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

POLISH FINANCIAL SUPERVISION AUTHORITY
WARSAW, FEBRUARY 2011

ISSUERS DEPARTMENT, ACCOUNTING DIVISION

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

SYNTHESIS

This report summarizes the review carried out by the Accounting Division of the Issuers Department of the Polish Financial Supervision Authority (PFSA) on the compliance of the financial statements of issuers of securities other than investment funds with the applicable reporting framework, in particular with the requirements of IFRSs. The review focused on the annual consolidated financial statements for the financial year 2009, it also covered interim financial statements issued for periods of the financial year 2009 and 2010 as well as financial reports/historical financial information of entities applying for approval of a prospectus, taking into consideration selection methods of financial reports to be analysed.

When choosing the financial statements of issuers for the periodic review carried out in 2010, high priority was given to the following criteria: the presence of qualifications in the opinions on the audited financial statements, a disclaimer of an opinion, or an adverse opinion.

The review of financial statements of issuers resulted in the report which presents the most frequent areas of non-compliance with the applicable reporting framework, in particular with IFRSs, including deficiencies in disclosures or partial disclosures.

The authors wish to highlight the need to ensure the completeness of disclosures in the financial statements as required by the relevant regulations. It is our opinion that the financial statements of an issuer cannot be considered complete if they lack material disclosures required under applicable accounting standards.

The publication of the report aims at contributing to achieving the high level of issuers' compliance with the requirements on financial reporting, in particular with IFRSs, in subsequent financial statements. Improved quality of issuers' financial statements should make them more comparable, especially within individual industry sectors, as well as increase investor confidence in financial reporting and facilitate the assessment of financial position and performance of the issuers and their capital groups. In our opinion, an improvement in the quality of financial statements would result in a decrease in the number of qualified opinions on the examined financial statements, adverse opinions and disclaimers of an opinion by an independent auditor.

In subsequent years, in order to meet the objectives of enforcement, it is planned to continue a periodic compliance review of financial reporting of the issuers with relevant regulations. When choosing the financial statements of issuers for the review, it is planned to maintain the high priority given to the following criteria: the presence of qualifications in the opinions on the audited financial statements, a disclaimer of an opinion, or an adverse opinion.

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

1.1 Objective of the report

This report summarizes the review carried out by the Accounting Division of the Issuers Department of the Polish Financial Supervision Authority (PFSA) relating mainly to the annual consolidated financial statements for the financial year 2009 presented by issuers of securities other than investment funds in the context of their compliance with applicable reporting framework, particularly with the requirements of IAS[1], i.e. International Accounting Standards, International Financial Reporting Standards and related interpretations published in the European Commission's regulations. Given that the commonly used term is "IFRS" and the fact that the European Commission recommended that issuers whose securities are traded on regulated EU markets apply the clause adopted by the European Commission and ARC[2]: "in accordance with International Financial Reporting Standards adopted by the EU" or "in accordance with IFRSs adopted by the EU", the abbreviation "IFRS(s)" is used in this report.

In compiling this report, the results of the review of interim financial statements for the periods of the financial year 2009 and 2010 conducted in 2010 were taken into account. The report also took account of the results of the review of financial statements/historical financial information of entities applying for approval of a prospectus.

Preparation of the report on the conducted review and making it publicly available at the PFSA website aims to present users of financial statements as well as issuers and auditors with the results of the periodic review, including the most common deficiencies and non-compliances in the area of disclosures and the application of the accounting policies regarding the financial statements, which should help the issuers achieve high level of compliance with reporting requirements, in particular the requirements of IFRSs, in future financial statements.

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

In view of the objective to enhance the quality of financial statements presented by the issuers, we recommend to familiarize with the following documents available at the ESMA website[3]:

- nine *Extracts from EECS's*[4] *Database of Enforcement Decisions* which contain the decisions of supervisory authorities from the European Economic Area in connection with the enforcement of the application of IFRSs (www.esma.europa.eu, section: ESMA Extranet –> Standing Committees –> Corporate Reporting –> EECS); the publication of extracts will be continued;
- CESR report on the enforcement activities of financial information throughout 2009 entitled *Activity Report on IFRS enforcement 2009* (Ref.: CESR/10-917, September 2010) (www.esma.europa.eu, section: ESMA Extranet –> Standing Committees –> Corporate Reporting)**;**
- CESR supplementary report on the application of disclosure requirements related to financial instruments in financial statements for the year 2009 entitled *Follow-up Statement on Application of Disclosure Requirements Related to Financial Instruments in the 2009 Financial*

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

[2] ARC – *Accounting Regulatory Committee*

[3] ESMA – *European Securities and Markets Authority*; before 1 January 2011 – CESR – *Committee of European Securities Regulators*; www.esma.europa.eu

[4] EECS – *European Enforcers Coordination Sessions*

Statements (Ref.: CESR/10-1083, October 2010) (www.esma.europa.eu, section: ESMA Extranet –> Standing Committees –> Corporate Reporting).

Please note that the content of this report – due to the document's objective – constitutes only a summary of selected information concerning the disclosures required under IFRSs. The full scope of the required disclosures is contained in the applicable IFRSs.

1.2. Overview of the principles of the review

Pursuant to Art. 7(1)(2) of the Act on Capital Market Supervision[5], the scope of activities of the PFSA includes the exercise of supervision over the activities of the regulated entities and performance by such entities of the obligations related to their participation in trading on the capital market, to the extent defined in legal regulations.

The provisions of Art. 24 (4)(h) of the Transparency Directive[6] stipulate that the competent entity is empowered to examine whether the information referred to in the Directive is drawn up in accordance with the relevant reporting framework and take appropriate actions in case of detected infringements.

Moreover, in accordance with Principle 3 of Standard CESR No. 1[7] on Financial Information, competent independent administrative authorities set up by member States should have the ultimate responsibility for enforcement of compliance of the financial information provided by the issuers with the reporting framework. According to Principle 2 of the aforementioned standard, the reporting framework includes accounting and disclosure standards adopted by the EU.

