



CNMV PUBLISHES THE ANNUAL SUPERVISORY REPORT ON THE ANNUAL ACCOUNTS OF ISSUING COMPANIES

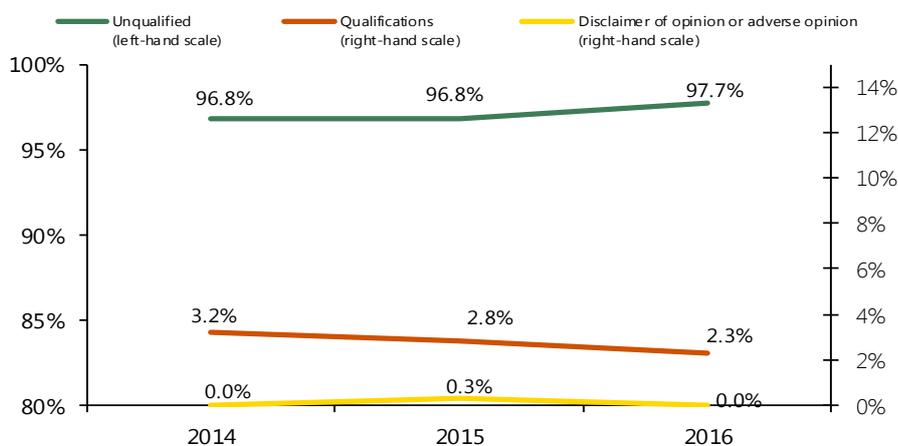
16 February 2018

- 97.7% of the 309 audit reports were unqualified opinion audit reports and, for the ninth consecutive year, all Ibex 35 companies were issued with a favourable opinion
- In the supervision of the 2017 annual accounts, special attention will be paid to the initial implementation of the new international accounting standards (IFRS 9, IFRS 15 and IFRS 16)

The National Securities Market Commission (CNMV) has today published the [“Report on the CNMV’s review of the annual financial reports and main enforcement priorities for the following financial year”](#) corresponding to 2016. The document describes the supervisory work carried out by the regulatory body in relation to the audited annual accounts submitted by companies. It also includes CNMV’s supervision plan for the 2017 annual accounts.

CNMV received 309 audit reports on the 2016 annual accounts – individual and consolidated – corresponding to 165 securities issuers. The percentage of audits with a favourable opinion stood at 97.7%. For the ninth consecutive year, all the audit reports on the Ibex 35 companies presented a favourable opinion.

Opinion stated in audit reports on annual accounts



Source: CNMV



Types of qualifications

In 2016, the number of audit reports with scope limitations decreased, from nine in 2015 (corresponding to five issuers) to seven in 2016 (corresponding to four issuers) and the number of qualifications due to non-compliance with accounting standards increased: one report in 2015 and three reports in 2016 corresponding to two issuers.

In relation to 2016, 70 audit reports, corresponding to 42 issuers, included some type of **emphasis paragraph** (76 reports and 45 issuers in 2015), of which the auditor expressed doubts as to the business continuity of 18 issuers (19 issuers in 2015).

The special audit reports received during 2017, which are available to the public on the CNMV website, correspond to four issuers. At the end of the first half of 2017, these special reports updated the circumstances that gave rise to the qualifications expressed by the auditor in its opinion on the annual accounts for the 2016 financial year.

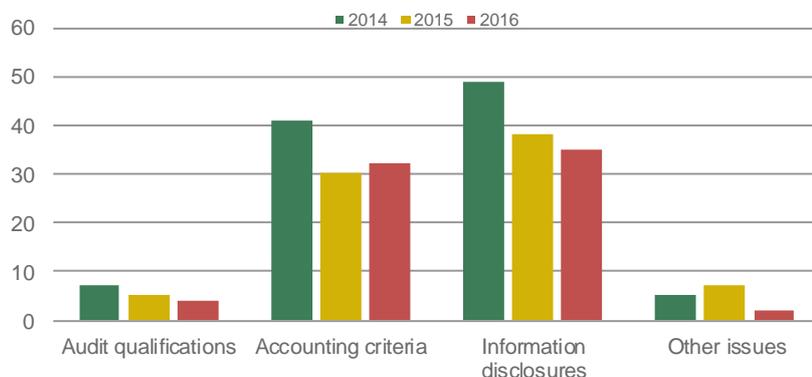
The report explains the review work carried out by CNMV on the annual accounts of listed companies. All reports received are subject to a formal review of compliance with current regulatory requirements. In addition, a substantive review is performed on a certain number of audited annual accounts. During 2017, requests were issued to 31 companies among those subject to substantive review, for one or more of the following reasons:

- qualifications in their audit reports (three companies)
- provision of additional information on issues related to recognition and valuation accounting policies (29 companies)
- a more detailed breakdown of the information provided in the annual financial report (29 companies).

Reasons for requests to issuers

(excluding securitisation funds and FABs)*

* The requests include those sent to issuers subject to a formal and substantive review.



Supervision plan for the 2017 annual accounts

As in the last four years, ESMA and the national EU supervisors have agreed on common review priorities for the financial statements for the 2017 financial year.

The priority areas on which the review will focus relate to:

- 1.- Disclosure of the expected impact of implementation of the new standards in the initial implementation period (IFRS 9, IFRS 15 and IFRS 16).
- 2.- Specific IFRS 3 issues related to the recognition, measurement and breakdown of business combinations.
- 3.- Specific IAS 7 issues.

In addition, ESMA and the national supervisors will continue to analyse the priority areas published in previous years, when their impact is significant, for example, the presentation of financial performance (APM and other), and the disclosures related to the impact of Brexit.

ESMA also highlights the new requirements related to the non-financial information statement, the content of which has been identified by CNMV as one of its objectives as part of the 2018 Business Plan.

Furthermore, CNMV has decided to include the impairment of investments in associated companies and the recognition as income of modifications and claims in construction contracts as areas under review.

During its review of the annual accounts for the 2016 financial year, CNMV also identified another series of relevant issues that listed companies and their auditors should take into account:

- 1.- The determination of the exchange rate in Venezuela.
- 2.- The consolidation of units in Collective Investment Schemes (CIS) managed by a management company under the control of the issuer.
- 3.- The impact of the tax reform in the United States.

Likewise, those other specific issues that are relevant for the purposes of each company will be reviewed.



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