



**NASDAQ  
STOCKHOLM  
MONITORING OF  
PERIODIC FINANCIAL  
INFORMATION 2015**

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This version in English is a summary of the official report in Swedish, which is available on the Exchange´s website  
<http://www.nasdaqomx.com/listing/europe/surveillance/stockholm/decisionsforcompaniesfinancialreporting>

## SUMMARY

Nasdaq Stockholm AB (the “Exchange”) is responsible for monitoring regular financial information published by entities listed on Nasdaq Stockholm. In 2015, 85 (compared to 91 last year) entities were reviewed in relation to the provisions of the IAS Regulation and the Swedish Annual Accounts Act.

As in previous years the review has resulted in non-public reprimands and remarks primarily related to IAS 36, *Impairment of assets*, and IAS 1, *Presentation of financial statements*. The Exchange notes that disclosure of impairment of assets still represents the major part of the identified flaws. As a result, these provisions will be prioritized in the next year’s review. Deficiencies in IAS 1 relate to both the classification of loans and partly incomplete information about why the presentation and comparative figures have been changed. The numbers of entities receiving remarks has been somewhat higher compared to previous years (17 compared to 12 last year). It is difficult to identify a specific explanation to the deviation, but a possible impact could be that the number of issuers in this year’s review, whose previous reviews have been relatively far back in time, has been comparably higher than last year. About 70% of the reviews have been closed without further actions taken, except for commentaries on possible future improvements. This confirms the Exchange’s view that the financial reports on the Swedish market are of high quality even if there is some potential for improvements.

As been referred to previously, the Swedish government in 2013 initiated an inquiry in order to propose a future organization of the surveillance of regular financial information. By year-end 2014 the inquiry proposed, in summary, that the surveillance responsibility should be transferred from the exchanges to the Swedish Financial Supervisory Authority (“Finansinspektionen”). The government recently declared that the proposed new legislation is delayed and that the transfer therefor may be expected by year-end 2017 at the earliest.

Many market participants agree that financial disclosure may be improved. It has, among others, been highlighted that there are too many disclosure requirements and that the effort to comply with these requirements results in *boiler plating* (information of more generic character) in cases where more entity specific information would be more relevant and valuable. As a result of this discussion, IASB, within the so called “*Disclosure Initiative*”, has published amendments to IAS 1. The amendments are not yet officially adopted by EC but the Exchange recommends all listed entities to evaluate using the possibilities given in the amendment already in the annual report 2015.

ESMA’s European common enforcement priorities 2015 includes the following identified financial reporting topics which listed entities and their auditors should particularly consider when preparing and auditing, respectively, the IFRS financial statements for the year ending 31 December 2015:

- impact of the financial markets conditions on the financial statements;
- statement of cash flows and related disclosures (IAS 7); and
- fair value measurement and related disclosures (IFRS 13).

The results presented in this report have been presented in a seminar arranged by the Exchange on December 11, 2015. Presentation material of this seminar is available on the website.

Stockholm, December 21, 2015

## INTRODUCTION

Nasdaq Stockholm AB (the “Exchange”) is by law<sup>1</sup> responsible for monitoring regular financial information published by entities listed on Nasdaq Stockholm. The responsibility includes verifying that the regular financial reports are published in a timely manner and prepared in accordance with the applicable rules, including the IAS Regulation and the Swedish Annual Accounts Act. The purpose with the monitoring is to protect investors and to promote public confidence in the securities market.

The Exchange is required to publish a report each year regarding the review performed, which must contain information regarding the monitoring activities and the results of the review. The Swedish report was published by year-end 2015 in order to give the listed entities the opportunity to use the results in the preparation of their upcoming annual accounts. A preliminary observations paper was distributed to all listed entities on 6 October 2015.

Observations described in this report are based on breaches noted in the individual entity. Since the Exchange only examines a selection of annual reports, equivalent breaches may also have occurred in other companies’ annual reports. The Exchange always assesses the relevant breach on the basis of materiality, which affects the final decision of the Exchange and the requirement for measures to be taken by the company.

