UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

DIPLOMA PAPER

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FINANCIAL REPORTING AS A TOOL FOR PERFORMANCE EVALUATION IN A MULTINATIONAL COMPANY

Ljubljana, May 2009

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STATEMENT

I, Jurij Menih, a student of the Faculty of Economics, state that I am the author of this diploma paper, whose mentor was Doc. Dr. Simon Čadež. I permit this paper to be published on the faculty's web pages.

In Ljubljana, May 2009 Signature:

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF APPENDIXES

INTRODUCTION

Sound financial reporting is one of those things that is taken for granted – until something goes wrong (Benston, Bromwich, Litan & Wagenhofer, 2006, p. 3). Good examples of this are the Asian financial crisis in the late 1990s (overly optimistic financial reports of private firms led investors at first to pour a lot of money into the region and soon saw them taking that money back) and rigged financial reports in the United States and Europe in the first part of this decade (companies such as Enron and Parmalat were revealed to have cooked their books to show profits that really were not there). In today's rapidly changing world it is essential that companies are always aware of their financial health. In the ancient past, Romans were treated as sophisticated because they kept their accounts and financial information on wax tablets. As decades and centuries passed by so did standards and procedures for reporting financial information.

When I decided to pursue an internship in Paris in this field, at first I did not know the complexity and diversity of financial reporting and financial statements. Yet the more I learned about them the more I realised how important it is to know the whole perplexity of financial reporting and to be able to prepare and understand financial statements. The objective of this diploma paper is to present the financial reporting conducted between two companies, with one being a big multinational company and the other its subsidiary, along with its conceptual and regulatory framework and the outline of financial statements. The company this thesis is based on is Sagem Communications France and its subsidiary Sagem Communications Warsaw and in particular I examine the process of monthly reporting. The goal is to show the monthly reports and their contents and how these reports help evaluate the performance of subsidiaries in question. The thesis also considers what needs to be done from both the subsidiary's and parent company's points of view.

The information was gathered primarily from the literature concerning the theory of financial reporting. For the practical part I focused on information gathered from the monthly and annual reports and from my own experience.

The paper is structured as follows: I start off with different definitions of financial reporting and its history, present different types of financial reports and look at interim reporting. In the next two sections the paper concentrates on both conceptual and regulatory frameworks since they are the core of financial reporting. In Chapter 4 I examine financial statements, their objective and the main concepts guiding them. Since my thesis is based on financial reporting in France the main points of French accounting and reporting practices are presented along with the definition of a subsidiary. The focus of the practical part of the thesis is a brief presentation of the company Sagem Communications, its products and reporting. I will discover how reporting between the companies in France and Poland is conducted, what are the main financial reports, while a description of each of them is provided. I conclude with a general overview of financial reporting and possible improvements for the future.

1 FINANCIAL REPORTING

The objective of financial reporting is to provide information that is useful to present and potential investors, creditors and others in making investment, credit and similar resource allocation decisions. To achieve that objective, financial reporting should provide information to help those users achieve their goals (Braiotta & Braiotta Jr., 2004, p. 104).

Financial reporting may be thought of as a process. Bedford conceptualises this process as consisting of four procedural steps (Choi & Mueller, 1992, p. 299):

- A perception of the significant activity of the accounting entity or in the environment in which the entity performs.

- Symbolising the perceived activities in such a fashion that a database of activities is available that can then be analysed to allow an understanding of interrelationships. This symbolisation takes the form of journals, ledgers using bookkeeping and measurement procedures.

- An analysis of the model of activities in order to summarise and organise the interrelationships among the activities and to provide a status picture of the entity. Traditionally, this analysis process has been viewed as one of developing accounting reports to provide insights into the nature of the entity's activities.

- The communication of the analysis to users of the accounting product in order to guide decision-makers in their future decisions.

The first two steps constitute the process of accounting measurement (implicit in this conception are the requirements that there is some attribute or feature of the business-related object that is worthy of measurement and that there is a means of making the measurements), whereas steps 3 and 4 of the financial reporting process constitute disclosure (the communication of accounting measurements to some user of that information in order to facilitate a decision).

In theory, it is questionable whether information generated from the measurement process can or should be distinguished from the disclosure of that information. Without disclosure accounting measurements serve no useful purpose. Yet, disclosure cannot take place until the information has been developed. Hence, measurement and disclosure interplay with one another to give corporate financial reporting its substance.

Melville (2008, p. 3) defines financial reporting as the branch of accounting that deals with the preparation of financial statements. These statements provide information about the financial performance and financial position of the business to which they relate and are of value to a wide range of user groups. More specifically, the term financial reporting is most often used to refer to the preparation of financial statements for a limited company.

The process of supplying general-purpose financial information to people within and outside the company is termed financial reporting. In most countries, publicly-owned companies are required by law to make much of their financial information public and available to everyone. These countries also have enacted laws to ensure that the public information provided by these companies is reliable and complete (Meigs, Meigs, Bettner & Whittington, 1996, p. 6). The issuers of financial reports are for-profit companies, generally organised as corporations.

Now that the objectives and definitions of financial reporting have been presented I would like to define the purpose of financial reporting. Although there is a slim difference between objectives and purpose of financial reporting it is important to know it. Howard Schilt says that the primary purpose of financial reporting is the dissemination of financial statements that accurately measure the profitability and financial condition of a company (Fridson & Alvarez, 2004, p. 3). The previous statement is missing important information and that is whose primary goal is acute measurement which I will focus on later in this paper.

1.1 History of Financial Reporting and the Fourth Directive

Financial reporting emerged during the rapid industrialisation of the 19th century. It was heavily influenced by national legislative frameworks with roots in Roman law (Continental Europe) and common law (Great Britain and the United States). But accounting legislation did not mature until the first half of the 20th century when stock markets became major sources of outside capital. Financial crises and fraud led to tightened legislation everywhere. But each country rewrote its rules in reaction to a particular fraud or failure so that national differences in legislation actually grew (Schroeter, 2007, p. 82). It was not until 1978 and the emergence of the Fourth Directive that countries started to harmonise their financial reporting.

The early development of financial accounting was essentially a pragmatic process, geared towards assisting proprietors who were then the main users of accounts to keep track of their resources (Rutherford, 2000, p. 3). The preparation of financial statements was principally carried out as a check on the accuracy of bookkeeping, rather than to measure performance and position (Edwards, 1989, p. 44).

The emergence of large-scale enterprises in the 19th century and the consequent separation of ownership and management control created a need for financial statements for the purpose of accountability (to ensure that managers rendered a reliable account of their activities to owners). By the middle of the 20th century, financial accounting had moved a long way from its origins; accountants had come to focus more on the internal technical structure so that the design of accounting procedures had become an end in itself.

Modern financial reporting was pioneered by the British, although commercial bookkeeping had been a creation of the Italian Renaissance. In England and Scotland public accountancy had arisen during the early decades of the 19th century as an adjunct to the legal profession. Some of its most important early functions included the preparation of financial statements and schedules to assists the courts in winding up partnerships and estates, as well as in liquidating insolvent businesses. These roles were further formalised in 1831 with the passing of legislation that allowed the courts to appoint independent accountants as official assignees in bankruptcy cases. Moreover, many of the analytical approaches first employed for serving proprietorships and partnerships were subsequently modified to accommodate the rising corporate form. The Companies Act of 1844 mandated corporate publicity of its operating activities, requiring directors to issue periodically 'a full and fair balance sheet' certified by auditors, at least one of whom was elected by the shareholders (Baskin & Miranti, 1999, p. 184). Historically the rules, governing which financial information should be provided and in what format have evolved from country to country.

Probably the first group established by a professional body to issue a report on the objectives of financial reporting, expressed in terms of the provision of useful information, was the Study Group on the Objectives of Financial Statements of the American Institute of Certified Public Accountants, which published its findings in 1973. Two years later, a discussion paper issued by the UK Accounting Standards Steering Committee began with the words: Our basic approach has been that corporate reports should seek to satisfy, as far as possible, the information needs of users: they should be useful (Rutherford, 2000, pp. 3-4).

By the last quarter of the 20th century, a mechanism for developing and adopting accounting standards had been established in most countries. In some cases, standard-setting has been the responsibility of the **public accounting profession**, often with the enforcement of the standards being achieved by law or government regulation. For example, accounting standards are set by private-sector professional accounting organisations in Austria, Brazil, Italy, the Netherlands, Switzerland… In other cases, standard-setting has been the responsibility of **government**. For example, there are government-sponsored accounting standards boards in Argentina, China, France, Poland… In a few countries, including Germany, Japan, the United Kingdom and the United States, a **private-sector** standard-setter has been established that is independent of the public accounting profession. As usual, there is always an exception to every rule and theory. In this case the exception is Australia. The Australian board is private but is appointed by and under the oversight of a government agency (Choi, 2003, p. 48).

Since the mid-1960s the accountancy profession has been embroiled with a growing mass of regulations governing the measurement, presentation and disclosure of financial information (Elliot, 2002, p. 95). The freedom of companies to publish financial data in any format simply to tell the story the directors wished to tell has been replaced by the need to conform to universal standards.

Another important factor in the history of financial reporting was the implementation of the Fourth Directive. All in all, five directives relate to accounting and financial reporting matters: the Fourth, Fifth, Seventh, Eighth and Eleventh Directives. In my thesis the Fourth Directive is the one that matters so I will present the main aspects of it below.

The Fourth Directive concerns the basic issues of financial reporting for individual companies in the European Union ('EU') (Evans, Taylor & Holzmann, 1994, p. 96). It was approved by the European Commission Council in 1978 and focuses on the content and form of the annual report. It aims to harmonise accounting principles, presentation, publication and audit by laying down minimum standards to be applied by member states (Council of the European Communities, 1978, p. 11). The Directive takes the position that the position that the objective of financial reporting is to present a 'true and fair view' of a firm's financial position (the balance sheet) and its results (the income statement) for the most recent period.

The objective of Fourth Directive is that investors, lenders and suppliers will find it easier to obtain, understand and rely on the accounts of companies in other member states. It also aims to promote fair competition among member-state companies: managers of a business anywhere in the EU should be able to find out as much about a competitor company as the competitor can find out about their business (Roberts, Weetman & Gordon, 2008, p. 449). The Fourth Directive is the first step in the process of harmonisation and has had great success in improving the disclosures of financial information and transparency in EU member countries. But the great flexibility of different measuring methods and lack of handling important aspects such as subventions, foreign currencies, financial instruments and long-term contracts show its deficiency (Gräfer, 1994, p. 13).

1.2 Types of Financial Reports

We can divide financial reports into two groups (Smith, Keith & Stevens, 1996, p. 4):

- **external** financial reports, and
- **internal** financial reports.

The target group of the external financial report is users of financial information who do not have direct access to this information. Some users (public group users) have the power to enforce laws about which and what kinds of financial information the entity must make available to them. The International Financial Reporting Standards ('IFRS') prescribe the exact way in which the financial information is reported, what types of financial information need to be included in the report and when and where it is to be submitted.

Users in the financing group and users in the public group (with the exception of tax and regulatory authorities) do not have the legislative power to require a business entity to report financial information to them. Therefore, only the management group can see that the needs of the financing and public groups are fulfilled. The way that the management group provides such information is by preparing general-purpose financial statements and making them available to non-governmental users. These statements describe the results of business activities for a specific period of time and list the entity's economic resources and obligations.

Internal financial reports are prepared only for the needs of the management group. To operate and control the business efficiently, management needs much more detailed financial information in addition to its general-purpose financial statements (Smith et al., 1996, p. 5). These reports help the management group take important decisions directed at meeting the business' goals.

1.2.1 Interim Reporting

International Accounting Standard ('IAS') 34 defines the interim financial report as a report that contains either a complete or condensed set of financial statements for a period shorter than an entity's full financial year (IASCF, IASB, 2007, p. 1520). The standards do not require entities to publish interim financial reports. In the case that an entity's shares are publicly traded, this might be required by the government or stock exchanges. Others might do so voluntarily.

Nowadays the appetite for financial information has grown rapidly and interim reporting therefore plays a more and more important role. Financial statements continue to evolve from a historical archive, through being a basis for making decisions about the future, to confirming the results of previously announced expectations (Carmichael, Whittington & Graham, 2007, p. 152). The publication of financial information on an interim basis enables users to have access to the enterprise's current performance, to compare that performance with previous expectations announced by the management and confirm or revise expectations of future performance. Apart from timely disclosure, the continuing integration of current value measurements into the historical-cost financial reporting model increases the significance of the task of preparing interim financial statements. Yet, on the other hand, some inherent difficulties can complicate interim reporting. For example, the revenues of a company may fluctuate a lot throughout the interim periods due to seasonal factors or because a heavy windfall occurred in one interim period which would benefit other.

1.2.2 Annual Reporting

As this paper is structured on the basis of interim reporting only a short description of annual financial reporting is given here, even though annual financial reporting is as important, if not even more, than interim reporting.

At the end of every financial year the directors of companies are obliged to produce and provide annual financial statements and to lay them before the annual general meeting. The financial statements must fairly present the state of affairs of the company and the result of operations for the financial year. These statements are combined to form the annual report (Correia, Flynn, Uliana & Wormald, 2007, p. 51). The annual report is usually viewed as one of the most significant opportunities for a company to present itself to the shareholders and other external parties (CFA Institute, 2009, p. 100).

1.3. Characteristics of an Effective Financial Reporting Framework

Any effective financial reporting system needs to be coherent (meaning a framework in which all the pieces fit together according to an underlying logic). Such frameworks have several characteristics (CFA Institute, 2009, p. 118):

- **Transparency**: A framework should enhance the transparency of a company's financial statements. Transparency actually means that users should be able to see the underlying economics of the business reflected clearly in the company's financial statements. Full disclosure and fair presentation create transparency.

- **Comprehensiveness**: To be comprehensive, a framework should encompass the full spectrum of transactions that have financial consequences. This spectrum includes not only transactions currently occurring but also new types of transactions as they are developed. So, an effective financial reporting framework is based on principles that are universal enough to provide guidance for recording both existing and newly developed transactions.

- **Consistency**: An effective framework should ensure reasonable consistency across companies and time periods. Put differently, similar transactions should be measured and presented in a similar manner regardless of industry, company size, geography or any other characteristics. Yet balanced against this need for consistency is the need for sufficient flexibility to allow companies sufficient discretion to report results in accordance with the underlying economic activity.

