NASDAQ OMX STOCKHOLM AB

MONITORING OF PERIODIC FINANCIAL INFORMATION 2013

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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

INTRODUCTION

NASDAQ OMX Stockholm ("the Exchange") is responsible for monitoring financial information produced by the companies listed on the Exchange. This responsibility includes issuing a report each year regarding the review performed, which must contain information regarding the monitoring activities and the results of the review. 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). The Exchange publishes its report before the year-end in order to give issuers the opportunity to use the results of the monitoring in the preparation of their upcoming annual accounts. A preliminary observations paper was issued to all listed companies on 23 September 2013. The observations were presented at a seminar arranged by the Exchange on 22 November 2013.

The monitoring for 2013 included annual accounts of 94 issuers as well as the majority of the interim reports published by all issuers. Monitoring sees primarily at the adherence to the IAS Regulation and the Annual Accounts Act. The mandate of the Exchange is that all listed entities will be subject to monitoring under a five year period. This means that some issuers are now monitored for the second time.

The most common issues resulting in non-public reprimand[1] and remarks in this year's monitoring of financial information refer to IAS 36 (Impairment of Assets), IFRS 8 (Operating Segments) and IAS 1 (Presentation of Financial Statements). Poor disclosures for impairment tests of goodwill are in line with the findings in other EU-countries, which has caused ESMA[2] to review the practice of issuers listed in Europe[3]. The Exchange notes that impairment disclosures still count for the majority of the shortcomings. We will focus on these again with next year's monitoring.

There is an ongoing debate about decreasing the number of disclosures in financial statements and improving disclosures to be more entity specific. As mentioned further on in the report this is an enforcement priority for next year as ESMA is of opinion that improvements can be made already today without a need to change the standards. The Exchange shares that opinion and elaborates that in the paragraph "Disclosures in Financial Statements" (see page 4).

The Exchange has decided to withdraw the present requirement for quarterly financial reports in accordance with IAS 34. The change is made in order to decrease the administrative burden on listed companies as well as in order to promote a more long-term view on investing. The change follows the changes made in EUs Transparency Directive. Instead of quarterly financial statements, an issuer can publish less detailed information in accordance the Exchanges guideline[4]. There is however nothing that prevents an issuer to continue publishing quarterly reports in accordance with IAS 34. For half year reports and the 4th quarter however, reporting in accordance with IAS 34 is still required.

There has been discussion under a longer period of time on how the monitoring of financial rapports will be organized. On 28 November 2013, the government initiated an investigation in order to analyse and propose if necessary the chances in law about how the monitoring of financial information should be organized in future. A report should be published by 30 September 2014. The Exchange will therefore be responsible for the monitoring of the financial statements for year 2013.

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1 The previous use of "criticism" ("criticize") has been replaced with "nonpublic reprimand".

2 European Securities and Markets Authority

3 European enforcers review of impairment of goodwill and other intangible assets in the IFRS financial statements (January 2013, ESMA /2013/2)

4 Guidelines for preparing interim management statements

ESMA published new proposals[5] that would replace the former guidelines of CESR on how enforcement should be organized. One of the changes proposed is that enforcement of IFRS cannot be performed by a regulated market operator. The proposals have been open for comments until 31 October 2013. It will take some time before ESMA can publish the final guidelines.

DISCLOSURES IN FINANCIAL STATEMENTS

There is a common understanding that a review of the disclosures in financial statements is needed. An increasing number of reports and publications have seen the light, which also IASB has noticed. Many state that there are too many disclosures that are not material. Taking away these ("cutting clutter" or "losing the excess baggage" as some of the titles of reports express) should be one the priorities of the IASB. Other parties, not at least analysts, are not equally convinced that disclosures shall be taken away. The more important issue is to improve disclosures by making them more entity specific.

The issues have been discussed within a ESMA working group (in which the Exchange participates), which is visible from the enforcement priorities for next year. Enforcers' position in the debate should however take account of the role of enforcement in the process. Changing disclosure requirements, be it discarding current ones or requiring new ones, is by definition the remit of the IASB (and other standard setters). The role of enforcement is to ensure that currently valid requirements are followed. It is not always possible to read from annual accounts whether a disclosure should be present or not. In those cases enforcers will ask a question about the materiality of the item. Issuers sometimes seem to interpret such questions as a requirement for disclosure. That may be the case, but it is primarily the entity's management that has to make the materiality judgment that is the basis for IFRS.