Considering the fact that the essential element of full and comprehensive enforcement of the applied standards of financial information is the monitoring of the compliance of financial information with the applicable reporting framework (Principle 2 of CESR Standard No. 1 on Financial Information), the Accounting Division of the Issuers Department of the PFSA conducts a periodic compliance review of financial reporting of the issuers with relevant regulations. The periodic review covers an analysis of the selected financial statements and an analysis on request (of issuers' financial statements published in interim information, prospectuses or information memoranda) particularly when another unit of the PFSA requests communication of specific position in the course of already initiated proceedings.

1.3. Selection of financial statements for review

Since 2005, the Accounting Division of the Issuers Department has been applying the principles of enforcement of standards on financial information specified in CESR Standard No. 1.

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

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

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

Within the enforcement activities of the PFSA, when selecting the financial statements of issuers for the periodic review carried out in 2010, high priority was given to the following criteria: the

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

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

[7] *Standard CESR No. 1 on Financial Information. Enforcement of Standards on Financial Information in Europe* (Ref.: CESR/03-073, March 2003), website:
http://www.esma.europa.eu/index.php?page=contenu_groups& id=13& docmore=1#doc

presence of qualifications in the opinions on the examined financial statements, a disclaimer of an opinion, or an adverse opinion. The PFSA shall treat the audit/review of the financial statements by entities authorised to audit financial statements as the "first external line" for ensuring proper application of reporting framework[8].

In connection with the review of financial statements carried out in respect of their compliance with relevant accounting rules, in particular the IFRSs, 90 annual and interim financial statements of 64 issuers were analysed, including 51 annual consolidated financial statements prepared for the financial year 2009.

Total capitalisation of 64 issuers, whose financial statements were subject to the review, accounted for 8.2% of regulated market capitalisation as of 31 December 2010 (regulated market operated by Warsaw Stock Exchange S.A. and an over-the-counter market carried out by BondSpot S.A.).

Number and capitalisation of issuers whose financial statements were subject to a periodic review in 2010

	Number of issuers from the regulated market (WSE and BondSpot) *	**Number of issuers whose financial statements were subject to a review in 2010**	**Share in total number of issuers from the regulated market***	**Share in regulated market capitalisation****
As of 31.12.2009	368	64	17.4%	3.1%
As of 31.12.2010	386		16.6%	8.2%

* The number does not include closed-end investment funds listed on the regulated market
** Total capitalisation of the issuers whose financial statements were subject to review as of 31.12.2009 was calculated for 61 companies (three companies applying for admission to trading on the regulated market debuted in 2010). Market capitalisation as of 31.12.2010 was calculated for 63 companies (in 2010 one company was excluded from trading)

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

2. AREAS OF NON-COMPLIANCES WITH IFRSs – ON THE BASIS OF THE REVIEW OF THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

2.1. Review of financial statements for the financial year 2009 in the light of independent auditors' reports – a summary of areas of non-compliances with applicable reporting framework, particularly with IFRSs

In order to ensure that issuers pay special attention to the need of compliance with applicable reporting framework, in particular with the requirements of IFRSs, below there is a list of issues with regard to which qualification paragraphs were included in independent auditors' reports and which relate to the examined financial statements of issuers of securities other than investment funds for the financial year 2009. In two instances, an auditor disclaimed of an opinion on the examined financial statements.

The issues which the aforementioned qualifications refer to have been arranged to facilitate the search for a given topic area.

2.1.1. Qualification paragraphs concerning financial instruments

Qualification paragraphs included in the independent auditors' opinions regarded the following issues concerning financial instruments:

- Failure to recognise impairment for an investment in shares of a listed company despite a material decline in their fair value (quoted price) (cf. IAS 39 "Financial instruments: recognition and measurement")
- Failure to measure received loans and derivatives embedded in loan agreements at fair value (cf. IAS 39);
- Doubts regarding the credibility of the measurement of an embedded derivative and the recognition of the related financial assets (cf. IAS 39);
- Lack of certainty whether the receivables were presented in the correct amount (cf. IAS 39);
- Failure to measure short-term receivables net of allowance (cf. IAS 39);
- Inclusion in assets of receivables that are past due, doubtful or yet to be confirmed by the creditor (cf. IAS 39).

2.1.2. Qualification paragraphs concerning business combinations and consolidation

Qualification paragraphs included in the independent auditors' opinions regarded the following issues concerning business combinations and consolidation:

- Failure to correctly include in the financial statements the data of a subsidiary controlled by the issuer before the legal combination (cf. IFRS 3 "Business combinations");
- Failure to separate from the goodwill the value of the license and failure to recognize an income tax provision concerning this licence (cf. IFRS 3, IAS 38 "Intangible assets" and IAS 12 "Income taxes");
- Continuing to recognize in the accounts the financial liabilities regarding options, despite the fact that the issuer's company was contributed in kind to a subsidiary in the previous financial year (cf. IFRS 3);
- Failure to consolidate a subsidiary (cf. IAS 27 "Consolidated and separate financial statements");

- Overstatement of the value of shares owned in a subsidiary and of financial results (cf. IAS 27);
- Preparation of the consolidated financial statements applying different accounting policies within a group; different periods (cf. IAS 27) – *disclaimer of an opinion;*
- Failure to provide the auditor with bank confirmations for special purpose vehicles, which rendered it impossible to confirm the completeness of the loans, financial instruments and contingent liabilities, as well as lack of documents confirming the feasibility of deferred tax assets of the subsidiary (cf. Art. 67 of the Accounting Act);
- Failure to verify the balance of receivables and liabilities of a subsidiary in connection with the implementation of a new financial and accounting system;
- Failure to submit the financial statements of a subsidiary and a consolidation package for auditing – *disclaimer of an opinion*;
- Failure to examine the financial statements of consolidated subsidiaries, indicating the materiality.

