

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

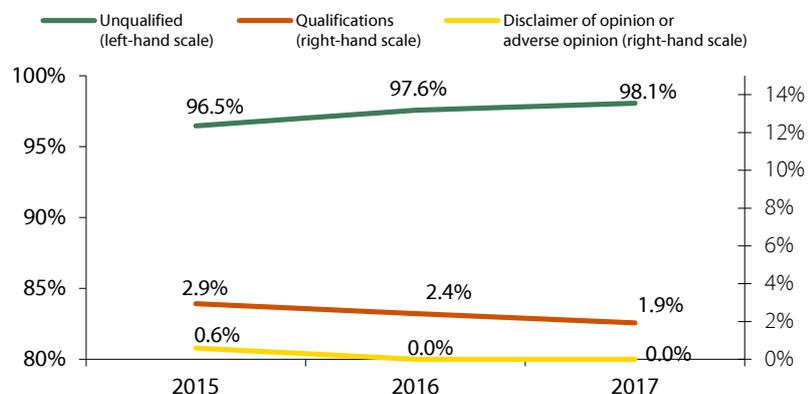
18 February 2019

- 98.1% of the reports submitted by the issuing companies were favourable opinion audit reports and, for the tenth consecutive year, all Ibex 35 companies were issued with a favourable opinion.
- In the supervision of the 2018 annual accounts, special attention will be paid to the initial implementation of the new international accounting standards (IFRS 9 and IFRS 15), and to the disclosures of the non-financial information statement.

The National Securities Market Commission (CNMV) has today published the [“Report on the supervision by the CNMV of the annual financial reports and main areas for review of the annual accounts for the following financial year”](#) for 2017. 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 the CNMV’s supervision plan for the 2018 annual accounts.

The CNMV received 297 audit reports on the 2017 annual accounts – individual and consolidated – corresponding to 155 securities issuers. 98% of these were favourable opinion audit reports. For the tenth consecutive year, all the audit reports on the Ibex 35 companies presented a favourable opinion.

### Opinions on the annual accounts



Source: CNMV

### **Types of qualifications**

In 2017, the number of audit reports with scope limitations decreased, from four in 2016 (corresponding to four issuers) to three in 2017 (corresponding to three issuers). The number of issuers whose reports contained a qualified opinion due to failure to comply with accounting standards also decreased from two to one.

Furthermore, 19 issuers included some type of **emphasis of matter paragraph** (42 issuers in 2016), 13 of which included doubts as to business continuity (18 in 2016).

During 2018 three special audit reports were received which updated, at the end of the first half of 2018, the circumstances that gave rise to the qualifications expressed by the auditor on the 2017 annual accounts.

### **Supervisory work**

The report also explains the review work carried out by the CNMV on the annual accounts of listed companies. All the reports received are subjected to a formal review regarding compliance with current legal requirements. Furthermore, a substantive review is carried out on a certain number of audited annual accounts.

Thus, in 2018, requests were issued to 27 companies among those subject to substantive review, for one or more of the following reasons:

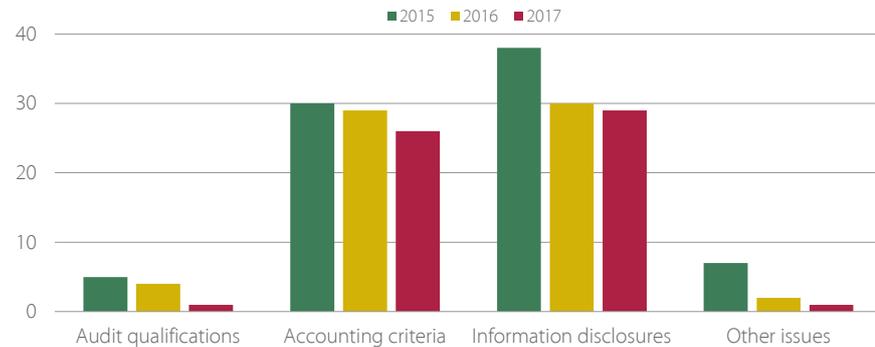
- provision of additional information on issues related to recognition and valuation accounting policies (24 companies);
- a more detailed breakdown of the information provided in the annual financial report (27 companies).

For further information:

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### Reasons for issuing requests to issuers (excluding FT and FAB) \*



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

Source: CNMV

### Supervision plan for the 2018 annual accounts

ESMA and the national EU supervisors have agreed on common review priorities for the 2018 financial statements.

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

- 1.- Specific issues related to the implementation of IFRS 15 and IFRS 9.
- 2.- Disclosure of the expected impact of the implementation of IFRS 16.

Other matters which supervisors will also take into consideration are:

- (i) The status of the Argentine economy as hyperinflationary from 1 July 2018.
- (ii) Disclosures of the non-financial information statement.

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.

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In addition, the CNMV has decided to include, within its plan for the review of the 2018 annual financial reports, the monitoring of the earnings per share estimate and an analysis of the non-financial information statement, bearing in mind the content of the new Law 11/2018, which implements [community EU](#) legislation on this matter.

During its review of the 2017 annual accounts, the CNMV also identified another series of relevant issues that listed companies and their auditors should take into account: (i) the accounting treatment of adjustments for hyperinflation; (ii) the accounting recognition of income from non-refundable upfront fees; and (iii) the disclosures related to the liquidity matrix.

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

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