Ultimately, determining which information is material is largely specific to each company and it is therefore difficult to consider the remarks as having general application. An observation of a breach in respect of a small entity or a certain industry sector may be material, whilst an equivalent observation in respect of another entity, which operates in a different industry sector or is of a different size, may clearly not be material. The aim of publishing this report is to make it easier for the entities to develop and improve the way in which they provide information externally. It is up to the individual entity to decide whether the Exchange’s observations could or should affect the entity’s financial statements if the entity was not included in this year’s review.

The Exchange has, already in a number of years, in its correspondence with listed entities asked for explanation of how the entity assesses materiality. The Exchange notes that entities this year more than in previous years have explained why certain areas or disclosure were considered immaterial. The Exchange could in many cases agree with the reasoning and such issues are therefore no longer included in the final letters.

## SELECTION

The population of entities that has been reviewed by the Exchange 2015 is based on a combination of risk-based and rotation-based selection in accordance with ESMA’s<sup>2</sup> guidelines on enforcement of financial information<sup>3</sup>. The annual rotation based selection should ensure that all listed entities are reviewed every fifth year.

The risk-based selection is made continuously and is, in a large extend, based on observations and notes made in relation to the Exchange’s continuous monitoring of price sensitive information as well as the periodic financial information published by the listed entities. Such review does sometimes generate questions directly related to accounting issues such as provisions, impairment charges, acquisitions and non-recurring items. Other factors that may impact the risk-based selection

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<sup>1</sup> The responsibility stems from the provisions contained in Chapter 16 of the Securities Market Act (2007:528) and the Swedish Financial Supervisory Authority’s Regulations (FFFS 2007:17).

<sup>2</sup> European Securities and Markets Authority

<sup>3</sup> ESMA/2014/1293

are financial difficulties, major changes in the entity's business model or ownership, unusual high media attention, unusual high valuation or volatility in share prices as well as general deficiencies in the entity's information provided to the market participants.

The selection may also include a follow-up of enforcements actions from previous years. The Exchange may also choose to monitor specific areas for a larger group of listed entities, for example a specific industry.

The ESMA Guidelines distinguishes between an unlimited scope examination and a focused examination of financial reports. An unlimited scope examination may involve annual financial statements or an interim financial report. A focused examination involves the examination of only a specific area. An example is where only the impairment of goodwill has been examined. The Exchanges classifies the follow-up of last year's non-public reprimands and remarks as well as the examination of an interim financial report as focused examinations. The number of listed entities examined in 2015 is presented in the table below:

	2015	2014	2013
Unlimited scope examination	53	54	37
Focused examination	32	37	57
(of which follow-up of last year)	(17)	(19)	(28)
<b>Total</b>	<b>85</b>	<b>91</b>	<b>94</b>
In process by 19 december	5	3	0
<b>Finalised</b>	<b>80</b>	<b>88</b>	<b>94</b>

The following issuers have been examined in 2015 (excluding follow-up of enforcements actions from previous years):

Unlimited scope	Unlimited scope (cont.)	Focused examination
Akademiska Hus AB (debt issuer)	OEM International AB	Acando AB
Atlas Copco AB	PA Resources AB	Beijer Electronics AB
Bactiguard Holding AB	PartnerTech AB	Betsson AB
Beijer Ref AB	Prevas AB	BioInvent International AB
Diös Fastigheter AB	Ratos AB	Biotage AB
East Capital Explorer AB	Rottneros AB	Elekta AB
AB Electrolux	AB Sagax	Eniro AB
AB Fagerhult	Sandvik AB	FastPartner AB
Fysikhuset i Stockholm KB (debt issuer)	Seamless Distribution AB	Getinge AB
AB Geveko	Skanska AB	Husqvarna Aktiebolag
Haldex AB	Skanska Financial Services AB (debt issuer)	Karolinska Development AB
H & M Hennes & Mauritz AB	AB SKF	Peab AB
Hexpol AB	Studsvik AB	Sefyr Värme AB (debt issuer)
Holmen AB	Svedberg i Dalstorp AB	Senys Gatso Group AB
Lammhults Design Group AB	Svolder AB	Venue Retail Group AB
Lundin Mining Corporation	Systemair AB	
Meda AB	AB Traction	
Midsona AB	TradeDoublers AB	
Modern Times Group MTG AB	Uniflex AB	
MultiQ International AB	VBG Group AB	
NCC AB	Wihlborgs Fastigheter AB	
NCC Treasury AB (debt issuer)	Vitrolife AB	
Net Insight AB	AB Volvo	
Nordic Mines AB	Vostok New Ventures AB	
Nordic Service Partners Holding AB	XANO Industri AB	
NOTE AB	Investment AB Öresund	
AB Novestra		