2 CONCEPTUAL FRAMEWORK

A conceptual framework is a constitution, a coherent system of interrelated objectives and fundamentals that can lead to consistent standards and that prescribes the nature, function and limits of financial accounting and financial statements (Larsen, 2000, p. 32). Sutton (2004, p. 170) says that the conceptual framework is financial accounting's architectural plan as it sets the shape and form for financial statements by giving answers to key questions, such as who are the users of financial information.

A conceptual framework consists of the following elements:

- a general agreement on the overall objectives of financial reporting,

- a general agreement on the nature and needs of the various users of financial reports, and

- the identification of a set of criteria to be used in choosing between alternative solutions to standard-setting problems and in assessing the quality and utility of financial reports.

As a counterweight to the conceptual framework, in 1974 the Accounting Standards Steering Committee ('ASSC') and major accounting bodies appointed a committee to prepare a wide-ranging discussion paper that would cover financial reporting topics. A year later a report was published under the name **the Corporate Report**. Its aim was to create a focus on the usefulness of published financial statements, considering the usefulness of financial statements for their users. Quite confusingly, the Corporate Report refers to published accounting statements as corporate reports. Users of corporate reports are defined as those having a reasonable right to information concerning the reporting entity.

Financial reporting is not an end in itself. It is a means of communicating to the users of financial reports information that is useful for making choices among alternative uses of scarce resources. Thus, the objective stems largely from the needs and interests of those users. The people receiving these reports are termed the users of the financial statements (Meigs et al., 1996, p. 10).

We can divide the users of this information into two groups:

- users inside the business organisation, and

- users outside the business organisation.

Users inside the business organisation are management. They use the information from financial reporting for evaluating past results, formulating new plans, strategies and achieving internal control.

Users outside the business organisation can be further divided into:

- current and potential investors (for identifying and evaluating investment opportunities, for monitoring the performance of existing investments),

- current and potential creditors (for being able to make a decision on whether to extend credit or not),

- investment advisors and economists (for forecasting the future performance of the company),

- major customers (for evaluating the financial ability of a business to complete long-term projects),

- organised labour and prospective employees (for evaluating the employers' ability to pay wages and salaries),

- tax authorities (for formulating tax policies),

- governmental regulatory agencies (for formulating regulatory policies),

- the news media (for reporting on the business and the economy), and

- the general public (exercising its right to know about the institutions affecting the economy).

As shown above, information gathered from financial reports is intended not only for specific people but for a broader group of users. Yet, as the provision of accounting information is not costless and the interest groups are getting bigger and bigger (and, along with that, their needs and demands), accountants and managers alike must balance the claims of a number of interested parties and a variety of costs and benefits.

If we try to draw a line here we can come to the conclusion that different users with different purposes may require different information about the same item. Some of this information may be even non-financial (for example, health and safety) and some also cannot be measured at all. Whether it is accounting information or not it is still useful for the business itself but that does not mean that will be included in the financial statements. Also, different users will likely require information of different degrees of complexity and depth. Customers will require and be able to understand completely different kinds of information as opposed to managers or potential shareholders.

2.1 Characteristics of and Constraints on Useful Information

It is not only useful to consider the purposes for which the information is required, but to also consider the characteristics of useful information (Alexander & Britton, 1993, p. 15). The Corporate Report suggested seven important characteristics:

- **Relevance**: The formal definition of relevance is: Information is relevant if it has the ability to influence the economic decisions of users and is provided in time to influence those decisions. A report must give the user what they want. It is essential that the accountant knows who the user is, what their purpose is and which information is required for these purposes. Users will evaluate past, present and future events on the basis of the information they have been given in the latest financial statements. The relevance of information is affected not only by its nature but also by its level of materiality.

- **Understandability**: It is essential that the information provided in financial statements is understandable by users. It can become a problem when we need to report complex figures to non-expert users as different users will have differing levels of accounting knowledge (meaning that information which is understandable by one user may not be understandable by another). It is also important to include relevant information in the financial statements even though it might be too complex for some users to understand.

- **Reliability**: To be useful, the information provided in the financial statement must also be reliable. The reliable information should have the characteristics of credibility, believability and possibility. The reliability characteristic has a number of sub-characteristics:

    - Faithful representation: To be reliable, information must faithfully represent the transactions and other events it purports to represent. However, financial information is subject to the risk of unfaithful representation due to inherent difficulties in identifying or measuring the items concerned.

    - Substance over form: To be reliable, financial information must represent the substance and economic reality of transactions and other possible events, not merely their legal form. The legal form of a transaction may sometimes be very different from its substance and this situation might be deliberately contrived.

    - Completeness: The report should be as complete as possible (meaning that it should be complete within the bounds of materiality and cost). An omission can cause information to be false or misleading and therefore unreliable and deficient in term of its relevance.

    - Objectivity or neutrality: Reports should not be biased by the personal perception of the person compiling the reports. In other words, financial statements are not neutral if they are prepared so as to achieve a predetermined result.

    - Prudence: Prudence is the inclusion of a degree of caution in the exercise of the judgments needed for making the estimates required in conditions of uncertainty. It does not, however, allow the deliberate misstatement of elements in the financial statements in an attempt to be conservative.

- **Comparability**: Information should be presented in such a way that it can be easily compared with information about the same business for a different period and that it can be easily compared with information about a different business for the same or maybe even a different period. Compliance with international standards should improve the consistency (and therefore comparability) of financial statements.

As the characteristics have now been presented let us also look at the constraints on this information. The International Accounting Standards Board ('IASB') framework identifies three constraints which may prevent the information provided in financial statements from being completely relevant and reliable. These are as follows (Melville, 2008, pp. 22-23):

- **Timeliness**: In order to avoid undue delay in providing information it may be necessary to report information before all of its aspects are known, thereby reducing its reliability. It is necessary to achieve a balance between relevance and reliability which best meets the needs of users.

- **A balance between benefit and cost**: The benefits derived from information should exceed the costs of providing it. Clearly it is not worth incurring additional costs in order to make information more relevant or reliable if those costs outweigh the benefits to users. However, it is difficult to apply a cost-benefit analysis in practice since costs and benefits usually cannot be measured with substantial accuracy.

- **A balance between qualitative characteristics**: It is normally almost impossible to achieve all of the qualitative characteristics fully and simultaneously. A trade-off between the characteristics is required, with the aim of achieving an appropriate balance between them so as to meet the needs of users. Determining the relative importance of each characteristic in this balance is a matter of professional judgment.

3 REGULATORY FRAMEWORK

The rules and regulations that apply to financial reporting may also be called a 'regulatory framework'. This framework is needed so as to ensure that shareholders and other stakeholders receive financial statements which faithfully represent the financial performance and financial position of the business concerned. Usually, most of these rules apply only to companies but is essential to realise that financial reporting regulations can be made in relation to any class of business entity. The regulatory framework which applies to financial reporting by companies consists of the following main components (Melville, 2008, pp. 4-6):

- legislation,

- accounting standards, and

- stock-exchange regulations.

LEGISLATION

Legislation generally sets out the broad rules with which companies must comply when preparing financial statements. Most developed countries of the world have enacted legislation which governs financial reporting by limited companies. A lot of the rules have emerged as a result of EU Directives.

ACCOUNTING STANDARDS

One definition of accounting standards is that they are rules, detailed rules, governing the accounting treatment of transactions and other items shown in financial statements. Many developed countries of the world have their own standard-setting bodies, each of which is responsible for devising and publishing accounting standards for use in the country concerned. For example, if we consider the UK, there is the Accounting Standards Board ('ASB'), in the USA there is the Financial Accounting Standards Board ('FASB') and there are also standards boards in other countries.

As the world is developing and globalisation is increasing, the tendency towards a single set of accounting standards has grown stronger. The IASB has been developed to cope with this challenge. A major breakthrough in this process came in 2002 when the EU issued a regulation requiring all listed companies in the EU to prepare their group accounts in accordance with international standards from 1 January 2005.

STOCK EXCHANGE REGULATIONS

A company whose shares are listed on a recognised stock exchange must comply with the regulations of that exchange, some of which may relate to the company's financial statements. Sometimes a stock exchange has different requirements than accounting standards boards and, if so, the companies must adapt to them (for example, a stock exchange may require companies to produce financial statements more frequently than required by law).

3.1 International Accounting Standards

International standards are developed and published by the IASB. The IASB was founded in 2001 as a replacement for the International Accounting Standards Committee (IASC), which in turn was formed in 1973 pursuant to an agreement made by the national professional accountancy bodies of various countries, namely Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland and the United States (Bragg, 2002, p. 31). The first standards from the IASC in the 1970s were basic, straightforward and largely non-controversial. They had a high level of generality and concentrated primarily on matters of presentation and disclosure rather than more controversial issues of measurement (Nair & Frank, 1981, p. 61). The standards published by the IASB are known as the IFRS. As Picture

1 shows, the IFRS are spread across almost the whole world, expect for Africa and part of Asia.

Figure 1: The spread of IFRS around the world

Source: IFRSs around the world, 2009.

The main purpose of national or international accounting standards is to reduce or eliminate variations in accounting practices and to introduce a degree of uniformity into financial reporting. In particular, accounting standards usually set out requirements with regard to the recognition, measurement, presentation and disclosure of transactions and other items in financial statements. The main advantages of this standardisation are:

- **Faithful representation**: If the preparers of financial statements are obliged to comply with a set of accounting standards, it becomes more likely that the information given in the statements will provide a complete and faithful representation of the financial performance and financial position of the organisation. Standards help to ensure that financial reporting is free from bias and that it outlaws any other kind of creative reporting.

- **Comparability**: This is one of the most important features as it enables the users of an organisation's financial statements to compare them over time in order to identify the trends and its financial performance and position. It also comes in handy because users should be able to compare the financial statements of different organisations and then assess their relative strengths and weaknesses. These comparisons would be meaningless unless all the financial statements concerned are made on the same basis.

As mentioned, the goal is to develop a set of global accounting standards, promote their use and bring about convergence between national and international standards. Although this goal has not yet been fully achieved, the worldwide influence of international standards has rapidly increased since the IASB was formed. Ever more countries use the IFRS as their own, with some also using them with corrections. At present, 70 countries require listed companies to comply with international standards when preparing their group accounts.

The need to use a set of international standards emerged from the various differences seen in financial reporting. Several attempts have been made to identify the reasons for differences in financial reporting. There is no single list of differences but these are some of the most important ones (Elliot, 2006, p. 135):

- the character of national legal systems,
- the way in which an industry is financed,
- the relationship of the tax and reporting systems,
- the influence and status of the accounting profession,
- the extent to which accounting theory is developed,
- accidents of history, and
- language.

3.2 Disclosures

Disclosures of financial information can be either mandatory or voluntary. Mandatory disclosures are usually a major policy issue while voluntary disclosures are the result of a company's policy, which tries to gain an extra advantage through a voluntary disclosure (Choi & Mueller, 1996, p. 310).

3.2.1 Mandatory Corporate Disclosure

Corporate disclosure requirements and practices are shaped by a number of influences (Choi & Mueller, 1996, p. 311). I present three of the most important ones:

- **Environmental factors**: Researches suggest that accounting and reporting developments are environmentally-based; the level of corporate financial disclosure regulation in many industrialised countries is more likely to be determined by internal factors (such as the political system), whereas that of many developing countries is more likely to be determined by external factors (such as the extent of international trade).

- **Capital market influences**: In a competitive economy, corporate disclosure exists as a means of discharging a corporation's accountability to the providers of financial capital (investors) and to facilitate the allocation of resources to their most productive users.

- **Non-financial influences**: Nowadays, there is a worldwide growing trend of holding corporations accountable to the public at large for both their policies and actions because the actions of multinational companies have a big impact on them.

3.2.2 Voluntary Disclosure

In reality, the disclosure of information in financial reporting is not always in line with the mandated disclosure requirements when it comes to foreign readers of financial reports (Choi & Mueller, 1996, p. 312). Multinational companies are aware of the fact that local readers may not be familiar with their accounting methods. Previously, when there was no generally accepted set of international disclosure and reporting standards, companies experimented with four distinguishable approaches: convenience translation, special information, limited restatements and primary-secondary statements.

The key arguments in favour of disclosure include the prevention of fraud, investor protection, standardisation of information and social benefits. But there are also some negative aspects which have to be weighed up like complexity, overload, lack of relevance and misleading and incomplete information (Villiers, 2006, p. 16).

4 FINANCIAL STATEMENTS

The standard governing the presentation of financial statements is IAS 1. The objective of IAS 1 is to specify the overall structure and content of general-purpose financial statements. The objective of financial statements is to provide information about the financial position, performance and changes in the financial position of an enterprise that is useful to a wide range of users when making economic decisions. However, financial statements do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information.

4.1 Objective and Components of Financial Statements

In order to meet the previously mentioned objective, general-purpose financial statements should provide information about an entity's:

- assets, liabilities and equity,

- income and expenses, including gains and losses,

- other changes in equity, and
- cash flows.

This information is given in four primary financial statements. Further information is given in the notes which accompany these statements. The current version of IAS 1 states that a complete set of financial statements comprises:

- a balance sheet,
- an income statement,
- a statement of changes in equity,
- a cash flow statement, and
- a set of notes which provide a summary of the entity's significant accounting policies together with other explanatory information.

4.2 Concepts of Financial Statements

Behind the whole theory of financial statements there are several underlying concepts which govern and influence the preparation of financial statements. In my opinion, the concept of accrual accounting, the matching principle and the historical-cost concept are the most important.

4.2.1 Accrual and Cash-Basis Accounting

The story behind the accrual basis of accounting is that revenue is considered to be earned when services are performed, not when payment is received, and that expenses are considered to be incurred when services are received, not when cash is paid. The opposite approach, recording revenues only when cash is received and recording expenses only when cash is paid, is called the cash basis of accounting (Smith et al., 1996, pp. 22-23).

Under the accrual basis, companies recognise revenue when they can predict with reasonable assurance the amount of cash they will ultimately receive from customers and the amount of cash they will ultimately expend to make and sell the good or service (Stickney & Weil, 2004, p. 112).

Many small businesses use the cash basis of accounting because it is much easier to use than the accrual basis. However, when a business has significant transactions that involve, for example, extending credit to customers or receiving credit from vendors then companies are required to use the accrual method. That is also because the cash basis of accounting does not match expenses incurred and revenues earned. The cash basis is only acceptable in practice under those circumstances when it approximates the results that a company could obtain under the accrual basis of accounting (Hermanson, Edwards & Maher, 2005, p. 100). In this thesis I will analyse reports based on the accrual basis of accounting.

4.2.2 The Matching Principle

Users of financial information and those interested in the activities of a certain business need timely information. Therefore companies must prepare financial statements periodically. To prepare such statements the accountant divides an entity's life into periods, which are usually equal in length and are called accounting periods. An accounting period may be one month, one quarter or one year (Hermanson et al., 2005, p. 101). In my thesis I will use the accounting period of one month.

