack material disclosures, required in accordance with applicable accounting standards. In accordance with the International Standards on Auditing introduced by a resolution of the National Chamber of Statutory Auditors, approved by the Audit Oversight Commission as National Standards of Auditing, applicable to audits and reviews of financial statements of public-interest entities, prepared for periods ending on 31.12.2016 and later, distortions requiring assessment by the statutory auditor, during the audit, may be a result of i.a., omissions in disclosing information.

Additionally, we would like to draw attention to the fact that inconsistency statements with IFRS requirements, including lack of disclosures or partial disclosures, have also been presented in previous reports, prepared by the Accounting Division of the Public Offering and Financial Information Department of the PSFA:

- *Report on the review of financial statements by issuers in the context of their compliance with the IFRSs. The review carried out in 2015*[17]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2014*[18]
- *Report on the review of financial statements by issuers of securities in the context of their*

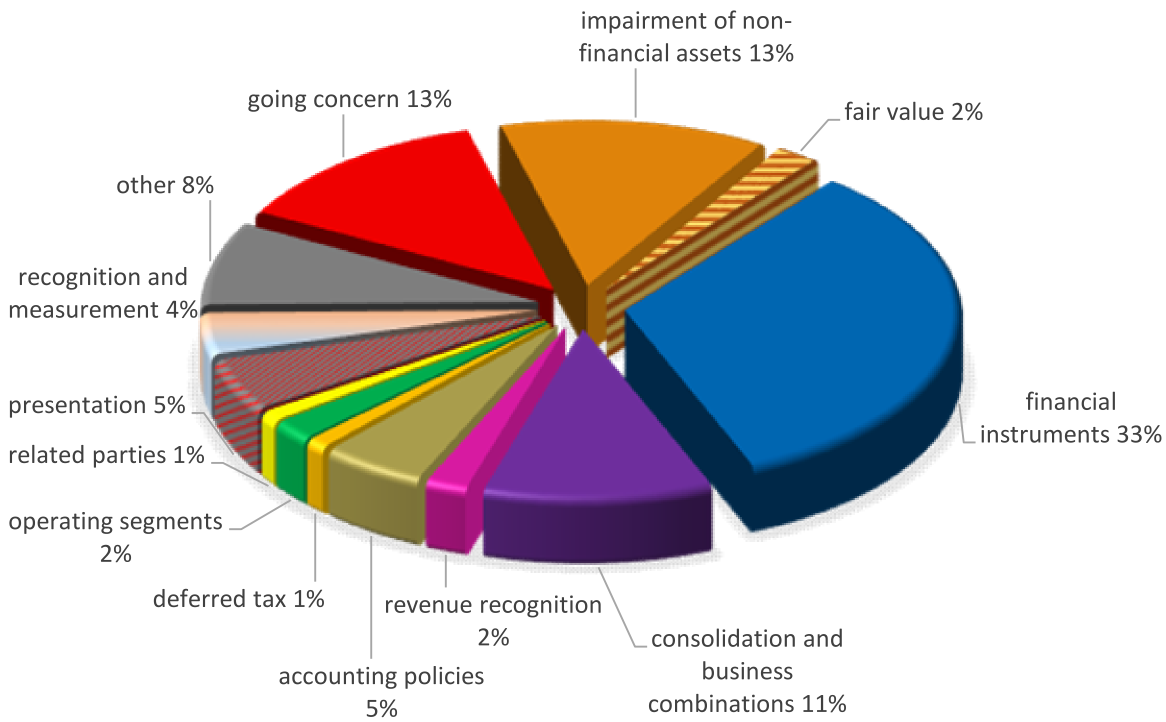
[16] "Conceptual Framework for Financial Reporting", in the report referred to as "Conceptual Framework for IFRS" - approved by the International Accounting Standards Board (IASB), is not subject to adoption in the form of Commission Regulation for application within EU
[17] https://www.knf.gov.pl/Images/Raport_MSSF_2015_EN_tcm75-46907.pdf
[18] http://www.knf.gov.pl/en/Images/RAPORT_MSSF_2014_tcm81-41164.pdf

compliance with IFRSs. The review carried out in 2013[19]

- *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*[20]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2011*[21]
- *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*[22]
- *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in2009*[23]*;*
- *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*[24]*.*

Issues, to which the observed misstatements lack of disclosures pertained, were grouped in a manner facilitating the search for specific issues. IFRS regulations, which were referred to while discussing individual areas of inconsistencies, were presented in a wording relating to the financial statements prepared for the financial year 2015 or, accordingly, for the first half of the financial year 2016.

Chart 4. Areas of non-compliance identified as a result of the review conducted in 2016 - annual consolidated financial statements/financial statements of issuers for the financial year 2015



<u>Comments:</u> In the case when the inconsistency occurred in the consolidated financial statements and in the financial statements of an issuer, the chart shows it only once. The percentile share is affected by the frequency of occurrence of a given issue in the confirmed inconsistencies, while in the below

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

description of the issues, with which the inconsistencies were connected, the individual topics have been presented only once.

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

- Doubts with regards to the fairness of the assessment of the company's ability to continue as a going concern and the appropriateness of the going concern assumption adopted by the entity, as well as reliability and completeness of disclosures about significant uncertainties with regards to the capacity of the company to continue operations (see paragraph 25-26 IAS 1 "Presentation of Financial Statements") (e.g. indication that no circumstances exist, indicating any going concern threat, despite losses binding the management board to call the General Meeting in order to adopt resolutions pertaining to the existence of the company - Art. 397 of the CCC);
- No clear information on the existence of significant uncertainties with regards to the ability of the company to continue as a going concern (see paragraph 25 IAS 1);
- No/incomplete disclosure with regards to significant uncertainties concerning events or circumstances, which may raise serious doubts about the ability of the company to continue as a going concern (see paragraph 25 IAS 1);
- No disclosures/doubts concerning compliance with regulations with regards to the existence of circumstances indicating threats to the entity's ability to continue as a going concern (see paragraph 6(1)(8) and item 19 of section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to PZR[25]);
- Doubts as to the appropriateness of the going concern assumption as well as the fairness and completeness of disclosures about the existence of circumstances which indicate a threat 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 the management report of the issuer, no description of important factors of risk and threats, with specification of extent, to which the issuer is exposed to them (par. 91(5)(3) of the Regulation on current and periodic information[26]);
- No/incomplete disclosures in the management report of the issuer and in the management report of the capital group with regards to the assessment of financial resource management, with particular focus on the capacity to fulfill incurred liabilities (see paragraph 91(6)(11) and accordingly par. 92(3) of the Regulation on current and periodic information).

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

- No estimation of recoverable amount of an asset, despite indications of impairment loss may have occurred (see paragraph 9 and 12 -14 IAS 36 "Impairment of Assets");
- No impairment test of goodwill (see paragraph 10(b), par. 90 and par. 96 IAS 36);
- Non-fulfilling IAS 36 provision requirements in the scope of rationality of assumptions providing the basis for current cash flow projections (see paragraph 33(a) and par. 34 IAS 36);
- Including in the estimate, future cash flows, when determining the value in use, of future flows expected in connection with improving an asset component (see paragraph 44 -46 IAS 36);
- Not conducting, before the end of the current annual period, an impairment test of the cash-generating unit, to which the goodwill of the company has been allocated, taken over in result of a merger conducted during the current annual period (see paragraph 96 IAS 36);

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[25] Regulation of the Minister of Finance of 18th October 2005 on the scope of information reported in financial statements and consolidated financial statements, required in the issuing prospectus for issuers having their registered office in the Republic of Poland and to which the Polish accounting principles apply (consolidated text Journal of Laws of 2014, item 300)

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

- No disclosures of events and circumstances, which led to recognition or reversal of an impairment loss (see paragraph 130(a) IAS 36);
- No disclosures, with regards to each significant impairment loss, recognized or reversed during the period, whether the measurement of recoverable amount of the assets corresponds to fair value less costs of disposal or their value in use (see paragraph 130(e) IAS 36);
- No disclosures of assumptions adopted by the company for the purposes of determining the recoverable amounts of assets (cash-generating units) within the period (see paragraph 132 IAS 36);
- No/incomplete disclosures of information concerning approximate projections used for measurement of the recoverable amounts with regards to every cash-generating unit, in the event when carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant as compared with the total carrying amount of these assets, required by par. 134(a-f) of IAS 36, including:

  - no disclosure of recoverable amount of the cash-generating unit nor a basis for measurement of the recoverable amount of a given unit (group of units), i.e. whether it is value in use or fair value less costs of disposal (see paragraph 134(c) IAS 36),

  - no disclosure of key management assumptions, on the basis of which cash flow projections have been prepared for the period covered by the most current budget/forecast (par. 134(d)(i) IAS 36),

  - no description of the adopted method of determining the discount rate level used in cash flow projections (par. 134(d)(ii) IAS 36),

  - no disclosures with regards to review on sensitivity key assumptions adopted for measurement of recoverable amount of a unit (group of units) if justifiable and likely changes of these assumptions shall ensure that the carrying amount of the unit (group of units) exceeds its recoverable value (see paragraph 134(f) IAS 36).

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

- No disclosures with regards to a description of measurement technique (techniques), nor input data use for determining fair value in the case of fair value measurements classified at the levels of 2 and 3 of the fair value hierarchy (see paragraph 93(d) IFRS 13 "Fair Value Measurement");
- Doubts with regards to account for risk and uncertainty concerning future events when determining fair value (see paragraph B15-B17 IFRS 13).