## IMPROVING THE QUALITY OF DISCLOSURES IN THE FINANCIAL STATEMENTS

In recent years, users of financial information have expressed concern about the lack of relevance and completeness of the information provided in the financial statements. They believe the financial statements do not always provide sufficiently relevant and entity-specific information. In October 2015, the European Securities and Markets Authority (“ESMA”) issued a public statement<sup>4</sup> in order to promote the improvement of the quality of disclosures in IFRS financial statements. In the statement ESMA stressed the need for concise and clear disclosures focused on the relevant facts that are specific to the entity and that are necessary to understand its financial performance and position.

ESMA believes the following principles/objectives should be considered regarding the disclosures made in annual reports:

- **Telling the entity’s own story.** The listed entity should focus on entity-specific disclosures and avoid boilerplate language.
- **Providing relevant information in the financial statements in an easily accessible way.** Relevant information is information that is necessary to understand the entity’s financial performance and position and that could influence an investor’s economic decision.
- **Thinking about materiality.** While all relevant information should be contained in the IFRS financial statements, entities should review elements which are no longer relevant, remove elements which are no longer required and consider deleting immaterial information from the financial statements.
- **Promoting readability of the financial statements.** Financial statements should be user friendly and entities should help readers understand the financial information.
- **Providing consistent information within annual reports.** Users expect consistency between information included in the financial statements and information included in the accompanying documents.

In addition, IASB, within the so called “Disclosure Initiative”, has published amendments to IAS 1 as a broad initiative to explore how disclosures in IFRS financial statements can be improved. The amendments<sup>5</sup> are not yet officially adopted by EC but the Exchange recommends all listed companies to evaluate the amendment already in the annual report 2015. The Exchange encourages listed entities to consider carefully, especially paragraph 30A, regarding the obscuring of material information, paragraph 31, which states that a disclosure is not required if the information resulting from that disclosure is not material, and paragraph 113, which states that, in determining how to present the notes to the financial statements, an entity should consider the effect on the understandability and comparability of its financial statements.

The Exchange will, as part of next year’s monitoring, review how disclosures develop with focus on relevant and entity specific disclosures.

## EUROPEAN COOPERATION

Note: some more information about ESMA, the European Enforcers Coordination sessions and our involvement is included in the Swedish report, but not repeated here.

<sup>4</sup> *Public Statement Improving the quality of disclosures in the financial statements* (27 October 2015, ESMA/1609).

<sup>5</sup> *Amendments to IAS 1 Disclosure Initiative, December 2014, effective date 1 January 2016.*

## ACTIVITY REPORT 2014

Once every year ESMA publishes a summary of enforcement and regulatory activities of accounting enforcers. The 2014 report<sup>6</sup> was published on 31 March 2015. The report shows that enforcement activities in the EU resulted in the following actions:

- Issuance of revised financial statements: 21 (2013: 18)
- Public corrective note or other public announcement: 90 (2013: 152)
- Corrections in future financial statements: 195 (2013: 324)

ESMA annually publishes "*European Common Enforcement Priorities*" since 2012. This year's Activity Report includes, for the second time, quantitative information about the results of the follow-up of these priorities. The results have been monitored based on a sample of 176 examinations (including a number from Sweden). The examinations resulted in actions in 42 cases: 10 "*public corrective notes*" and 32 "*corrections in future financial statements*". Most of the actions taken were related to IAS 36, *Impairment of assets* (27 of 47) and IFRS 13, *Fair Value Measurement* (19 of 42).

## FOCUS AREAS FOR FINANCIAL STATEMENTS 2015

ESMA published in November 2015 a public statement<sup>7</sup> that describes the enforcement priorities for 2015 financial statements. The focus areas are:

- Impact of the financial markets conditions on the financial statements;
- Statement of cash flows and related disclosures; and
- Fair value measurement and related disclosures.