Periodic reporting and the matching principle require the preparation of adjusting entries. The matching principle requires that expenses incurred in producing revenues be deducted from the revenues they generated during the accounting period. It also means that financial statements must include costs related to the achievement of the reported revenue (Chopping & Skerratt, 1997, p. 9).

As will be seen later in the reports, this matching of expenses and revenues is necessary for the income statement to present an accurate picture of the profitability of a business. Adjusting entries reflect unrecorded economic activity that has taken place but has not yet been recorded. There are two reasons companies do not record these activities by the end of the period. The first is that it is more economical and convenient to wait until the end of the period to record the activity and the second reason is that no source document concerning that activity has come to the accountant's attention.

4.2.3 Historical-Cost Convention

Along with accrual accounting and the matching principle, another important aspect of financial reporting is the historical-cost convention**.** Financial statements produced under this convention provide a basis for determining the outcome of agency agreements with reasonable certainty and predictability because the data are relatively objective (Page, 1992, p. 80). In other words, various parties who deal with the enterprise, for example lenders, will know that the figures produced in financial statements are objective and not manipulated by subjective judgments usually made by the directors.

4.3 Underlying Assumptions

The IASB framework states that there are assumptions which underlie the preparation of financial statements. These underlying assumptions are (Alexander & Nobes, 2007, p. 37):

- **Accrual basis**: It is assumed that financial statements are normally prepared on an accrual basis, not a cash basis. On this basis, transactions are recognised when they occur (not when cash is received or paid) and are reported in the financial statements of the periods to which they relate. Financial statements prepared on an accrual basis inform users not only of past transactions but also of obligations in the future and resources to be received in the future.

- **Going concern**: Financial statements are normally prepared on the assumption that the entity concerned will continue in operation for the foreseeable future and has neither the intention nor the need to either close down or materially reduce the scale of its operations. But if an entity is not a going concern, the financial statements will have to be prepared on a different basis and that basis should be disclosed.

- **Fair presentation**: IAS 1 describes fair presentation as a faithful representation of the effects of transactions, events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

- **Materiality**: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of financial statements.

5 SPECIAL FEATURES OF FRENCH FINANCIAL REPORTING

France is one of the biggest countries in the EU. Although it is a highly industrialised country and its people enjoy a high standard of living, it does not have as many large companies as do some other developed nations. France has a well-developed system of financial reporting which is highly regulated and legalistic in nature. As the main focus in my thesis is the financial reporting between the parent company Sagem Communications and its subsidiary, I will look at the regulations and main features governing reporting in France.

There are four main requirements governing accounting and reporting practices in France (Walton, 1995, p. 98): the Commercial Code, the Companies Act of 1966 and the related Decree of 1967, the detailed accounting guide (*Le Plan Comptable*) and tax regulations.

COMMERCIAL CODE

Article 8 of the Commercial Code maintains the obligation to keep accounting records whereas Article 12 makes accounting records a means of providing evidence. The Commercial Code contains bookkeeping regulations, including the requirement that once a year a company must close its books and prepare an income statement and balance sheet.

COMPANIES ACT

The main statutes governing company law in France are the Companies Act of 1966 and the related Decree of 1967. Under the provisions of the Companies Act, a company must prepare financial statements to be presented to a general meeting of shareholders within six months of the end of its fiscal year. Quoted companies are required to prepare consolidated financial statements.

LE PLAN COMPTABLE

This is the most important legislation and was developed from earlier accounting plans and incorporates the requirements of the Fourth Directive (Eliott et al., 2002, p. 782). It was first introduced in 1947 by the National Council of Accountancy (*Conseil National de la Compatabilite*). It establishes a basis for the greater standardisation of accounting practices. It also increases the comparability of accounting information from companies in the same line of business. *Le Plan Comptable* prescribes the form and content of financial statements. It contains a uniform chart of accounts that specifies the classification of items to be included in financial statements. It has been amended to incorporate the financial reporting changes brought by introduction of the Fourth and Seventh Directives. Among the major changes are a requirement that a company's financial statement must present a true and fair view of its financial position and result of operations, the combination of the trading account and profit and loss account into one statement, and the requirement that supplementary information and notes be mandatory. Moreover, in French company accounts tangible fixed assets are generally shown at their historical cost less depreciation. The idea behind this legislation is that control can be exercised because there is a uniform accounting system for all businesses. Listed and unlisted companies are now required to produce consolidated financial statements.

TAX REGULATIONS

Tax law in France has a direct effect on the content of financial statements and it also affects the determination of net income. As mentioned before, *Le Plan Comptable* emphasises that financial statements are true and fair but, on the contrary, the requirement that tax and accounting income should be the same can sometimes obscure a clear picture. So, if an alternative accounting method presents a true and fair view better than the tax requirement then that should also be disclosed in the financial statement.

Although accounting standards in France are primarily promulgated by the government, other groups have an influence on the accounting principles. These are the National Accounting Council, the Stock Exchange Commission and other professional accountancy bodies in France.

As a business enterprise grows and starts to develop it may think of establishing one or more subsidiaries in the country of origin or overseas. This is primarily to market its own products over a large territory. The term branch is used to describe a business unit located at some distance from the home office. As the company in Poland is a subsidiary of Sagem Communications in France I will look at how a subsidiary is defined.

Under the UK Companies Act 2006 (a series of laws enacted by the British Parliament governing the establishment and conduct of incorporated business enterprises), a subsidiary is defined as (Subsidiary, Definition, 2008):

- a company is a subsidiary of another company, its holding company, if that other company:
  - holds a majority of voting rights in it, or
  - is a member of it and has the right to appoint or remove a majority of its board of directors, or
  - is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,

  or if it is a subsidiary of a company that is itself a subsidiary of that other company,

- a company is a wholly-owned subsidiary of another company if it has no members except that other ant that other's wholly-owned subsidiaries or persons acting on behalf of that other or its wholly-owned subsidiaries.

As IAS 27 puts it, one company controls another if it has the power to govern that other company's financial and operating policies. Control is deemed to exist when one company owns (either directly or indirectly through other subsidiaries) more than 50% of the voting power of another company, unless it can be demonstrated that such ownership does not give control. Owning over 50% of a company's voting power normally means owning over 50% of that company's ordinary shares.

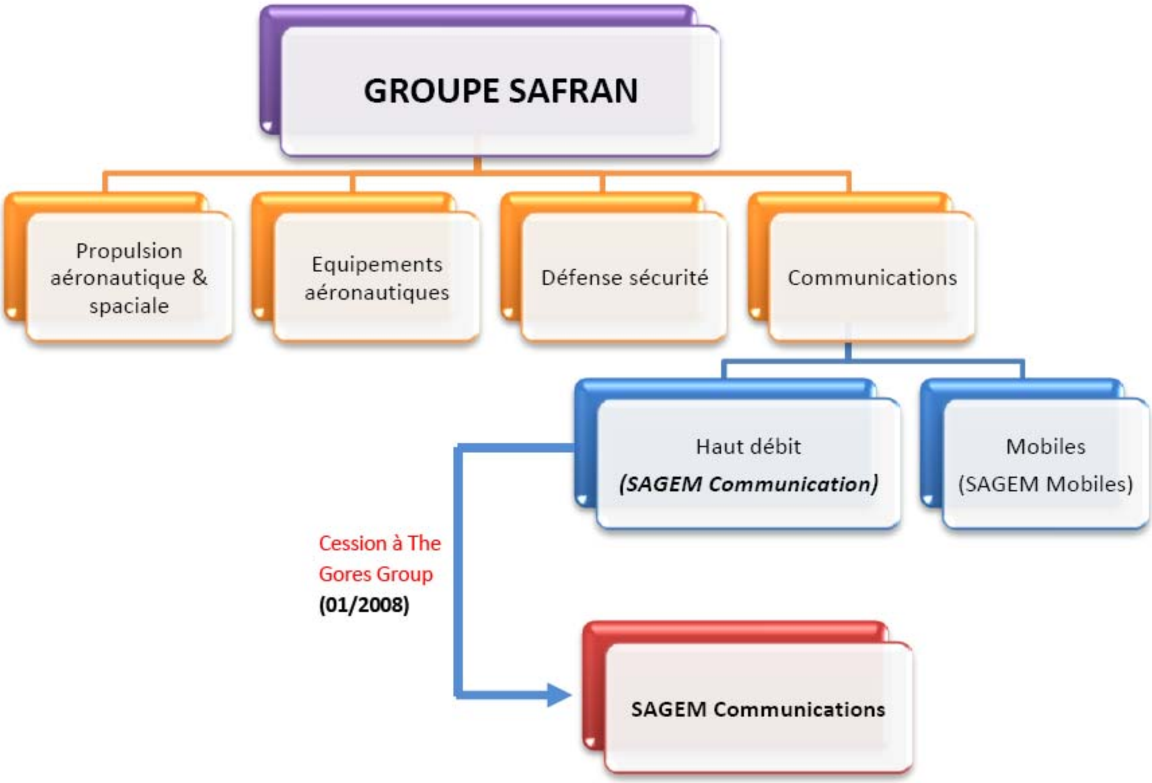
6 SAGEM COMMUNICATIONS

Societe d'Applications Generales d'Electricite et de Mecanique ('Sagem') was founded in 1925 by Marcel Mome. Through the years Sagem developed into one of the world's biggest telecommunications companies. But at the beginning it was a company whose central business was mechanics. Early products included electrical components, power distribution equipment, cameras, projectors and military equipment. It was not until 1942 that Sagem made a move towards telecommunications (following a request of the French Ministry of Telecommunications it developed a new communication system: the telex printer). In 2005 Sagem merged with Snecma to form the Safran Group. Its main activities (as seen below in Figure 2) are divided into four categories:

- aeronautical and space engineering (37%),

- aeronautical equipment (28%),
- defence (18%), and
- communications (17%).

Figure 2: Main activities of the Safran Group



Source: Internal Sagem Communications bulletin.

In October 2007 Sagem received an offer from the American private equity firm the Gores Group. In January 2008 the acquisition of Sagem by the Gores Group was sealed with the aim of it becoming world leader in telecommunications.

Sagem has a wide network of subsidiaries all over the world. They are named National Sales Organisations ('NSO'). They are located mostly in European countries but Sagem has also started moving business across European borders to Latin America, Asia and Africa. I will concentrate on the European subsidiaries and its financial reporting, more precisely on the polish subsidiary in Warsaw, named Sagem Communications Warsaw.

It is important to distinguish the difference between Sagem Communications and Sagem Mobiles as these are two separate companies. Sagem Mobiles deals exclusively with telecommunications while Sagem Communications has a wider area of products, from faxes to photo printers. I concentrate on Sagem Communications and its products in this thesis.

The main activities of Sagem Communications can be divided into four groups:

- broadband terminals,
- printing terminals,
- DECT and Set Top Boxes, and
- networks.

We will now examine the reporting conducted between the parent company Sagem Communications in Paris, France and its subsidiary Sagem Communications Warsaw in Warsaw, Poland. There are all together seven reports that are treated here as a set of financial statements. These are:

- profit and loss report,
- headcount report,
- ORC report (corporate report),
- accounts receivable report,
- sales report,
- stock report,
- treasury report, and
- balance sheet.

In addition to these reports, the complete set of financial statements also includes several pages of so-called notes. They contain additional information and explanations which accountants believe are useful for making interpretations of the financial statements.

The reporting takes place on the first couple of days of each month. The so-called Financial and Accounting (F&A) manager in Poland is responsible for financial reporting. Their duty is to prepare the reports and then send them to the International Financial Controller (IFC) in Paris. The reporting process depends strongly on the deadlines set by the Corporate Accounting Department in Paris. So as to ensure that these deadlines are met, the F & A manager must define a local reporting calendar and communicate it to the staff of the accounting department. Although the tasks that need to be performed are generally recurring, they are numerous. So it is wise for the F & A manager to draw up a closing checklist detailing all the tasks that need to be performed before the accounts are closed and to then assign each task to members of the accounting team. At the start of the closing process the F & A manager has to ensure that all necessary steps are taken to complete the booking of supplier invoices. These must be booked before the end of each month in order to provide correct amounts in the reports. Further, when the receipt of goods or delivery of a service occurred during the month but the related invoice is still expected from the supplier, an accrual must be made for the corresponding amount. In addition, all sales invoices must also be booked before the end of the current month. Since the invoicing process is automatic, the focus is put on any possible manual invoices.

The system used for accounting, reporting and all financial purposes is SAP. This is one of the most convenient and most widely used business software programmes in the world. The accountant puts into SAP all the invoices (customer and vendor), bank statements, it deals with profit and cost centres and it contains all the data needed to fill out all the reports.

In the next section I take a close look at all the reports that every month come from Poland to France.

6.1 Profit and Loss Report

The Profit and Loss (P&L) report is the most important one as it contains all the financial information relevant for almost all users. The IFC receives this report once every month. It contains several pages, from the income statement, headcount to total turnover. A P & L report is a statement that summarises the revenues (IAS 18 defines revenue as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants), costs and expenses (expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants) incurred during a specific period of time (monthly, quarterly, yearly). These records provide information that shows the ability of a company to generate profit by increasing revenue and reducing costs. The P&L report is also known as a Statement of Profit and Loss, an Income Statement or an Income and Expense Statement. It is, as IFRS 1 puts it, one of the principal financial statements.

Many users of financial statements consider the P & L report to be more important than other principal financial statements because it answers the question asked by most users: Did the business earn a profit? The income statement reports on profitability by comparing the revenues earned during a specific period with the expenses incurred during that same period.

But the P&L report does not show one thing. That is, how the company is paying for its growth, whether the company is financing its growth from operating, financing or investment activities. To identify this, one must look at the cash-flow statement.

6.1.1 Format of the Profit and Loss Report

The basic format of the P & L report begins with the name of the business entity, the name of the report and the period over which its financial performance is being presented. The F & A manager in Poland must also state the currency and the exchange rate between zlotys and euros. If the cash basis of accounting is used, which is quite a rarity, this should be noted in the report header since the reader would otherwise assume that the more common accrual method is being used.

IAS 1 does not require any specific format for the income statement. Instead, the standard provides a minimum list of line items that should be presented separately on the face of the income statement (additional line items should be presented where relevant). The main items listed by IAS 1 are:

- revenue,
- finance costs,
- profits or losses accounted for by the equity method,
- tax expenses,
- profit or loss after tax relating to discontinued operations,
- profit or loss after tax,
- profit or loss attributable to minority interests, and
- profit or loss attributable to equity holders of the parent.