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

- Non-assignment of financial instruments to classes, which account for the nature of the disclosed information, as well as characteristics of financial instruments (see paragraph 6 IFRS 7 and par. B1 and B2 of Appendix B "Use Explanation" to IFRS 7 "Financial Instruments: Disclosures");
- No recognition the impairment loss on a financial asset (receivables/past due receivables) (see paragraph 59 and par. 63 IAS 39 "Financial Instruments: Recognition and Measurement");
- Incomplete assessment/non-assessment of the existence of objective evidence of an impairment of value of a financial asset (the loan granted) (see paragraph 59 IAS 39) and accordingly, no determination of the impairment loss (see paragraph 63 IAS 39);
- No disclosures with regards to default on payment and breach of the terms of a contract for credit (see paragraph 18-19 IFRS 7);
- No disclosures of fair value for financial assets classes and financial liabilities in a way enabling to compare this value with the carrying amount (see paragraph 25 and 26 IFRS 7);
- No disclosures for each type of risk related to financial instruments, including:

  - no qualitative information about the degree of exposure to risk, the way of its arising, goals, policy and risk management processes, nor about changes in this respect (see paragraph 33 IFRS 7);

- no quantitative information about the degree of exposure to risk and risk concentration (see paragraph 33 and par. 34 IFRS 7);

- no supplement of qualitative information with quantitative information, permitting users to connect the interrelated information, as well as a better estimation of the risk to the company (see paragraph 32A IFRS 7);

• Deficiencies and non-compliances concerning the credit risk for individual classes of financial assets:

- no disclosure of the amount of maximum credit risk exposure as of the end of the reporting period, nor information about the credit quality of financial assets, which are not past due, nor impaired (see paragraph 36(a) and c IFRS 7);

- no disclosure of the aged analysis of financial assets, which are past due as of the end of the reporting period, but which were not impaired, nor of the analysis of financial asset, which were individually reported to be impaired as of the end of the reporting period (see paragraph 37 IFRS 7);

• Deficiencies and non-compliances concerning liquidity risk, including:

- no review of the maturity for non-derivative financial liabilities, presenting remaining contractual maturity dates, or a presentation of an analysis of the maturity for financial liabilities with a breakdown into excessively aggregate time bands, in a manner inadequate to the situation of a company (see paragraph 39(a) IFRS 7 and par. B11 Appendix B to IFRS 7);

- lack of/boilerplate/inadequate disclosures with regards to the position of the company concerning the description of the method of liquidity risk management (see paragraph 39(c) IFRS 7 and par. B11E-B11F Appendix B to IFRS 7);

- no review of financial assets' maturity dates, kept for the purposes of liquidity risk management and in connection with the company's financial position (see paragraph 39 let. c IFRS 7 and par. B11E of Appendix B to IFRS 7);

• No disclosures concerning a sensitivity analysis for each type of market risk to the company as of the end of the reporting period (currency risk, interest rate risk and other market risk), showing i.a., the impact of changes with regards to relevant risk factors on the financial result and equity, of methods and assumptions applied for preparing a sensitivity analysis and changes of the methods and assumptions applied in relation to the previous period, along with reasons for such changes (see paragraph 40 IFRS 7) or, accordingly disclosures concerning a sensitivity analysis accounting for dependencies between risk factors (see paragraph 41 IFRS 7);

• No disclosures of information on credit risk load (see item 1.2.1. letter h of section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to PZR);

• No disclosures of information concerning objectives and principles of financial risk management concerning liquidity risk (see item 1.2.10. of section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to PZR);

• No description in the management report of risks with regards to loss of financial liquidity (see paragraph 91(5)(1) of the Regulation on current and periodical information in connection with Art. 49(2)(7) of the Act on Accounting);

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

• Failure to consolidate the controlled company (see paragraph 6 -18 IFRS 10 "Consolidated Financial Statements");

• Doubts with regards to considering the impact of substantial transactions or events, which occurred between the day for which subsidiary financial statements has been prepared, and the day for which the consolidated financial statements has been prepared (see paragraph B93 of Appendix B "Explanation of use" to IFRS 10);

• No disclosures of concise financial information about the subsidiary, which has non-controlling shares essential for the entity preparing the report (see paragraph 12(g) and par. B10 of Appendix B "Explanation of use" to IFRS 12 "Disclosures of Interest in Other Entities");

- No disclosures of information connected with the acquisition of the subsidiary in the current reporting period, allowing users of the consolidated financial statement to assess the nature and financial effects of merging companies (see paragraph 59 let. a IFRS 3 "Business Combination"), including:

  - qualitative description of factors that led to recognizing a company's goodwill, such as the expected synergy from combining operations of the acquiree and the acquirer, intangible assets not eligible for separate recognition and other factors (see paragraph B64(e) of Appendix B to IFRS 3),

  - no disclosure of fair value as of the acquisition date each major class of consideration (e.g. no information about the method of determining fair value of issued shares, which constituted the payment transferred) / inconsistent disclosures concerning fair value as of the acquisition date the payment transferred (see par. B64(f) of Appendix B to IFRS 3),

  - in the case of acquired receivables: fair value of receivables (i), gross contractual amounts receivable (ii) and the best estimation as of the date of the contractual cash flows not expected to be collected (iii) (see paragraph B64(h) of Appendix B to IFRS 3),

  - amounts recognized as of the acquisition date for major classes of assets acquired and assumed liabilities (see paragraph B64(i) of Appendix B to IFRS 3),

  - 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, as well as revenues and profit or loss of the combined entity for the current reporting period, calculated in such a way, as if the acquisition date for all business combinations that occurred during the period was the beginning of the annual reporting period (see paragraph B64(q) of Appendix B to IFRS 3);

- No separate presentation of total cash flows due to acquisition or sale of subsidiaries (see paragraph 39 IAS 7 "Statement of Cash Flow");
- No comparative data correction due to the ineffective transfer of obligations to the subsidiary in the previous reporting period (see Art. 54(2) of the Act on Accounting and par. 2(9) of the Regulation on financial statements according to PZR).

2.3.6. Non-compliances and deficiencies in disclosures concerning revenue recognition

- Recognizing sales revenues not in line with the provisions of IAS 18 "Revenues" in the case when the company remains burdened with significant risk related to ownership (see paragraph 16 and 17 IAS 18 "Revenue");
- Incorrect recognition of revenues for agency in hotel services (see paragraph 8 IAS 18);
- No disclosures of amounts of significant revenue categories included in a given period (see paragraph 35 IAS 18).

2.3.7. Non-compliances and deficiencies in disclosures concerning accounting policies

- Incomplete disclosures of accounting policies concerning liability measurement due to options issued on non-controlling shares (see paragraph 10 -12 IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and par. 117 and par. 17(b) IAS 1 "Presentation of Financial Statements");
- No disclosure of specific accounting policies applied for inventory measurement constituting land, including the principles related to write-downs see. paragraph 112(a) and par. 117 -124 IAS 1);
- No disclosure of accounting policies applied with regards to related transactions resulting in non-recognition of intangible assets and a correction in equity (see paragraph 117 and par. 17(b) IAS 1);
- No disclosure of subjective judgements applied by the management in the process of applying accounting policies with regards to related transactions resulting in non-recognition of intangible

assets and a correction in equity (see paragraph 122 IAS 1 and par. 10 IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors");

- No description of subjective judgements by the management in the process of applying accounting policies of a company, and which have the most significant effect on amount recognized in the financial statements (see paragraph 122-124 IAS 1);
- Description of accounting principles policies concerning recognition (capitalization) of expenses for incomplete development works, inconsistent with principles adopted by the company (see paragraph 112(a) and 117 IAS 1 and par. 57 IAS 38 "Intangible Assets");
- Description of accounting policies concerning investment property and financial liabilities connected with discontinued operations, inconsistent with the principles adopted by the company (see paragraph 112(a) and par. 117 IAS 1 and par. 5 IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations").

2.3.8. Non-compliances and deficiencies in disclosures concerning deferred tax

- Doubts with regards to accounting for the criteria concerning the extent, to which assets are recognized due to deferred income tax (see paragraph 27-31 and 34-36 IAS 12 "Income Tax");
- No disclosure of kinds of evidence justifying asset recognition due to deferred income tax (see paragraph 82 IAS 12).

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

- No disclosure of factors adopted to identify reporting segments of the company (see paragraph 22 IFRS 8 "Operating Segments");
- No explanations on the method of measuring profit or loss of a segment (see paragraph 27 IFRS 8);
- No information on the extent unit to which the company is dependent on its major clients (see paragraph 34 IFRS 8).

2.3.10. Non-compliances and deficiencies in disclosures concerning related parties

- No disclosures on related party transactions (see paragraph 18, 19 and 21 IAS 24 "Related Party Disclosures").

2.3.11. Non-compliances and deficiencies in disclosures concerning presentation

- Presentation of receivables due to the subsidiary sale as a trade receivable (see paragraph 29 IAS 1 "Presentation of Financial Statements");
- Doubts with regards to the presentation as current assets (short-term), of investments in subsidiaries, used to carry out production operations and provide services (see paragraph 66 IAS 1);
- Presentation of receivables due to the sale of subsidiaries, payable in more than twelve months from the end of the reporting period as current assets (short-term) (see paragraph 66 IAS 1);
- No credit reclassification from non-current to current liabilities in connection with breaching the terms of the long-term investment contract (see paragraph 74 and par. 18 IAS 1);
- No restating of comparative data in connection with error correction from the previous period (see paragraph 42 IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors");
- No disaggregation of material items in the cash flow statement (see paragraph 29 IAS 1);
- No separate disclosure of cash flows due to income tax and their classification as cash flows from operational activities (see paragraph 35 IAS 7 "Statement of Cash Flow").

2.3.12. Non-compliances and deficiencies in disclosures concerning recognition and measurement

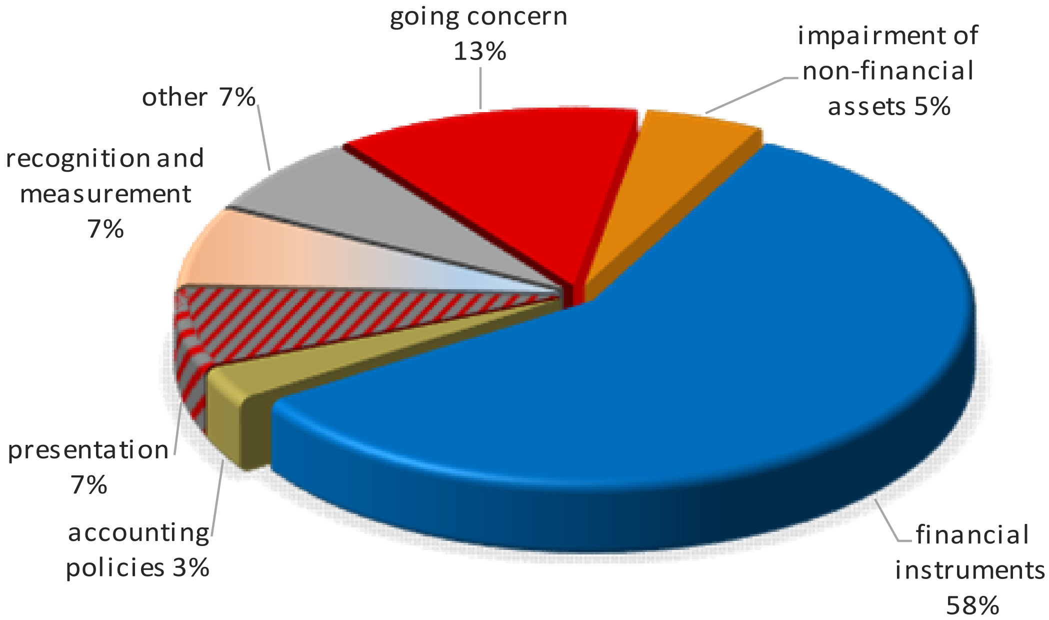
- No application of the same accounting (measurement) for each investment category (see paragraph 10 IAS 27 "Separate Financial Statements");
- Non-recognition of a provision due to claims arising after the balance sheet date, resulting from a breach of the assurances granted by the parent company and subsidiary in the sales contract (see IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; IAS 10 "Events after the Reporting Period"
- Not recognizing penalty debt interest (loan taken by the subsidiary) past due as of the end of the reporting period (see paragraph 47 in connection with par. 9 IAS 39 "Financial Instruments: Recognition and Measurement");
- Non-fulfillment of the criteria concerning the classification of asset components as held for sale (see paragraph 6 - 8 IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations);
- Maintaining a classification of asset components (group for sale) as held for sale despite the fact that the criteria specified in paragraphs 7-9 IFRS 5 are no longer met (see paragraph 26 IFRS 5).

