NASDAQ STOCKHOLM

MONITORING OF PERIODIC FINANCIAL INFORMATION 2016

Contents

This version in English is a summary of the official report in Swedish, which is available on the Exchange´s website (see last page).

SUMMARY

Nasdaq Stockholm AB (the "Exchange") is responsible for monitoring regular financial information published by entities listed on Nasdaq Stockholm. In 2016, 97 (compared to 85 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 disclosures about impairment(tests) of assets still represent the major part of the identified flaws. As a result, these provisions will be prioritized in the next year's review. Reviews in this year have resulted in the first reprimands for lack of disclosures in accordance with the ESMA Guidelines for Alternative Performance Measures (APM Guidelines). Reviews have also made visible that disclosures around pension liabilities need improvement. Discount rates used for measuring the pension liabilities show a wider variation than one would reasonably expect. Even IAS 19 will therefore be one of the prioritized areas in next year´s review.

The Exchange performed a thematic review of all annual reports aiming at gathering information about the size of the various parts in the reports. The review also looked at discontinued operations, segment reporting and income tax.

The Exchange has changed weighting of its assessments slightly in order to have a better connect with sanctions as required by ESMA. As a consequence, some of the non-public reprimands and remarks have also resulted in requirements for corrective action, either directly or in future financial statements. Two issuers have been summoned for direct corrective action, 12 others to adjust in future financial reports. This refers to IAS 36 *Impairment of assets* in five cases and the *APM Guidelines* in three cases. The others are more spread over various standards. About 80% 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.

ESMA´s European common enforcement priorities 2016 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 2016:

- presentation of financial performance;
- financial instruments: distinction between equity instruments and financial liabilities; and
- disclosures of the impact of the new standards on IFRS financial statements.

The results presented in this report have been presented in a seminar arranged by the Exchange on December 14, 2016. Presentation material of this seminar is available on the website.

Stockholm, December 19, 2016

INTRODUCTION

Nasdaq Stockholm AB (the "Exchange") is by law[1] 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 2016 in order to give the listed entities the opportunity to use the results in the preparation of their upcoming annual accounts.

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 facilitate 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.

SELECTION

The population of entities that has been reviewed by the Exchange 2016 is based on a combination of risk-based and rotation-based selection in accordance with ESMA's[2] guidelines on enforcement of financial information[3]. 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, to a large extent, 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 are financial difficulties, major changes in the entity's business model or ownership, unusually high media attention, unusually high valuation or volatility in share prices as well as general deficiencies in the entity's information provided to the market participants.

[1] 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).

[2] European Securities and Markets Authority

[3] ESMA/2014/1293

The selection may also include a follow-up of enforcement 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 distinguish 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 Exchange 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 2016 is presented in the table below:

	2016	2015	2014
Unlimited scope examination	60	53	54
Focused examination	37	32	37
(of which follow-up of last year)	(21)	(17)	(19)
Total	**97**	**85**	**91**
In process by 31 december	1	5	3
Finalised	**96**	**80**	**88**

The following issuers have been examined in 2016 (excluding follow-up of enforcements actions from previous years):