The order of the items and the descriptions used may be amended where this is necessary to explain the entity's financial performance. The items of profit or loss attributable to minority interests and profit or loss attributable to equity holders of the parent will only arise if the entity is a member of the group.

The P & L report that is used by Sagem Communications is extensive as it contains several sheets, from a headcount to an income statement per single business unit. I will not go into details for all the sheets but just those that are used by the IFC for controlling purposes. It starts with the P & L report for each business unit. These numbers are then automatically put into sheets that contain the P & L report for all business units, for business units that are connected to broadband, for business units that are connected to mobiles and for business units connected to defence and security. I put more emphasis on the income statement for all business units, which is presented in Appendix 1.

6.1.2 Layout of the Profit and Loss Report

The income statement from Appendix 1 starts with the line 'Quantities sold' where the accountant in Poland puts in the number of actual quantities sold in one month. If any of the products were returned for various reasons (reclamations…) this also has to be noted in Quantities returned. As the P & L report is based on revenues earned and expenses incurred the next line is ‘Sale of goods’ where all revenues from current activities are taken into account (domestic sales, export sales, invoices to be issued). The same goes for ‘Sale of services’. The gross turnover is calculated out of the total sales. If there were any cash discounts or marketing co-operation with customers this is then deducted from the gross turnover, from which we obtain a number for ‘Turnover net’. The turnover net is one of the more important items in the P & L report for the financial controller as it comprises the amounts derived from the sale of products and the provisions of services falling within the company’s ordinary activities, after the deduction of sales rebates and of value-added tax and other taxes directly linked to turnover. After the revenues are calculated, the accountant puts in the figures for expenses. The first line for expenses is ‘Material Cost of Goods Sold’ (direct costs attributable to producing the goods sold by the company. This amount includes the cost of materials used in creating the good along with the direct labour costs used to produce it). This number is then deducted from the turnover net to obtain the gross margin:

$$\text{Gross margin (\%)} = \frac{\mathrm{Re}\,venue - CostofGoodsSold}{\mathrm{Re}\,venue} \qquad (1)$$

Gross margin represents the percentage of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by the company. If we look at the profit and loss statement for July, the turnover net was 561k euros, the cost of goods sold 511k euros, meaning that the gross margin, calculated from (1) was 8.9%. This means that for every euro of sales the company retains almost 9 euros to service its other costs and obligations.

The next section in the report is the total overheads. In general, overheads are all costs excluding direct labour and material costs. In my case, total overheads comprise Marketing and Communication Costs, Sales Costs, Administration Costs and Building and Structure Costs. The F & A manager must put up the allocation key at the beginning of every fiscal year concerning how the costs incurred by the business units will be allocated. A day before the first report is sent, the controllers in Paris do an allocation run in order to check if all the costs have been correctly allocated.

Total overheads are deducted from the gross margin which gives us the operating result. The operating result reflects a company’s profits from its usual business activities, before deducting interest expenses or taxes. The next important line is the ‘Financial result’. Under this item the financial revenue is presented, meaning interest or discounts received, exchange gains… If we then deduct the financial result from the operating result the figure we obtain is called Income from Operations (‘IFO’). This is the profit realised from the business’ own operations. To ascertain the net result from the operations corporate management fees and corporate income tax are deducted from income from operations. The net result shows the company’s total earnings or losses for a specific period of time. It is the difference between revenues from selling goods and services and the expenses incurred to generate those revenues.

This statement is very important for the IFC. It not only shows the company's financial performance in a specific period of time but also compares the actual figures with the budgeted numbers.

The next important sheet in the P & L report is the Human Resource ('HR') sheet. This is a kind of headcount report (which is mentioned in the next section) with an emphasis on cost centres. A cost centre is defined as an organisational unit within a controlling area that represents a clearly delimited location where revenue and costs occur. Organisational divisions can be based on functional requirements, allocation criteria, physical location and/or responsibility for costs (Cost center, definition, 2008). Therefore, a person in charge of a cost centre is responsible for performing defined activities within a defined cost budget (Emmanuel, Otley & Merchant, 1995, p. 165). Appendix 2 shows that there were three people in the Sales Department, three people in General Management & Administration and one in Service. Each one of them has a designated cost centre where costs are booked (for example, hotel expenses on business trips).

The sheet SUM summarises the whole performance of the company as it also includes information from other reports (Appendix 3). It does not need to be manually filled in because all lines have formulas or are linked to other sheets. The IFC in France checks this sheet with the numbers in the system. If there are some irregularities they can then check business unit by business unit to see where the errors are coming from.

There is one special example that concerns the P&L report. The special feature is prepaid expenses. The NSO may be required to pay for a service or product which it will not receive until the next reporting period. In this case it is appropriate to record a prepaid expense. But the problem is that such amounts are not reflected in the NSO's expenses for the current reporting period but need to be reported as assets in the balance sheet. In the following period, these amounts are fully removed from the prepaid account and the accountant can then put them under expenses in the P&L report or partly remove them in the case of an expense that occurs over a long period, such as service contracts. The most common prepaid expenses are maintenance contracts, insurance premiums and facility rentals.

6.2 Headcount Report

The headcount report differs somewhat from all other reports that are submitted to the financial controller every month. It does not contain any financial information but allows a detailed look into the employees of the company. It is supposed to be a simple counting process with a tangible outcome. But counting the number of employees is sometimes not as straightforward as it appears, especially if a company employs many workers. I would like to point out that this headcount report differs from the one in the P & L report. This one is summed up based on job role boundaries and managerial or supervisor hierarchies, whilst the report from the P & L statement tracks headcount by cost centres.

Appendix 4 presents the Global Headcount in this report. The F & A manager firstly puts in the number of employees with unlimited and fixed-term contracts. If a company has someone working for them only as a temporary employee or even as a subcontractor they have to be put into those two lines. All together, they present the **workforce** of the company.

Moreover, the accountant then has to specify where the employees are situated in the company. In my case they are either put under the main four activities (as already mentioned) or under support positions (accountant, financial accountant…).

After the Global Headcount is filled in, the sheet Detailed Headcount as shown in Appendix 5 also needs to be completed. This sheet contains much more precise information about the workforce. It contains personal information about the employees and details about their contracts. This sheet does not usually change, except for the departure or arrival of employees. The salary is usually intact since all changes to a fixed salary need to be approved by the Managing Director, while the variable salary component consists of bonuses that are agreed at the beginning of the fiscal year.

This report has to be sent to the financial controller in Paris on the first day of the month. If the accountant sends the report on time and without critical errors this goes towards his variable salary as mentioned. The controller checks the report and then forwards it, with any necessary corrections, to the HR Manager, the NSO Director and the Managing Director of Sagem Communications.

Even though the Headcount Report is not strictly a financial report it has a huge value in terms of financial reporting. It allows the controller to have a good insight into the workforce of the company but, because this report contains personal and salary information regarding employees, it is only meant for the eyes of a few people. I also have to mention that the hiring of new employees must first be accepted in Paris. Without such approval, the Managing Director in Poland cannot hire a new person.

6.3 ORC Report

The ORC report is also called the corporate report. In theory, corporate reporting is the primary means by which corporate entities provide details of their corporate performance to their various stakeholders, not least the investment community. Traditionally, and in line with statutory requirements, the focus of corporate reporting has been on providing essentially financial information to the investment and financial community (Everingham & Kana, 2004, p. 1).

The ORC report is due to be submitted on the third day of the month to the international financial controller and the NSO director. As mentioned, it is important to submit the report on time. This report is a lot like the P & L report. The sheets it contains are also found in the

P&L report (income statement, balance sheet). The difference is the method with which the accountant provides the financial result of the current month.

I start off with Appendix 7 and the Income sheet. This is an ordinary income statement but it differs a little to the one in the P&L report. The difference is that the statement in the P&L report focuses on business units individually and their net results while the statement in the ORC report takes the company and its products as a whole into account. Therefore, there are no additional sheets or lines for business units. This report is based on the accounts the company uses. The numbers are taken out of **trial balances**. A trial balance is a document that lists account balances at a particular point in time. They are typically prepared at the end of an accounting period as a first step in producing financial statements. The initial trial balance shows if any adjusting entries may be required. Once they are put in, an adjusted trial balance can be prepared.

The first line 'Revenue' takes into consideration all accounts (and their trial balances) that are correlated with revenues, meaning revenue from current activities, financial revenue, extraordinary revenue and other operating revenue. If we then deduct the cost of goods sold (in the ORC report this is the line 'Goods purchases') we obtain the 'Gross margin' (as already described in the P&L report). On the line 'Other purchases and external expenses' the accountant puts in all expenses incurred except for wages, salaries and social security contributions. The expenses put in here are, for example, stationery expenses, electricity, water and gas expenses, office equipment, fees, vehicles rent and leases, travelling expenses as well as tax expenses (excluding corporate income tax). When these expenses are deducted from the gross margin we obtain the added value which is a synonym for gross income. The gross income is the amount by which the sales revenue exceeds the production costs. In the case of Sagem Communications Warsaw, the added value is negative but this is due to the fact that the subsidiary only started operating two months ago so its sales are just starting to move upwards.

To get Earnings before Interest, Taxes, Depreciation and Amortisation ('EBITDA') we have to deduct expenses related to wages, salaries and social security contribution from added value. But EBITDA is not a good measurement of a company's financial situation as companies tend to change the items included in EBITDA from one reporting period to the next. For example, a company could on one occasion put exchange gains or discounts received under turnover and not the financial result, which would change the EBITDA value.

If a company has any tangible or intangible fixed assets it has to calculate the amortisation or depreciation expenses on them. In my case, the company had depreciation expenses regarding administrative IT equipment. But as the company grows this value will surely also grow. Once amortisation is deducted from EBITDA we obtain the value which is defined as Earnings before Interest and Taxes ('EBIT'). EBIT is a much more relevant indicator of how a company is doing as it diminishes the effect of the different capital structures and tax rates used by different companies. To arrive at the net result the accountant puts in the value of accounts connected to the financial result (any financial expenses or revenue that may have occurred, in my case there were some interest expenses on loans and other borrowings, some exchange losses and received interests, mainly from bank accounts) and the corporate income tax. The result from this income statement has to match the net result from the income statement from the P&L report in Appendix 1, which it does as there is a net loss of 132k euros.

In the current month there were some transactions between Sagem Communications in Poland and its parent company in Paris which have to be recorded in the sheet for intercompany transactions (Appendix 9). Sagem in France sent an invoice for a photo printer which is automatically booked in the SAP system. These amounts are booked in a special account called Group Suppliers.

The one sheet left to explain is shown in Appendix 6, namely, the ORC sheet. This is one of the hardest reports to prepare. It is again completely different to the other sheets in this report as it focuses on business units. The problem that the accountant faces with this sheet is that business units need an allocation of weights. In Poland this is not such a problem as there are just two groups of products but nevertheless estimations need to be calculated out of the total turnover and then allocated to business units. The accountant has to calculate what percentage of the total turnover was made with fax products and what with ADSL and DECT products. The more groups of products a company operates with the more difficult such calculations become. Once this is done, the rest mostly involves putting the trial balances of accounts used on the correct lines. Again, the net result of -132k euros must match the net result from Appendix 7.

6.4 Sales Report

The sales report refers to the sale of goods or, in other words, to sales of different business units. It is submitted to the IFC and the NSO Manager on the first day of the month. This report shows the actual quantities and turnover of products for the current month. The accountant in Poland must first put into the report the average exchange rate if the company in question does not operate in euros (the currency in Poland is the zloty). There are also other exchange rates, the budgeted exchange rate for the current year and the average exchange rates for previous years but they do not change. It also has to be noted which is the local currency if it is different from the euro.

After this is completed there are two more sheets covering sales in the local currency and in euros. The accountant puts into the local currency sheet the quantities sold for every group of products and how much turnover was generated by them (this is shown in Appendix 15). The turnover figures for the business units are net figures, meaning that possible discounts and adjustments on turnover have already been taken into account. Below those two columns is the column ‘Average unit selling price’, which is calculated automatically from the quantities and turnover. Everything else here is calculated automatically. The euro currency sheet is just multiplied by the average exchange rate. Apart from actual sales of the current year there are also columns with budgeted numbers and sales from the previous year. Before the beginning of the fiscal year the accountant needs to put in the budgeted figures which were put together and the figures from the previous year so that the IFC has an overview of how the business is going.

The duty of the controller is to check whether the figures in the report correspond with the figures in the SAP system. The most common mistake made by the accountant is to use the wrong exchange rate, the current one instead of the average one, not booking all accruals before the closing of the month which results in incorrect quantities and turnover or putting in the gross turnover amounts instead of net turnover. We can see that the biggest volume of sales comes from faxes (business to customer) and DECT, while business-to-business faxes, photo frames and photo printers represent around 5% of total sales.

6.5 Treasury Report

It has often been said that cash is the lifeblood of the business, which is very true. Without cash, a company cannot pay its employees or suppliers and will soon fail. The Treasury Report focuses on the financial status of the company. IAS 7 requires that all entities which comply with international standards should produce such a statement. One reason for this is that although a business may reports a healthy profit in its income statement it could still have serious cash problems as the profits are computed on accruals, not on a cash basis. Therefore, the revenue shown in the income statement might not be actually received for a considerable period of time, especially if a business offers lengthy credits to its customers.

The report from Poland does not include many lines as the company has only been running for a little longer than three months. So, as Appendix 14 shows, the accountant's duty is to check the balances of bank accounts and the balance in the cash pool account at Sagem Communications in Paris and then report this to the IFC. As Poland does not have the euro as its currency the subsidiary also has to report the balance of its bank accounts in that currency.

6.6 Accounts Receivable Report

An **account receivable** is created when an entity makes a sale on credit. The customer usually has 30, 60 or 90 days after they are invoiced to pay the seller. From the time the sale is recorded until the time the cash is actually received, the company (the seller) has a claim against its customer for the value of the goods or services delivered. This claim is then recorded as an account receivable.

Accounts receivable ('AR') is one of the most important monthly reports. Its special feature is that the accountant must prepare it on a weekly basis for the local management in Warsaw, while the end-of-the-month report is sent to Sagem Communications in France. In order to obtain the correct numbers from SAP the accountant must take care of daily customer and vendor invoices and bank statements. If they are not in the system, the numbers will not be correct.

When everything is in the system, the accountant extracts the files from SAP. The files contain the entire data from Appendix 10. This shows the biggest customers that the company does business with and how much they still have to pay Sagem Communications Warsaw. The most important customers in Warsaw are Media Markt and Telekomunikacja Polska. The total amounts are transferred to the sheet 'Total' (Appendix 11), where they are also put into columns which can be divided into three main categories:

- **Total**: This represents the total amount owed by a customer.