2.3.13. Other inconsistencies and deficiencies in disclosures

- No disclosure of a description of the nature and purpose of the reserve capital being part of equity (see paragraph 79(b) IAS 1 "Presentation of Financial Statements");
- No disclosure of the value of inventory recognized as an expense during the period (par. 36(d) IAS 2 "Inventories");
- No disclosure of depreciation rates applied for each group of fixed assets (see paragraph 73 let. c IAS 16 "Property, Plant and Equipment");
- No disclosure of the reconciliation of amounts in the cash flow statement with equivalent items reported in the statement on financial position (see paragraph 45 IAS 7 "Statement of Cash Flow");
- No disclosure of the basic earnings per share for profit or loss from continuing operations, attributable to ordinary equity holders of the parent entity in a given period (see paragraph 66 IAS 33 "Earnings per share");
- No disclosure with regards to non-current assets qualified as held for sale, required by par. 41 IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
- Other shortages concerning additional information:
  - Missing cross-references to any relevant information included in additional information (see paragraph 112 and 113 IAS 1):
  - Missing notes needed for understanding the financial statements, including in relation to the cash flow statement items (see paragraph 112 and 113 IAS 1 and par. 50 IAS 7).

2.3.14. Non-compliances and deficiencies in disclosures concerning interim reporting

Chart 5. Areas of non-compliance identified as a result of the review conducted in 2016 - interim consolidated financial statements/financial statements of issuers for the periods of the financial year 2016



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

The observed non-compliances and deficiencies in disclosures, concerning the interim consolidated financial statements/interim financial statements of issuers, related to the following issues mostly connected with financial instruments, and also with the going concern, impairment of non-financial assets, recognition and measurement, as well as presentation of and accounting policy:

- Lack of/incomplete disclosures with regards to the existence of significant uncertainties concerning events or circumstances, which may give rise to serious doubts upon the entity's ability to continue as a going concern (see paragraph 25 IAS 1 "Presentation of Financial Statements");
- No separate presentation of material items in the cash flow statement (see paragraph 29 IAS 1);
- Insufficient disclosures concerning uncertainty of estimations as of the end of the reporting period, in connection with the conducted (unfinished) analyses and explanations concerning the value of the subsidiary's fixed assets (see paragraph 125 IAS 1 in connection with par. 15 and 15C IAS 34 "Interim Financial Reporting");
- Lack of impairment losses of assets belonging to a subsidiary, and lack of impairment losses of shares of this subsidiary (see IFRS 6 "Exploration for and Evaluation of Mineral Resources" and

IAS 36"Impairment of Assets");

- No determination (estimation) of the recoverable value of assets other than goodwill, belonging to the cash-generating unit, despite the existence of indications of impairment and the absence of any impairment loss attributable to the non-goodwill assets of this unit (see paragraph 90 and par. 104(b) IAS 36, considering par. 105-107 IAS 36 and in connection with par. 28 IAS 34);
- No supplementation of quantitative information with qualitative information concerning the risk related to financial instruments allowing users to connect the interrelated information and to better estimate the risk to the company (see paragraph 32A IFRS 7 in connection with par. 15 IAS 34);
- No disclosures of information on risk management connected with financial instruments (see paragraph 33 IFRS 7 in connection with par. 15 IAS 34);
- No disclosure of information on contingent assets as of the end of the reporting period, if the inflow of economic benefits is likely (see paragraph 15, 15C IAS 34 and par. 89 IAS 37);
- No analysis of the maturity of non-derivative financial liabilities or an analysis inadequate for the company's position (see paragraph 39(a) IFRS 7 and par. B11 Appendix B to IFRS 7 in connection with par. 15 IAS 34);
- A description of liquidity risk management and analysis of maturity dates of financial assets kept for the purposes of liquidity risk management, which are inadequate to the company's position (see paragraph 39(c) IFRS 7 and par. B11E-B11F of Appendix B to IFRS 7 in connection with par. 15 IAS 34);
- No disclosure of the sensitivity analysis for the interest rate risk (see paragraph 40 IFRS 7 in connection with par. 15 IAS 34);
- Incomplete assessment of the existence of objective evidence of an impairment loss of the granted loan (see IAS 39 "Financial Instruments: Recognition and Measurement");
- Not recognizing penalty interest on past due debt at the end of the reporting period (credit taken by the subsidiary) (par. 47 in connection with par. 9 IAS 39 and par. 28 IAS 34);
- Not qualifying assets as a disposal group (see paragraph 6-8 IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations");
- No disclosures with regards to past due financial assets and impaired financial assets (see paragraph 37 IFRS 7 "Financial Instruments: Disclosures");
- No disclosures of information on contingent liabilities, also due to guaranties (see paragraph 15, 15B let. m and par. 15C IAS 34 "Interim Financial Reporting" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets");
- No positions of management body along with the opinion of the supervisory body of the issuer referring to qualifications expressed by the entity authorized to audit financial statements in the review report or a disclaimer of report on the review of half-yearly financial statements, constituting an element of a periodic report (see paragraph 89(1)(9) of the Regulation on current and periodic information).

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

The purpose of this Chapter is to present selected issues related to regulations on financial reporting, useful both during financial statement preparation, as well as usage of the information contained therein.

3.1. Issues related to the ability to continue as a going concern

Again, we would like to point out that, in accordance with par. 3(1) of the Regulation on current and periodic information, periodic reports should include information reflecting the specificity of the described situation, and should be prepared in a true, fair and complete manner. Should the specificity of the events, to which a given periodic report pertains, require specifying additional information ensuring its true, fair and complete view, the issuer shall be obliged to disclose this information in a periodic report as stipulated in par. 3(2) of the aforementioned Regulation. In addition, on the basis of par. 3(3) of the aforementioned Regulation, the periodic reports provided by the issuer should be prepared in a way enabling investors to assess the impact of the presented information on the economic and financial position of the issuer.

Moreover, it should be noted that, pursuant to par. 15 of IAS 1 "Presentation of financial statements", financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues 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.

Due to the fact that there are cases of a threat to the entity's ability to continue as a going concern among issuers, the going concern-related issues, which we emphasized in the *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2015*[27]*, the Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2014*[28]*, the Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2013*[29] and *the Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2012*[30]*,* are still valid.

Economic conditions under which companies operate, give rise to a risk of omission, incompleteness or unfairness of financial statements of issuers in areas relating to, i.a., going concern, impairment of assets, risks related to financial instruments, deferred income tax, provisions. Again we would like to point out to the application of provisions, cited in the previous reports from analysis, of IAS 1 "Presentation of Financial Statements", IAS 36 "Impairment of Assets", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", as well as the provisions of IFRS 13 "Fair Value Measurement" and IAS 12 "Income Taxes".

Risks connected with financial instruments

Presence of liquidity risk is strictly connected with the issue of continuing as a going concern for which reason issuers should pay special attention to the scope and quality of disclosures in these areas. Both qualitative and quantitative disclosures (descriptions) should also be taken into consideration, which is described in par.32A IFRS 7: "supplementing quantitative information with qualitative information enables users to connect related information, and hence creating an overall picture of the nature and

[27] See chapter 3.1., page 44, of the report available on the website https://www.knf.gov.pl/Images/Raport_MSSF_2015_EN_tcm75-46907.pdf
[28] See chapter 3.1., page 46, of the report available on the website http://www.knf.gov.pl/en/Images/RAPORT_MSSF_2014_tcm81-41164.pdf
[29] See chapter 3.1., page 37, of the report available on the website http://www.knf.gov.pl/en/Images/Raport_MSSF_2013_tcm81-37593.pdf
[30] See chapter 3.1., page 27, of the report available on the website: http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf

extent of risk connected with financial instruments. The interdependence between qualitative and quantitative information contributes to disclosure in a manner enabling users to better estimate the risk to the company."

According to section 39 IFRS 7: "The Company discloses: (a) analysis of the maturity of non-derivative liabilities (including financial guarantees) presenting other contractual maturities, (b) maturity analysis of derivative financial liabilities; the maturity analysis covers the remaining contractual maturities for these derivative financial liabilities, for which contractual maturities are crucial to understand the moment of cash flows (see paragraph B11B) (c) description liquidity risk management appropriate for (a) and (b).

While fulfilling the above IFRS 7 requirements, attention should be paid to requirements specified in Appendix B constituting an integral part of IFRS 7, in particular:

➢ paragraph B11 IFRS 7, in accordance with which: "In preparing the maturity analyses required by paragraph 39(a) and (b), an entity uses its judgment to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

(a) not later than one month;

(b) later than one month and not later than three months;

(c) later than three months and not later than one year; and

(d) later than one year and not later than five years."

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

➢ paragraph B11F IFRS 7, indicating other factors which, the company may take into consideration, while making the disclosures required by paragraph 39 (c);

When preparing a maturity date analysis of financial liabilities, in accordance with par. B11 IFRS 7, the company is guided by judgment to determine an appropriate number of time bands, which means determining such time bands, which present the distribution of payments time most suitable for the issuer and accordingly its group. Not presenting bands shorter than 12 months, especially in a situation when the issuer has difficulties with liquidity, makes it impossible for the users of financial statements to assess the nature and scope of liquidity risk, i.e. achieving the goal, in which these disclosures are required. Excessively broad maturity bands of current liabilities, do not reflect the degree of concentration of payments over time, and the user is unable to assess what amounts are due at the beginning of the presented period, and which become due later in the period.

With regards to the description liquidity risk management, especially in the case of entities/groups with uncertainties related to the ability to continue as a going concern or with liquidity difficulties, a disclosure of the analysis of maturity dates of financial assets kept for the purposes of liquidity risk management is essential (par. B11E). It is necessary to present such disclosures so that it would be possible to state what financial assets are kept by the company as serving the purposes of risk management e.g. whether trade receivables are included therein.

For the same reasons, as in the case of the presentation of a maturity date analysis of financial liabilities, in accordance with par. 39 let. a and par. B11 IFRS 7 consideration is required, of the manner of information aggregation for the disclosure of the maturity date analysis of financial assets kept for the purposes of liquidity risk management, mentioned in par. B11E. It is justified that the presentation of time intervals with regards to financial liabilities and assets be consistent and enable the user to analyze and assess liquidity risk.

We would also like to stress that a presentation of a financial asset maturity analysis with a breakdown into past due time bands (intervals) mentioned in par. 37 IFRS 7 constitutes a fulfillment of the obligations with regards to disclosures related to credit risk and does not replace the fulfillment of obligations specified in the aforementioned regulations of par. 39 let. c and accordingly par. B11E IFRS 7, pertaining to liquidity risk.