Unlimited scope	Unlimited scope (cont.)	Unlimited scope (cont.)
ABB Ltd	Kinnevik AB	Specialfastigheter Sverige AB
Addtech AB	Klövern AB	Svenska Handelsbanken AB
Alltele Allmänna Svenska Telefonab	Kungsleden AB	Viking Supply Ships AB
BE Group AB	L E Lundbergföretagen AB	Vitec Software Group AB
Black Earth Farming Ltd	Lagercrantz Group AB	**Focused examination**
Cavotec SA	Länsförsäkringar Bank AB	Hemfosa Fastigheter AB
Clas Ohlson AB	Länsförsäkringar Hypotek AB	Intellecta AB
Corem Property AB	Medivir AB	Know IT AB
Doro AB	Net Entertainment AB	L E Lundbergföretagen AB
Duroc AB	New Wave Group AB	Mekonomen AB
Elanders AB	Nibe Industrier AB	Net Insight AB
Electra Gruppen AB	Nordea Bank AB	Nobia AB
Elos Medtech AB	Nordnet AB	Sensys Traffic AB
Fingerprint Cards AB	Novotek AB	Skandinaviska Enskilda Banken AB
G5 Entertainment AB	Opus Group AB	Swedbank AB
GHP Speciality Care AB	Ortivus AB	
Hemsö Fastighets AB	Oscar Properties AB	
Hexagon AB	PostNord ABB	
Hufvudstaden AB	Precis Biometrics AB	
IAR Systems Group AB	Qliro Group AB	
Industrivärden AB	Recipharm AB	
Investor AB	Reijlers AB	
Investment AB Latour	Sectra AB	
Inwido AB	Securitas AB	
ITAB Shop Concept AB	SEMAFO Inc	
JM AB	Semcon AB	
Karo Pharma AB	SkiStar AB	

THEMATIC REVIEW

Annual reports for almost all entities (253) have been subject to a thematic (desk) review. Only Swedish entities have been included due to differences in both accounting framework and practice in other countries.

The review looked at the following items:

- Size and structure of the various parts in annual reports
- Place of Corporate Governance reporting
- Numbers of years included in historical financial information summaries
- Use of performance measures
- Sustainability information
- Discontinued operations (IFRS 5)
- Segment reporting (IFRS 8)
- Income taxes (IAS 12)

The review of the first items in the list resulted in statistics and showed, as expected, differences depending on the size of the entities (large, mid and small cap). The information will be a good starting point to look at the future development of the reports.

The review of the entities that report discontinued operations showed that this type of reporting is mainly used by the larger entities and often for relatively small amounts. No signs were found that would require a more specific investigation.

The review on segment information focused on entities reporting only one segment. Information in other parts of the annual reports points sometimes to the likelihood of more than one segment. The Exchange will continue to require convincing evidence if only one segment is reported in such cases.

The review on income taxes focused on entities that reported low amounts for tax paid in the cash flow statements as compared with the normal tax rate. In general the review concluded that disclosures about the reasons for such differences could be improved. A few entities will be subject to further review in the next year.

More information (including the statistics) can be found in the Swedish version of the report.

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.

FOCUS AREAS FOR FINANCIAL STATEMENTS 2016

ESMA published in November 2016 a public statement[4] that describes the enforcement priorities for 2016 financial statements. The focus areas are:

- presentation of financial performance;
- financial instruments: distinction between equity instruments and financial liabilities; and
- disclosures of the impact of the new standards on IFRS financial statements.

[4] *Public Statement European common enforcement priorities for 2016 financial statements* (ESMA/2016/1528).

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

The Exchange will examine the financial statements for 2016 with the same prioritized areas in focus. Following the outcome of this year´s and earlier reviews, the Exchange will even focus on the following areas:

- Measurement and disclosures of pension liabilities (IAS 19, see page 13)
- Goodwill and impairment tests (IAS 36, see page 15)
- Measurement and disclosures for deferred tax in case of unused tax losses (IAS 12, see page 12)

The Exchange will also follow up this year's decisions that resulted in a requirement for a corrective note or corrections in future financial statements.

RESULT OF THIS YEAR´S REVIEW

At the time of this report, not all of the 97 reviews initiated in 2016 (see table on page 6) were finalized. Five cases started in 2015 were concluded in 2016, bringing the total of closed cases to 100. The table shows how these cases (number of issuers) are distributed over the various categories of actions:

	2016	**2015**	**2014**
1 No comments	43	55	72
2 Remarks	48	17	12
3 Non-public reprimand	9	4	3
4 Disciplinary action	0	1	0
	100	**77**	**87**

Category 1 (no comments) includes 21 (19) entities out of the 23 (19) that were followed up based on last year´s review. The remaining two entities received a remark. 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.