The full public statement is available on the Exchange's website.

The Exchange will examine the financial statements for 2015 with the same prioritized areas in focus. Special attention will also be given to liquidity risk (IFRS 7), IAS 36 *Impairment of Assets* and quality of disclosures in the financial statements, focusing on relevant and entity-specific information. The Exchange will also follow up this year's reprimands and remarks.

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<sup>6</sup> Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2014 (ESMA/2015/659).

<sup>7</sup> Public Statement European common enforcement priorities for 2015 financial statements (ESMA/2015/1608).



## RESULT OF THIS YEAR'S REVIEW

At the time of this report, 5 investigations out of 85 initiated (see table on page 6) were not yet finalized. Three issuers were delisted, which brings the number of closed cases to 77. The table shows how these cases (number of issuers) are distributed over the various categories of actions:

	2015	2014	2013
1 No comments	55	72	73
2 Remarks	17	12	14
3 Non-public reprimand	4	3	5
4 Disciplinary action	1	0	1
	<b>77</b>	<b>87</b>	<b>93</b>

Category 1 (no comments) includes 14 (16) entities out of the 17 (19) that were followed up based on last year's review. The remaining three entities received a non-public reprimand. The Exchange concludes that earlier comments in almost all cases have been taken into account by the entities.

The final letter can include both reprimand and remarks, but is categorized based on the more serious outcome. In all final letters, regardless of category, the Exchange may include comments that are less material ("*Other comments*"). Most entities that have been subject to an unlimited scope examination have received such comments.

## REPRIMANDS AND SANCTIONS 2015

### NON-PUBLIC REPRIMANDS

In 2015 four issuers have received non-public reprimands as described below:

#### **Decision 01/15 - infringement of IAS 8, paragraph 41 (concerning the breach of IAS 1, paragraph 74).**

The Exchange has followed-up how the entity, in its year-end financial statement and annual report 2014, has considered the previous non-public reprimand and the Exchange's request for correction in future financial statements (decision 03/14). The Exchange found that the entity, by year end 2014, had renegotiated the loan facility that was subject to the Exchange's views on how the entity had classified its liabilities in connection with its annual accounts 2013. As a result of the renegotiation the classification of liabilities was not relevant at the time of the entity's annual account 2014. The Exchange has however found that the comparative figures (regarding 2013) in the year-end financial statement and the annual report 2014 have not been adjusted in accordance with the Exchange's request. As a result the Exchange decided to give the entity a non-public reprimand.

#### **Decision 02/15 – infringement of IAS 18, paragraph 35b, IFRS 8 paragraph 32 and 33 as well as IAS 1, paragraph 41 and 45.**

The Exchange has followed-up how the entity, in its annual report 2014 and following interim reports, has considered previous remarks and request for correction in future financial statements. In its review the Exchange has found the following deficiencies:

- **Revenue recognition** – The accounting principles specify that the entity receives revenues from a number of product groups and services. Outside the financial statement, even more product groups are mentioned. IAS 18, paragraph 35a requires disclosure of the accounting policies adopted for the recognition of revenue. IAS 18, paragraph 35b requires the amount

of each significant category of revenue recognized during the period. In order to fulfill the requirement the Exchange has previously urged the entity to disclose additional information in the year-end financial statement and annual report 2014. The Exchange has noted that the entity, in its year-end financial statement, the management report 2014 and following interim statements for 2015 reports the revenue detailed as per the accounting principles. The financial statements for 2014 however disclose only one large total and an immaterial amount for freight. The entity has therefore not adjusted in accordance with the Exchange's request.

- **Operating segment** – the Exchange has previously asked the entity to disclose further information in order to fulfill its obligations in accordance with IFRS 8, paragraph 32 (products and services) and paragraph 33 (geographical areas). The Exchange has noted that such information is still missing.
- **Change of income statement presentation** – The Exchange has previously noted that the entity has changed its income statement presentation of expenses from a presentation by nature of expense to presentation by function. In the entity's interim report for the first quarter 2014 the change of presentation is not disclosed. In the entity's half year report 2014 and the following reports, that change of presentation is mentioned but not described and motivated. The Exchange has noted that such information is still missing.