ESMA will review the so-called "boilerplate" disclosures. Boilerplate means that an issuer uses standardized language such as an extensive quotation from the standard that does not reflect the specific circumstances of the entity. Examples are often seen in the description of estimation uncertainties and judgments. The Exchange has for example noted that there is hardly so much uncertainty about the calculation of income taxes that it requires specific disclosure in order for an investor to make the right decision.

IASB has started a process of reviewing the disclosure requirements. A number of improvements (that can be achieved without changing the standards) form the basis for ESMAs enforcement priorities (see page 5). The first changes in the standards have in the meantime been discussed at the IASB and should get their final form shortly.

In summary, ESMA (and the Exchange) look at the following principles when reviewing disclosures in financial statements:

- The materiality principle in IAS 1 does not only mean that material items should be included, but also that it can be better to exclude non-material disclosures.

- If a standard is relevant for an entity, it does not automatically mean that all disclosure requirements in the standard are material.

A number of IFRS require a description in order to be able to assess the judgments and assumptions of the entity used with the application of the accounting principles. Such descriptions should be specific to the entity and not boilerplate.

[5] Consultation Paper "ESMA Guidelines on enforcement of financial information" (19 July, ESMA/2013/1013)

Focus areas for financial statements 2013

ESMA published on 11 November 2013 a statement[6] on common priorities for enforcement in regard of financial statements for 2013. These areas are:

- Impairment of non-financial assets (IAS 36),
- Measurement and disclosure of post-employment benefit obligations (IAS 19),
- Fair value measurement and disclosure (IFRS 13),
- Disclosures related to significant accounting policies, judgments and estimates (IAS 1), and
- Measurement of financial instruments and disclosure of related risks, particularly relevant for financial institutions (IAS 39 and IFRS 7).

The Exchange will include these in the review of the financial statements of the issuers that will be selected for the year 2013.

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

SELECTION

The selection procedure conforms to the applicable procedure for monitoring financial statements and is based on a risk-based and rotation-based selection in accordance with the CESR[7] standards regarding monitoring and coordinating of financial information in Europe[8].

The Exchange monitored the financial statements of 94 entities as well as the majority of the interim financial reports. The Exchange also conducts a review of companies that have been listed during the past year (referred to as a one-year review).

The table below shows the number of entities/financial statements reviewed by category of selection.

	Equity issuers	Debt issuers	Total
Overflow from 2012 review, finalized in 2013		10	10
Rotational selection 2013	26	10	36
Risk-based selection 2013	14		14
One-year review	6		6
Follow-up of 2012 *)	28		28
Finalized	**74**	**20**	**94**

* Refers to the entities where the Exchange issued either non-public reprimand or remarks on the 2011 financial statements. These are followed up to ensure the companies have made the necessary adjustments in the 2012 financial statements.

[6] Public Statement European common enforcement priorities for 2013 financial statements, ESMA/2013/1634

[7] Committee of European Securities Regulators

[8] Standard no 1 on Financial Information – Enforcement of Standards on Financial Information in Europe/Standard No 2 on Financial Information – Coordination of Enforcement Activities.

Reviews can also be analyzed as full reviews (where the complete financial statements are subject to review) and partial reviews. The latter only looks at a certain part or issue, such as an interim report or half year report (mainly debt issuers) or a specific area. Examples of partial reviews are where only goodwill accounting has been subject for monitoring and the follow up of last year's non-public reprimand and remarks.

	Type of review		
	Full	**Partial**	**Total**
Overflow 2012		10	10
Selection 213	37	47	84
Finalised	**37**	**57**	**94**

The following companies were reviewed within the scope of the monitoring activities in 2013:

Rotation based	Risk-based	One year review	Debt issuer
Aerocrine Aktiebolag	Bong AB	Avega Group AB	AB Sveriges Säkerställda Obligationer[2]
Alliance Oil Company Ltd	B&B TOOLS Aktiebolag[1]	Boule Diagnostics AB	Bilia AB[2]
ASSA ABLOY AB	BillerudKorsnäs Aktiebolag[1]	CDON Group AB	Carnegie Investment AB[2]
Axfood Aktiebolag	Consilium Aktiebolag[1]	Dedicare AB	Fast Partner AB[2]
Axis Aktiebolag	Cybercom Group AB[1]	Transmode Holding AB	IKANO Bank AB[2]
CTT Systems AB	Enea Aktiebolag[1]	Vitec Software Group AB	Kommuninvest i Sverige AB[3]
Elos Aktiebolag	Eniro AB[1]		Royal Bank of Canada[2]
Getinge AB	Image Systems AB[1]		Russian Real Estate Inv. Company AB[2]
HMS Networks AB	KappAhl AB		Svensk Exportkredit AB[3]
Industrial and Financial Systems, IFS Aktiebolag	Nolato Aktiebolag1		Volvofinans AB[2]
Intrum Justitia AB	Oasmia Pharmaceutical AB		
Investmentaktiebolaget Latour	Opcon AB[1]		
Lundin Petroleum AB	ProfilGruppen AB[1]		
Melker Schörling AB	RNB RETAIL AND BRANDS AB[1]		
Micronic Mydata AB			
NOVOTEK Aktiebolag			
Phonera AB			
PROBI Aktiebolag			
Rezidor Hotel Group			
SCANIA Aktiebolag			
Shelton Petroleum AB			
SinterCast Aktiebolag			
Swedish Orphan Biovitrum AB			
Swedol AB			
Telefonaktiebolaget L M Ericsson			
ÅF, AB			

1) The review of one specific issue.
2) Review of half year report 2013.
3) Review refers to both annual report 2012 and half year report 2013.

THE EXCHANGE’S OBSERVATIONS

Observations described in this report are based on breaches noted in the individual companies. Since the Exchange only examines an annual 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 company or a certain industry sector may be material, whilst an equivalent observation in respect of another company, 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 companies to develop and improve the way in which they provide information externally. It is up to the individual issuer to decide whether the Exchange´s observations could or should affect the issuer’s financial statements if the issuer was not included in this year’s review.

Result of this year’s review

All 94 reviews (see page 7) were finalized on publication of (the Swedish version of) this report. One issuer delisted, which make the final results 93, in the following categories:

	Category	Number of issuers
1	No comments	73
2	Remarks	14
3	Non-public reprimand	5
4	Disciplinary action	1
		93

An overview of the findings per standard is given on page 8. Category 1 includes 27 issuers of the 29, where the Exchange followed-up adherence to previous comments on the 2011 financial statements. One of the remaining two issuers received non-public reprimand and the other one delisted. The Exchange therefore concludes that the issuers generally take our remarks into account in the next financial statements.

The final letter can include both non-public reprimand and remarks, but is categorized based on the more serious outcome. For many issuers, the final letter includes comments on the application of IFRS or accounting laws that are less material. These comments are generally to remind the issuers of their promises to adjust or complete disclosure in the next financial statements. A list of the IFRS paragraphs concerned is given in chapter “Other Comments” on page 13 (note: the Swedish version includes a few lines of text for each).

Disciplinary actions

The Exchange has referred the case of Oasmia Pharmaceutical AB (“the company”) to its Disciplinary Committee. The case refers to the repayment of a milestone payment for a contract ended. Enforcement referred to the application of IAS 1, IAS 10 and IAS 34.

IAS 1

IAS1 paragraph 122 requires disclosure of management's judgment on the application of its accounting principles. IAS 1 paragraph 125 requires disclosure of major sources of estimation uncertainty that have a significant risk of material adjustment in the next financial year. Given that repayment could be required from 30 June 2011, the company's financial statements, beginning with its annual accounts, dated 25 August 2011, should have included information about this as well as disclosure as to why the company did not account for the liability. The company's financial statements therefore did not comply with IAS 1 paragraphs 122 and 125.

IAS 10

IAS 10, Events after the Reporting Period, requires adjustment of the amounts recognized in the financial statements or disclosure to reflect events after the reporting period but before the date of authorization for issue (paragraphs 1, 3, 8 and 19). The fact that the counterparty had cancelled the contract is such a fact that should have been disclosed already in the annual accounts 2010/2011.

IAS 34

The company first reported in its fourth quarter interim report 2011/2012 that the contract was cancelled. In accordance with IAS 34 paragraph 15, information should be supplied for events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Disclosure of the fact that the contract was ended and the judgment about the repayment and its development should therefore have been reported for all previous interim reports.