A judgement in category 2 (remarks) does in most cases not result in a sanction under the ESMA Guidelines as the IFRS criterion for materiality is not met. Five entities that received remarks and the nine that received a non-public reprimand were also sanctioned under the ESMA guidelines as is shown in more detail in the next part.

SANCTIONS 2016

The 14 cases where issuers were sanctioned (see above) refer to the following standards:

	Corrective note	Correction in future financial statements	No action
IAS 36	2	2	1
Guideline Alternative Performance Measures		3	
IFRS 2		2	
IFRS 5	1		
IAS 18		1	
IAS 33		1	
IAS 24		1	
IFRS 1		1	
IFRS 13		1	
	3	12	1

The total number adds to 16 as 2 issuers were sanctioned with regard to breaching more than one standard. A description of these cases, as published anonymous and shortened on the website of the Exchange is given below.

The description below is a summary of the version in Swedish included in the official report

Decision 01/16 - infringement of IAS 36

The issuer presented in its interim report for the third quarter adjustments of errors amongst others for an error in the impairment test. The error involved comparing the value in use with the carrying value for the cash-generating unit, without taking into account the carrying value of an indefinite life intangible asset (trademark). Given that all necessary information in accordance with IAS 8 was presented in the interim and annual financial statement, the Exchange decided that no further actions were required.

Decision 02/16 – infringement of IAS 18

The issuer recognized revenue on the signing of a distribution agreement and provided for the costs relating to marketing support. Marketing support consisted of the right for the distributor to receive a number of the products for free. The issuer based its accounting on the view that the upfront revenue was not refundable and that the various agreements should be considered separately. The Exchange found that the agreements were so interlinked that they could not be accounted for separately. Revenue could therefore only be recognized on delivery of the products and the upfront fee should be accounted for as prepaid income. The Exchange decided to give the entity a reprimand and a requirement for correction in the future financial statements. The issuer presented adjusted financial information for 2015 and earlier in the interim statements for 2016 following the decision of the Exchange.

Decision 03/15 – infringement of IFRS 5 and IAS 36

The entity has divested a subsidiary and presented an immaterial amount as result from discontinued operations. The profit realized on the sale of the subsidiary was presented under other income, which is in breach of IFRS 5 para 33a. Upon the review of the issuer´s impairment test for goodwill, the Exchange found that the information presented in the note on the impairment test did not comply with the information used in the test, resulting in misleading information. The Exchange decided to give the issuer a reprimand and required the issuer to present a corrective note for those infringements.

Decision 04/16 - infringement of IAS 33.

The issuer presented earnings per share before and after dilution. The last one being in error as no dilutive instruments were issued. Upon the review of the Exchange, the issuer undertook to correct this in forthcoming interim statements. The Exchange noted however that this was not done and gave the issuer a reprimand and a requirement to correct the error in accordance with IAS 8 in the next interim report.

Decision 05/16 - infringement of IFRS 13.

The issuer is a real estate company. The notes to the accounts present the discount rate as the unobservable input in the valuation of the investment property. The issuer did however not disclose the quantitative information as required by IFRS 13 para 93d. The Exchange found that requirements in IFRS 13 were not complied with as the discount rate is unlikely to be the only input in the fair value. The Exchange gave the issuer a remark and required the issuer to present the disclosures required by IFRS 13 in its next interim report.

Decision 06/16 - infringement of IAS 36 and IAS 1

The issuer presented goodwill specified for its important cash-generating units. The issuer did however not supply this information for the previous year, as required by IAS 1 para 38. The issuer further did supply information about the key assumptions, discount rate and growth rate in total and in a broad range. The Exchange found that this is a breach of IAS 36 that requires the information for each cash-generating unit. The Exchange gave a remark and required the issuer to supplement the disclosures in its next interim report and its annual report.