At the same time, we would like to emphasize that, in accordance with the regulations of par. B6 IFRS 7 information, required under paragraphs 31-42 should be presented either in the financial statement, or incorporated by cross-reference from the financial statement, to another type of financial statement, e.g. statement of the management board. The provision indicates that the incorporation of information by cross-reference is possible only for statements available for users of the financial statement, on the same terms and day as in the case of the financial statement. We would especially like to draw issuer attention to compliance with the aforementioned requirements when preparing financial statements, accounting for the fact that, in accordance with the provision, without the information incorporated by cross-reference, the financial statements is incomplete. Issues related to the occurrence of risks concerning financial instruments, including in the scope of liquidity and credit risk, are of significant importance, especially in the case of issuers/ groups, where uncertainties are present, concerning the ability to continue as a going concern.

Deferred tax assets

In connection with the presence of the issue of recognition of deferred tax assets in opinions/reports from the review and in disclaimers of opinion/ review report by statutory auditors and discrepancies, confirmed during the analysis, in this respect, we would like to re-iterate the restrictions on recognizing deferred tax assets in the case of reporting tax losses or the occurrence of deductible temporary differences. We would like to remind about the requirements concerning the scope of recognition of deferred tax assets arising from the carry forward of unused tax losses (see paragraph 29 and 34 -36 IAS 12"Income Taxes") and the obligation to disclose the type of evidence justifying the recognition of these assets (see paragraph 82 IAS 12), discussed in more detail in the previous *Report on the review of financial statements by issuers of securities in the context of compliance with IFRSs. The review carried out in 2015.*

With regards to disclosures concerning issues related to going concern would like to draw your attention to the *ESMA Public Statement on improving the quality of disclosure* presented in chapter 3.6. of this report.

In its statements on European common enforcement priorities for 2015, 2014, 2013 and 2012 financial statements, the ESMA also pays particular attention to issues associated i.a. with recognition and measurement of deferred tax assets and disclosures related thereto, the impairment of non-financial assets, determining fair value and related disclosures, measurement of financial instruments, disclosures of the risk arising from financial instruments and provisions. It should be noted that the above issues are still of significance. Therefore, application, by issuers, of IFRS regulations in the aforementioned scope, apart from the topics of common European enforcement priorities for 2016 financial statements, shall still the object of our evaluation. ESMA Public Statement on common European enforcement priorities with regards to financial statements for 2016-2012 have been described in more detail in Chapter 3.6. of this report.

3.2. Issues related to impairment of non-financial assets

Results of the analysis conducted in 2016 indicate that, as before, greater attention should be paid to issues from the scope of non-financial assets' impairment, and consequently we would like to remind you the topics for consideration when preparing the financial statements in accordance with IFRS. Relevant regulations have also been discussed in previous reports i.e. the *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2015* and the *Report on the review of financial statements by issuers of securities in the context of their compliance with the IFRSs. The review carried out in 2013.*

Par. 130 IAS 36 "Impairment of Assets" determines the requirement of disclosure with regards to a single asset (including goodwill) or of the cash-generating unit, in the case of which, in a given period, impairment allowance has been recognized of, i.a., the following information:

- events and circumstances, which resulted in recognition or reversal of an impairment loss (see paragraph 130 let. and IAS 36),
- with regards to the cash-generating unit, i.a. a description of this unit (see paragraph 130 let. d IAS 36),
- recoverable value of an asset (of the cash-generating unit) and information whether recoverable

value of an asset (of the cash-generating unit) corresponds to its fair value less costs of sale or its value in use (see paragraph 130 let. e) and information concerning these values, specified accordingly in par. 130 let. f and g.

Par. 131 IAS 36 states that with regards to the aggregate impairment recognized (reversed) within the period, which had no information disclosed about it in accordance with paragraph 130, information should be disclosed, about the classes of assets to which the impairment pertained (let. a) and the the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses (let. b).

It is recommended to disclose the assumptions adopted for the purposes of determining the asset recoverable value (cash-generating units) within the period (see paragraph 132 IAS 36).

Furthermore, we would like to point out that in accordance with par. 134 IAS 36 the entity discloses information about estimates used for valuation of recoverable value with regards to every cash-generating unit (group of units), if the total carrying amount of goodwill assigned to a given unit (group of units), or intangible assets with indefinite useful lives is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives We would also like to remind you about the obligation to disclose the bases used for determining the recoverable value, i.e. the value in use or fair value less costs of disposal (see paragraph 134 let. (c) IAS 36) and disclosures concerning these values, specified accordingly in par. 134 let. d item i IAS 36 and par. 134 let. e item i IAS 36, including, i.a. key management assumptions.

Additionally, taking into account the relevance of issues in the scope of going concern, an important issue, when estimating the recoverable value of assets companies having difficulties with liquidity or under threat to the ability to continue as a going concern, is conducting a sensitivity analysis of this value on changes of assumptions. Therefore, it is necessary to comply with the requirements of par. 134 let. f) IAS 36, which determines disclosure requirements in the case "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 unit's (group of units') carrying amount to exceed its recoverable amount". In such a situation, this provision shall require disclosure of:

"(i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount.

(ii) the value assigned to the key assumption.

(iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount."

We would also like to draw attention to the requirement defined in par. 96 IAS 36, to test for impairment a cash-generating unit, to which goodwill has been allocated, as a result of a business combination during the current annual period. It should be noted that this provision requires that a given unit be subjected to an impairment test before the end of the current annual period.

Still valid are issues related to key management assumptions, constituting the basis for forecasts of cash flows (par. 33 -35 and 38 IAS 36), which we pointed out in the previous *Report on the review of the financial statements by issuers of securities in the context of their compliance with the IFRSs. The review carried out in 2015*[31].

Additionally, we would like to point out regulations of par. 39-53A IAS 36, which refer to the components of future cash flow estimates, e.g. it should be remembered that in accordance with par. 44, future cash flows concerning a given asset are estimated on the basis of its current condition, in connection with which, future cash flow estimate shall not include estimated future cash inflows or outflows that are expected to arise from: a) a future restructuring to which an entity is not yet committed; or b) improving or enhancing the asset's performance (see also par. 45 IAS 36).

As set forth in par. 53A IAS 36, Fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset (e.g. fair value does not reflect factors that would be generally available to market participants). In contrast, value in use reflects the effects of factors that may be specific to the entity and not applicable to entities in general.

[31] See chapter 3.2, page 45-46, of the report available on https://www.knf.gov.pl/Images/Raport_MSSF_2015_EN_tcm75-46907.pdf

In accordance with the definition in par. 6 IAS 36, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is cross-referenced to the provisions of IFRS 13 "Fair Value Measurement".

We would like to point out that the provision of par. 3 IFRS 13 states, i.a., that: when a price for an identical asset or liability is not observable, an entity shall measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs, as well as that when pricing fair value, assumptions are adopted, which would be used by market participants to measure the price of an asset or liability, including assumptions about risk.

According to section 63 IFRS 13: "In some cases a single valuation technique will be appropriate (…). In other cases, multiple valuation techniques will be appropriate (e.g. that might be the case when valuing a cash-generating unit). If multiple valuation techniques are used to measure fair value, the results (i.e. respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances."

3.3. Impact of new standards on financial statements consistent with IFRS

In the ESMA Public statement on European common enforcement priorities for 2016 financial statements, ESMA, as one of its priorities, indicated the disclosure of information on the impact of new standards, issued by the IASB, application of which is not yet mandatory, on financial statements consistent with IFRS (in particular the impact of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases"). The first two standards shall come into force on 1 January 2018, and IFRS 16 - on 1 January 2019

Considering that certain aspects of the new standards constitute a significant change as compared with applicable standards, it may affect recognition, measurement and presentation. In connection with the above, it is reasonable that the issuers prepare to meet the new requirements, as well as disclose relevant information on their expected impact, in accordance with par. 30 and 31 IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", as soon as such impact (direction, scale) shall be known to them or its reliable estimation shall be possible.

We would like to point out that the ESMA published separate statements on implementation of IFRS 15 [32] and IFRS 9[33], discussed in more detail in Chapter 3.6. of this report, where issuers are recommended take these statements into account when preparing annual financial statements for 2016 and interim financial statements for 2017. Issuers should, as they acquire information and data, gradually present, in subsequent reporting periods, increasingly more qualitative and accordingly quantitative information on the effect (or impact scale) of the application of the new standards by a given company.

3.4. New components of periodic reports

We would like to point out to the issuers that the provisions of the *Regulation on current and periodic information*[34] introduce a requirement of presentation as part of periodic reports subject to audit/review by the entity authorized to audit financial statements, additional elements in case the entity issued a qualified opinion, an adverse opinion, or a disclaimer of opinion (accordingly, a review report, or a disclaimer of report on the review), i.e.:

- in accordance with regulations of par. 91(1)(9), par. 92,(1)(8) of the *Regulation on current and periodic information* annual report/consolidated annual report includes i.a.: a position of the management body, along with the opinion of the supervisory body of the issuer, referring to the

[32] ESMA Public Statement is available on the website: https://www.ESMA.europa.eu/sites/default/files/library/2016-1148_public_statement_ifrs_15.pdf

[33] ESMA Public Statement is available on the website: https://www.esma.europa.eu/sites/default/files/library/2016-1563_public_statement-issues_on_implementation_of_ifrs_9.pdf

[34] Regulation of the Minister of Finance of 25th May 2016 amending the Regulation on current and periodic information provided by issuers of securities and the conditions for recognition of information as equivalent, required by law of a non-member state (Journal of Laws of 2016, item 860)

qualified opinion, an adverse opinion, or a disclaimer of opinion, issued by the entity authorized to audit financial statements opinions, with regards to the audited financial statements /consolidated financial statements, and indicating qualitative and quantitative impact on the financial statements/consolidated financial statements, and other financial data, each time presenting the evaluation of importance, as well as presenting activities undertaken or planned by the issuer, in connection with the current situation,

- in accordance with regulations of par. 89(1)(9) and par. 90(1)(7) of the *Regulation on current and periodic information*, half-yearly report/consolidated half-yearly report includes i.a.: a position of the management body along with the opinion of the supervisory body of the issuer, referring to qualifications expressed by the entity authorized to audit financial statements in the review report, or a disclaimer of report on the review and indicating the quantitative and qualitative impact on the financial statements/consolidated financial statements, and other financial data, each time presenting the evaluation of importance, and activities undertaken or planned by the issuer, in connection with the current situation.

3.5. Issues related to limitation on the scope of the audit

Issues related to limiting the scope of the audit including also in connection with failure to audit financial statements of subsidiaries, discussed in more detail in the previous reports: the *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2015,* the *Report on the review of financial statements by issuers of securities in the context of their compliance with IFRSs. The review carried out in 2014,* remain valid.