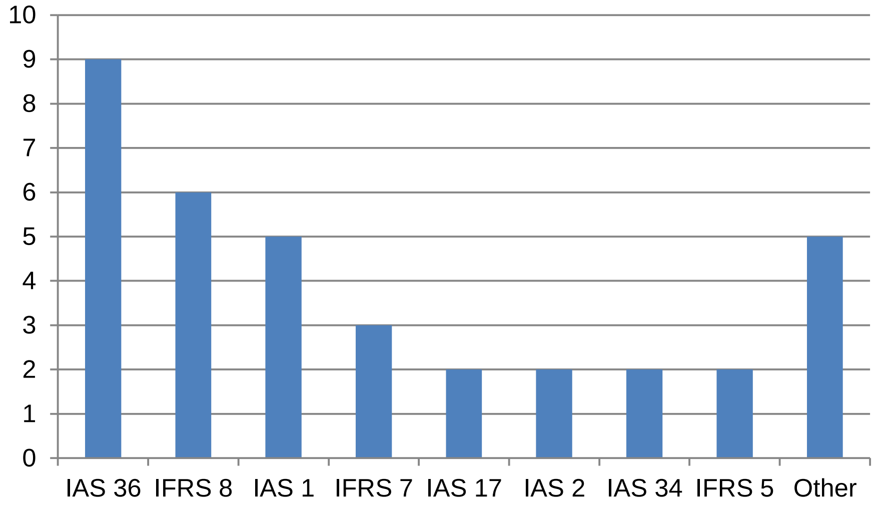
Cases for non-public reprimand in 2013

Five companies received non-public reprimand. One issuer was criticized for not having followed up the Exchanges remarks on the application of IFRS 7 and IFRS 8 in its 2011 accounts. In the other cases, the Exchange found breaches in the application of IFRS that were material or referred to items that were material to the issuer. Materiality is determined with reference to the size of the item in comparison with the issuer's balance sheet total, equity and results. Three issuers were criticized for incomplete disclosures with regard to impairment charges or impairment tests (IAS 36). One case referred to intangible assets not yet available for use, the other two referred to goodwill. The fifth issuer was criticized for its accounting for discontinued operations (IFRS 5). For more information, please see chapter Comments by standard.

Remarks

Fourteen issuers received remarks. Two of the issuers that were criticised also received remarks on other issues. More than half of the issuers received remarks on more than one item. The graph below shows that IAS 36 Impairment of Assets is the standard which most frequently resulted in remarks.

The graph below shows the number of issuers that the Exchange has given none-public reprimand or issued remarks to, distributed by standard. A description of the most important remarks made by the Exchange is included in the following chapter "Comments by Standard". The category "Other" refers to remarks on five standards. These are included in the chapter "Other comments".



Comments per standard

IAS 36 Impairment of Assets

The Exchange has given none-public reprimand to three issuers for incomplete disclosures with regard to impairment charges or impairment tests. Two of these relate to goodwill. The third case referred to development costs that should be tested for impairment in conformity with IAS 36 paragraph 10a (not yet available for use).

Other issuers where the goodwill amount is smaller or where only parts of the disclosures were missing have received remarks or only other comments.

One issuer replied that disclosures in conformity with paragraph 130 with regard to the recognized impairment loss were not given because of immateriality. The Exchange noted however that the issuer did not comply with the requirements of paragraph 131 that apply to such cases. Generally, descriptions of the events and circumstances that led to the recognition of the impairment loss are often limited or only given in the management report.

Disclosures are required for each cash-generating unit (group of units) for which the carrying amount of goodwill is significant. The Exchange notes that may issuers present the information at the same level as the reported segments. Paragraph 80 sets limits to the aggregation of units. Issuers that present goodwill for fewer cash-generating units than the reported segments often explain that goodwill is not allocated to all segments. In many cases however, information why goodwill is not presented at a lower level is not explained.

In the majority of cases, the recovery amount is based on the value in use based on cash flow projections. IAS 36, paragraph 134(d) specifies certain disclosure requirements in sub-paragraphs (i)-(v). (Text not repeated in this summary)

The Exchange issued remarks to many issuers that only disclosed the discount rate and the long term growth rate. These disclosures are specifically required by items (iv) and (v) of paragraph 134d. That fact should already clarify that such disclosure cannot meet the required description of the key assumptions used in the cash flow projections for the most recent budget (item (i) of paragraph 134d).