Decision 07/16 - infringement of APM Guidelines

The Exchange noted that the issuer replaced the earlier used classification of “non-recurring items” with the new term “non-comparable items”. Neither of these was defined, which is a breach of ESMA´s Guidelines for Alternative Performance Measures. The Exchange gave a remark and required the issuer to present a proper definition in future financial statements.

Decision 08/16 - infringement of IFRS 2 and IAS 24

The major shareholder of the issuer has issued sale-options to management of the issuer. The Exchange noted that disclosures on the valuation of the options were not presented. The note on related parties did not disclose that fact that both shares and the sale-options were acquired from the major shareholder. The Exchange found that the accounting was in breach of IFRS 2 and IAS 24 and gave the issuer a reprimand and required correction in the future financial reports.

Decision 09/16 - infringement of IFRS 1 and IFRS 4

The issuer´s financial statements for 2014 were the first under IFRS. The Exchange noted that the required disclosures as per IFRS 1 were not presented. Part of the activities relates to insurance but disclosures of IFRS 4 were considered not material and not presented. The Exchange reprimanded the issuer and required a correction in the interim report for the fourth quarter and annual financial statements of 2015.

Decision 10/16 - infringement of IFRS 2

The issuer has a program for synthetical options in place that was accounted for under IAS 39 and not IFRS 2. The accounting was justified by the issuer because the options were at market value. The Exchange noted that this is not the case since holders were entitled to a partial refund of the premium paid, a feature that was not disclosed. Both the arguments for the program at the AGM and the wording of the two interlinked contracts clarify that the program falls in the scope of IFRS 2. The Exchange reprimanded the issuer and required correction of the error in the next financial statements.

Decision 11/16 - infringement of IAS 36

The issuer has tested its vessels in two groups. IAS 36 requires testing for each individual asset that generates independent cash inflows, which would be the individual vessel. The notes included market valuations without making clear whether value in use or fair vale less costs of disposal were considered. Since the latter was the case, information in accordance with IAS 36 para 130f should have been presented. The Exchange reprimanded the issuer for those breaches and required correction in the future financial statements.

Decision 12/16 - infringement of APM Guidelines

The Exchange noted that “one-off items” was not defined. In a following interim report the issuer supplied a definition that the Exchange found to be rather a description of the reason to use the term then a definition. That description furthermore used the neither defined wording “underlying result”. The Exchange found that the requirements of ESMA`s APM Guidelines were not met and gave the issuer a remark and the requirement to correct in future financial statements.

Decision 13/16 - infringement of APM Guidelines

The Exchange noted that “non-recurring items” was not defined. In a following interim report the issuer supplied a definition that the Exchange found to be rather a description of the reason to use the term then a definition. That description furthermore used the neither defined wordings “underlying result” and “special items”. The Exchange also noted that some of the non-recurring items were present in many quarters. The Exchange found that the requirements of ESMA`s APM Guidelines were not met and gave the issuer a remark and the requirement to correct in future financial statements.

Decision 14/16 - infringement of IAS 36.

The Exchange required explanation as to why no impairment of goodwill was presented in the 2015 financial statements in the light of losses made, falling margins and gross profits and a negative cash flow from operations. The Exchange further noted that goodwill was not tested for impairment for two acquisitions in the financial year and that the forecasted margins in the impairment test do not properly present the issuer´s financial performance. The issuer subsequently accounted for an impairment loss in 2016. The Exchange reprimanded the issuer for the infringements mentioned and required a corrective note in the forthcoming interim report for the fourth quarter and the annual accounts including remeasurement of the impairment test for 2015.