2.1.3. Qualification paragraphs concerning impairment of assets

Qualification paragraphs included in the independent auditors' opinions related to the following issues concerning the impairment of assets:

- Failure to perform an impairment test for goodwill and trademarks on the balance sheet date (cf. IAS 36 "Impairment of assets");
- Failure to perform an impairment test for shares owned in a subsidiary which were presented in the financial statements (cf. IAS 36);
- Failure to perform an impairment test for software license, which rendered it impossible to confirm the value of the asset (cf. IAS 36);
- Inability to confirm the correctness of the impairment losses on fixed assets, goodwill and intangible assets (cf. IAS 36);
- Lack of certainty whether the value of shares owned in an associate is correct, in view of the qualifications made by the auditor examining the consolidated financial statements of the capital group in which the entity in question is a parent entity, regarding, inter alia: failure to perform an assessment to determine the occurrence of objective evidence of impairment of receivables reported by this entity (cf. IAS 28 "Investments in associates", IAS 39 "Financial instruments: recognition and measurement" and IAS 36);
- Subsidiary's failure to perform an impairment test for fixed assets despite the existence of objective evidence (cf. IAS 36);
- Lack of access to the financial information of an associated company in order to verify the accuracy of the estimates made for the full impairment loss of investments (cf. Art. 67 of the Accounting Act).

2.1.4. Qualification paragraphs concerning segment reporting

Qualification paragraphs included in the independent auditors' opinions related to the following issues concerning segment reporting:

- Improper aggregation of the information presented as "all other segments", disclosed in a note on the operating segments, and the lack of the required disclosures of operating segments (cf. IFRS 8 "Operating segments").

2.1.5. Qualification paragraphs concerning investment property

Qualification paragraphs included in the independent auditors' opinions related to the following issues concerning the investment property:

- Presentation as an investment property of an item which fails to meet the definition of an investment property (cf. IAS 40 "Investment property");
- Failure to update the fair value of one of the owned investment properties on the balance sheet date (cf. IAS 40);
- Failure to apply, when changing the valuation method for investment property, the provisions of IAS 40 and IAS 8 "Accounting policies, changes in accounting estimates and errors";
- Lack of circumstances supporting the substantial increase in the value of an investment property when changing the accounting principles concerning the valuation of these properties to the measurement at fair value (cf. IAS 40);
- Inability to confirm the fair value of an investment property since the measurement of capital expenditure on foreign land does not take into account the risk of lease agreement termination (cf. IAS 40).

2.1.6. Qualification paragraphs concerning recognition and measurement

Qualification paragraphs included in the independent auditors' opinions related to the following issues concerning recognition and measurement:

- Failure to present exchange differences relating to balance sheet measurement of liabilities in foreign currency under resulting profit or loss for the current period, but their presentation under accrued expenses (cf. IAS 21 "The effects of changes in foreign exchange rates");
- Measurement of liabilities arising from participation or guarantee deposits at nominal value, based on a cash basis (cf. IAS 1 "Presentation of financial statements" and IAS 39 "Financial instruments: recognition and measurement");
- Overstatement of account total from barter transactions and compensations (cf. IAS 1 and SIC Interpretation 31 "Revenues – barter transactions involving advertising services");
- Failure to present assets and liabilities of the sold, organised part of a company (cf. IFRS 5 "Non-current assets held for sale and discontinued operations")
- Failure to perform retrospective adjustments related to changes in the valuation of work in progress (cf. IAS 8 "Accounting policies, changes in accounting estimates and errors");
- Failure to create provisions for outstanding leaves of white-collar workers in accordance with IAS 19 "Employee benefits";
- Measurement of inventories in a manner non-compliant with the adopted accounting policy (cf. IAS 2 "Inventories" and IAS 8);
- Recognition of changes in useful lives of fixed assets which is inconsistent with IAS 8;
- Failure to present interests in an associate using the equity method (cf. IAS 28 "Investments in associates");
- Recognition of revenues arising from consortium agreements which is inconsistent with IAS 31 "Interests in joint ventures";
- Valuation of employee share option scheme which is inconsistent with IFRS 2 "Share based payments";
- Recognition of perpetual usufruct of land (cf. IAS 17 "Leases");
- Failure to create provisions for the potential negative litigation settlement referring to payments to the contractor (cf. IAS 37 "Provisions, contingent liabilities and contingent assets");

- Inability to estimate the impact of an event (an action against a subsidiary for payment) on the financial statements (cf. IAS 37);
- Difficulties in assessing the potential viability of the estimates of revenues and of costs in respect of construction contracts (cf. IAS 11 "Construction contracts");
- Inability to confirm, on the basis of the submitted documents, the amount of profits from long-term contracts (cf. IAS 11);
- Possibility of change in the amount of profit from the sale of an organized part of the company as a result of the final settlement of the transaction (cf. IFRS 5 "Non-current assets held for sale and discontinued operations");
- Inability of the independent auditor to obtain sufficient audit evidence, which would allow to determine the accuracy of the recognition, measurement and presentation of the value of intangible assets (cf. Art. 67 of the Accounting Act).

2.1.7. Qualification paragraphs related to going concern

Qualification paragraphs included in the independent auditors' opinions related to the following issues regarding going concern:

- Inability to refer to the correctness of the valuation of shares in a subsidiary in respect of the risk related to the company's going concern;
- Lack of independent measurements of assets, which during the preparation of the consolidated financial statements and in the absence of the going concern assumption would help to assess the need for further write-downs on assets;
- Threats to the going concern status;
- Inability to assess whether the going concern assumption is justified – *disclaimer of an opinion.*

2.1.8. Other qualification paragraphs

- Failure to submit the documentation referred to in Art. 10 of the Accounting Act;
- Sending confirmation of balances of receivables at the end of the financial year – past the deadline specified in Art. 26 of the Accounting Act;
- Failure to conduct an inventory of stocks at the end of the financial year (cf. Art. 26 of the Accounting Act).