Some issuers do not give any information at all or use non-informative language like budget, internal estimate or best assumptions. The majority of issuers mention some form of EBIT. A few issuers are much more specific and mention gross or operating margin, development of operating capital or market share, quantity and price, currency etc as key assumptions. Such disclosures are more in line with the IAS, as can be seen from example 9 of the standard (as referred to in paragraph 137). As mentioned in ESMAs review of the impairment disclosures, there is ample room for improvement. Disclosures are often in general words (“boilerplate”) and do not really point out which of the assumptions is the critical one.

Paragraph 134 requires disclosures for each (group of) cash-generating units. Issuers present the information often not at this level. An explanation why assumptions are the same for all CGEs is often only given after questions from the Exchange. One issuer did not supply the information for competition reasons. Once questioned by the Exchange, the issuer confirmed that such exception does not exist and that the information will be supplied in its next financial statements.

Paragraph 134 d(ii) requires a description of the entity’s approach to determining the value(s) for each key assumption. Many issuers use standardized language for this. The standard is more precise: “….whether those value(s) reflect past experience…and, if not, <u>how and why they differ from past experience</u>..” (emphasis added). The Exchange notes that this disclosure is important in order to be able to assess the issuer’s impairment test. Without more specific information, it is difficult how the value(s) used relate to the entity’s target or previously realized value(s). The Exchange will therefore, as part of the enforcement priorities for next year, specifically review the information on this requirement.

IAS 36 paragraph 55 and A20 require the use of a discount rate before tax. The Exchange noted that some issuers still do not disclose whether the rate used is before or after tax. Some issuers have replied that the discount rate is after tax and that the results are not materially different from a pre-tax rate. The Exchange notes that proper calculation of the value in use should be the same regardless of whether pre-tax cash flows and pre-tax rates are used or both after tax. It should be noted that BCZ84 clarifies that the use of a pre-tax rate is de facto a measure to make the calculations easier.

IAS 36 does not require quantification of the key assumptions as long as there is no risk that a reasonably possible change in a key assumption could lead to impairment. The Exchange notes that this risk should be assessed not only for the next financial statements (IAS 1 paragraph 129), but also for the whole period covered by the calculations (including terminal value) as per paragraph 134f.

Two issuers have received remarks because their impairment test was calculated including the effects of new shops to be opened. Paragraph 44 is clear that this cannot be the case.

Two of the issuers that were given none-public reprimand because the difference between carrying value and value in use was so small that details in accordance with paragraph 134f should have been given. The third issuer was given none-public reprimand as differences between budgeted and realized cash flows should have resulted in an earlier impairment test. Paragraph 34 requires management to examine the causes of differences between past cash flow projections and actual cash flows. Another issuer received a remark as the monthly reports required by the Exchange gave the impression that calibration of the projected cash flows could have been done earlier.

The Exchange points again to the four decisions that ESMA published[9] that give guidance on how enforcers look at the application of the standard in regard of discount rate, sensitivity analysis, granularity of disclosures per CGU and key assumptions. The Exchange will continue to monitor application of IAS 36 for companies with large amounts of goodwill as part of ESMAs common enforcement priorities (see page 4).

IFRS 8 Operating Segments

The remarks given by the Exchange refer in most cases to breaches in the entity-wide disclosures (paragraphs 31-34). Paragraph 31 is clear that disclosure is required for all entities even if the issuer only presents a single reporting segment.

Many companies do not provide information regarding revenues from external customers for each product and service, or each group of similar products and services (paragraph 32). If that information is not available and the cost to develop it is excessive, that fact shall be disclosed. None of the companies however referred to such circumstance. The Exchanges noted that other parts of the annual accounts often show that there are different products and services.

A number of companies did not report geographical information relating to revenues from external customers and non-current assets in accordance with paragraph 33. Most commonly lacks information regarding the country of incorporation and the grounds on which revenues from external customers were attributed to individual countries.

Paragraph 23 requires reporting a measure of profit or loss for each reportable segment. One issuer received a remark as the entity's description of how the entity was managed did not concur with the reported measure of profit or loss. The Exchange notes that many issuers report (almost) the complete income statement for all segments. In such cases it is often not clear which measure of profit or loss is used to manage the entity. A more entity specific description could improve understanding.