REMARKS AND OTHER COMMENTS

As can be seen from the information above, the Exchange has presented its final judgements in a way to have a better connection with the ESMA Guidelines on enforcement. Cases where the decisions of the Exchange have resulted in a sanction have been dealt with in the previous chapter. As a consequence, the final letters to the issuers do no longer give a distinction between remarks and other comments. However for the individual issuers that have been reviewed, the wording used in the letter would be clear that some remarks are “less immaterial” than others. As in previous years, the final letter includes a list of items where the issuers in their correspondence already have mentioned that changes will be made. Remarks and other comments should always be judged considering what is relevant and material for the coming financial statements of the individual issuer. The Exchanges supports the communications of the IASB and the ESMA that financial reports should be entity specific. The Exchange has in many final letters expressed that answers received on its questions would result in more entity specific information if included in the notes. Disclosure should be relevant and the changes in IAS 1 that apply from January 1, 2016 make clear how structure and materiality should be judged. The Exchanges remarks and other comments should be considered as tools for the improvement of financial reports.

The most commonly found issues in this year´s review are presented on the following pages. Similar issues that are mentioned in the chapter Sanctions, are not repeated. In all, the issues mentioned in this report could serve as a help for issuers that want to ascertain the quality of their financial reports.

The following issues are summarized (though some more than other) as compared to the original report in Swedish

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

Going concern

Where uncertainty about going concern exists, it is important that the entity discloses what creates the uncertainties and management´s judgement on how these are expected to be dealt with.

Presentation of result by real estate entities

It is common to present changes in the value of interest derivatives outside financial results, even if risk management policies describe the use of derivatives as a means to mitigate the effects of interest changes. The Exchange notes that this presentation is not common in the rest of Europe and asked issuers to consider this presentation. Any further action is not taken pending the outcome of IASB´s project on Performance Reporting.

Accounting principles

Quotes from IFRS standards rather than entity specific information are still common, especially with smaller entities. The Exchange has in a number of cases noted that principles are given for transactions that do not exist (hedging for example) or are lacking for transactions that exist (share-based payments for example). Wording used to present the judgements used on application of the standards (para 122) or the assumptions about the future and major uncertainties (para 125) are quite often not very informative. The Exchange has in some of its final letters commented on this and asked for changes, including removal of irrelevant text.
Many issuers could benefit from having a look at how some of the major entities have changed the structure of the notes in their financial reports.

Other

Other items mentioned are lack of motivation for changes in presentation (para 41), lack of comparatives (para 38) and incomplete disclosure of the nature of expenses (para 104).

IAS 7 STATEMENT OF CASH FLOWS

Cash flow statements were one of the focus areas during this year's review. The Exchange has noted that smaller errors in amounts and reconciliation with the notes unfortunately are rather common. Even if these errors are not material, it is an indication for lack of quality control on this for analysts most important financial report.

A number of entities present the statement of cash flow in interim reports in "three lines". A further 11 entities present the statement with less detail than the one in the annual report. The Exchange has reminded these issuers of the IFRS IC communication in July 2014: "it also noted that it did not expect that a three line presentation alone would meet the requirements in IAS 34".

In one case it was noted that acquisition of tangible assets was presented as cash flow from investing, whereas the activities of the issuer would require presentation as cash flow from operation activities.

IAS 12 INCOME TAXES

Paragraph 34 requires that a deferred tax asset is recognized to the extent that it is probable that unused tax losses can be used. There is no time limit in the standard. The Exchange has asked issuers to improve the disclosures with the specific circumstances that motivate the accounting in cases where no or only a partial asset has been recognized in profit generating entities. The Exchange has recommended including the information given as answer to the Exchange´s questions in the notes, as these often are equally relevant for other users.

Paragraph 81 requires an explanation of the relationship between tax expense and accounting profit. The Exchange has noted that the items mentioned in such reconciliations may need improvement, either because of their size or unclear descriptions. Examples are reasons why amounts are not taxed or expenses not deductible.

Another area that could be improved (see chapter on Thematic review) is an explanation of the relationship between the amount of tax paid in cash flow statement and the information on income taxes in the other financial statements and the notes.

IAS 18 REVENUE

Disclosures about entity´s revenue are often in need for improvement. Examples found in this year´s review are:

- Boiler plate descriptions in accounting principles (at such a high level that they could fit any entity)
- Unclear description of the accounting for complex agreements
- Differences in wording in accounting principles, segment reporting or other notes.