2.1.9. Emphasis of matter paragraphs

In addition, we present the emphasis of matter paragraphs included in the independent auditors' opinions. The emphasis of matter paragraphs regarded, inter alia, the following aspects:

- Failure to submit financial statements for the year preceding the promulgation in the Official Gazette of the Republic of Poland; failure to submit the financial statements to the National Court Register;
- Changes in the group structure;
- Exclusions of irrelevant subsidiaries from the consolidation;
- Lack of certainty as to the feasibility of deferred tax assets;
- Lack of the financial statements' audit of subsidiaries and associates; audits conducted by other authorised entities, indicating the level of materiality;
- Lack of certainty as to the feasibility of receivables from a subsidiary in bankruptcy;
- Threats to the going concern of subsidiaries;

- Lack of provisions for liabilities arising from litigation;
- Information that the impairment test for the value of goodwill, intangible assets demonstrated no need of a write-down; the assumptions adopted for the impairment test are dependent on future events and circumstances.

2.2. The review of financial statements – a list of areas of non-compliances with applicable reporting framework, particularly with IFRSs

In this section we present the areas of non-compliances with applicable reporting framework, including deficiencies in disclosures or partial disclosures, in particular with the requirements of IFRSs, which were identified as a result of the review of financial statements prepared by issuers of securities other than investment funds carried out in 2010.

Some of the presented non-compliances with IFRSs pertained only to single cases. On the other hand, there were comparatively numerous cases where disclosures made by issuers raised doubts as to the completeness of the disclosures.

We wish to draw the attention of the issuers and of the auditors, accordingly, that the disclosures made in the financial statements should be understandable and transparent, and information should be presented in a sufficient extent (for the information contained in the financial statements to be reliable, it must be complete – cf. items 24-46 of the *Conceptual Framework for IFRSs* [9] concerning the qualitative characteristics of financial statements).

In our opinion, it is appropriate for an independent auditor to also take into account the completeness of the disclosures required by the applicable regulations when issuing an opinion about an audited financial statement. Pursuant to item 69 of National Auditing Standard No. 1 "General principles of auditing": "(…) Significant departure shall also include the presentation of incomplete financial statements (…)". In our opinion the financial statements of an issuer cannot be considered complete if they lack material disclosures required under applicable accounting standards.

Moreover, please note that the list of the areas of non-compliances with the requirements of IFRSs, including deficiencies in disclosures or partial disclosures, had also been presented in previous reports prepared by the Accounting Division of the Issuers Department of the PFSA:

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

The IFRSs which were cited in the course of discussing specific areas of non-compliances with IFRSs herein are presented in the wording relating to the financial statements for the financial year 2009.

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

- Failure to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments (cf. par. 6 of IFRS 7 "Financial instruments: disclosures" as well as par. B1 and B2 of Annex B to IFRS 7);
- Deficiency in disclosures regarding the methods and – when a valuation technique is used – assumptions applied in determining fair values of each class of financial assets or financial liabilities and other information relating to fair value (cf. par. 27 of IFRS 7);

[9] "Framework for the Preparation and Presentation of Financial Statements", referred to in the report as "Conceptual Framework for IFRSs" – adopted by the International Accounting Standards Board (IASB), not subject to adoption in the form of a Regulation of the European Commission for use in the EU

[10] http://www.knf.gov.pl/Images/Raport_z_analizy_2009_wer_ang_tcm75-22801.pdf

[11] http://www.knf.gov.pl/Images/Report_en_IAS_2007_publ_tcm75-10213.pdf

- Deficiency in disclosures regarding the level of fair value hierarchy to which individual measurements of fair value were assigned, differentiating between fair value measurements in accordance with the levels defined in paragraph 27A of IFRS 7 and other information disclosed in the statement of financial position for each class of financial instruments measured at fair value (cf. par. 27B of IFRS 7);
- Deficiency in disclosures of the maturity analysis for financial liabilities which would present the remaining contractual maturities and lack of the description of the liquidity risk management method (cf. par. 39 of IFRS 7);
- Deficiency in disclosures of the sensitivity analysis for currency risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date, as well as the methods and assumptions used in the preparing the sensitivity analysis and changes from the previous period in the methods and assumptions used, and the reasons for such changes (cf. par. 40 of IFRS 7);
- Deficiency in disclosures of the sensitivity analysis for interest rate risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date, as well as the methods and assumptions used in the preparing of the sensitivity analysis and changes from the previous period in the methods and assumptions used, and the reasons for such changes (cf. par. 40 of IFRS 7);
- Deficiency in disclosures of the sensitivity analysis for other price risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date, as well as the methods and assumptions used in the preparing of the sensitivity analysis and changes from the previous period in the methods and assumptions used, and the reasons for such changes (cf. par. 40 of IFRS 7);

2.2.2. Non-compliances and deficiencies in disclosures regarding business combinations and consolidation

- Deficiency in disclosures of the acquisition dates with respect to business combinations effected during the period (cf. par. 67(b) of IFRS 3 "Business combinations");
- Deficiency in disclosures of the basis for determining the fair value of the issuers' equity instruments issued as part of the cost of the combination (cf. par. 67(d)(ii) of IFRS 3);
- Deficiency in disclosures, with respect to the business combinations effected during the period, of the carrying amount of each category of assets, liabilities and contingent liabilities, determined under IFRSs immediately before the combination, or the lack of information that the disclosure of these amounts was impracticable together with an explanation of why this was the case (cf. par. 67(f) of IFRS 3);
- Lack of description, in relation to business combinations effected during the period, of the factors that contributed to the cost that results in the recognition of goodwill – lack of the description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably (cf. par. 67(h) of IFRS 3);
- Deficiency in disclosures of the amount of profit or loss of the acquiree since the acquisition date included in the acquirer's profit or loss for the period or the lack of information that the disclosure of this amount was impracticable together with an explanation of why it was the case (cf. par. 67(i) of IFRS 3);
- Deficiency in disclosures of the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during that period had been the beginning of the period, or the lack of information that the disclosure of this amount was impracticable together with an explanation of why it was the case (cf. par. 70(a) of IFRS 3);