One issuer received a remark for breach of paragraph 16 requiring that information about other business activities and operating segments that are not reportable shall be combined and disclosed in an "all other segments" category separate from other reconciling items. That simplifies even the reconciliation between the result for all segments and the profit/loss before tax (paragraph 28).

Paragraph 34 requires the entity to provide information about its reliance on major customers. A number of issuers did not present this information for competitive reasons. The Exchange notes that IASB considered this, but concluded its deliberations that a competitive-harm exemption was inappropriate (BC 111).

In some cases the information required under IFRS 8 is given outside the financial statements (for example in the management report), often in the form of graphs. The Exchange has noted that the management report is not part of the financial statements in accordance with IFRS and that information shall be presented in amounts rather than graphs or relative figures.

IFRS 7 Financial Instruments: Disclosures

One issuer was given a remark for lack of disclosure on financial risk. IFRS 7 paragraph 40 requires a sensitivity analysis for each type of market risk. The issuer presented information on how it deals with interest rate and currency risk but did not include the disclosures on the effects of a reasonably possible change in these risks on its profit and equity.

Another issuer was given a remark for lack of disclosure on liquidity risk. Paragraph 39 requires an entity to disclose (separate) maturity analyses for financial liabilities that are derivatives and for those that are not. The disclosure requirement concerning maturity analyses refers to contracted undiscounted cash flows (Appendix B, paragraph B11D), which means that both principle and interest must be included. The Exchange noted that

[9] 12th Extract from the EECS's Database of Enforcement, ESMA/2012/656

the issuer did not take the interest payments into account. A larger number of issuers received comments in this area.

The third case relates to lack of disclosure on own credit risk with the use of the fair value option for liabilities (paragraph 10).

IAS 1 Presentation of Financial Statements

Paragraph 41 requires certain disclosures if an entity changes the presentation or classification of items in its financial statements. The Exchange has noted that a number of issuers presented different comparative amounts, both in annual and interim reports, without the required disclosure. Two of these cases resulted in remarks. Paragraph 38 requires the presentation of comparative information, which is sometimes missing, often in relation to impairment tests.

One issuer was given a remark because its statement of profit or loss and other comprehensive income did not follow one of the alternatives way of presentation given in paragraph 81.

One issuer was given a remark for presentation of a non-current liability as current. The liability was due on 31 December 2013 but repayment would first take place on 2 January 2014 since the dates in between are not banking days. The Exchange did not accept the issuer's interpretation of the requirement for a 12 month period in IAS 1 paragraph 69. The exchange further noted that the liability should have been presented as current in accordance with IAS 1 BC38F as conversion could be required already from 1 January 2013. The Exchange did not pursue this area further than a remark, given the information in the notes and the relative importance of the liability compared with the balance sheet total.

One issuer was given a remark for the information on restructuring costs. Information in the entity's press release and interim report did not concur and no explanations were given in the annual accounts. Information about the nature of these costs and changes in it is an example of the disclosure that is triggered by the requirements in paragraphs 125 and 129 and even by IAS 34 paragraph 16Ad.

Other remarks were issued for lack of disclosure on capital management (paragraphs 134 and 135) and nature of expenses in accordance with paragraph 104.

With regard to the presentation of the income statement, the Exchange also refers to the paragraph on IAS 2 below.

Many issuers use standardized language or non-specific descriptions about the judgments made by the entity on the application of its accounting principles (paragraph 122) and descriptions of uncertainties (paragraph 129). The Exchange refers to the paragraph on “Disclosures in Financial Statements” (see page 4) where even the Exchange's approach for monitoring the financial statements for 2013 is explained.

IAS 17 Leases

IAS 17 paragraph 35 requires disclosure about operating leases. The Exchange noted that one issuer did not include rent for its premises in the disclosures. Rental payments for property are lease payments for which IAS 17 applies. The Exchanges has even issued comments to other issuers for this.