The Exchange has in almost all cases refrained from further action based on the imminent transition from IAS 18 to IFRS 15 from January 1, 2018. Information on this transition in the next financial statements will be monitored as part of ESMA´s Enforcement Priorities 2016.

IAS 19 EMPLOYEE BENEFITS

One of ESMAs Enforcement Priorities 2015 refers to the impact of the financial markets conditions on the financial statements. The current interest rate environment is mentioned as an example where the low or negative interest rate is expected to have an impact in various valuation techniques. Discounting of pension liabilities is one of them. The Exchange has in this year´s review in some cases asked many detailed questions on the accounting for the Swedish pension liabilities. The issues encountered are presented below and would also be of interest for other issuers that not have been reviewed this year.

The accounting principle or the notes include a description of how the discount rate is calculated. The wording used is often along the following lines:

Discount rate is based on high quality corporate bonds. Covered bonds are classified as corporate bonds. Maturity represents the period till payment of the pension obligations.

The use of covered bonds is common since 2011-2012. Under that period, most listed entities changed from using government bonds to covered bonds as a base for the discount rate. The Exchange noted at that time that the Swedish market for covered bonds could be seen as deep and well operating enough and that those instruments should be used from that period on as the basis for calculating the discount rate for Swedish pension liabilities.[5]

IAS 19 deals with the discount rate in paragraphs 83-86. Paragraph 86 deals with the situation where no deep market exists in bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments:

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[5] The Exchange´s annual report 2012, (Swedish version), pages 19-21.

In such cases, an entity uses current market rates of the appropriate term to discount the shorter-term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Exchange notes that the process applied for the determination of the discount rate is an example of a judgement applied in the application of the accounting principles. Such judgement requires disclosure in accordance with IAS 1 para 122.

This year´s review has proved that there are different methods to arrive at the discount rate. Selection and number of the bonds used in the calculation differs, judgement differs as to whether the market for certain maturities is deep, extrapolating can be done with various techniques, point in time for reading the curves and the reporting date differs (and can be considered too long in some cases). These are some of the examples the Exchange found. Within ESMA it has been discussed that such differences between issuers cannot avoid that some ”cherry picking” may happen, for instance by excluding certain bonds. The Exchange has this year mainly recommended that disclosures be improved in order to allow a user of the financial reports to form an opinion on the judgements made by the entity to determine the discount rate. This is important information for an investor, who can be assumed to be knowledgeable about existing differences in maturity for bonds and pension liabilities, in order to assess the sensitivity analysis. Even if a direct requirement for disclosure of those methods does not exist in IAS 19, the Exchange is of opinion that a description of the methods used should be given based on the requirements of IAS 1 paragraphs 122 and 125 together with IAS 19 paragraph 144 in combination with paragraphs 76 and 86.

Many issuers present large amounts for remeasurement of pension liabilities in other comprehensive income. The annual financial statements normally supply some detailed information, that show which part of the remeasurement is coming from the financial assumptions. It remains however unclear which of these assumptions gave rise to the remeasurement effect. Amounts in the OCI are often much bigger than the pension cost in profit and loss. With regard to the size of these amounts and the differences from year to year (plus in one year, minus in the other), the Exchange recommends that issuers supply more detailed information.

Other items that could be improved are:

a) Disclosure in interim reports that explain the different amounts in OCI between quarters and comparative periods (it can be noted that changes in the first three quarters often only refer to changes in the discount rate and remeasurement in the fourth quarter includes the effects of all remeasurements, but this information is mostly not provided)
b) Disclosure of both the pension liabilities and plan assets by country or other which shows the over- or underfunding in a way that allows the assessment of the risk disclosures on various funding requirements (plan assets are sometimes given in total)
c) Description of the pension plans, especially in situations where both defined contribution and defined benefit plans use the same legal vehicle.