Considering the numerous cases indicating a lack of the possibility for statutory auditors to obtain reasonable assurance that material items of audited financial statements are reliable, we would like to reiterate that the issuers should make every effort to disclose to the statutory auditor auditing/reviewing the financial statements its accounting books and documents, as well as provide exhaustive information, explanations and statements allowing them to apply suitable procedures of the audit/review, and consequently, obtain sufficient and appropriate evidence, which in their opinion are indispensable to express a reliable opinion on the audited financial statements or, accordingly, to issue a report on the financial statements review.

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

On the basis of Regulation no. 1095/2010 on establishing the European Securities and Markets Authority (ESMA)[35], ESMA undertakes, i.a., activities in the scope of financial reporting, so as to ensure effective and consistent application of EU regulations on transparency of information about issuers, whose securities are admitted to trading on the regulated market. In accordance with Art. 16(3) of the aforementioned regulation, the competent authorities and participants of the financial market shall make every effort to comply with the guidelines and recommendations issued by the ESMA. The PFSA is a member of ESMA.

The Corporate Reporting Standing Committee (CRSC) deals with the issues related to, i.a., financial reporting and accounting. One of the tasks of the CRSC is coordinating the actions taken by national competent supervisory authorities of the European Economic Area (EEA) in the scope of oversight with regards to compliance of the financial information with the IFRS, to ensure their consistent application within the EEA. This area is the object of works of the European Enforcers Coordination Sessions (EECS), which has been appointed as a permanent work group under the auspices of the CRSC. Under the EECS information is exchanged on the decisions and applied practices with regards to enforcement over financial information of the issuers from the regulated market. An important aspect of activities is the database kept by the EECS, to which enforcers transfer information on decisions made under enforcement over compliance of issuers' financial statements with the IFRS. Uniform application of the IFRS within the EEA is assured by publishing on the ESMA website, packages containing selected decisions from the EECS data base.

ESMA acknowledges that preparing accounting standards and issuing reliable explanations with

[35] Regulation of the European Parliament and the European Council (EU) No. 1095/2010 of 24th November 2010 on establishing a European Supervisory Authority (European Securities and Markets Authority) amendments to decision no. 716/2009/EC and repealing Commission Decision 2009/77/EC (Official Journal of EU no. L 331, of 15th December 2010, page 84), as amended.

regards to the manner of using the IFRS, rests with the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC).

On the website http://www.esma.europa.eu/, ESMA published the following documents:

- **Public Statement. European common enforcement priorities for 2016 financial statements**[36] (ESMA/2016/1528, 28 October 2016) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library)

  As every year, ESMA together with national enforcers, has identified issues concerning financial reporting, which should be the object of special attention of issuers and the statutory auditors, respectively, during the preparation and auditing of financial statements compliant with the IFRS for the year ending on 31 December 2016.

  While monitoring and assessing the application of all relevant IFRS requirements, ESMA and national enforcers shall pay particular attention to enforcement priorities.

  Common priorities with regards to financial statements for 2016 include the following subject matter:

  - presentation of financial performance (IAS 1 "Presentation of Financial Statements", IFRS 8 "Operating Segments", IAS 12 "Income Tax", IAS 19 "Employee Benefits", IAS 23 "Borrowing Costs", IAS 33 "Earnings per Share", ESMA Guidelines on alternative performance measures);
  - distinguishing equity instruments from financial liabilities (IAS 1, IAS 32 "Financial Instruments: Presentation", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IFRS 7 "Financial Instruments: Disclosures");
  - disclosing information on the impact of new standards on financial statements consistent with IFRS (IAS 8).

ESMA and national supervisory authorities have chosen the aforementioned common priorities for 2016 due to the recurrence of these issues in the examination of financial statements, and the estimated significant amendments to be introduced to current accounting principles as part of the new requirements. ESMA reminds that prior to disclosing additional information issuers should consider their relevance and usefulness.

ESMA points out the IFRS requirements regarding presentation and disclosure related to financial performance, including the new provisions of par. 55A and 85A IAS 1 concerning line items, groups of line items and subtotals presented in the financial statements. In addition, particular attention should be paid to presenting earnings per share and disclosures required by IFRS 8.

The Public Statement emphasizes the weight of distinguishing equity instruments and financial liabilities on the grounds of IAS 32. ESMA draws attention to par. 15, 16, 22 and 25 IAS 32 concerning the classification of financial instruments as equity or liability. In addition, par. 117 let. b), and par. 122 IAS 1 shall apply, which require the disclosure of accounting policies and judgments of the entity's management, including such concerning the classification of financial instruments.

ESMA also points to the provision of par. 30 IAS 8, which requires disclosures concerning new standards that are not yet effective, in the context of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

ESMA indicates that, along with the enforcers, it shall continue to assess significant issues included in the previous common European enforcement priorities.

While presenting the European priority enforcement areas, it should also be considered that when selecting issuer financial statements for periodic review conducted by the PFSA, apart from the indicated areas, high priority is given to the criterion of the presence of qualifications in the opinions on the examined financial statements, an adverse opinion or a disclaimer of opinion, as well as cases of going concern threats.

- **Public Statement. Issues for consideration in implementing IFRS 9: Financial Instruments** (2016/ESMA/1563, 10 November 2016) (www.esma.europa.eu, tab: Rules,

[36]ESMA Statement translated into Polish is available on the website:
http://www.knf.gov.pl/Images/EWPN_2016_tlumaczenie_13122016_tcm75-48844.pdf

Databases & Library / ESMA Library)

In connection with the approval of IFRS 9 "Financial Instruments" for application within the European Union, ESMA prepared a statement in order to promote consistent application of this standard and highlight the need of notifying the users of financial statements about the effects of applying IFRS 9. The statement includes i.a. a list with examples of good practices for 2016 financial statements, interim statements for individual periods of 2017, and 2017 financial statements, in the scope of disclosures concerning future application of IFRS 9.

- **Public Statement. Issues for consideration in implementing IFRS 15: Revenue from Contracts with Customers** (ESMA/2016/1148, 20 July 2016) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library)

In connection with the approval of IFRS 15 "Revenue from Contracts with Customers" for application within the European Union, ESMA prepared a statement in order to promote a consistent application of this standard and highlight the needs of notifying the users of financial statements about the effects of applying IFRS 15. The statement includes i.a. a list with examples of good practices for 2016 financial statements, interim statements for the individual periods of 2017, and 2017 financial statements, in the scope of disclosures concerning future application of IFRS 15.

- **Feedback Statement on the Consultation Paper on the Regulatory Technical Standard on the European Single Electronic Format (ESEF)** (ESMA/2016/1668, 21 December 2016) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library)

According to Art. 4(7) of the Transparency Directive, effective as of 1 January 2020, all annual financial statements, prepared in accordance with the IFRS are to be in a single electronic reporting format. The digital format is supposed to i.a. allow the users of financial statements to analyze and compare large amounts of information by way of computer software.

The Feedback Statement, includes a summary of the answers obtained by ESMA during consultations concerning the technical standard regulatory project on the European Single Electronic Format (*ESEF Regulatory Technical Standard).*

- ESMA Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2015 (ESMA/2016/410, 29 March 2016) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

- **Public Statement. European common enforcement priorities for 2015 financial statements**[37] (2015/ESMA/1608, 27 October 2015) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library)

Common European enforcement priorities with regards to financial statements for 2015 include the following subject matter:

- impact of financial market conditions on financial statements (IAS 1 "Presentation of Financial Statements", IAS 36 "Impairment of Assets", IAS 19 "Employee Benefits", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS 7 "Financial Instruments: Disclosures", IFRS 12 "Disclosure of Interest in Other Entities");
- cash flow statement and related disclosures (IAS 7 "Statement of Cash Flows"); and
- valuation of fair value and related disclosures (IFRS 13 "Fair Value Measurement", IFRS 3 "Business Combination", IAS 40 "Investment Property", IFRS 5 "Non-current assets Held for Sale and Discontinued Operations").

ESMA points out i.a. high volatility of interest rates, their low or negative values, which should be reflected in the input data in valuation models, including the discount rate used in accordance with par. 55 IAS 36, par. 47 IAS 37 and par. 83 IAS 19. In addition, the high volatility and low price risk, as well as exchange rate risk, and risks connected with a given state may be of special importance for certain assets.

Emphasis has been given to the critical importance of the cash flow statement, for understanding and analyzing issuer financial information. ESMA points out the issues related to the classification of cash

[37] ESMA Statement translated into Polish is available on the website: http://www.knf.gov.pl/Images/wersja_polska_2015_ESMA1608_tcm75-43665.pdf

flows and disclosure requirements, including judgments exercised during the classification. Also pointed out, was the issue of appropriate application of the cash flow equivalent definition in accordance with par. 6-8 IAS 7.

ESMA also noticed the need of improvement with regards to assets and liabilities measured at fair value and related disclosures, including in light of IFRS 3, IAS 40 and IFRS 5. ESMA also expects issuers to submit useful information also when fair value is determined by third parties, including disclosures on valuation techniques and input data in accordance with par. 93(d) IFRS 13.

In addition, apart from common priorities for 2015, ESMA included in its Statement, detailed references to common priorities for 2014 (application of the so-called "consolidation package", in particular IFRS 10, IFRS 11 and IFRS 12) and to disclosures on possible impact of new standards on financial statements of issuers, in particular IFRS 9 "Financial instruments" and IFRS 15 "Revenues from Contracts with Customers" (IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors").

ESMA calls upon issuers preparing annual financial statements and statutory auditors of the statements to take into consideration the ESMA Public Statement on common enforcement priorities along with the ESMA Public Statement on improving the quality of disclosures[38].

- **Public Statement. Improving the quality of disclosures in the financial statements**[39] (2015/ESMA/1608, 27 October 2015) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library)

ESMA issued the Public Statement to promote improving the quality of disclosures in financial statements prepared in accordance with IFRSs. ESMA emphasizes the need to:
- present concise and clear disclosures based on important facts, specific for a given entity that are necessary to understand its financial performance and position;
- avoid boilerplate disclosures and language;
- promote enforcement of good practices among issuers and consideration of provisions of above-mentioned ESMA Public Statement in enforcement practice.

Furthermore, ESMA encourages issuers to consider how to improve disclosures through focus on disclosures which are material and relevant and also by increasing their readability and consistency.

ESMA Guidelines on Alternative Performance Measures[40] (ESMA/2015/1415pl, 5th October 2015); came into force on 3rd July 2016, - published also in Polish (www. www.esma.europa.eu, tab: Rules, Databases & Library /ESMA Library)

ESMA guidelines relate to alternative performance measures in prospectuses and regulated information. They are addressed to:
- issuers of securities admitted to trading on the regulated market, who are obliged to publish regulated information; in accordance with Transparency Directive;
- persons responsible for prospectus;
- regulated-market enforcers.

After a thorough analysis regarding application of Guidelines on alternative performance measures, PFSA notified ESMA of the intention of application of the Guidelines.