- Failure of provide information concerning the materiality criterion for the exemption from the consolidation requirement which was adopted under IFRSs and took account of both the "qualitative" as well as "quantitative" factors (cf. par. 7 and 31 of IAS 1 "Presentation of financial statements" and paragraph 5 of IAS 8 "Accounting policies, changes in accounting estimates and errors");
- Presentation of minority interests in the consolidated statement of financial position outside of equity and failure to present the parent shareholders' equity (cf. par. 33 of IAS 27 "Consolidated and separate financial statements" and par. 54(q) of IAS 1);
- Failure to present the profit or loss of the capital group for the period attributed to the parent shareholders and minority interests (cf. par. 34 of IAS 27 and par. 83 of IAS 1);
- Failure to present the legal basis and other information required in connection with refraining from drawing up consolidated financial statements (cf. item 23, Section B Supplementary Explanatory Notes, Appendix 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus);[12]
- Failure to specify the basis for excluding subsidiaries from the consolidation.

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

- Failure to provide information on operational segments (cf. IFRS 8 "Operational segments");
- Failure to present total assets for each reportable segment in the information concerning operational segments (cf. par. 23 IFRS 8);
- Deficiencies in disclosures concerning the operational segments, particularly profit or loss of each reportable segment, as well as the value of liabilities of each reportable segment (provided that the amount of liabilities is regularly provided to the chief operating decision maker) (cf. par. 23 IFRS 8);
- Unclear presentation of information on geographical areas (cf. par. 33 IFRS 8);
- Deficiency in disclosures of information in the financial statements concerning the extent of the issuer's reliance on its major customers and no reference to the issuer's business report from which it results that the entity was to a large extent dependent on principal customers (cf. par. 34 IFRS 8);
- Presentation of information on segments in accordance with IAS 14 "Segment reporting", instead of in accordance with IFRS 8;
- Using the IAS 14 terminology and definition in the disclosed information on segments and in the description of accounting standards;
- Failure to disclose information on segments (cf. the "Segment reporting" item, section A. Explanatory Notes, Appendix 1 do the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

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

- Lack of information on transactions concluded with related parties except for the information on transactions within the group and on the key management personnel compensation (cf. IAS 24 "Related party disclosures");

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

- Lack of certainty regarding the completeness of disclosures concerning the key management personnel compensation (cf. par. 16 IAS 24);
- Lack of information on transactions with related parties, except for the information on transactions concluded by the issuer with a related entity (cf. note 7.1., section B. Additional explanatory notes, Appendix No. 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

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

- Lack of the presentation of the statement of financial position at the beginning of the earliest comparable period in connection with the retrospective application of accounting principles (cf. par. 39 of IAS 1 „Presentation of financial statements");
- Lack of description of judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements (cf. par. 122-124 of IAS 1);
- Deficiency in disclosures of information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year (cf. par. 125-133 of IAS 1);
- Deficiency in disclosures of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital (cf. par. 134-136 of IAS 1);
- Lack of cross-references of items in the balance sheet and profit and loss account to related information in the notes (cf. par. 113 of IAS 1);
- Lack of information on how the shares in an associate were accounted for in the financial statements (cf. par. 41(c) of IAS 27 „Consolidated and separate financial statements");
- Failure to show separately the total amounts attributable to the parent shareholders and minority interests from the total income for the period which was presented in the consolidated statement of changes in equity (cf. par. 106(a) of IAS 1);
- Lack of information in the consolidated financial statements which enables to understand the nature and method of recognizing the adjustment of the subsidiary's financial result for the previous financial year in this statement (cf. par.17 of IAS 1, IAS 8 "Accounting policies, changes in accounting estimates and errors" and IAS 10 "Events after the reporting period").

2.2.6. Other non-compliances and deficiencies in disclosures

- Failure to make disclosures regarding the amounts and numbers for calculating basic and diluted earnings per share (cf. par. 70(a) and (b) of IAS 33 "Earnings per share");
- Lack of presentation of diluted earnings per share or appropriate information on the lack of dilutive instruments (cf. par. 66-67 of IAS 33);
- Lack of separate disclosure of cash flows from interest and dividends received and paid (cf. par. 31 of IAS 7 "Statement of cash flows");
- Deficiency in disclosures regarding the useful lives or the depreciation rates used for each class of property, plant and equipment in the description of the accounting principles (cf. par. 73(c) of IAS 16 "Property, plant and equipment");
- Failure to disclose information on new standards or interpretations (cf. par. 30-31 of IAS 8 „Accounting policies, changes in accounting estimates and errors");

- Failure to provide, in connection with important changes of the accounting policies, the reasons why applying the new accounting policy provides reliable and more relevant information – only the increased clarity of the financial statements was indicated (cf. par. 29(b) of IAS 8);
- Lack of presentation of explanations and reconciliations regarding the transition to IFRSs (cf. par. 38 and 39(a) and (b) of IFRS 1 ”First-time adoption of international financial reporting standards”);
- Lack of required disclosures regarding differences between financial statements prepared in accordance with Polish accounting principles and the financial statements that would be drawn up in accordance with IFRS, or information that providing such data in a reliable manner was impossible, together with appropriate explanations (cf. par. 7 of the Regulation on financial statements according to the Polish Accounting Principles in prospectus);
- Failure to disclose information on the average rate of employment, with the division into professional groups (cf. item 9, section B. Additional Explanatory Notes, Appendix No. 1 to the Regulation on financial statements according to the Polish Accounting Principles in prospectus).