Despite earlier remarks the Exchange noted that the entity's subsequent financial reports have failed in the abovementioned areas. As a result the Exchange decided to give the entity a non-public reprimand. The Exchange's opinion in this regard focused on the company's lack of information on its revenue recognition. The exchange has, however, also considered the lack of information about operating segments and the changing presentation although the latter listing is less relevant in the current situation.

#### **Decision 03/15 – infringement of IAS 36 and IFRS 3 paragraph 45.**

The entity has decreased a liability for contingent consideration and impaired goodwill – both at the same time and with the same amount. The contingent consideration refers to an acquisition that was carried out for more than 12 month ago. The amount was included as a part of the acquisition payment and thereby also in the recognized goodwill value in accordance with IFRS 3. An adjustment of a contingent consideration and goodwill may only be made within the measurement period according to IFRS 3, paragraph 45. The measurement period shall not exceed one year from the acquisition date. Thereafter, different accounting standards apply for goodwill and contingent considerations respectively.

Impairment test of goodwill in accordance with IAS 36 should be assessed per cash-generating unit. The entity defines itself as one cash-generating unit. According to the company the recoverable amount by year-end 2014, exceeded the carrying amount by far. In accordance with IAS 36, paragraph 104, there could therefore not be an impairment of goodwill. The Exchange notes that the company's reference to IAS 36, paragraph 86 is not applicable since the company has not sold any of the acquired businesses.

With reference to the above mentioned the entity was required to publish a corrective note in following IAS 8, paragraph 41-49.

#### **Decision 04/15 - infringement of IAS 36.**

The Exchange has followed-up how the company, in its annual report 2014, has considered previous remarks and request for correction regarding IAS 36 (impairment test). The Exchange notes that the company's description of its impairment test still doesn't fulfill the disclosure requirements in IAS 36. As a result the Exchange decided to give the company a non-public reprimand. As the company, at the time of the decision, had taken certain measures in relation to the deficiencies identified, no enforcement actions were taken.

#### **Disciplinary case 2015:3 – Eniro AB**

On June 29, 2015, the Disciplinary Committee of Nasdaq Stockholm AB found that Eniro AB, had contravened the Exchange's Rule book for Issuers (the "Rulebook"), partly in terms of the company's financial reporting during 2013 and parts of 2014. The entity was issued with a fine corresponding to three times its annual fee.

As a result of an investigation commissioned by the entity's board and conducted by the entity's auditors, material bookkeeping inaccuracies related to the entity's revenue recognition were identified. The revenues were reported incorrectly over certain periods, entailing that revenues have been accounted for too early. The effect of these inaccuracies amounted to approx. 72 MSEK for sales and EBITDA in 2013 and 56 MSEK for sales and EBITDA in 2014. The Exchange believes that the inaccuracies should be defined as material given the EBITDA-effect.

According to the entity the incorrect accrual of revenues had occurred because of discounts related to service fees (up-front revenues). The discounts were found to have been manually adjusted in the accounting system. This adjustment applied the discount only to the accrued parts of the fee, which means that the revenue recognized up-front is too high. In addition, a two-year discount has mistakenly been recognized in the second year only.

As a consequence of the misstatement a correction was published in the entity's interim report for the third quarter 2014. The Exchange noted that the entity's accounting policies regarding revenue recognition, as described in the annual report 2014, are in agreement with IAS 18. The identified misstatements have however showed that that the application of the accounting policies has been incorrect.

In accordance with IAS 8, paragraph 41, financial statements do not comply with IFRS if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period should be corrected before the financial statements are authorized for issue.

According to the entity's internal investigation the CEO/CFO had been informed about the bookkeeping inaccuracies several times during 2013 and 2014. Based on this circumstance the enforcer found that there should have been reason to begin investigating the nature and extent of the bookkeeping inaccuracies and thereby, based on the outcome of such investigation, enable the figures to be adjusted in the annual report 2013. The entity's was thereby found to breach IAS 8, paragraph 41, by presenting the adjusted figures no sooner than the interim report for the third quarter of 2014.

The Disciplinary Committee concluded that Eniro AB had violated item 3.2.1 of the Rulebook because errors had occurred in the company's accounting during 2013 and parts of 2014, which consequently lead to incorrectness in the company's disclosed information and financial statements during the relevant period of time.