Information about the ESMA Guidelines on Alternative Performance Measures was published on the PFSA'a website - in the News tab on the home page and respectively in the: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

- Opinion. Application of IFRS requirements in relations to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts[41] (2015/ESMA/1462, 25th September 2015) (www. esma.europa.eu, tab Databases & Library /ESMA Library)

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[38] Public Statement on improving the quality of disclosures in the financial statements, 2015/ESMA/1608, 27th October 2015

[39] ESMA Public Statementis available on the website: https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-esma-1609_esma_public_statement_-_improving_disclosures.pdf

[40] Guidelines of ESMA in Polish are available on the web site: https://www.esma.europa.eu/system/files_force/library/2015/10/2015-esma-1415pl.pdf

[41] Opinion of ESMA is available on website: https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-1462_esma_opinion_on_accounting_for_deposit_guarantee_scheme.pdf

The ESMA Opinion relates to the accounting treatment of the fees paid to the deposit guarantee scheme in light of requirements of the IFRS

Information about the Opinion of the ESMA has been published on the web site of PFSA – in the News tab on the home page and respectively in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

- Consultation Paper. Consultation Paper on the Regulatory Technical Standards on the European Single Electronic Format (ESEF) (2015/ESMA/1463, 25th September 2015) (www.esma.europa.eu, tab: Databases & Library /ESMA Library)

- Final Report. Draft Regulatory Technical Standards on European Electronic Access Point (EEAP) (ESMA/2015/1460, 25th September 2015) (www.esma.europa.eu, tab: Databases & Library /ESMA Library)

- **Public Statement. European common enforcement priorities for 2014 financial statements**[42] (ESMA/2014/1309, 28th October 2014) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

European common enforcement priorities for 2014 financial statements presented in the ESMA Public Statement, include the following subjects:

- ➢ preparation and presentation of consolidated financial statements and related disclosures (IFRS 10) – *issuers are expected to carefully explain the judgements made about the existence of control;*
- ➢ type of the risk connected with shares of an entity in structured entities and disclosures (IFRS 12);
- ➢ financial reporting by entities which have joint arrangements and related disclosures(IFRS 11);
- ➢ recognition and measurement of deferred income tax (IAS 12);
- ➢ disclosure of accounting policies relating to significant uncertain tax positions, in accordance with paragraph 117 and 122 IAS 1.

Additional areas indicated in ESMA Public Statement that should be taken into account are:

- ➢ particular issues connected with the banking sector (in light of the European Central Bank's Comprehensive Assessment, including Asset Quality Review) - explanation of significant influences of Asset Quality Review on financial statements;
- ➢ conclusions included in the ESMA Report (ESMA ESMA/2013/1664, 18th November 2013) on comparability of financial statements of financial institutions in Europe *(description below);*
- ➢ disclosures in financial statements - cannot be boilerplate; they shall describe relevant and the specific character of the entity; they shall be clear and complete.

- **ESMA Guidelines on enforcement of financial information***[43]* (ESMA/2014/1293pl, 28th October 2014); came into force on 29th December 2014 – also published in Polish (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

ESMA Guidelines relate to the scope of enforcement, selection methods (selection) of financial statements of issuers subject to review, examination procedures, enforcement actions, European coordination and reporting on enforcement activities.

After a thorough analysis regarding application of Enforcement Guidelines, the PFSA informed ESMA of the intention of application of the Guidelines. For this purpose, activities were conducted, particularly legislative activities, in order to enable full application of all Guidelines.

Information about ESMA Guidelines on enforcement of financial information has been published on the web site of PFSA - in the News on the home page and respectively in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

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

[43] Guidelines of ESMA in Polish are available on the web site: https://www.esma.europa.eu/sites/default/files/library/2015/11/2014-esma-1293pl.pdf

ESMA Report. Review on the application of accounting requirements for business combinations in IFRS financial statements (ESMA/2014/643,16th June 2014) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

Information about the ESMA Report on the application of accounting requirements for business combinations in IFRS financial statements has been published on the web site of PFSA - in the News on the home page and respectively in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

Review of Accounting Practices. Comparability of IFRS Financial Statements of Financial Institutions in Europe (ESMA/2013/1664, 18th November 2013) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

The report presents a review of reporting practices of European financial institutions in selected areas related to financial instruments. Evaluation of comparability level and quality of disclosures in financial statements for 2012 was presented, prepared in accordance with IFRS by 39 major European financial institutions. The report contains recommendations concerning improvement of transparency of financial information through application of IFRS regulations. Reviewed areas included: structure and content of income statement, liquidity and funding including effects of encumbrances of the assets, hedging and usage of derivatives, credit risk with focus on credit risk management, practice concerning forbearance (e.g. debt restructuring, re-negotiation of contracts, restraining from actions, etc.), non-performing loans and risk concentration owing to country, criteria used to assess impairment of equity financial instruments classified as available for sale.

Information about the ESMA Report on comparability of financial statements of financial institutions has been published on the website of PFSA – in the News on the home page and respectively in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

ESMA Public Statement. European common enforcement priorities for 2013 financial statements [44] (ESMA/2013/1634, 11th November 2013) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

European, common enforcement for 2013 financial statements presented in ESMA Public Statement include the following topics:

- impairment of non-financial assets;

ESMA included the topic of impairment of non-financial assets in European common enforcement priorities for 2013 financial statements and focus was given to the following areas:

- cash flow projections: As pointed out in par. 33(a) of IAS 36, greater weight should be given to external evidence when management determines its best estimate of cash flow projections. Par. 34 of IAS 36 states that management should assess the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows and ensure consistency of the current cash flow projections with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate.

- key assumptions: In the case of the value in use, paragraph 134(d)(ii) IAS 36 requires that the management explained the adopted method of value estimation assigned to particular key assumptions. As a result, the users are able to understand whether those values are consistent with external sources of information or to what extent and why they differ from foregoing experience and external information sources. ESMA believes that access to disclosures specific for a given entity disaggregated at the proper level is particularly important for users of financial statements, and thus encourages issuers to improve quality of disclosures in this respect. ESMA also notices that this kind of assumptions should include more than long-term growth rates and discount rates.

- the sensitivity analysis: In accordance with paragraph 134(f) IAS 36 disclosures aiming to

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

facilitate determination of safety margin for the users and estimation of the determination's sensibility to changes of one or several key assumptions adopted during establishment of recoverable amount should be performed. ESMA reminds the issuers that disaggregated disclosures with division into significant cash generating units (CGUs) or groups of CGUs should be presented in the financial statements with regard to applied long-term growth rate, discount rate and key operational assumptions (e.g. revenue growth).

- measurement and disclosure of post-employment benefit obligations;

ESMA reminds about importance of disclosure of important actuarial assumptions used for determination of the present value of obligation under specified benefit and related sensitivity analysis in accordance with paragraphs 144-145 IAS 19 "Employee benefits". As the discount rate is usually treated as a significant actuarial assumption, ESMA expects disclosure of any important judgments performed by the management during its determination in accordance with 122 IAS 1. Additionally, issuers should present disaggregated information on programs and fair value of assets of the program in the event when the risk level connected with these programs is different as required in paragraphs 138 and 142 IAS 19.

- fair value measurement and disclosure;

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

- disclosures concerning significant accounting policies, judgments and estimates;

ESMA points out the following requirements of IFRS in terms of disclosures, quality of which - according to ESMA - could be improved:

- Par. 117 of IAS 1 requires disclosure of a summary of significant accounting policies. ESMA notes that significant accounting policies could be included in the financial statements in the most appropriate order for the issuer, starting with those policies considered most material and relevant as well as highlighting any options chosen in their application, when allowed.
- ESMA expects issuers to disclose subjective judgments made by the management, which have the most significant influence on amounts included in the financial statement, in accordance with the requirements of paragraph 122 IAS 1.
- Paragraph 125 IAS 1 requires disclosure of uncertainty sources with a significant risk of resulting in material adjustments in the next financial year. ESMA reminds that they should be regularly reviewed in order to ensure that they are adequate for each set of financial statements.
- ESMA reminds about requirements stipulated in paragraph 25 IAS 1 concerning disclosure of uncertainties concerning events and circumstances that might cast doubt upon entity's ability to continue as a going concern.
- In accordance with examples provided in paragraph 129 IAS 1, ESMA expects issuers to present sensitivity of carrying amounts on methods, assumptions and estimations being the basis for their calculation, including specification of reasons of this sensitivity.
- ESMA stresses that disclosure of new standards, which were issued, but have not yet effective as required in paragraph 30 IAS 8, is relevant in the case when the new standard may have a significant impact on financial statements (which may take place in 2013 in the case of many issuers in connection with IFRS 10 "Consolidated Financial Statements" and /or IFRS 11 "Joint Arrangements") or when the influence is unknown, as required in paragraph 31 IAS 8.

- measurement of financial instruments and disclosure of risk related to them, in particular appropriate for financial institutions.

Particularly important issues for financial statements for the financial year ending on 31st December

2013 are: general disclosures, impairment of financial assets, practices concerning *forbearance* and credit risk as well as liquidity risk. ESMA expects disclosures from issuers in terms of liquidity risk at the level of specificity, corresponding to their risk profile in order to make it possible for users to obtain a complex image of liquidity risk and financial needs of an entity, as well as their changes in time, in accordance with the requirements of paragraph 39 IFRS 7. Particularly, issuers should disclose an appropriate number of time bands while preparing the maturity analysis, as stipulated in paragraph B11 IFRS 7, as well as disclose maturity analysis of financial assets held for the purposes of liquidity risk management as required in paragraph B11E IFRS 7.

- Feedback Statement. Considerations of materiality in financial reporting (ESMA/2013/218, 14th February 2013) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);
- **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: Rules, Databases & Library / ESMA Library);

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

- key assumptions of the management: ESMA tries to convince issuers to disclose all key assumptions and to discuss the approach adopted by the management for determination of these assumptions impairment testing;

- sensitivity analysis: in the case of issuers whose carrying amount of net assets exceeded their market value, only half presented sensitivity analysis. ESMA states that this number appears low because the above constitutes an indication that the impairment could take place. ESMA would expect greater transparency level and disclosure of sensitivity of the impairment calculations on changes in the key assumptions from the issuers. ESMA persuades issuers to perform realistic estimates when determining possible changes in key assumptions that would cause the carrying amount of the cash generating unit to exceed its recoverable amount;

- measurement of recoverable amount: ESMA would expect that during measurement of fair value less costs to sell with the use of discounted cash flows, greater attention will be paid to external sources of information than on assumptions specific for units;

- determination of growth rate: ESMA persuades issuers to present realistic estimates of future growth rates that correspond to predictions concerning economic development;
- discount rate disclosures: 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 a single average discount rate, issuers potentially obscure information that may be relevant to financial statement users.