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

- Lack of the condensed statement of comprehensive income in the interim financial statements (cf. par. 8(b)(ii) of IAS 34 "Interim financial reporting");
- Presentation of the annualized earnings per share instead of the earnings per share for the interim period (cf. par. 11 of IAS 34);
- Lack of the disclosure of compliance with IFRSs in the interim financial statements (cf. par. 19 of IAS 34);
- Failure to provide segment information in the interim financial statements (cf. par. 16(g) of IAS 34);
- Lack of a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (cf. par. 16(a) of IAS 34);
- Lack of the presentation in the interim financial statements of the cumulative data for the current financial year to date in the statement of changes in equity (cf. par. 20(c) of IAS 34);
- Presentation in the interim consolidated financial statements of information insufficient to understand the nature of the adjustment concerning the subsidiary’s financial result for the previous financial year (cf. par. 19 of IAS 34 and par. 17 in connection with par. 4 of IAS 1 ”Presentation of financial statements”);
- Presentation in the interim consolidated profit and loss account of the items "extraordinery profits” and "extraordinary losses” (assuming zero values) (cf. par. 19 of IAS 34 and par. 85 of IAS 1);
- Lack of the presentation of the cumulative data for all full quarters of a given financial year in the statement of changes in equity included in the quarterly statement (cf. par. 87(1) of the Regulation on current and periodic information [13]).

[13] Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information published by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws No. 33, item 259, as amended)

2.3. Enforcement activities related to the analysis of the compliance of financial statements with the reporting framework

As it was indicated in part 1.2. of this report which relates to the overview of the principles for conducting the analysis, in accordance with Principle no. 3 of the CESR Standard No.1, competent independent administrative authorities set up by member States should have the ultimate responsibility for enforcement of compliance of the financial information provided by the issuers with the reporting framework.

This report is the result of the conducted analysis of financial statements prepared by issuers of securities other than investment funds in the context of the compliance of these financial statements with the applicable reporting framework, in particular with IFRSs.

The report is published on the PFSA's webpage for educational purposes. The issues referred to in the qualification paragraphs in the independent auditors' reports and the most frequent non-compliances and deficiencies in respect of disclosures required under IFRSs are also presented during the seminar for the financial market participants, organized annually by the PFSA.

We would like to draw attention to the responsibility of boards of directors and supervisory boards (cf. art. 4a of the Accounting Act[14]) for ensuring that financial statements and management reports were compliant with the provisions of the Accounting Act (and thus with requirements regarding the drawing up of certain financial statements in accordance with the applicable IFRSs, including the materiality rule), as well as for ensuring consistency with other regulations regarding the reporting framework.

Moreover, we think that if the opinion on the audited financial statements includes a qualification expressed by an auditor concerning an issue which affects the financial result of the issuer, the issuer's board of directors should take it into account when proposing to divide or cover the financial result for the approving body. We would like to note that, according to Art. 53(3) of the Accounting Act, the net financial result of entities required to audit their annual financial statements may be divided or covered after the financial statements have been adopted by the approving body, which is preceded by expressing an opinion concerning these statements by a statutory auditor, with or without qualification paragraphs. The division or coverage of net financial result performed without complying with this requirement shall be legally invalid.

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

In case of significant infringements of the reporting framework, the PFSA shall undertake relevant actions, in accordance with applicable regulations. The PFSA pays particular attention to the analysis of the issuers' financial statements in case of which the opinion of an independent auditor includes qualification paragraphs, is negative or when an independent auditor disclaimed of an opinion – in the context of undertaking relevant actions resulting from the applicable regulations. As indicated in part 1.3 of this report, the PFSA shall treat the audit/review of the financial statements by entities authorised to audit financial statements as "the first external line" for ensuring the proper application of the reporting framework.

While exercising the rights arising from Art. 68 of the Public Offering Act[16], if an opinion on the financial statements includes qualification paragraphs, is negative or when an independent auditor disclaimed of an opinion, an authorised representative of the PFSA requests issuers (both the boards of directors and supervisory boards and, appropriately, audit committees) to explain the reasons for the non-compliance with the applicable reporting framework and to estimate the impact of irregularities which are the subject of the qualification paragraphs on the given financial statements.

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[14] Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2009 No. 152, item 1223, as amended)

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

[16] Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies of 29 July 2005 (consolidated text, Journal of Laws of 2009 No. 185, item 1439, as amended)

In relation to the analysis of financial statements/ historical financial information of entities applying for the approval of prospectus (the results of such analyses were also taken into account in the report), remarks are forwarded to issuers in order to receive explanations or correct financial information included in the prospectus.

In the following years, in order to fulfil the objectives of the supervision, it is planned to continue the performance of periodic compliance analysis regarding financial reporting among issuers, in respect of relevant reporting regulations. When selecting the issuers' financial reports for the analysis, the presence of qualification paragraphs in the opinions regarding the audited financial statements, disclaimer of an opinion or a negative opinion are to remain the priority criterion.

3. SELECTED ISSUES WHICH SHOULD BE TAKEN UNDER SPECIAL CONSIDERATION WHEN PREPARING FINANCIAL STATEMENTS

The objective of this Chapter is to present additional, selected issues connected with the reporting framework, useful both when preparing financial statements and when using information contained therein.

3.1. Financial statements prepared by a (significant) investor

We would like to draw attention to the position of the PFSA of 26 April 2010 on the types of financial statements prepared by a (significant) investor and the methods of accounting for investments in an associate – in case of preparing the financial statements in accordance with IFRSs.

The above position was developed as an answer to the following questions:
- should a security issuer possessing investments in an associate, other than a parent entity – in case of applying IFRSs – prepare two financial statements, where in one of them the equity method to recognise investments in the associate would be applied, and in the other these investments would be recognised at cost or according to IAS 39?
- should a security issuer which is a parent not obliged to prepare consolidated financial statements and also possessing investments in an associate – in case of applying IFRSs – prepare two financial statements, where in one of them the equity method to recognise investments in an associate would be applied, and in the other these investments would be recognised at cost or according to IAS 39?

Separate financial statements, according to par. 4 of IAS 28 „Investments in associates" are those presented in addition to consolidated financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint venturers are proportionately consolidated. In such statements, investments in associates, in accordance with par. 35 of IAS 28, are recognised according to par. 37-42 of IAS 27 „Consolidated and separate financial statements", i.e. at cost or in accordance with IAS 39: „Financial instruments: recognition and measurement".