One issuer reported in the management report a sale and leaseback-transaction. The exchange noted that the issuer's profit almost entirely consisted of the profit on this transaction and that the resulting annual rent was not immaterial relative to the issuers operating lease expenditure. IAS 17 paragraph 66 notes that sale and leaseback-transaction may trigger the separate disclosure criteria in IAS 1. The Exchange found that such disclosure was not presented and that the management report is not a part of the financial statements under IFRS. Because the classification as to whether a lease is operating or finance is complex, disclosures about the entity's judgment and assumptions for that classification are an example of the judgments that should be disclosed in accordance with IAS 1 paragraph 122.

IAS 2 Inventory

Two issuers were given remarks for accounting for amortization of development cost. Both issuers classified expenses by function in accordance with IAS 1 paragraph 99 and present research and development costs as a separate line in the income statement. Accounting principles clarified that amortization of development costs is part of the amount for research and development and that amortization starts when projects start generating revenue. The latter means that this amortisation is part of cost of sales and should be presented as part of the gross margin.

IAS 38 paragraph 99 clarifies that amortization of intangible assets used in a production process is included in the carrying amount of inventories. That follows also from IAS 2 paragraphs 10 and 12, as confirmed by the requirement in IAS 2 paragraph 38.

IAS 34 Interim Financial Reporting

IAS 34 paragraph 16A requires disclosure of significant events and transactions that are important to understand the changes in an entity's financial position and performance. In one case the Exchange noted that information on a restructuring presented in a press release, interim report and annual report was not consistent. The entity should have explained which changes had occurred and why in order to enable the reader to understand the accounting. IAS 34 paragraph 16Ad requires disclosure of the changes in estimates.

See also the comments on paragraph 15 in the description of the Disciplinary Actions (see page 8).

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 paragraph 33a and IAS 1 paragraph 82e require presentation of the results from discontinued operations in a single amount. Similar disclosure is required for earlier periods in accordance with IFRS 5 paragraph 34 and for adjustments during the year in accordance with paragraph 35.

One issuer was given none-public reprimand for its accounting. The entity presented a gain on the discontinued operation as part of revenue in its annual accounts for 2012 and not as a separate item as required by IFRS 5 and IAS 1.The entity reported only the results from the continued operations in its interim reports. These reports do therefore not comply with IFRS 5 and IAS 1. The entity also presented the five year summary not in accordance with IFRS as the gain was included in revenue and the comparative figures for previous years included the discontinued operation. The entity presented in its annual accounts for 2011 and the comparative figures in its 2012 annual accounts the discontinued operations in a separate tabular column, with columns for the ongoing operations and totals. This presentation did not result in the presentation of the single amount as required by IFRS 5 paragraph 33a and IAS 1 paragraph 82e. Even if the details as required by IFRS 5 paragraph 33b were presented, the presentation was unclear.

Another issuer was given a remark as a change in the comparative amounts for 2011 in the annual accounts for 2012 made clear that the entity already in 2011 should have presented discontinued operations. The entity did not present discontinued operation as the amount of the assets to be recognized separately in the balance sheet was considered not material The Exchange found however that the effects on the income statement were so material that accounting in accordance with IFRS 5 was applicable.

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 issuers in their improvement of financial reporting and do not require any action towards the Exchange. Issuers have in many such cases already agreed to changes or improvements. Issuers need however to judge the materiality of those disclosures given the present debate on disclosures (see even "Disclosures in Financial statements" on page 4).

In some cases these issues refer to the same areas that are already discussed in the earlier chapter "Comments by standard". These are therefore not repeated here.

In the summary below are also included the issues in the five standards where only one company was issued a remark (see table on page 9).

The Exchange only gives the reference to the paragraphs below10. The Exchange is of opinion that the text in the chapter Comments by standard and in the list below can serve as a base for a listed entity to ascertain the quality of its financial statements.

Standard	Paragraph
IFRS 3	B54 and B55, B64e, B64f, B64g, B64q 18 (no acquisition of accumulated depreciation) 45 and B67, in combination with IAS 34
IFRS 6	15 and 25
IFRS 7	23,36
IAS 1	125,129, 134, 135
IAS 7	42,43
IAS 8	29, 34,
IAS 12	34,35,81e-g
IAS 17	35c
IAS 18	35a
IAS 19	120Ap, 120Aq
IAS 24	18
IAS 32	15 and AG13, 14J
IAS 38	122a
IAS 39	43

[10] A few lines of text from the relevant paragraph are included in the official version of the report in Swedish.

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