Information about ESMA's Report from the review in terms of impairment of goodwill and intangible assets with undefined period of use has been published on the web site of PFSA – in the News on the home page and accordingly in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

Public Statement. Treatment of Forbearance[45] **Practices in IFRS Financial Statements of Financial Institutions** (ESMA/2012/853, 20 December 2012) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

The statement is focused on three areas:

- forbearance and objective evidence of impairment: ESMA is of the view that the indicators of objective evidence of impairment in IAS 39 cover forbearance measures, even though IFRSs do not use the term "forbearance". The practice of extending forbearance measures constitutes an objective indicator that requires assessing whether an 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 to which actions in terms of forbearance refer. Since actions in terms of forbearance are an objective evidence of impairment, as soon as such action was identified, in accordance with paragraph 59(c) IAS 39, the issuer evaluates whether that event causing the loss had influence on estimated future cash flows connected with financial asset component. Due to the fact that measures in terms of forbearance are taken towards the borrowers who experience financial difficulties, ESMA believes that issuers should use higher level of skepticism during estimation of future cash flows, value of the collateral and other parameters used in calculating impairment of forborn financial assets, which were subject to forbearance;

- disclosures in financial statements prepared in accordance with IFRS: ESMA asks for publishing a wide range of quantitative and qualitative disclosures that should provide sufficient information for the users of financial statements, among others, about activities in terms of forbearance and their influence on results and financial situation as well as information enabling users to assess the impact in terms of forbearance on the profile of credit risk of credit portfolios and their impairment.

In connection with involvement in assets to which forbearance refers and its effects, financial institutions (and other to which this phenomenon refers) and their expert auditors, preparing and adequately examining financial statements, prepared in accordance with IFRS, starting from the financial year ending on 31st December 2012, should pay due attention to the ESMA Public Statement.

Information about ESMA Public Statement on forbearance was published on the website of PFSA – in the News on the home page and accordingly in: O NAS / Współpraca międzynarodowa / Europejski System Nadzoru Finansowego tabs, as well as in: Regulacje / Praktyka / Dokumenty ESMA tabs.

- **Public Statement. European common enforcement priorities for 2012 financial statements**[46] (ESMA/2012/725, 12th November 2012) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

Common European priorities for 2012 annual financial statements:

- financial instruments: instruments subject to risk, sovereign debt, impairment of financial assets, disclosures concerning renegotiated debt (IAS 39, IFRS 7, IAS 1);
- impairment of non-financial assets (IAS 36);
- measurement of post-employment benefit obligations (IAS 19);
- provisions (IAS 37).

[45] More information about forbearance - See:
- *Reports of the Advisory Scientific Committee of the European Systemic Risk Board "Forbearance, resolution and deposit insurance", July 2012,*
http://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_l_1207.pdf?73e625e8c964c70654f862e73ccc983b ;
- *EBA FINAL draft Implementing Technical Standards On Supervisory reporting on forbearance and non-performing exposures under article 99 (4) of Regulation (EU) No 575/2013 (EBA/ITS/2013/03/revl), 24th July 2014,* http://www.eba.europa.eu/documents/10180/449824/EBA-ITS-2013-03+Final+draft+ITS+on+Forbearance+and+Non- performing+exposures.pdf

[46] More information about position of ESMA – see report of analysis conducted in 2012:
http://www.knf.gov.pl/en/Images/Raport_MSSF_2012%20do%20publikacji_EN_tcm81-34334.pdf
ESMA Staement translated into Polish is available on the website:
http://www.knf.gov.pl/Images/Priorytety_nadzorcze_ESMA_tlumaczenie_09_01_2013_tcm75-33028.pdf

- *Summary of Responses. Considerations of materiality in financial reporting* (ESMA/2012/525, 16th August 2012) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);
- *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: Databases & Library /ESMA Library);
- *Public Statement. Sovereign Debt in IFRS Financial Statements* (ESMA/2011/397, 25th November 2011) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

Review of European enforcers on the implementation of IFRS 8 - Operating Segments (ESMA/2011/372, 9th November 2011) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);

- *Public Statement. ESMA Statement on Disclosures related to sovereign debt to be included in IFRS financial statements* (ESMA/2011/226, 28th July 2011) (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library);
- **Nineteen extracts from the EECS's Database of Enforcement** *(Extracts from the ECCS's Database of Enforcements*), containing decisions of enforcerfs of the European Economic Area regarding supervision over the application of IFRS (www.esma.europa.eu, tab: Rules, Databases & Library / ESMA Library); publication of packages will be continued.

3.7. The most recent changes related to application of IFRSs, announced in 2016

In accordance with Article 3(1) of the Regulation (EC) no 1606/2002[47] The European Commission decides upon application of international accounting standards in the Community. Article 3(4) of the aforementioned Regulation states that approved international accounting standards will be published in full in each of the official languages of the Community as Regulation of the Commission, in the Official Journal of the European Community.
In accordance with the requirements of paragraph 10-12 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 judgment in developing and applying an accounting policy (…).

In making the judgment, 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 point out that while making the judgement the management of the entity may consider provisions of the Act on Accounting and national accounting standards issued by the Accounting Standards Committee, however, only when the conditions of IAS 8 were met.
We would also like to remind that, when initial application of an IFRS 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 the disclosures required by par. 30 of IAS 8 (cf. also par. 31 of IAS 8)

In the Public Statement on the European common enforcement priorities for 2016 financial statements, ESMA indicated disclosure of information on the impact of new standards on financial

[47] Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19th July 2002 on the application of international accounting standards (Official Journal of WE no. L 243, of 11th September 2002, page 1; Official Journal EU Polish special edition, Chapter 13, t. 29, page 609);
Corrigendum to the Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19th July 2002 on the application of international accounting standards (Official Journal of EC L 216 of 21.08.2007, page 32);
Regulation (EC) no. 297/2008 of the European Parliament and the Council of 11th March 2008 amending Regulation (EC) No. 1606/2002 on the application of international accounting standards with regard to implementing powers conferred to the Commission (Official Journal of EU L 97 of 9.4.2008, page 62).

statements consistent with IFRS (in particular impact IFRS 9 "Financial instruments" and IFRS 15 "revenues from contracts with clients" and IFRS 16 "Leasing") as one of its priorities.

In 2016, 3 regulations of the European Commission have been announced, accepting amendments to IFRSs:

1) Commission Regulation (EU) 2016/2067 of 22nd November 2016 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 9

   All entities apply IFRS 9 at the latest at the beginning of the first financial year starting on 1st January 2018 or later.

2) Commission Regulation (EU) no. 2016/1905 of 22nd September 2016 amending the 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 15

   All entities apply IFRS 15 at the latest at the beginning of the first financial year starting on 1st January 2018 or later.

3) Commission Regulation (EU) no. 2016/1703 of 22nd September 2016 amending the 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 the International Financial Reporting Standards 10 and 12 and International Accounting Standard 28.

   All entities apply amendments to IFRS 10, IFRS 12 and IAS 28 at the latest at the beginning of the first financial year starting on 1st January 2016 or later.

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

http://ec.europa.eu/finance/company-reporting/index_en.htm
(tab: IFRS financial statements/standards and interpretations/legal framework/Individual regulations adopting IFRSs)

http://eur-lex.europa.eu/oj/direct-access.html

or through the website of the Ministry of Finance (www.mf.gov.pl, tab: Activity /Accounting /International Accounting Standards /Regulations of European Commission adopting certain, international accounting standards).

4. CONCLUSIONS

This report identifies areas of non-compliance with applicable reporting framework, in particular the IFRS, in financial statements of issuers. Although the review indicates slight improvement, areas where improvement is still necessary are present, such as: financial instruments and related risks, going concern, impairment of non-financial assets, consolidation and business combinations, deferred tax and revenue recognition. These topics concern the issues covered by European common enforcement priorities, identified by ESMA. In addition, the need of improvement of the quality of disclosures relevant to understanding the financial position and performance of issuers and their groups can still be noticed, which is also discussed in the ESMA Public Statement on improvement of quality of disclosures.

The review of financial statements of securities issuers other than investment funds conducted in 2016 by the Accounting Department of the Public Offerings and Financial Information Department of PFSA showed that issues to which qualifications of entities authorized to audit related, expressed in opinions on the reviewed consolidated financial statements / financial statements of the issuers for the financial year 2015 and respectively in the review reports, consolidated financial statements /financial statements for 1st half of the financial year 2016, related to issues particularly connected with: going concern financial instruments, impairment of non-financial assets, consolidation and business combinations, deferred tax and revenue recognition. Disclaimers of opinion / report related to going concern and topics regarding threats to the ability to continue as a going concern.

The cyclical publication of reports on review aims at contributing to a consistent application of the applicable financial reporting framework and allowing the issuers to increase compliance with the requirements related to reporting, in particular the requirements of the IFRSs. An increase in the quality of financial statements prepared by the issuers shall contribute to improving the transparency of financial information useful for the decision-making process of investors and other users of these reports, and shall therefore facilitate the evaluation of the financial position and performance of issuers and that of their groups, as well as an increase of investors trust in financial reporting. It is envisaged that an increase of the quality of financial statements would also be reflected in a reduced number of qualified opinions on the audited financial statements/ qualified reports on the audited financial statements, as well as in a reduced number of a disclaimer of opinion/report issued by the entity authorized to audit financial statements, conducting an audit or, accordingly, a review.

We note once again that additional factor that could result in a reduction of the number of modified opinions / reports is the achievement by issuers (manager of the unit as defined in the Accounting Act) of improvement in terms of providing the auditor performing audit or review with any required documents and explanations. In addition, audit committees or supervisory boards performing their function play an important role in this respect.

For educational purposes, the report shall be published on the PFSA's website. Issues mentioned in qualifications made by auditors and in disclaimers of opinion/report and the most often occurring non-compliances and deficiencies in compliance with requirements of IFRSs are also presented on the seminar for financial market participants, organized every year by PFSA as part of an CEDUR initiative (Education Centre for Participants of the Market), as well as on meetings with auditors. It should be pointed out that subjects referred to in reports or analyses prepared by Accounting Department of the Public Offerings and Financial Information Department are present in public debates concerning supervision on financial reporting of the issuers. In addition, exchange of information concerning results of cyclical examination of financial statements of the issuers takes place during European Enforcers Coordination Sessions (EECS), within ESMA.

LIST OF TABLES

LIST OF FIGURES

Appendix 1 IFRSs AND AMMENDMENTS TO IFRSs ANNOUNCED IN THE YEARS 2008-2015

IFRSs and amendments to them, announced in the form of regulations of the European Commission in the years 2008-2015 are presented below, in the reverse chronological order.

In 2015:

1) Commission Regulation (EU) 2015/2441 of 18th December 2015 amending the 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 27

   All entities apply the amendments to IAS 27 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

2) Commission Regulation (EU) 2015/2406 of 18th December 2015 amending the 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 1

   All entities apply amendments to IAS 1 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

3) Commission Regulation (EU) 2015/2343 of 15th December 2015 amending the Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 5 and 7 and the International Accounting Standards 19 and 34

   All entities apply amendments to IFRS 5 and 7 and IAS 19 and 34 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

4) Commission Regulation (EU) 2015/2231 of 2nd December 2015 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 Standards 16 and 38

   All entities apply amendments to IAS 16 and 38 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

5) Commission Regulation (EU) 2015/2173 of 24th November 2015 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 11

   All entities apply amendments to IFRS 11 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

6) Commission Regulation (EU) 2015/2113 of 23rd November 2015 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 Standards (IAS) 16 and 41

   All entities apply amendments to IAS 16 and 41 at the latest at the beginning of their first financial year starting on 1st January 2016 or later.