In view of the above it should be noted that in the Polish translation of par. 4 IAS 28, as compared with its English version, the phrase: „financial statements", (in which investments are accounted for using the equity method) was omitted. On the other hand, in the translation of par. 13 of IAS 28, i.e.: „An investment in an associate shall be accounted for in consolidated financial statements using the equity method (…)", the phrase "in consolidated financial statements" was added as compared with the English version.

IAS 28, as results from par. 36, does not mandate which entities produce separate financial statements available for public use. The Regulation on current and periodic information defines only two types of statements: financial statements and consolidated financial statements. However, the above Regulation does not require an entity which is a significant investor to prepare additional separate fianancial statements. Such obligation does not arise from the provisions of the Accounting Act, either.

Thus, in the discussed case, an issuer which has investments in an associate and is not a parent and prepares financial statements in accordance with IFRSs, is required to prepare one financial statements (referred to in, among others, the Regulation on current and periodic information), recognising investments in an associate with the use of the equity method. These statements are not to be named consolidated or separate (ref. par. 4 and 13 of IAS 28 in the English version).

On the other hand, the issuer of securities which is a parent not obliged to prepare consolidated financial statements and also possessing investments in an associate, in case of applying IFRSs, follows the same procedure, i.e. prepares one financial statements where investments in an associate are recognised with the use of the equity method, and these statements are not to be named consolidated or separate.

The above position of the PFSA was published on the webpage of PFSA (www.knf.gov.pl, tab: Regulacje / Praktyka / Stanowiska Urzędu).

3.2. Presenting comparable (comparative) periods in financial statements in connection with the change of a financial year

In connection with questions submitted by issuers to the PFSA regarding the presentation of comparable (comparative) periods in financial statements in connection with the change of a business year, we would like to draw attention to the regulations applicable in this case.

- Definition of a financial year

In accordance with art. 3(1)(9) of the Accounting Act, a financial year means a calendar year or another period of 12 full consecutive calendar months, also used for tax purposes. A financial year or its changes are specified in the Statute or agreement on the basis of which an entity has been established. If an entity commenced its activity in the second half of an adopted financial year, the accounting books and the financial statements for this period may be added to the accounting books and the financial statements for the next year. In case of changing a financial year, the fist financial year after the change should be longer than 12 consecutive months.

Referring to the above definition, the Issuers Department of the PFSA is of the opinion that the change of an entity's legal form does not mean that this entity has commenced its business activity.

- Definition of comparable data

In accordance with the definition included in par. 2(1)(38) of the Regulation on current and periodic information, comparable data means comparative data prepared in a way that ensures its comparability by applying, in all presented periods, uniform accounting policies consistent with the accounting policies applied by an issuer when preparing financial statements, condensed financial statements, consolidated financial statements or condensed consolidated financial statements, for the most recent period and by recognising error corrections in periods to which they relate, regardless of the period in which they were recognised in account books; the amount of adjustment for changes in accounting policies and adjustment releted to the error correction are to be recognised in equity and disclosed as retained profit or uncovered loss from previous years; comparable data is to be prepared with due consideration of the rules for ensuring comparability specified by IAS.

- Regulations containing requirements concerning the presentation of comparable (comparative) periods in financial statements which are part of periodic reports

The security issuers admitted for trading on a regulated market are obliged to submit periodic reports according to the rules specified in the provisions of the Regulation on current and periodic information.

If financial statements are prepared in accordance with the Polish Accounting Principles (Polish GAAP), periods for which comparable data is to be prepared have been set out in the following provisions of the Regulation on current and periodic information:
- for quarterly reports: par. 87(1) and (2),
- for semi-annual reports: par. 89(1)(2) and section 2,
- for annual reports: par. 91(1)(3) and section 2.

In case of annual and semi-annual financial statements prepared in accordance with IFRSs, an issuer should present data for comparative periods in accordance with the rules specified in these standards (appropriately, IAS 1 "Presenting financial statements" and IAS 34 "Interim financial reporting"). The regulations on comparative information are included in par. 38-44 of IAS 1. The regulations on periods for which data should be presented in interim financial reports are included in par. 20 of IAS 34.

- Additional issues – quarterly reports

We would like to note that quarterly financial statements should include explanations on the seasonality or periodicity of an issuer's activity in the presented period (cf. depending on the applied accounting standards: par. 16(b) of IAS 34 and par. 87(4)(3) of the Regulation on current and periodic information).

Additionally, quarterly financial statements prepared by an issuer in accordance with Polish Accounting Principles (Polish GAAP), in connection with the extended financial year of the issuer, should also include the description of unusual factors and events which have an impact on financial results (cf. par. 87 (4)(2) of the Regulation on current and periodic information).

On the other hand, for quarterly financial reports prepared in accordance with IFRSs, in case of an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful (cf. par. 21 of IAS 34). The abovementioned IAS recommends that entities whose business is highly seasonal consider reporting such information in addition to the information called for in the preceding paragraph. In our opinion such information may be provided in additional information in quarterly periodic reports.

Moreover, we would like to draw attention to the provisions of the Regulation on current and periodic information concerning submitting quarterly reports and consolidated quarterly reports:

- in accordance with par. 101(2) of the above Regulation, an issuer is not required to submit a quarterly report and consolidated quarterly report for the second quarter of a financial year, with the exception of an issuer being a fund;
- in accordance with par. 102(1) of the above Regulation, an issuer is exempt from submitting a quarterly report and consolidated quarterly report for the last quarter of a financial year, on condition that the issuer simultaneously submits an annual report and appropriately consolidated annual report (...), not later, however, than 80 days from the end of the financial year which the report pertains to.

If an issuer submits a quarterly report/consolidated quarterly report for subsequent quarters of the extended financial year (longer than 12 consecutive months) and a financial year following the extended financial year, the issuer should consider data for which quarter of the previous financial year could constitute data comparable (comparative) to the data for the quarters of the current financial year.