The Exchange performed a short (limited, not statistically validated) desk-review of the discount rate used for the Swedish pension liabilities in a number of large Swedish issuers. The results are as follows:

	2015	**2014**
Highest rate	3,57	3
Median	3,2	2,76
Lowest rate	2,1	2,29
Issuers with increased discount rate	16	
Issuers with decreased discount rate	3	

All issuers use covered bonds as the basis, with the exception of one issuer that since 2015 uses government bonds. Since the period given for duration of the liabilities is not very wide apart, it is strange that such a wide variation in discount rates and in the movements between the years exist. Increases in discount rate vary between 15 and 80 bps for the individual issuers, with one exception over 1 %. Decreases vary between 25 and 75 bps.

The abovementioned differences as well as the other findings in this year´s review cause the Exchange to include IAS 19 as one of the focus areas in next year's review.

IAS 24 RELATED PARTIES

Paragraph 18 requires quantitative disclosures. These are sometimes not given with reasoning that they are on market conditions. Paragraph 23 can however not be read as to include such an exception.
Disclosure are sometimes not given with reference to their (im)materiality. It should however be noted that, even if amounts are not material from the perspective of the entity, materiality of related party transactions should also take into account the materiality from the receiver´s perspective as well as the nature of the transactions.

IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

IAS 28 builts on the presumption that significant influence exists with 20 % of the voting power. In some cases voting power has been very close to this threshold. Paragraphs 5 and 6 of the standard clarify that an explanation as to why or why not the entity concludes to significant influence is relevant information for an investor. The Exchange notes that this even more important when the entity has board members in the investee and refers also to paragraphs 31 and 119 in the revised IAS 1 as applicable from January 1, 2016.

IAS 36 IMPAIRMENT OF ASSETS

The chapter on Sanctions (pages 9-12) shows that a number of issuers were sanctioned for infringements of IAS 36. The exchange has also in other cases (slightly more than 10) concluded that disclosures are in need of improvement. The most common issues are summarized below.

Paragraph 134d(i) requires disclosure of each key assumption. The Exchange has already in earlier reports pointed out that paragraph 134 (on top of this disclosure) also requires disclosure of the growth rate after the forecast period and the discount rate (items d(iv) and d(v) respectively). Enforcement authorities consider therefore that those are not the key assumptions mentioned earlier. This is even clarified by example 9 of the standard (see para 137). The Exchange noted that practice varies from no disclosure of the key assumptions to a list that is so long that not all can be a key assumption. Also noted were differences between those mentioned as key assumptions and the assumptions used in the sensitivity analysis.

The Exchange has in a number of cases required the issuer to present the detailed impairment calculations, agenda papers of the board with regard to the impairment decision and reporting of the auditors. Such request follows often when impairment is recognized and the previous reports do not give an indication that impairment could be possible. The details presented sometimes show that the available headroom has decreased between the years. Such a decrease is an indication that a more detailed disclosure is required. The Exchange also notes that the relatively common wording "that no reasonably possible change in (key assumption) will result in impairment" often is not realistic given the fact that the sensitivity analysis should cover the whole forecasted period, i.e. including the terminal value.

Paragraph 134f(iii) requires disclosure of the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects on the other variables. The

Exchange notes that issuers often disclose sensitivity without such consequential changes on other assumptions.

Paragraph 134d(i) requires disclosure of "each key assumption". This wording changed from the previous "a description of each key assumption" on the introduction of IFRS 13. This change can only be interpreted as to imply that the current wording requires quantification of the key assumptions. This follows from the wording in Basis of Conclusions BC209C(d), where the IASB requires "quantitative information about significant inputs", in line with requirement in IFRS 13. This wording sees primary to the situation where the recoverable value is based on fair value less costs of disposal, but it mentions also: *"(along with a conforming amendment to the disclosures about value in use)"*. The Exchange notes that diversity exists as to whether quantified information also is required if no impairment need exists. IFRS-manuals of the big accounting firms also show diversity. I some cases a reference to previous voluntary disclosures has been removed, others do not give guidance in this area. Enforcement authorities generally require that more quantified disclosures are given if the headroom is diminishing.