- **Sum due**: If a customer is already late, meaning that they have already exceeded the established payment terms, the amount is put under 'sum due' (and under the corresponding time period).

- **Sum to due**: The amount the customer was invoiced for and the period of time in which the amount has to be paid. This means that the customer still has time to make payment.

The accountant then has to check if the total amount of accounts receivable corresponds to the one in the system. In order to check this, the accountant has to look up account 41111000, third-party customers, and the total balance of the account must be equal to their own calculations. We can also see that the ratio between overdues and total accounts receivables is 2.31%, which means that only 2.31% of all receivables are late for payment.

The amounts are then copied into the table presented in Appendix 12. This sheet allows a much clearer view of the total overdue, total to fall due and total receivables. The IFC uses this sheet in the consolidation statements. But this is not just a summary of the page presented in Appendix 11 as there is a new line **DSO'**. DSO stands for 'days sales outstanding'. This is a measure of the average number of days that a company takes to collect the revenue after the customer has been invoiced or the sale has been made. It is better for a company to have a low DSO number since this means that it collects outstanding receivables from customers pretty quickly and then has the chance to use the cash again (for reinvesting purposes). It can be calculated as:

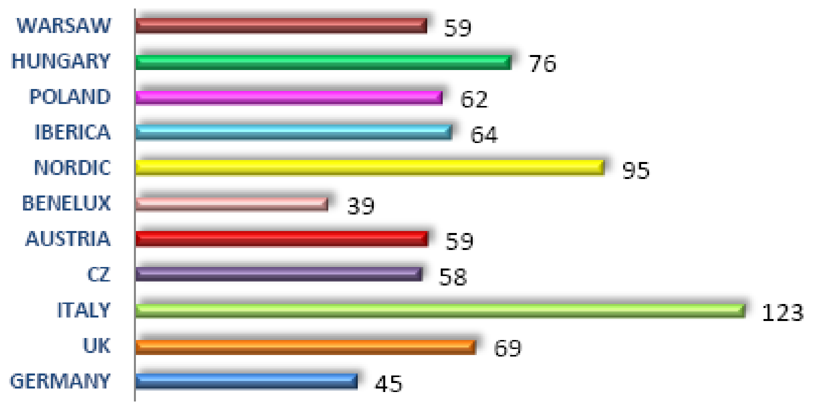
$$\frac{Accounts\,\mathrm{Re}\,ceivable}{TotalCreditSales} \times NumberofDays \qquad (2)$$

or

$$\frac{Accounts\,\mathrm{Re}\,ceivable}{\dfrac{TotalCreditSales}{NumberofDays}} \qquad (3)$$

The DSO value for SC Warsaw is between 50 and 60 days, calculated from (2) or (3), with the exception of the month of April where the DSO was 30 days. Yet this is again mainly because the company just started business in the last week of April so not many sales were made. The numbers from Appendix 12 are then automatically put into the monthly sheet, shown in Appendix 13, which additionally contains details regarding the most important customers in terms of overdue payments. The accountant has to specify why a customer is late with a payment. Figure 3 represents DSO values for all European subsidiaries. With a DSO value of 59, the Warsaw subsidiary is right around the average.

Figure 3: The value of DSO per NSO



Source: Monthly set of reports from Sagem Communications.

In my opinion the AR report is highly important in the process of financial reporting. The controller can quickly notice if there are any problems with big overdues and can then take appropriate actions (blocking customers…). In order to maximise cash, it is critical to keep the overdues to the smallest level possible. Therefore, the accountant in Warsaw is expected to analyse the accounts receivable every week, identify overdue ones and check the accounts that are falling due soon. The order from France is that any time accounts receivables are analysed sales department people should be notified of the receivables concerning their customers. With overdues the accountant will investigate with the customer's accounting department whether the payment is expected shortly. If no solution is found then the list of overdues is handed over to sales people to push the customer for payment. In any case, the information obtained must be reported in SAP. If the customer informs of the late receipt of goods, then the accountant must update the goods receipt notes in the system and defer the payments. I also think that it is unnecessary to prepare it on a weekly basis, as in the case of Sagem Communications Warsaw and Sagem Communications in Paris, and that monthly reporting is enough.

6.7 Stock Report

The stock report is the last of the reports that must be sent to the IFC. The report contains information on the stock of products. Numbers are collected at the end of each month. The report is detailed as it contains the product's name, quantity and value. The accountant usually does not have an insight into these figures and the help of others is therefore needed, especially from people in the sales and service department. It must be mentioned that the NSO should regularly examine, per item, the stock coverage in order to systematically avoid overstocking. It is expected that a subsidiary should easily obtain both the volumes and value of inventory movements in a given period. An example of this report is shown in Appendix 16.

6.8 Balance Sheet

I deliberately left the balance sheet for the end. This is due to the fact that there is no special report that concerns only the balance sheet but it is included in the monthly ORC report. Nevertheless, the balance sheet is hugely important. It is the starting place for analysing a company's financial position. The balance sheet provides users with information on a company's resources (assets) on one side and its sources of capital (liabilities and equity) on the other. But the balance sheet also has limitations, especially relating to the measurement of assets and liabilities. The lack of the timely recognition of liabilities and, sometimes assets, coupled with historical costs as opposed to fair value accounting for all items on the balance sheet implies that the financial analyst or users of financial statements must make numerous adjustments to determine the net economic worth of the company. IAS 1 does not require any particular format for the balance sheet. Nor does it prescribe the order in which items should be shown.

I start with preparation of the balance sheet from the ORC report (Appendix 8). The accountant in Poland extracts the data from the SAP system (all accounts used) and then has to put the balance of the accounts into the balance sheet. The accountant must not forget to put in the depreciation/amortisation on assets otherwise the values will not be correct. It is important to bear in mind that values that are typically included in the assets will include amounts that have been spent but which have not yet been recorded as an expense in the income statement (as is the case of inventories) because of the matching principle, or amounts that have been reported as earned in the income statement but which have not yet been received (as is the case of accounts receivable). The accountant's task is also to check that any fixed assets acquired and activated during the reporting month have been booked in the fixed assets ledger and that an appropriate corresponding entry was made in the SAP system. In addition, the accountant has to calculate the depreciation of fixed assets and book entries corresponding to the current month in the General Ledger. The cumulative amounts of depreciation in the general ledger and the fixed assets ledger should match.

After all the accounts are recorded on the correct lines, the line total assets and the line total liabilities and owner's equity must be equal. In order to successfully complete the balance sheet the accountant must first prepare the income statement as the balance sheet includes the line with the net result.

7 THE FUTURE OF FINANCIAL REPORTING

Before concluding, I will briefly consider the future of financial reporting. Future developments in financial reporting, I believe, will need to be in the form of expansions beyond the basic financial statements as we so far know them. Any meaningful reform of the income statement and balance sheet alone is made difficult, if not impossible, by several constraints. It is true that it is very difficult to predict with any degree of certainty what lies ahead of financial reporting in the future but it is likely to be a future marked by change. One possible path of change was suggested by Elliot who said that the currently accepted model of financial reporting might be replaced by electronic information systems providing financial and other forms of information about companies, not necessarily in the form of audited financial statements, which would be widely available on the Internet. In this scenario, users of financial statements could decide on the types of information that are important for them. If this scenario were to be realised, the question would arise of whether there would still be a need for financial reports as we know them today.

In my opinion, Sagem Communications has a good system of reporting but there is always space for improvement. The F & A manager in Poland should have a bigger team to help with related matters and the reporting should be spread over a longer period of time, not just three days, because fewer errors would occur if there were no shortage of time.

CONCLUSION

Nowadays we can hardly imagine the modern financial economy without financial reporting. It is not just a means of controlling a company's financial actions but has also become a tool for manipulating. We read ever more articles about financial frauds when companies restate their financial statements and even auditors are unable or sometimes unwilling to find mistakes. The IAS that are rapidly gaining acceptance around the world represent a step to the convergence of various national standards and the ongoing efforts towards a continuous improvement are the way to fight this problem. The bottom line is that financial reporting is a process that every company should pay maximum attention to.

In this thesis I have presented the process of financial reporting between two related companies. I focused mainly on interim reporting although this is not used too often. Usually, reporting financial information serves as a means for consolidating subsidiaries results in one single report. This is not the case with Sagem Communications. Its interim (monthly) reporting is designed for evaluating the financial performance of its subsidiaries throughout the world. With it, the parent company is allowed a clear view of the financial health of its subsidiaries and can therefore make important decisions and take actions promptly and with a broader view of the matter. As far as Sagem Communications Warsaw goes, we were able to see that this is a young company with a small workforce. The current loss that has been incurred is due to the fact that it is quite young. So far it does not have many customers and therefore its accounts receivable count is not so high. The DSO value is around the average compared to other European NSOs, but it could still be lower. The value of accounts receivable and accounts payable is almost the same, with a low ratio of overdues and accounts receivable. The sales report also shows there is a positive trend in the value of products and services sold.

It has been demonstrated that Sagem Communications has a specific set of reports. I did not go into much detail regarding the explanation of reports as this was not initial goal. I chiefly focused on presenting the reports as a whole, the tasks the F & A manager has on one side and the IFC on the other. Some reports like the ORC report need time to prepare ,while others like the stock report are not even the work of an accountant, they are simply forwarded to them. I have tried to show that financial reporting is not just about completing reports and sending them on but is also a process of daily tasks that must be carried out in order to obtain the correct amounts at the end of each day, week, month and year. It also involves booking invoices, accruals, collecting receivables or sending dunning letters but, at the end of the day, every part has to be brought together to form a report. I showed that reports are linked with each other so that an error in the balance sheet will be quickly detected by just looking at the P & L report or the ORC report.

POVZETEK

1 UVOD

Tekoče in brezhibno finančno poročanje je nekaj vsakdanjega, dokler se vse prav odvija. Dober primer slabega finančnega poročanja je azijska finančna kriza ter prirejena finančna poročila v Ameriki in Evropi (Enron ter Parmalat sta le dve izmed najbolj znanih podjetij, ki sta bili vpleteni v afero). Zato je v današnjem, hitro spreminjajočem se svetu zelo pomembno, da se podjetja zavedajo pomena finančnega poročanja. V preteklosti so imeli Rimljani račune in finančne informacije shranjene na voščenih tablicah, kar so drugi označili kot nekaj sofisticiranega. S časom se je finančno poročanje razvilo v enega od najbolj pomembnih področij finančne ekonomije.

Preden sem začel pisati diplomo, se nisem zavedal kompleksnosti in raznolikosti, povezanih s poročanjem finančnih informacij. Vendar sem z delom začel dojemati, kako pomembno je poznavanje te veje računovodstva, biti sposoben brati in razumeti finančne izkaze. Namen diplomske naloge je predstaviti finančno poročanje med dvema podjetjema, in sicer med multinacionalnim podjetjem ter njegovo podružnico, idejni okvir ter njegovo delovanje znotraj določenih predpisov ter prikaz finančnih izkazov. Natančneje, predstavil bom postopek finančnega poročanja med materinsko družbo Sagem Communications iz Francije ter njeno podružnico Sagem Communications Warsaw iz Poljske. Cilj diplomske naloge je prikazati mesečno poročanje, vlogo in naloge, ki jih imata v tem procesu podružnica in materinsko podjetje, vsebino in postopek priprave finančnih izkazov ter ne nazadnje, kako vse skupaj pripomore k presoji uspešnosti delovanja podružnice.

Literaturo sem našel predvsem v tujih knjigah in učbenikih, kajti slovenska literatura na to temo še ni zelo razširjena. Podatke sem dobil tudi iz mesečnih izkazov in letnega poročila podjetja Sagem Communications Warsaw ter iz izkušenj, ki sem jih pridobil ob opravljanju tega dela.

Diplomsko nalogo začenjam z različnimi definicijami finančnega poročanja in z njegovo zgodovino. Predstavil bom tudi različne vrste finančnih izkazov, njihove uporabnike ter opisal periodično poročanje. Četrto poglavje je namenjeno lastnostim finančnih informacij. Ker sem se v diplomskem delu osredotočil na poročanje v Franciji, bom predstavil glavne značilnosti francoskega računovodstva in poročanja. V praktičnem delu diplomske naloge se bom osredotočil na podjetje Sagem Communications ter ga na kratko opisal. Analiziral bom poročanje med že omenjenima podjetjema ter prikazal in opisal glavne finančne izkaze. Zaključek je namenjen sklepnim mislim, ki povzemajo ključne ugotovitve, ter možnim izboljšavam finančnega poročanja v prihodnosti.

2 FINANČNO POROČANJE IN NJEGOVA ZGODOVINA

Namen finančnega poročanja je zagotavljanje informacij, ki so uporabne za sedanje in potencialne investitorje, upnike ter druge pri odločanju o investicijah in podobnih alokacijskih odločitvah (Braiotta & Braiotta Jr., 2004, str. 104).

Finančno poročanje je postopek, ki ga sestavljajo štirje koraki (Choi & Mueller, 1992, str. 299):

- zaznava pomembnih dejavnosti računovodske entitete v okolju, v katerem deluje, kar so navadno finančne transakcije;

- simbolizacija zaznanih aktivnosti, in sicer tako, da se ustvari neka podatkovna baza, ki je dostopna za analizo njihovih medsebojnih odnosov. Ta korak se uresničuje s pomočjo knjigovodstva in meritvenih postopkov;

- analiza modela aktivnosti, s katero se razkrijejo in povzamejo odnosi med aktivnostmi ter prikazi slik stanja entitete; v tej fazi gre za računovodska poročila, ki omogočajo vpogled v naravo dejavnosti entitete;

- komunikacija analize uporabnikom računovodskih poročil z namenom usmerjati njihove odločitve glede prihodnjih aktivnosti entitete.

Prva dva koraka predstavljata računovodsko merjenje, druga dva pa računovodsko razkritje. Bistveno je, da informacijo najprej razvijemo, nato pa še razkrijemo. Oba procesa sta medsebojno povezana in skupaj sestavljata vsebino finančnega poročanja.

Zgodovinsko segajo začetki finančnega poročanja v 19. stoletje, v obdobje industrializacije. Pojav velikih korporacij in kasnejša delitev lastništva in kontrole sta povzročila potrebo po finančnih izkazih, predvsem zato, da so managerji odgovarjali lastnikom. Čeprav so bili začetki knjigovodstva povezani z italijansko renesanso, pa začetke modernega finančnega poročanja povezujemo z Britanci.