## REMARKS

17 issuers received remarks under this year's examination. Three cases referred to interim statements. The remarks related to the following IFRS:

IAS 1 (3 issuers)	IAS 12 (2 issuers)	IAS 33	IFRS 3	IFRS 8
IAS 7	IAS 17	IAS 34	IFRS 5	IFRS13(2 issuers)
IAS 8 (2 issuers)	IAS 18	IAS 36 (3 issuers)	IFRS 7 (2 issuers)	

### IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

#### Classification of liabilities

One entity presented a bank overdraft as a non-current liability. Paragraph 71 mentions a bank overdraft as an example of a current liability that is due for settlement within twelve months after the reporting period. The entity argued that the bank had issued guarantees under the overdraft

facility with a period longer than twelve months and that the facility was for twelve months with a twelve month rollover. The entity also referred to an (oral) agreement with the bank as per 21 December 2014 that the facility was for more than 12 months. The Exchange was presented with the bank overdraft agreement as well as with the written confirmation of the bank, dated late 2015. This material showed that the entity as at 31 December 2014 did not have an unconditional right to postpone settlement for more than 12 months after the reporting period. As this was valid both for the current situation in 2015 and 2014, the entity was required to present the bank overdraft as current in future financial statements with adjustment of the comparatives for 2014 as required by IAS 8 paragraph 49.

Another listed entity presented a project specific borrowing as non-current, although the wording indicated that loan covenants were breached. The entity presented evidence that the requirements for presenting the loan as non-current were available before the reporting date, as required by paragraph 74. The Exchange required the entity to clarify the presentation with the inclusion of the relevant information in the coming financial reports and annual accounts.

#### **Share of profit under the equity method**

Paragraph 82 requires separate presentation of the share of profit and loss of associates and joint ventures (item c). The original text in IAS is more clear (than the Swedish translation): "*...Include line items that present: (c) share of the profit or loss of associates and joint ventures accounted for using the equity method...*". Profit or loss is defined in IFRS as after tax. One listed entity received a remark as it presented the result from an associate before tax in operating profit and the relevant tax as part of the group's tax.

### **IAS 7 STATEMENT OF CASH FLOWS**

A listed entity presented the sale of intangible assets inclusive an amount for a contingent consideration. The Exchange noted that the contingent consideration did not meet the definition of cash flows in paragraph 6. The statement of cash flows was consequently presented erroneous and the item was considered material in the statement of cash flows. The issuer was required to adjust the cash flow statement in the fourth quarter statement for 2015 and the annual accounts for 2015 in accordance with the requirements of IAS 8 paragraphs 42 and 49.

### **IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS**

#### **No applicable IFRS**

IAS 8 paragraphs 10 and 11 are applicable in the absence of an IFRS that specifically applies to a transaction, other event or condition. A listed entity distributed one of its segments to its shareholders under 2014. The notes mentioned that the transaction was accounted for at the group book value of the segment and that no revaluation to fair value as per IFRIC 17 had been done as this would disturb the income statement. The investigation of the Exchange showed that the assets distributed were ultimately controlled by the same parties before and after the distribution. That results in IFRIC 17 not being applicable. The Exchange agreed with the entity on the use of group book value for the transaction, but required the entity to explain in the coming financial statement with regard to the 2014 comparatives why IFRIC 17 is not applicable and explain the use of its accounting for a common control transaction in accordance with the requirements of IAS 8 as well as disclose the necessary information under IFRS 13.

#### **Correction of an error**

A listed entity presented corrections of an error in its interim financial report. The questions from the Exchange resulted in an answer that included information that was not mentioned in the interim report. The Exchange found that the information should have been more detailed in order to meet the requirements in IAS 8 paragraph 49. The entity was required to present a more accurate

description of the components of the adjustments and their effects on the results and equity before and after tax in accordance with the standard in the forthcoming annual accounts.