- Additional issues – semi-annual reports

We would like to note that semi-annual financial statements prepared in accordance with Polish Accounting Principles (Polish GAAP), in connection with the extended financial year of an issuer, should include the description of unusual factors and events which may have an impact on the financial results (cf. par. 89(1)(2)(a) and par. 87(4)(2) of the Regulation on current and periodic information).

On the other hand, for semi-annual financial statements prepared in accordance with IFRSs, in case of an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful (cf. par. 21 of IAS 34). The abovementioned IAS recommends, that entities whose business is highly seasonal consider reporting such information in addition to the information called for in the preceding paragraph. In our opinion such information may be provided in additional information in semi-annual periodic reports.

- Additional issues – annual reports

We would like to note that annual financial statements, in connection with the extended financial year of an issuer, should include the description of unusual factors and events which may have an impact on the financial results (cf. par. 91(6)(13) of the Regulation on current and periodic information).

At the same time, we would like to draw attention to par. 36 of IAS 1, from which it results that if an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, such entity shall disclose, in addition to the period covered by the financial statements, the reason for which a longer or shorter period is used, and the fact that the amounts presented in the financial statements are not entirely comparable.

Moreover, we would like to point out that it is necessary to include, in all periodic reports prepared for the periods of a financial year which constitutes a period other than 12 consecutive calendar months, information and an explanation regarding the adopted reporting periods presented in the report, including periods for which comparable (comparative) data is presented.

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

According to art. 3(1) of the Regulation (EC) no. 1606/2002[17] the European Commission shall decide on the applicability within the Community of international accounting standards. Art. 3(4) of the above Regulation provides that the adopted international accounting standards shall be published in full in each of the official languages of the Community, as a Commission Regulation, in the *Official Journal of European Communities*.

According to the requirements of par. 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 judgement in developing and applying an accounting policy (...).

In making the judgment, management shall refer to, and consider the applicability of, the sources indicated in paragraph 11 of IAS 8 in descending order. 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 these do not conflict with the sources in paragraph 11 of IAS 8 (paragraph 12 of IAS 8).

We would like to highlight that in making the judgment, management may take into account the provisions of the Accounting Act and National Accounting Standards issued by the National Committee of Accounting Standards, however exclusively in the case of having fulfilled the conditions provided for in IAS 8.

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

IFRSs and their amendments, published in a form of European Commission regulations, are presented below, starting from the most recent ones.

In 2010:

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

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

2) Regulation of the Commission (EU) No 633/2010 of 19 July 2010 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation

[17] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.09.2002, p. 1; Polish special edition, OJ Chapter 13, vol. 29, p. 609);
Correction to the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.09.2002, Polish special edition, OJ Chapter 13, vol. 29, p. 609);
Regulation (EC) No 297/2008 of the European Parliament and of the Council of 11 March 2008 amending Regulation (EC) No 1606/2002 on the application of international accounting standards, as regards the implementing powers conferred on the Commission (OJ L 97, 09.04.2008, p. 62).

(EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretation Committee's (IFRIC) Interpretation 14

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

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

   Each company shall apply IAS 14 and the amendments to IFRS 8 as from the commencement date of its first financial year starting after 31 December 2010;

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

   Each company shall apply amendments to IFRS 1 and IFRS as from the commencement date of its first financial year starting after 30 June 2009;

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

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

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

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

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

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

In 2009:

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

   Each company shall apply the amendments to IAS 32 as from the commencement date of its first financial year starting after 31 January 2010;

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

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

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

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

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

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

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

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

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

   Each company shall apply the transformed IFRS 1 as from the commencement date of its first financial year starting after 31 December 2009;

7) Regulation of the Commission (EC) No 839/2009 of 15 September 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39

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

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

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

9) Regulation of the Commission (EC) No 639/2009 of 22 July 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Interpretation Committee's (IFRIC) Interpretation 15

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

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

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

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

    Each company shall apply the updated IFRS 3 as from the commencement date of its first financial year starting after 30 June 2009;

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

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

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

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

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

    Each company shall apply the amendments 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, MS IAS R 41 as from the commencement date of its first financial year starting after 31 December 2008.

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

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

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

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

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

In 2008:

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

Each company shall apply the updated IAS 1 as from the commencement date of its first financial year starting after 31 December 2008;

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

   Each company shall apply IFRIC 14 as from the commencement date of its first financial year starting after 31 December 2008;

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

   Each company shall apply IFRIC 13 as from the commencement date of its first financial year starting after 31 December 2008;

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

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

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

   Each company shall apply the updated IAS 23 as from the commencement date of its first financial year starting after 31 December 2008;

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

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

The full list of Regulations of the European Commission regarding IFRS is available at:

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

or via the webpage of the PFSA (www.knf.gov.pl, tab: Regulacje / Regulacje UE / Międzynarodowe standardy rachunkowości i sprawozdawczości finansowej IAS, IFRS / Regulations adopting IAS)

or via the webpage of the Ministry of Finance (www.mofnet.gov.pl, tab: Ministerstwo Finansów / Rachunkowość / Międzynarodowe standardy rachunkowości).

4. CONCLUSION

The analysis of the financial statements of security issuers other than investment funds, carried out by the Accounting Office of the Issuers Department in the PFSA in 2010, revealed numerous areas of inconsistencies with the applicable reporting framework, in particular with IFRSs, which were described in this report.

The authors of the report hope that its publication will contribute to the issuers reaching a high level of compliance with the reporting requirements, IFRS requirements in particular, in subsequent financial statements. The improved quality of financial statements presented by issuers should result in their greater comparability, especially within individual industry sectors, and contribute to the increased trust of investors in financial reporting, facilitating the assessment of financial position and performance of issuers and their capital groups. In our opinion, the increased quality of financial statements would be also reflected in the decreased number of qualified opinions on the examined financial statements, adverse opinions and disclaimers of an opinion by an independent auditor.

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

www.ifrs.org

www.iasplus.com

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