3 VRSTE FINANČNIH POROČIL TER NJIHOVI UPORABNIKI

Finančna poročila lahko delimo na (Smith, Keith & Stevens, 1996, str. 4):

- zunanja finančna poročila,

- notranja finančna poročila.

Poglavitna razlika med tema dvema skupinama finančnih poročil je, da so zunanja namenjena uporabnikom finančnih informacij, ki nimajo dostopa do specifičnih finančnih informacij, medtem ko so notranja finančna poročila namenjena izključno potrebam managerjev, ki za dobro poslovanje potrebujejo bolj podrobne informacije, kot bi jih dobili iz poročil, namenjenih širšemu krogu uporabnikov (Smith et al., 1996, str. 5). Mednarodni računovodski standardi (MRS) so merilo za to, kako in katere finančne informacije naj bodo predstavljene ter komu so namenjene.

Finančna poročila pa lahko razdelimo tudi na periodična (vmesna) ter letna finančna poročila. MRS definirajo periodično finančno poročilo kot poročilo, ki vsebuje ali celotno ali skrajšano verzijo finančnih izkazov za obdobje, krajše od celotnega finančnega leta (IASF, IASB, 2007, str. 1520). Vendar pa MRS ne obvezujejo podjetij k izdaji vmesnih poročil; obvezna so le v primerih, ko podjetje kotira na borzi. V današnjem svetu je potreba po informacijah vse večja, zato tudi vmesna finančna poročila vse bolj pridobivajo na veljavi. Preko njih lahko uporabniki vidijo finančno stanje podjetja pogosteje kot le enkrat letno pri letnem poročilu, primerjajo trenutno poslovanje podjetja s prej objavljenimi napovedmi managerjev ter potrjujejo ali spreminjajo pričakovanja o bodočem poslovanju. Vendar pa periodična poročila niso vedno najrelevantnejša, saj lahko rezultati podjetja variirajo glede na letni čas ali pa pride do nepredvidenih težav v nekem mesecu. V diplomski nalogi se osredotočam na mesečno finančno poročanje, ki je uporabljeno v podjetju Sagem Communications.

Finančno poročanje je bilo prvotno mišljeno kot sredstvo, preko katerega uporabniki finančnih poročil dobijo informacije, ki jim pomagajo pri odločitvah (Meigs et al. 1996, str. 10). Uporabnike finančnih informacij lahko razdelimo na:

- uporabnike znotraj podjetja – interni uporabniki,
- uporabnike zunaj podjetja – eksterni uporabniki .

Interni uporabniki so managerji ter vodje, ki uporabljajo finančne informacije za vrednotenje preteklih rezultatov, formuliranje novih načrtov, strategij ter tudi za izvajanje notranje kontrole. Eksterne uporabnike lahko nadalje razdelimo na:

- sedanje in potencialne investitorje (informacije uporabljajo za vrednotenje investicijskih priložnosti ter za nadzor trenutnih investicij),
- sedanje in potencialne upnike (finančne informacije jim pomagajo pri presoji o podaljšanju kredita podjetju),
- investicijske svetovalce in ekonomiste (za napoved bodočega poslovanja podjetja),
- pomembne stranke (informacije potrebujejo za presojo finančne zmožnosti podjetja pri zaključevanju dolgoročnih projektov),

- zaposlene (pri preverjanju delodajalčeve sposobnosti izplačevanja plač),

- davčne urade (informacije jim pomagajo pri sestavljanju davčne politike),

- državne regulativne ustanove (informacije jim pomagajo pri sestavi regulativnih normativov),

- medije (informacije jim pomagajo pri poročanju o gospodarstvu in ekonomiji),

- splošno javnost (informacije so uporabne pri poizvedbah o podjetjih, ki najbolj vplivajo na posamezno gospodarstvo).

Informacije, pridobljene iz finančnih poročil, so torej namenjene širšemu krogu uporabnikov in ne le določenim skupinam ljudi. Vendar pa se skupine uporabnikov s časom širijo, prav tako pa tudi stroški priprave informacij, zato morajo managerji ter računovodje usklajevati naraščajoče število uporabnikov s stroški ter koristmi.

4 LASTNOSTI FINANČNIH INFORMACIJ

Ni koristno poznati le namen in uporabnike finančnih informacij, temveč tudi njihove lastnosti (Alexander & Britton, 1993, str. 15):

- **ustreznost**: po definiciji je informacija ustrezna, če lahko z njo vplivamo na ekonomske in finančne odločitve uporabnikov in ko je umeščena v primernem časovnem okvirju. Pomembno je, da tudi računovodja ve, katera je ciljna skupina uporabnikov, kakšni so njihovi nameni ter, navsezadnje, katere finančne informacije potrebujejo;

- **razumljivost**: ključnega pomena je, da so informacije, pridobljene iz finančnih izkazov, razumljive uporabnikom. Problem se pojavi, ko je treba priskrbeti zapletene oziroma kompleksne finančne informacije nestrokovnim uporabnikom, saj bodo različne skupine uporabnikov imele tudi različno znanje financ in računovodstva. Pomembno je tudi, da v finančne izkaze vključimo vse ustrezne informacije, čeprav nekaterim uporabnikom ne bodo razumljive;

- **zanesljivost**: da je informacija iz finančnih izkazov uporabna, mora biti najprej zanesljiva. Zanesljivost ima še nekaj podkarakteristik:

    - natančna predstavitev: da je informacija zanesljiva, mora natančno predstavljati dogodke in transakcije, sicer lahko pride do nenatančne predstavitve zaradi težav pri merjenju določenih transakcij;

- o prednost vsebine pred obliko: informacija mora predstavljati pravo vrednost in ekonomsko realnost transakcij in ne le njihovo pravno obliko, če hočemo, da je zanesljiva;

- o celotnost: finančni izkazi morajo biti kar se da popolni, saj lahko necelovitost finančnih izkazov povzroči, da je informacija napačna oziroma zavajajoča;

- o nepristranskost: finančni izkazi ne smejo biti podvrženi subjektivni oceni tistega, ki jih sestavlja. Z drugimi besedami, finančni izkazi niso nepristranski, če so narejeni zavoljo doseganja vnaprej določenega cilja;

- o previdnost: načelo previdnosti se nanaša na pravico prikaza ocene posameznih vrednosti v finančnih izkazih v času negotovosti.

- **primerljivost**: finančne informacije naj bodo predstavljene tako, da so primerljive z informacijami iz iste panoge za različna časovna obdobja, ter tako, da so primerljive z informacijami iz različnih panog za ista časovna obdobja.

5 PRAVNI OKVIR IN RAZKRITJA FINANČNIH INFORMACIJ

Pravila in regulative, ki se nanašajo na finančno poročanje, imenujemo tudi pravni okvir, katerega namen je zagotovitev poštenih finančnih izkazov, ki prikazujejo realno finančno stanje podjetja. Pravni okvir, ki se nanaša na finančno poročanje podjetij, je sestavljen iz **zakonodaje** (določa pravila, katerim morajo slediti podjetja pri pripravi finančnih izkazov; večina jih izhaja iz evropskih direktiv), **računovodskih standardov** (posamezne države imajo svoje računovodske standarde, v današnjem hitro razvijajočem se svetu ima vse bolj pomembno vlogo IASB, ki je leta 2002 začel s poenotenjem standardov) in **regulativ borze** (podjetje, ki kotira na borzi, mora sprejeti pravila borze, ki vplivajo tudi na finančne izkaze podjetja; lahko se zgodi, da se mora podjetje podrediti pravilom borze, čeprav mu računovodski standardi tega ne zapovedujejo.)

Podjetja se morajo ob upoštevanju zgoraj omenjenih pravil odločiti, katere in, predvsem, kako podrobne informacije bodo objavila. Razkritja finančnih informacij so lahko **obvezna** ali **prostovoljna**. Choi in Mueller (1996, str. 311) pravita, da na obvezno razkritje vplivajo trije dejavniki, in sicer okoljski dejavniki (raziskave kažejo, da v industrializiranih državah na obvezna razkritja vplivajo notranji dejavniki, kot je vrsta političnega sistema, medtem ko se v razvitih državah čuti vpliv zunanjih dejavnikov, kot je mednarodna menjava), kapitalski trg ter nefinančni dejavniki. Prostovoljna razkritja pa so pomembna predvsem za multinacionalna podjetja. Ker razkritje finančnih informacij tujim uporabnikom finančnih izkazov ni vedno v skladu s predpisanim, se podjetja trudijo premostiti to težavo z različnimi metodami, kot so prirejene informacije ali delitev na primarne ter sekundarne finančne izkaze.

6 FRANCOSKO RAČUNOVODSTVO IN POROČANJE

Francija je ena izmed največjih držav Evropske unije. Finančno poročanje je razvito, vendar tudi močno regulirano s strani države. Walton (1995, str. 98) našteje štiri različne regulatorne podlage, ki vplivajo na računovodstvo in finančno poročanje:

- *Commercial Code*: najbolj znana sta člena 8 in 12, ki zapovedujeta hranitev računovodskih informacij ter obvezujeta podjetja, da enkrat letno pripravijo izkaz poslovnega izida ter bilanco stanja;

- *Companies Act*: je temelj podjetniškega prava, ki obvezuje podjetja, da predstavijo finančne izkaze največ pol leta po preteku finančnega leta, medtem ko morajo podjetja, ki kotirajo na borzah, pripraviti konsolidirane finančne izkaze;

- *Le Plan Comptable*: je najpomembnejša zakonodaja, ki vključuje tudi zahteve Četrte direktive (Elliot et al., 2002, str. 782). Prinesla je večjo primerljivost finančnih informacij, saj predpisuje obliko in vsebino finančnih izkazov. Vsebuje tudi enoten kontni plan ter s tem konte, ki so uporabljeni v finančnih izkazih;

- *Tax Regulations*: davki in davčna zakonodaja imajo v Franciji neposreden vpliv na finančno poročanje. Le Plan Comptable predpisuje, da naj bodo finančni izkazi pošteni, vendar pa potreba po enakem računovodskem prihodku in prihodku po davkih to včasih zamegli.

7 SAGEM COMMUNICATIONS

Podjetje Sagem Communications je bilo ustanovljeno leta 1925 in se je s časom razvilo v enega izmed največjih svetovnih telekomunikacijskih podjetij. Po združitvi s Snecmo leta 2005 je nastala skupina Safran, katere glavne dejavnosti so predvsem letalska oprema ter telekomunikacije. Sedaj je lastnik Sagem Communications ameriška investicijska družba The Gores Group.

V diplomski nalogi sem se osredotočil na finančno poročanje med materinsko družbo v Parizu ter med podružnico na Poljskem. Sagem ima zelo razširjeno mrežo podružnic po vsem svetu; imenujejo se National Sales Organisation (NSO) in pomenijo pomemben vir prihodka. Mednje spada tudi podružnica v Varšavi.

7.1 Kako poteka proces mesečnega finančnega poročanja

Poročanje poteka v prvih dneh vsakega meseca. V podružnici v Varšavi je oseba, ki je odgovorna za poročanje, imenovana F & A manager. Ta oseba sestavi zahtevane finančne izkaze in jih pošlje v Pariz mednarodnemu finančnemu nadzorniku (IFC). F & A manager v

Varšavi se mora držati časovnih rokov pri oddaji izkazov, ki jih postavi računovodski oddelek v Parizu. Pred začetkom poročanja je treba poskrbeti, da so poknjiženi vsi računi dobaviteljev, da se vnaprej vračunajo stroški, ki so nastali v tistem mesecu, vendar zanje podjetje še ni prejelo računov. Računalniški sistem, ki se uporablja za računovodstvo ter finančno poročanje, se imenuje SAP. F & A manager mora vnesti v sistem vse račune (od kupcev ter dobaviteljev) in jih razporediti na stroškovne in profitne centre, tako da finančni izkazi odražajo realno stanje.

V nadaljevanju bom opisal finančne izkaze, ki sestavljajo mesečno finančno poročanje med podružnico v Varšavi ter Parizom.

7.2 Izkaz poslovnega izida

Izkaz poslovnega izida je temeljni računovodski izkaz, ki prikazuje prihodke in odhodke podjetja v določenem obdobju ter ustvarjeni poslovni izid, dobljen na podlagi razlike med prihodki in odhodki (Hočevar, Igličar & Zaman, 2002, str. 230).

Izkaz poslovnega izida je eden izmed najpomembnejših izkazov, saj vsebuje različne informacije, ki so namenjene širokemu krogu uporabnikov. Z njim se prikaže sposobnost ustvarjanja dobička podjetja s povečevanjem prihodkov in zmanjševanjem stroškov. Mnogi uporabniki pravijo, da je izkaz poslovnega izida najrelevantnejši, saj odgovori na najbolj pogosto zastavljeno vprašanje: Ali je podjetje ustvarilo dobiček?

Mednarodni standardi ne zahtevajo posebne oblike tega izkaza, vendar pa je treba vključiti v izkaz podatke o prihodkih in stroških. Izkaz poslovnega izida, ki se uporablja v Sagem Communications v Varšavi, je dokaj obsežen. V njem so med drugim tudi poročilo o zaposlenih, bilanca stanja, izkaz poslovnega izida po posameznih prodajnih enotah ... V Prilogi 1 je primer izkaza poslovnega izida za vse prodajne enote. Neto prihodek je 561 k zlotov, vendar pa stroški materiala ter režijski stroški (največji delež predstavljajo administrativni stroški) pripeljejo do čiste izgube v višini 132 k zlotov. Priloga 2 prikazuje zaposlene na podlagi stroškovnih centrov, medtem ko Priloga 3 povzema mesečno delovanje podjetja.

7.3 Poročilo o zaposlenih

Ta izkaz se razlikuje od vseh drugih po tem, da v njem ni osnovnih finančnih informacij, vendar pa daje vpogled v druge podatke o zaposlenih. Osredotoča se na delovna mesta ter naloge zaposlenih, medtem ko je poročilo o zaposlenih v izkazu poslovnega izida narejeno na podlagi stroškovnih centrov.

Prilogi 4 in 5 prikazujeta, kako podrobno je treba izpolniti ta izkaz. Seveda to poročilo ni namenjeno širšemu krogu uporabnikov, saj vsebuje podatke o plačah, bonusih ter osebnih podatkih. Naj še omenim, da je plača sestavljena iz fiksnega dela ter variabilnega dela, ki je sestavljen iz bonusov (kriteriji za bonuse se določijo na začetku poslovnega leta). S pomočjo poročila o zaposlenih imata tako vodstvo podjetja kot tudi nadzornik vpogled v zaposlovalno politiko podjetja. Zaposlovanje pa poteka prek vodilnih ljudi v Parizu, saj brez njihove odobritve vodstvo podjetja v Varšavi ne more zaposliti novih sodelavcev.