## **IAS 12 INCOME TAXES**

### **Unused tax losses**

A listed entity did not recognize deferred tax for unused tax losses without expiry date. As the entity had reported profits since 2011, the Exchange requested an explanation why no tax asset was recognized. The entity motivated the lack of recognition with reference to future plans to limit the possibility to use the tax losses. The Exchange noted that paragraph 47 is clear that measurement should be based on tax rates that are (substantially) enacted by the end of the reporting date. The entity was required to adjust its accounting in the forthcoming interim and annual reports in accordance with the requirements of IAS 8.

Another listed entity recognized deferred tax for all of the unused tax losses without expiry date, despite being loss making. Paragraph 35 requires that there is convincing evidence that the entity has sufficient taxable profit against which the losses can be utilized. In its third quarter report, the entity did no longer recognize a deferred tax for the unused losses without giving a reason for the change, which is not in agreement with IAS 34 paragraph 16A (d). Requested for the reasons, the entity explained that deterioration of the results led to the conclusion that no further tax asset could be recognized. The Exchange found that the accounting did not meet the requirements of IAS 12 paragraph 35 and required the entity to supply the reasons for recognition of the deferred tax asset and the period under which utilisation is expected in the next annual accounts.

## **IAS 17 LEASES**

A listed entity mentioned in the annual accounts that amounts will be received from a lessor for certain startup costs and that these will be accounted for under the same period as the related costs would arise. The Exchange noted that the entity had no accounting principles for this transaction and requested the entity to ensure that accounting will reflect the requirements of IAS 17 paragraph 33 and SIC 15.

## **IAS 18 REVENUE**

A listed entity specifies in its accounting principles those for construction contracts and other income for work carried out for third parties. As answer to a query from the Exchange, the entity explained that the amounts are not material and that these are presented as other income in the income statement. The Exchange found that the amounts however were material in respect of the operating profit. The entity was required to adjust its accounting as required by IAS 11 and IAS 18 paragraph 35 in future financial statements and adjust comparatives as required by IAS 8.

## **IAS 33 EARNINGS PER SHARE**

A listed entity presented EPS without deduction of the interest paid to preference shares, as requested by paragraphs 12 and 14 of the standard. The entity was required to adjust its calculation in the next interim report in accordance with the standard and the requirements of IAS 8.

## **IAS 34 INTERIM FINANCIAL REPORTING**

A listed entity presented in its interim report that a sale and a remeasurement did have a positive effect on profit of xx MSEK. From the entity's answer on our request, it turned out that the (net) amount related to a profit on disposal and a loss on the remeasurement. The Exchange found that the wording in the interim report was almost misleading as it presented both items as resulting in profit. The information presented does not meet the requirements of IAS 34 paragraphs 15 and 16A. The entity was required to adjust its reporting in the next interim report in accordance with IAS 8 paragraphs 41-49.

## **IAS 36 IMPAIRMENT OF ASSETS**

### **Goodwill and impairment**

A listed entity mentioned in the notes that the impairment test was based on internal judgement. No further information than the discount rate and terminal growth rate was given. In the sensitivity analysis, EBITDA was mentioned, although that ratio was not defined nor used elsewhere. The Exchange found that the entity did not comply with the requirements of paragraph 134, specifically d(i) and d(ii).

For another listed entity, the Exchange issued a remark for the following lack of disclosures:

- The events and circumstances leading to the recognition of the impairment (130a)
- The cash generating unit concerned (130)
- The discount rate (130g, the entity only disclosed WACC in a range)
- The key assumptions used (134d(i), the entity only mentions that both internal and external information is used)
- The value assigned to the key assumptions (134f(ii), since the impairment means that any chance will result in a further impairment)

The entity was further required to be more precise in the descriptions, as it was unclear whether the growth rate used was only based on organic growth (paragraph 44 excludes additional acquisitions).

### **Impairment of development costs**

A listed entity carried an intangible asset for development costs not yet in use. Upon the request from the Exchange the entity mentioned that an impairment test in accordance with IAS 36 had not been prepared based on the fact that market valuation of the entity was higher than its equity. The Exchange required the entity to properly perform an impairment test and to give in the next financial statements the disclosures required by IAS 36. As wording in the notes was not clear, the entity also has to improve the information required by IAS 38 paragraph 57.