Other areas for improvement are:

- disclosures about recognized impairment (para 130)
- discount rate should be disclosed before tax (para 55 and A20)
- comparative information is lacking (IAS 1 para 38)
- disclosures should be for each CGU or group of CGUs, but not more aggregated then operating segment (para 80 and 134).

IAS 38 INTANGIBLE ASSETS

Amortisation has to be presented in profit and loss if not part of the acquisition cost of another asset. It is common to present amortization in a separate line item "Research and development". The accounting principles of many issuers refer to the fact that amortization starts when the products or services come to the market. The Exchanges has, as in other years, questioned why amortization is not recognized as part of cost of sales, given the close connection with sales revenue. I such case both gross profit and gross margin have another meaning than normally is understood. The reasoning for the presentation outside cost of sales is an example of a judgement that requires disclosure in accordance with IAS 1 para 122. ESMA´s APM Guidelines may also require improved disclosure.

Other areas for improvement are:

- the reconciliation of the carrying amount requires separate disclosure of additions through business combinations (para 118e(i))
- disclosure of the reasons supporting the assessment of an indefinite life (para 122a).

IFRS 3 BUSINESS COMBINATIONS

One issuer calculated the consideration based on the average rate of its shares under a two-week period. Paragraph 37 is clear that the fair value is measured as the acquisition date fair value. IFRS 13 clarifies that the share price at that date should be used in case of listed shares (Level 1, IFRS 13 para 69).

Paragraph B64q requires disclosure of the amounts of revenue and profit and loss since the acquisition date and from the beginning of the year. This disclosure is often limited to the revenue part.

Paragraph B67a requires disclosure as to why the initial accounting for the acquisition is preliminary and for which assets or liabilities this is the case. This information is often not disclosed, especially in interim reports.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

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. The Exchange noted that interest payments often are disregarded. The fact that borrowings are at a variable rate is no reason to exclude such payments. In that case the rate prevailing at balance sheet date should be used as the presumed rate for all periods.

The time bands used are often not very specific. These should be entity specific in order to meet the objectives of IFRS 7. More detailed may be required if the entity is in financial difficulties or if for example the majority of the amounts is presented in a broad period of 3-5 years.

Other areas for improvement are:

- comparative information (IAS 1 para 38)
- disclosure of the methods and assumptions used in the sensitivity analysis and the effect on equity of the market risks (para 40)
- where the existence of loan covenants is mentioned, a statement that these are complied with is often missing.

IFRS 8 OPERATING SEGMENTS

The most common area for comments is the lack of information for the entity as a whole (paras 31-34). A disclosure on the revenue for each product or service is often lacking, even where other parts of the annual report show information on more than one product area. The Exchange has pointed out that para 32 requires disclosure if an entity cannot present such information.

Many, especially smaller, entities present only one segment, although descriptions of the entity´s activities sometimes give another impression. The Exchange points to the amendment (para 22aa) that from January 1, 2016 requires disclosure of the judgements made on aggregation of operating segments.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

The Exchange has asked for the motivation why consolidation has been applied or not where the voting power is around the 50 % presumption. The judgement of the entity is another example that requires disclosure in accordance with IAS 1 para 122. The Exchange has in its final letters recommended that the answers supplied to the Exchange should be included in the financial statements.

IFRS 13 FAIR VALUE MEASUREMENT

The Exchange has noted that information about the methods and inputs used (para 93) in some cases is missing for the fair value of contingent consideration in business combinations. The Exchange also noted discrepancies in how the various levels are described in the accounting principles and in the notes.

Other areas for improvement are:

- clarification of the classes of assets and liabilities (para 94)

- in some case an explanation would be needed to explain why carrying value is a valid approximation of the fair value

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