7.4 ORC poročilo

ORC poročilo je eden izmed najobsežnejših finančnih izkazov, saj v njem najdemo tako izkaz uspeha ko tudi bilanco stanja. Priloga 7 prikazuje izkaz uspeha, ki se malo razlikuje od tistega v izkazu poslovnega izida, kjer izkaz temelji na posameznih prodajnih enotah, medtem ko izkaz uspeha iz ORC poročila vzame za osnovo celotno podjetje. Čisti dobiček oziroma izguba se mora ujemati z izkazom poslovnega izida in tudi se, saj je pri obeh izkazih izguba v višini 132 k evrov.

ORC zavihek iz Priloge 6 je eno izmed najtežjih poročil, ki jih mora sestaviti F & A manager v Varšavi. Ima drugačen koncept kot drugi izkazi iz ORC poročila, saj temelji na posameznih prodajnih enotah. Problem, s katerim se srečuje F & A manager, je alokacjia ponderjev. Posameznim prodajnim enotam je treba dodeliti ponderje glede na njihov delež v celotnem prihodku. Končni rezultat se mora ujemati z rezultatom izkaza uspeha iz Priloge 7.

7.5 Poročilo o prodaji

To poročilo prikazuje podatke o prodaji izdelkov in storitev v tekočem mesecu. V poročilo, ki je prikazano v Prilogi 15, mora F & A manager vnesti tako število prodanih količin kot tudi vrednost prodanih enot. Iz poročila je razvidno, da imajo največji delež v prodaji faksi B2C in DECT, medtem ko tiskalniki in faksi B2B predstavljajo približno 5 % celotne mesečne prodaje.

7.6 Poročilo o tekočih terjatvah

Posebnost poročila o terjatvah je, da jih mora računovodja pripravljati tedensko za potrebe odgovornih v podjetju v Varšavi, medtem ko je poročilo na koncu meseca namenjeno nadzorniku v Parizu. V Prilogi 10 je tabela z največjimi kupci Sagem Communications Warsaw ter podrobnosti o njihovih tekočih terjatvah. Tekoče terjatve so razdeljene na tiste, ki so zapadle (ter koliko časa so že zapadle), ter na tiste, ki bodo zapadle. V primeru podjetja v Varšavi je razmerje med zapadlimi in tekočimi terjatvami dokaj nizko, saj znaša 2,31 %.

Priloga 12 poleg povzetka stanja tekočih terjatev prikazuje tudi vrednost koeficienta DSO (dnevi vezave terjatve do kupcev). DSO koeficient nam pove, koliko dni v povprečju potrebuje podjetje, da izterja tekoče terjatve. Vrednost tega koeficienta je 59, kar pomeni, da Sagem Communications porabi za izterjavo terjatev v povprečju 59 dni.

7.7 Poročilo o zalogah

Računovodja običajno nima vpogleda v stanje zalog, zato je pri sestavi tega poročila potrebna pomoč drugih. Zaloge je treba preverjati sistematično, da se izognejo njihovemu kopičenju. Primer tega poročila je predstavljen v Prilogi 16.

7.8 Bilanca stanja

Bilanca stanja sama po sebi ne pomeni poročila, vendar je sestavni del ORC poročila. Kljub temu je bilanca stanja najprimernejša za analiziranje finančnega stanja podjetja. IAS 1 ne predpisuje nobene posebne oblike bilance stanja, niti katere postavke morajo biti vključene vanjo. Priloga 8 prikazuje bilanco stanja na dan 31. 7. 2008. Ker je podjetje še mlado, ima v aktivi nizko vrednost osnovnih sredstev ter denarja, medtem ko ima v pasivi dokaj visoko vrednost finančnih obveznosti.

8 PRIHODNOST FINANČNEGA POROČANJA

Pred zaključkom se bom posvetil še prihodnosti finančnega poročanja. Bodoče izboljšave na tem področju bodo morale iti preko današnjih ustaljenih principov finančnega poročanja. Skoraj nemogoče je pomisliti na spremembe bilance stanja ali pa izkaza uspeha, saj za finančnimi izkazi stoji veliko pravil in konceptov. Prihodnost finančnega poročanja je težko napovedati, vendar pa nekateri razmišljajo o ideji elektronskega informacijskega sistema, ki bi vseboval finančne in druge informacije o podjetjih. Z uvedbo takega sistema bi se lahko uporabniki finančnih informacij sami odločili, katere informacije so zanje relevantne in uporabne. Seveda se postavlja vprašanje, ali bi ob uvedbi takšnega sistema še obstajala potreba po finančnih izkazih, kot jih poznamo danes.

SKLEP

Dandanes si težko predstavljamo moderno ekonomijo brez pravilnega, poštenega in pravočasnega finančnega poročanja. Finančno poročanje je namenjeno spremljanju in nadziranju finančnega stanja, v pomankljivo reguliranih okoljih pa se lahko izrodi tudi v orodje manipuliranja. Vse več je primerov, ko podjetja prirejajo finančne izkaze tako, da jih niti revizorji niso sposobni odkriti. Mednarodni računovodski standardi, ki s časom vse bolj pridobivajo na veljavi, so ustrezno orodje za boj proti prevaram.

V diplomski nalogi sem predstavil finančno poročanje med podjetjem Sagem Communications iz Pariza ter njegovo podružnico Sagem Communications iz Varšave na Poljskem. Osredotočil sem se na periodično oziroma vmesno poročanje. Običajno je namen finančnega poročanja konsolidiranje finančnih poročil, vendar pa v tem primeru to ni tako. Periodično poročanje se v podjetju Sagem Communications uporablja kot sredstvo za presojo uspešnosti delovanja podjetij, s pomočjo katerega ima materinsko podjetje vpogled v finančno stanje podružnic in lahko na podlagi rezultatov sprejema kvalitetne odločitve.

V primeru Sagem Communiations Warsaw smo videli, da gre za mlado podjetje z majhnim številom zaposlenih, ki se postopoma začenja uveljavljati. Sedaj poslujejo z izgubo, vendar je to za podjetja na samem začetku običajno, saj prihodki še niso dovolj visoki, da bi pokrili stroške. Podjetje nima veliko kupcev, zato je tudi vrednost njihovih tekočih terjatev nizka. Vrednost DSO se giblje v povprečju vseh evropskih podružnic Sagem Communications, vendar bi lahko bila nižja. Tekoče terjatve in tekoče obveznosti so na isti ravni, pozitivno pa je tudi nizko razmerje med zapadlimi ter tekočimi terjatvami. Opazen je pozitiven trend pri prodaji izdelkov in storitev.

Podjetje Sagem Communications Warsaw uporablja specifičen nabor finančnih izkazov. Podrobneje se nisem spuščal v njihovo analiziranje, saj to ni bil namen te diplomske naloge. Glavni poudarek je bil na predstavitvi finančnih izkazov kot celote, nalog in vloge, ki jo v tem procesu opravljata F & A manager v Varšavi ter IFC v Parizu, in kako poročila pomagajo pri presoji uspešnosti podružnice v Varšavi. Skušal sem prikazati, da finančno poročanje ni le pošiljanje finančnih izkazov, temveč je vse skupaj plod sprotnega dela, ki da prave rezultate na koncu dneva, meseca ali leta. Treba je knjižiti račune, terjati zapadle terjatve ter sprejemati tekoče, spremljati tekočo prodajo, da finančni izkazi na koncu pokažejo pravilne rezultate. Razvidno je tudi, da so izkazi med seboj povezani, saj se napaka v bilanci stanja hitro odkrije le s pogledom v izkaz poslovnega izida podjetja ali ORC poročila.

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APPENDIXES

Appendix 1: P & L report, sheet TALL (total for all business units)

in k PLN Sagem Communications Warsaw	Apr	May	Jun	Jul
QUANTITIES SOLD (total net in units)	**510**	**3.882**	**802**	**2.854**
Of which quantities returned				
% returned goods				
SALES ORDERS BACKLOG				
Sale of goods	94	393	254	567
BTL				
Sale of service				
TURNOVER - Gross	**94**	**393**	**254**	**567**
Of which with related parties				
Cash discounts granted to customers (6651)				
Marketing co-operation with customers (61125 to 61127)	0	2	1	6
TURNOVER - Adjustment	**0**	**2**	**1**	**6**
TURNOVER - Net	**94**	**392**	**253**	**561**
Of which with related parties				
Material cost of goods sold	87	365	170	511
Duties and freight in				
Material cost	**87**	**365**	**170**	**511**
Of which with related parties				
Recycling costs (VG, Mirec, WEEE.....)				
Subcontractors costs				
Allowance for warranty provision				
Reversal on warranty provision				
Other variable costs				
CONTRIBUTION MARGIN	**7**	**27**	**83**	**50**
CM%	*7,9%*	*6,9%*	*32,7%*	*8,9%*
Provision on accounts receivables (+ allowance - release)				
Freight out				
GROSS MARGIN	**7**	**27**	**83**	**50**
Mark-up coefficient	*108,6%*	*107,5%*	*148,6%*	*109,8%*
MARKETING & COMMUNICATION COSTS		5	3	11
BTL				
SALES COSTS	15	59	47	63
ADMINISTRATION COSTS	3	98	80	80
BUILDING AND STRUCTURE COSTS	0	7	6	18
TOTAL OVERHEADS	**18**	**169**	**136**	**172**
NON CURRENT PROFITS & CHARGES				
OPERATING RESULT	**-11**	**-142**	**-54**	**-122**
FINANCIAL RESULT	0	-4	-3	-3
INCOME FROM OPERATIONS (IFO)	-10	-145	-57	-125
IFO in % TO	*-11,1%*	*-37,0%*	*-22,4%*	*-22,2%*
CORPORATE MANAGEMENT FEES		14	7	7
CORPORATE TAX		1		
NET RESULT	**-10**	**-160**	**-63**	**-132**

Source: Monthly set of reports from Sagem Communications Warsaw, P & L report.

Appendix 2: P & L report, sheet HR

DEPARTMENT		Actual 2008						
Sagem Communications Warsaw		Jan	Feb	Mar	Apr	May	Jun	Jul
CC Code	CC Designation	Total	Total	Total	Total	Total	Total	Total
Production Department: (to be split by cost centres)								
Overheads: (to be split by cost centres)					**5,0**	**4,0**	**5,0**	**7,0**
MARKETING & COMMUNICATION								
SXXXYYY	MARKETING 1							
SXXXYYY	MARKETING 2							
SXXXYYY	MARKETING 3							
SXXXYYY	MARKETING 4							
SXXXYYY	MARKETING 5							
SXXXYYY	MARKETING 6							
SXXXYYY	MARKETING 7							
SXXXYYY	MARKETING 8							
SXXXYYY	MARKETING 9							
SXXXYYY	MARKETING 10							
SXXXYYY	MARKETING 11							
SXXXYYY	MARKETING 12							
SALES					3,0	2,0	2,0	3,0
S261321	Retail Sales Manager PL				1,0	1,0	1,0	1,0
S261323	Retail KAM 1				1,0			1,0
S261324	Retail KAM 2				1,0	1,0	1,0	1,0
SXXXYYY	SALES 4							
SXXXYYY	SALES 5							
SXXXYYY	SALES 6							
SXXXYYY	SALES 7							
SXXXYYY	SALES 8							
SXXXYYY	SALES 9							
SXXXYYY	SALES 10							
SXXXYYY	SALES 11							
GENERAL MANAGEMENT & ADMINISTRATION					1,0	1,0	2,0	3,0
(incl. Building if any related staff)								
S261537	Order Desk specialist				1,0	1,0	1,0	1,0
S261535	Junior Finance Analyst						1,0	1,0
S261535	Financial accountant							1,0
SXXXYYY	ADMIN 4							
SXXXYYY	ADMIN 5							
SXXXYYY	ADMIN 6							
SERVICE					1,0	1,0	1,0	1,0
S261711	Customer Service Manager				1,0	1,0	1,0	1,0
SXXXYYY	SERVICE 2							
SXXXYYY	SERVICE 3							
SXXXYYY	SERVICE 4							
TOTAL					**5,0**	**4,0**	**5,0**	**7,0**

Source: Monthly set of reports from Sagem Communications Warsaw, P & L report.

Appendix 3: P & L report, sheet SUM (summary)

in k PLN Sagem Communications Warsaw	Mar	Apr	May	Jun	Jul	YTD Actual 2008	YTD Budget 2008	VAR in %
TURNOVER		**94**	**392**	**253**	**561**	**1.300**	**2.749**	**-52,7%**
Of which with related parties								
COST OF SALES		87	365	170	511	1.133	2.377	-52,4%
Of which with related parties								
GROSS MARGIN		**7**	**27**	**83**	**50**	**167**	**372**	**-55,0%**
Mark-up coefficient		*1,09*	*1,07*	*1,49*	*1,10*	*1,15*	*1,16*	
MARKETING & COMMUNICATION COSTS			5	3	11	19	31	-38,9%
SALES COSTS		15	59	47	63	184	240	-23,7%
ADMINISTRATION COSTS		3	98	80	80	261	131	99,7%
BUILDING COSTS		0	7	6	18	31	7	354,6%
TOTAL OVERHEADS		**18**	**169**	**136**	**172**	**495**	**409**	**20,9%**
NON CURRENT PROFITS & CHARGES								
OPERATING RESULT		**-11**	**-142**	**-54**	**-122**	**-328**	**-38**	**770,7%**
FINANCIAL RESULT		0	-4	-3	-3	-9		
CORPORATE MANAGEMENT FEES			14	7	7	28	-5	-708,3%
CORPORATE TAX			1			1	0	2.005,5%
NET RESULT		**-10**	**-160**	**-63**	**-132**	**-366**	**-33**	**1.003,3%**
FINANCIAL BALANCES								
CASH		793	575	297	483	297		
BANK LOANS AND OVERDRAFTS								
GROUP LOANS AND OVERDRAFTS		705	696	698	701	698		
NET CASH POSITION		**88**	**-121**	**-401**	**-218**	**-401**		
Incl. non current sources and application of funds:								
GROUP TRANSFERS								
OTHER FINANCINGS								
DIVIDENDS								
ACCOUNTS RECEIVABLES								
TOTAL BALANCE (excl. Group debts)		115	591	870	1.007	870		
% OVERDUE / TOTAL BALANCE			0,8%	3,0%	2,3%	3,0%		
DAYS' SALES OUTSTANDING (in days)		30	58	58	59	58		

Source: Monthly set of report from Sagem Communications Warsaw, P & L report.