## **IFRS 3 BUSINESS COMBINATIONS**

A listed entity reported a business combination in its third quarter report. The report mentions a cash payment of xx MSEK as well as that it was impossible to give information about the final acquisition price. The same information was repeated in the report for the fourth quarter. IAS 34 requires that detailed information as per IFRS 3 paragraph B64 is given. The Exchange issued a remark for not following this requirement.

## **IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

A listed entity notes in its 5 year historical summary that the information includes the distributed or discontinued segments. Information on that basis does not comply with IFRS (IFRS 5 paragraph 34 and IAS 1 paragraph 38C). The entity is required to either mark the summary as non-IFRS or to adjust it to comply with IFRS.

## **IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES**

A listed entity recognized a profit on the restructuring of its borrowings. No information was given on how this profit was calculated. The entity referred to information on various places as well as to the prospectus filed with the regulator. The Exchange found that a cross reference to a prospectus does not meet the requirements in IFRS 7 paragraph 31 and required the entity to present the information in the next financial statements.

Paragraph 39 requires the entity to disclose a maturity analysis for derivative and (separately) for non-derivative financial liabilities.) Disclosure is required for the undiscounted contractual cash flows

(B11D). That includes both repayment and interest payments. A remark was given to an entity for the lack of this information. The entity has to present the information in the next financial statements, clarifying how the information on maturity of loans, roll-overs and interest derivatives work together.

## **IFRS 8 OPERATING SEGMENTS**

The Exchange issued a remark for lack of disclosure in accordance with the standard to an listed entity. The entity had designated all individual subsidiaries as operating segments, but only presented one total. Discussions with the entity revealed that the basis for this presentation was found in paragraph 19 in the standard, as the many operating segments would result in too detailed information. The Exchange found that paragraphs 12 and 13 give the requirements for aggregation and the thresholds that set limits for this. Paragraph 19 cannot be read as a general exception. A number of the subsidiaries/operation segments met the thresholds under paragraph 13 and should therefore be presented separately.

The entity further did not give the disclosures as per paragraph 32. The entity is required to see over its segment reporting in the next annual accounts, so that requirements in IFRS 8 are met.

## **IFRS 13 FAIR VALUE MEASUREMENT**

Two listed entities were given remarks for lack of disclosures of valuation in Level 3. In both cases it concerns the valuation of unlisted investments. Information given in the notes did not comply with the requirement in paragraph 93d (quantitative information of the unobservable inputs). One entity referred to the fact that such information was too sensitive to include. Such exception is however not present in the standard. The other entity presented some information on the sensitivity for certain factors, but not, as required by paragraph 93h, for the unobservable inputs.

## **OTHER COMMENTS**

The Exchange has formulated parts of the issues as "Other comments". The Exchange has given such other comments in nearly all final letters issued. These other comments are only meant as support for the listed entities in their improvement of financial reporting and do not require any action towards the Exchange. Entities have in many such cases already agreed to changes or improvements. Entities need however to judge the materiality of those disclosures given the present debate on disclosures (see Disclosures in Financial statements on page 7).

In some cases these entities refer to the same areas that are already discussed in the earlier chapter. These are therefore not repeated here.

The Exchange only gives the reference to the paragraphs below<sup>8</sup>. The Exchange is of opinion that the text in the previous chapters and in the list below can serve as a base for a listed entity to ascertain the quality of its financial statements.

<b>Standard</b>	<b>Paragraphs</b>
IAS 1	38,104,134/135
IAS 2	36d
IAS 7	21,31
IAS 12	80,81(e,g)

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<sup>8</sup> A few lines of text from the relevant paragraph are included in the official version of the report in Swedish.

IAS 19	147c,148
IAS 36	33b, 55/A20, 130, 134f
IAS 38	99
IFRS 3	18, B64(d,g,h), B67a
IFRS 7	40
IFRS 8	31-34
IFRS 12	12g
IFRS 13	93 (d,h), 94



## CONTACT

Nasdaq Stockholm AB  
Tullvaktsvägen 15  
105 78 Stockholm  
[iss@nasdaq.com](mailto:iss@nasdaq.com)  
Telefon +46 8 405 70 50

[www.nasdaqomx.com/nordicsurveillance](http://www.nasdaqomx.com/nordicsurveillance) (sw. Redovisningstillsyn)