

## THE CNMV PUBLISHES ITS SUPERVISORY REPORT (FOR 2018) ON THE ANNUAL ACCOUNTS OF ISSUING COMPANIES

03 March 2020

- In the supervision of the 2019 annual accounts, special attention shall be paid, among other issues, to the implementation of IFRS 16 (leases), 9 (financial instruments) and 15 (revenue), as well as to the impairment of assets in the energy, and gas and oil extraction sectors.

The Spanish National Securities Market Commission (CNMV) has today published the [“Report on the supervision by the CNMV of the 2018 annual financial reports and main areas for review of the annual accounts for the following financial year”](#). 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 2019 annual accounts.

The CNMV received 292 audit reports on the 2018 annual accounts – individual and consolidated – corresponding to 152 securities issuers.

The percentage of issuers whose audit reports had a favourable opinion stood at 97.4%. For the eleventh consecutive year, all the audit reports on the Ibox 35 companies presented a favourable opinion. Eighteen issuers included some type of **emphasis of matter paragraph** (19 issuers in 2017), 12 of which included doubts as to business continuity (13 issuers in 2017).

The report explains the review work carried out by the CNMV on the annual accounts of listed companies. All reports received were subjected to a formal review in compliance with current regulatory requirements. In addition, a substantive review was performed on a certain number of audited annual accounts. During 2018, requests were issued to 30 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 (25 companies);
- a more detailed breakdown of the information provided in the annual financial report (30 companies);
- information related to the non-financial statements (six companies); and

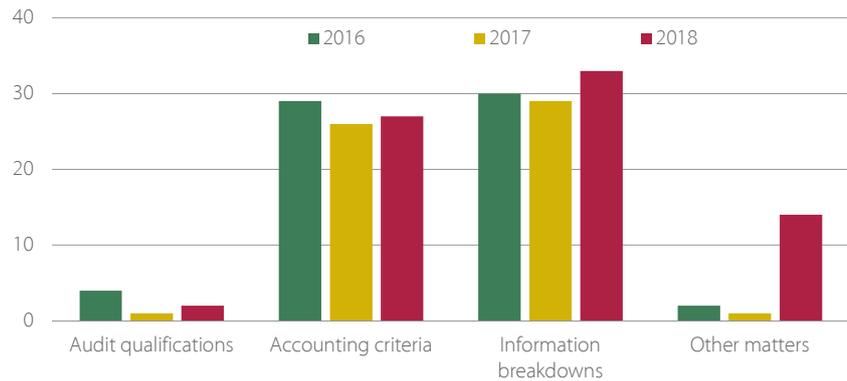
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- other formal matters (two companies).

**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

In relation to the number of Non-Financial Statements (NFS) received for 2018, it should be noted that 43 issuers were required to include an NFS in their individual management report and 96 in their consolidated management report (28% and 69%, respectively), the number being similar to that of last year.

One of the new features introduced by Spanish Law 11/2018, which stipulated the scope and content of the NFS, was the obligation to subject the NFS to an independent verification service provider for verification. It should be noted that 13 issuers submitted qualifications in the verification report, which in general, were due to omissions of information.

Requests were submitted to three companies, in addition to those with qualifications. Recommendations were submitted to 25 companies for their consideration when preparing their NFS as of next year. In the reply to the requests, the issuers submitted the information requested.

### Supervision plan for the 2019 annual accounts

ESMA and the national EU supervisors have agreed on common review priorities for the 2019 financial statements. The priority areas on which the review shall focus relate to:

- 1.- Specific issues related to the implementation of IFRS 16 *Leases*.
- 2.- The follow-up of specific issues related to the implementation of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.
- 3.- Specific issues related to the implementation of IAS 12 *Income Taxes* (including the implementation of IFRIC 23 *Uncertainty over Income Tax Treatment*).

Other matters which supervisors shall also give particular attention to are:

- Breakdowns of the non-financial statement;
- Specific aspects related to the implementation of ESMA's guidelines on alternative performance measures, in particular with regard to the amendment of figures resulting from the entry into force of new accounting standards;
- Impact of Brexit.

The CNMV has also decided to include, within the review plan for the 2019 annual financial reports, a more detailed analysis of the non-financial information statement, of the impacts arising from the entry into force of IFRS 16 and of the impairment of assets in the energy, and gas and oil extraction sectors pursuant to IAS 36.

During the review of the 2018 annual accounts, the CNMV has also identified another series of relevant issues that listed companies and their auditors should bear in mind such as: the estimation of impairment due to credit risk of financial assets in stage one, and the criteria applied to determine the existence of control. Any other specific issues that are relevant for the purposes of each company shall also be reviewed.

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Finally, in the report the CNMV reminds companies of the implementation of the new harmonised electronic format known as European Single Electronic Format (ESEF), which shall affect individual and consolidated annual financial reports of listed companies whose financial year begins as of 1 January 2020, and whose reports shall be submitted in 2021.