7) Commission Regulation (EU) 2015/29 of 17th December 2014 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 19

   All entities apply amendments to IAS 19 at the latest at the beginning of their first financial year starting on 1st February 2015 or later.

8) Commission Regulation (EU) 2015/28 of 17th December 2014 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards the International Financial Reporting Standards 2, 3 and 8 and the International Accounting Standards 16, 24 and 38

   All entities apply amendments to IFRS 2, 3 and 8 and IAS 16, 24 and 38 at the latest at the beginning of their first financial year starting on 1st February 2015 or later.

In 2014:

1) Commission Regulation (EU) NO.1361/2014 of 18th December 2014 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards 3 and 13 and International Accounting Standard 40

   All entities apply amendments to IFRS 3, IFRS 13 and IAS 40 at the latest at the beginning of the financial year beginning on the effective date of this Regulation or later [assign the first day of the subsequent month after the effective date of this Regulation]. The following Regulation states that it is applicable until the financial year starting on 1st January 2015 or later.

2) Commission Regulation (EU) NO.634/2014 of 13th June 2014 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards Interpretation 21 of the International Financial Reporting Interpretations Committee

   All units apply interpretation of IFRIC 21 at the latest at the beginning of their first financial year starting on 17th June 2014 or later.

In 2013:

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

   All entities apply amendments to IAS 39 at the latest at the beginning of their first financial year starting on 1st January 2014 or later.

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

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

   All entities apply amendments to IFRS 10, IFRS 12 and IAS 27 at the latest at the beginning of their first financial year starting on 1st January 2014 or later.

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

   All entities apply amendments to IFRS 10, IFRS 11 and IFRS 12, at the latest at the beginning of their first financial year starting on 1st January 2014 or later.

5) Commission Regulation (EU) NO.301/2013 of 27th March 2013 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards Annual Improvements to

International Financial Reporting Standards, 2009-2011 Cycle

All entities apply amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, at the latest at the beginning of their first financial year starting on 1st January 2013 or later.

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

   All entities apply amendments to IFRS 1 at the latest at the beginning of their first financial year starting on 1st January 2013 or later.

In 2012:

1) Commission Regulation (EU) NO.1256/2012 of 13th 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 (IFRS) 7, as well as International Accounting Standard (IAS) 32

   All entities apply amendments to IFRS 7 on the first day of their first financial year starting on 1st January 2013 or later.

   All entities apply amendments to IAS 32 at the latest at the first day of their first financial year starting on 1st January 2014 or later.

2) Commission Regulation (EU) NO.1255/2012 of 11th 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 (IAS) 12, the International Financial Reporting Standards (IFRS) 1 and 13, and Interpretation 20 of International Financial Reporting Interpretations Committee

   All entities apply amendments to IAS 12 and IFRS 1 at the latest at the beginning of their first financial year starting on 1st January 2013 or later.

   All entities apply IFRS 13 and IFRIC 20 at the latest at the beginning of their first financial year starting on 1st January 2013 or later.

3) Commission Regulation (EU) NO.1254/2012 of 11th 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 (of 2011) and International Accounting Standard 28 (of 2011)

   All entities apply IFRS 10, IFRS 11, IFRS 12, amended IAS 27 and amended IAS 28 at the latest at the beginning of their first financial year starting on 1st January 2014 or later.

4) Commission Regulation (EU) NO.475/2012 of 5th 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

   All entities apply amendments to IAS 1 at the latest at the beginning of their first financial year starting on 1st July 2012 or later.

   All entities apply amendments to IAS 19 at the latest at the beginning of their first financial year starting on 1st January 2013 or later.

In 2011:

1) Commission Regulation (EU) No. 1205/2011 of 22nd 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

   All entities apply amendments to IFRS 7 at the latest at the beginning of their first financial year starting after 30th June 2011;

2) Commission Regulation (EU) No. 149/2011 of 18th 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 with regard to Amendments to the International Financial Reporting Standards (IFRS)

   All entities apply amendments to IFRS 3 at the latest at the beginning of their first financial year starting after 30th June 2010

   All entities apply amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 at the latest at the beginning of their first financial year starting after 31st December 2010

<u>In 2010</u>:

1) Commission Regulation (EU) No. 662/2010 of 23rd 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 Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) 19 and International Financial Reporting Standard (IFRS) 1

   All entities apply IFRIC 19 and amendment to IFRS 1 at the latest at the beginning of their first financial year starting after 30th June 2010;

2) Commission Regulation (EU) No. 633/2010 of 19th 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 (IFRIC) Interpretation 14

   All entities apply amendments to IFRIC 14 at the latest at the beginning of their first financial year starting after 31st December 2010;

3) Commission Regulation (EU) No. 632/2010 of 19th 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

   All entities apply IAS 24 and amendments to IFRS 8 at the latest at the beginning of their first financial year starting after 31st December 2010;

4) Commission Regulation (EU) No. 574/2010 of 30th 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

   All entities apply amendments to IFRS 1 and IFRS 7 at the latest at the beginning of their first financial year starting after 30th June 2010;

5) Commission Regulation (EU) No. 550/2010 of 23rd 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

   All entities apply amendments to IFRS 1 at the latest at the beginning of their first financial year starting after 31st December 2009;

6) Commission Regulation (EU) No. 244/2010 of 23rd 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

   All entities apply amendments to IFRS 2 at the latest at the beginning of their first financial year starting after 31st December 2009;

7) Commission Regulation (EU) No. 243/2010 of 23rd 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 Amendments to the International Financial Reporting Standards (IFRS)

All entities apply amendments to IFRS 2, IFRS 5, IFRS 8, 1, IAS IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 at the latest at the beginning of their first financial year starting after 31st December 2009

In 2009:

1) Commission Regulation (EU) No. 1293/2009 of 23rd 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

   All entities apply amendments to IAS 32 at the latest at the beginning of their first financial year starting after 31st January 2010;

2) Commission Regulation (EC) No. 1171/2009 of 30th 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 Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) 9 and International Accounting Standard (IAS) 39

3) Commission Regulation (EC) No. 1165/2009 of 27th 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

   All entities apply amendments to IFRS 4 and IFRS 7 at the latest at the beginning of their first financial year starting after 31st December 2008;

4) Commission Regulation (EC) No. 1164/2009 of 27th 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

   All entities apply IFRIC 18 at the latest at the beginning of their first financial year starting after 31st October 2009;

5) Commission Regulation (EC) No. 1142/2009 of 26th 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

   All entities apply IFRIC 17 at the latest at the beginning of their first financial year starting after 31st October 2009;

6) Commission Regulation (EC) No. 1136/2009 of 25th 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

   All entities apply amended IFRS 1 at the latest at the beginning of their first financial year starting after 31st December 2009;

7) Commission Regulation (EC) No. 839/2009 of 15th 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

   All entities apply amendments to IAS 39 at the latest at the beginning of their first financial year starting after 30th June 2009;

8) Commission Regulation (EC) No. 824/2009 of 9th 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 came into force on third day after its publication in the Official Journal of the European Union, i.e. on 13th September 2009;

9) Commission Regulation (EC) No. 636/2009 of 22nd 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 with as regards International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 15

   All entities apply IFRIC 15 at the latest at the beginning of their first financial year starting after 31st December 2009;

10) Commission Regulation (EC) No. 460/2009 of 4th 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

   All entities apply IFRIC 16 at the latest at the beginning of their first financial year starting after 30th June 2009;

11) Commission Regulation (EC) No. 495/2009 of 3rd 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

   All entities apply updated IFRS 3 at the latest at the beginning of their first financial year starting after 30th June 2009;

12) Commission Regulation (EC) No. 494/2009 of 3rd 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

   All entities apply amendments to IAS 27 at the latest at the beginning of their first financial year starting after 30th June 2009;

13) Commission Regulation (EC) No. 254/2009 of 25th 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

   All entities apply IFRIC 12 at the latest at the beginning of their first financial year starting after the effective date of this Regulation, i.e. after 29th March 2009;

14) Commission Regulation (EC) No. 70/2009 of 23rd 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 Standards (IFRS)

   All entities apply 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 at the beginning of their first financial year starting after 31st December 2008

   All entities apply amendments to IFRS 5 at the latest at the beginning of their first financial year starting after 30th June 2009;

15) Commission Regulation (EC) No. 69/2009 of 23rd 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, as well as International Accounting Standard (IAS) 27

   All entities apply amendments to IFRS 1 and IAS 27 at the latest at the beginning of the financial year starting after 31st December 2008;

16) Commission Regulation (EC) No. 53/2009 of 21st 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

    All entities apply amendments to IAS 32 and IAS 1 at the latest at the beginning of their first financial year starting after 31st December 2008

In 2008:

1) Commission Regulation (EC) No. 1274/2008 of 17th 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

   All entities apply updated IAS 1 at the latest at the beginning of their first financial year starting after 31st December 2008;

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

   All entities apply IFRIC 14 at the latest at the beginning of their first financial year starting after 31st December 2008

3) Commission Regulation (EC) No. 1262/2008 of 16th 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

   All entities apply IFRIC 13 at the latest at the beginning of their first financial year starting after 31st December 2008

4) Commission Regulation (EC) No. 1261/2008 of 16th 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

   All entities apply amendments to IFRS 2 at the latest at the beginning of their first financial year starting after 31st December 2008;

5) Commission Regulation (EC) No. 1260/2008 of 10th 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

   All entities apply updated IAS 23 at the latest at the beginning of their first financial year starting after 31st December 2008;

6) Commission Regulation (EC) No. 1126/2008 of 3rd 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 came into force on third day after its publication in the Official Journal of the European Union, i.e. 2nd December 2008.

Appendix 2 USEFUL LINKS

www.knf.gov.pl

(tab: Regulations /Internship /Positions of the authority /Capital market)
(tab: Coverages /Capital market /Reports and coverages)
(tab: Regulations /Internship /ESMA Documents)
(tab: About us /International cooperation / European System for Financial Supervision) (tab: For the market /Relationships with expert auditors)
(tab: For the market / ESPI)

www.mf.gov.pl

(tab: Activity /Accounting /International accounting standards /European Commission Regulations accepting defined international accounting standards)

www.esma.europa.eu

(tab: Rules, Databases & Library / ESMA Library)
(tab: Rules, Databases & Library /Guidelines and Technical Standards)

http://ec.europa.eu/finance/company-reporting/index_en.htm

(tab: IFRS financial statements/standards and interpretations/legal framework/Individual regulations adopting IFRSs)

http://eur-lex.europa.eu/oj/direct-access.html

www.ifrs.org

www.iasplus.com

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

phone (+48 22) 262-50-00
fax (+48 22) 262-51-11 (95)
e-mail: knf@knf.gov.pl

www.knf.gov.pl