Appendix 4: Headcount report, sheet Global Headcount

		apr.08	maj.08	jun.08	jul.08	
Company name :	Sagem Communications Poland Sp. z o.o.					
Staff departures and hires including NSO employees Without Expatriate employees						Total 2008
DEPARTURES	unlimited-term contract		1			1
	fixed -term contract					
	Total sorties					1
HIRES	unlimited-term contract					
	fixed -term contract					
	Total entrées					
fixed -term contract to unlimited-term contract						
Headcount including NSO employees (without Expatriate employees)						Everage 2008
unlimited-term contract		5	4	4	4	5
fixed -term contract				1	1	1
Total		5	4	5	5	3
Headcount Temporary and Subcontractor employees						
Temporary employees						
Subcontractor employees						
Total						
TOTAL WORKFORCE Without Expatriate employees		5	4	5	5	3
						FAUX
Headcount per activity including NSO employees (without Expatriate employees)						
Printing Terminals		3	2	2	2	3
Residential Terminals						
Digital TV and numerical decoder						
Networks and Optics						
Support positions		2	2	3	3	2
WORFORCE BY ACTIVITY Without Expatriate employees		5	4	5	5	5
NSO Headcount without expatriate employees						
Number of NSO employees include in total Sagem Communications		3	2	2	2	3
Number of NSO employees include in fonctional directic		2	2	3	3	2
Total of NSO employees include in workforce		5	4	5	5	3

Source: Monthly set of reports from Sagem Communications Warsaw, Headcount report.

Appendix 5: Headcount report, sheet Headcount Detailed

	Company name: Sagem Communications Pola			Month / year : 07/2008				
Name	**Hiring date**	**Domain**	**Activity**	**Position**	**Manager Y/N**	**Level of Responsability**	**Manager's name**	**Contract's type**
Jacek	01/12/2005	Sales	Printing Terminals	Sales	Y	N-1	Grzegorz Gierejko	unlimited-term contract
Karina	18/11/2002	Support Functions	Support Positions	Finance & administration	N	N-2	Justyna Gójska	unlimited-term contract
Hanna	19/01/2004	Sales	Printing Terminals	Sales	Y	N-2	Jacek Dyduch	unlimited-term contract
Andrzej	06/11/2006	Support Functions	Support Positions	Services	Y	N-1	Grzegorz Gierejko	unlimited-term contract
Jurij	02/06/2008	Support Functions	Support Positions	Finance & administration	N	N-1	Alexandra van de Ven	

Source: Monthly set of reports from Sagem Communications Warsaw, Headcount report.

Appendix 6: ORC report, sheet ORC

Subsidiary: Sagem Communications Warsaw

in K Euros			JULY 31st YTD - Actual 2008 -			
	Items		TOTAL	FAX	ADSL/DECT	Below EBIT
P&L	Turnover		381	243	139	
P&L	TO US$ Total (only for companies located in Euros Area)		0			
P&L	Purchases US$ (only for companies located in Euros Area)		0			
P&L	EBIT (Extraordinary income included)		-130	-98	-31	
P&L	FINANCIAL RESULT		-3			-3
P&L	TAX		0			0
P&L	NET RESULT (Net income/loss)		-132	-98	-31	-3
Cash	Depreciation expenses on Intangibles assets	(net amount)	1	0	0	
Cash	Depreciation expenses on tangibles assets	(net amount)	3	1	1	
Cash	Depreciation expenses on inventories	(net amount)	0			
Cash	Depreciation expenses on receivables	(net amount)	0			
Cash	Cont & Loss provisions / liabilities	(net amount)	0			
Cash	Depreciation expenses on financial assets	(net amount)	0			
Cash	Cont & Loss financial provisions	(net amount)	0			
Cash	others "Non Cash" operations (included Net income/loss on Assets transfers)	(net amount)	0			
Cash	CASH FLOW	TOTAL	-129	-96	-30	-3
Cash	Working Capital Required variation (gross amount)	TOTAL	51	32	19	
Cash	INVESTMENTS	INTANGIBLES	3	1	1	
Cash	INVESTMENTS	TANGIBLES	3	2	2	
Cash	INVESTMENTS TRANSFERS	INT & TANGIBLES	0			
Cash	FREE CASH FLOW	TOTAL	-84	-61	-8	-3
Cash	FINANCIAL INVESTMENTS	(net amount)	0			
Assets	INTANGIBLES ASSETS	(gross amount)	3	1	1	
Assets	INTANGIBLES ASSETS	(amortization)	-1	0	0	
Assets	TANGIBLES ASSETS	(gross amount)	3	2	2	
Assets	TANGIBLES ASSETS	(amortization)	-3	-1	-1	
Assets	INVENTORIES	(gross amount)	31	19	12	
Assets	WORK IN PROGRESS	(gross amount)	0			
Assets	INVENTORIES & W.I.P	Total	31	19	12	
Assets	Depreciation on Inventories & W.I.P		0			
Assets	Down-payments to suppliers	(gross amount)	0			
Assets	TRADE NOTES & ACCOUNT RECEIVABLES	(gross amount)	314	200	114	
Assets	Depreciation on Trade Notes & Account receivables		0			
Assets	Invoices to be issued	(gross amount)	17	11	6	
Assets	Others receivables & adjusting accounts	(gross amount)	1	1	0	
Liab	Down-payments from customers	(gross amount)	0			
Liab	TRADE NOTES & ACCOUNT PAYABLES	(gross amount)	315	201	114	
Liab	Others payables & adjusting accounts	(gross amount)	68	44	25	
Cash	WCR (gross amount)	TOTAL	-20	-13	-7	0
Liab	Contingencies & Loss provisions	Warranty	0			
Liab	Contingencies & Loss provisions	Losses to completio	0			
Liab	Contingencies & Loss provisions	Employee Benefits C	0			
Liab	Contingencies & Loss provisions	Risks	0			
Liab	Contingencies & Loss provisions	Pensions obligation	0			
Liab	Contingencies & Loss provisions	Others Cont & Loss	0			
	TOTAL Contingencies & Loss provisions		0	0	0	

Source: Monthly set of report from Sagem Communications Warsaw, ORC report.

Appendix 7: ORC report, sheet Income

INCOME STATEMENT = Subsidiary: Sagem Communications Warsaw				
(in KEur)				
en milliers d'euros				
	31.7.2008	31.7.2007	Variation	
			31-07-08 / 31-07-07	
			Amount	%
TURNOVER	381		381	#DIV/0!
Change in inventory				#DIV/0!
In-house production				#DIV/0!
PRODUCTION				#DIV/0!
Goods purchases	-330		-330	#DIV/0!
Change in inventory				#DIV/0!
sub-total	-330		-330	#DIV/0!
GROSS MARGIN	51		51	#DIV/0!
GM/TO	13,5%	#DIV/0!		
Others purchases & external expenses	-102		-102	#DIV/0!
ADDED VALUE	-51		-51	#DIV/0!
AV/TO	-13,3%	#DIV/0!		
Operating subsidies				#DIV/0!
Taxes, levies and similar payments				#DIV/0!
Wages & salaries	-54		-54	#DIV/0!
Social security contributions	-18		-18	#DIV/0!
	-72			
EBITDA	-123		-51	#DIV/0!
EBITDA/TO	-32,2%	#DIV/0!		
D/A w/back & others revenues				#DIV/0!
Operating depreciation/Amortization expenses				#DIV/0!
On fixed assets : Depreciation expenses	-7		-7	#DIV/0!
On fixed assets : Provision expenses				#DIV/0!
On current assets: Depreciation expenses				#DIV/0!
Cont. & losses Provision expenses (liab.)				#DIV/0!
Others expenses				#DIV/0!
sub-total	-7		-7	#DIV/0!
EBIT	-130		-57	#DIV/0!
EBIT/TO	-34,0%	#DIV/0!		
Produits financiers :				
De participations				
D'autres valeurs mob. et créances de l'actif immobilisé				
Autres intér?ts et produits assimilés				
Reprises sur provisions et transferts de charges				
Différences positives de change				
Produits nets sur cessions de valeurs mobili?res de placement				
FINANCIAL RESULT	-3		-3	#DIV/0!
INCOME ON ORDINARY ACTIVITIES	-132		-132	#DIV/0!
Extraordinary revenues:				#DIV/0!
On operating activities				#DIV/0!
On Capital transactions				#DIV/0!
Depreciation / Write back				#DIV/0!
Extraordinary expenses:				#DIV/0!
On operating activities				#DIV/0!
On Capital transactions				#DIV/0!
Depreciation				#DIV/0!
EXTRAORDINARY INCOME				#DIV/0!
Pers. Profit sharing plan exp				#DIV/0!
Income Tax expense	0			#DIV/0!
				#DIV/0!
Total des produits				#DIV/0!
Total des charges				#DIV/0!
Other Tax expenses				#DIV/0!
sub-total	0		0	
NET INCOME/LOSS	-132		-132	#DIV/0!

Source: Monthly set of report from Sagem Communications Warsaw, ORC report.

Appendix 8: ORC report, sheet Assets-Liabilities

BALANCE SHEET = Subsidiary: Sagem Communications Warsaw			
(in K?)			
	31/07/08		
	(gross amount)	(Dep/Amt)	(net amount)
Fixed Assets			
Intangibles assets	3	1	2
Tangibles assets	3	3	1
Financial assets			0
Others financial assets			0
Total 1	6	3	2
Current Assets			
Inventories	31		31
Work in progress			0
Down-payments to suppliers			0
Trade notes & Account receivable	314		314
Invoices to be issued	17		17
Other receivables & Adjusting accounts	1		1
Cash	151		151
Total 2	514	0	514
Total Assets	520	3	516
Owners'equity			
Capital stock			
Paid-in Capital			28
Reevaluation of assets			
Legal reserve			
Regulated reserves			
Other reserves			
Net income/loss			-114
Regulated provisions			
Total 1			-86
Provisions for losses and contingencies			
Total 2			0
Liabilities			
Financial liabilities			219
Down-payments from customers			
Trade notes & account payable			315
Tax and social liabilities			32
Others payable & Adjusting accounts			36
Total 3			602
Total liabilities & owner's equity			516
Control (must be equal to zero)			0

Source: Monthly set of reports from Sagem Communications Warsaw, ORC report.

Appendix 9: ORC report, sheet Intercos

Intercos	July, 31st		TOTAL	Sagem Comms	Sagm Software Tunisie	Sagem Tunisie comm.	CDO	Photar	Dr Neuhaus computer	SG Magyarorszag	Sagem comm. Austria
Assets	Inventories	(gross amount)	0								
Assets	Work in progress	(gross amount)	0								
Assets	Depreciation on Inventories & W.I.P		0								
Assets	Down-payments to suppliers	(gross amount)	0								
Assets	Trade notes & Accounts receivables	(gross amount)	0								
Assets	Invoices to be issued	(gross amount)	0								
Assets	Others receivables & adjusting accounts	(gross amount)	0								
Liab	Down-payments from customers	(gross amount)	0								
Liab	Trade notes & Account payables	(gross amount)	288	288							
Liab	Others payables & adjusting accounts	(gross amount)	0								

Source: Monthly set of reports from Sagem Communications Warsaw, ORC report.

Appendix 10: AR report, sheet Details

Custom	Name	Doc. nb	Doc. Da	Due da	Amount in doc, curre	Sum due	Due 1 to 2 m	Due < to 1 m	Sum to due	to due < 1 month	to due 1-2 m	to due 2-3 m
422493	AB SA	215000110	24.07.2008	23.08.2008	7191,9				7191,9	7191,9		
336663	DIGITAL MEDIA SE	215000078	24.06.2008	24.07.2008	784,46	784,46		784,46				
336663	DIGITAL MEDIA SE	215000081	25.06.2008	25.07.2008	1640,31	1640,31		1640,31				
336663	DIGITAL MEDIA SE	215000089	03.07.2008	02.08.2008	1042,95				1042,95	1042,95		
336663	DIGITAL MEDIA SE	215000091	04.07.2008	03.08.2008	943,21				943,21	943,21		
336663	DIGITAL MEDIA SE	215000106	22.07.2008	21.08.2008	773,43				773,43	773,43		
340120	EURO-NET SP Z O.	215000046	30.05.2008	29.06.2008	44737,4	44737,4	44737,4					
340120	EURO-NET SP Z O.	215000048	02.06.2008	29.06.2008	44737,4	-44737,4	-44737,4					
340120	EURO-NET SP Z O.	215000114	29.07.2008	28.08.2008	26381,28				26381,28	26381,28		
323523	FAXIM. Jan Ziolk	215000040	28.05.2008	26.08.2008	122010,98				122010,98	122010,98		
323523	FAXIM. Jan Ziolk	215000042	29.05.2008	27.08.2008	28846,66				28846,66	28846,66		
323523	FAXIM. Jan Ziolk	215000073	17.06.2008	01.08.2008	20257,08				20257,08	20257,08		
323523	FAXIM. Jan Ziolk	215000080	25.06.2008	09.08.2008	30731,8				30731,8	30731,8		
323523	FAXIM. Jan Ziolk	215000102	16.07.2008	30.08.2008	12625,54				12625,54	12625,54		
323523	FAXIM. Jan Ziolk	215000104	18.07.2008	01.09.2008	7734,31				7734,31		7734,31	
323523	FAXIM. Jan Ziolk	215000113	29.07.2008	12.09.2008	24289,71				24289,71		24289,71	
410019	KOMSA POLSKA SP.	215000105	18.07.2008	17.08.2008	1779,93				1779,93	1779,93		
380517	MEDIA MARKT POLS	215000043	29.05.2008	31.08.2008	3679,52				3679,52	3679,52		
380520	MEDIA MARKT POLS	215000012	06.05.2008	31.08.2008	3568,5				3568,5	3568,5		
380520	MEDIA MARKT POLS	215000071	17.06.2008	30.09.2008	3,66				3,66		3,66	
380615	MEDIA MARKT POLS	215000013	06.05.2008	31.08.2008	8908,44				8908,44	8908,44		
380626	MEDIA MARKT POLS	215000014	07.05.2008	31.08.2008	1168,76				1168,76	1168,76		
380626	MEDIA MARKT POLS	215000119	30.07.2008	31.10.2008	7947,08				7947,08			7947,08
380631	MEDIA MARKT POLS	215000054	03.06.2008	30.09.2008	3184,2				3184,2		3184,2	
380631	MEDIA MARKT POLS	215000120	30.07.2008	31.10.2008	30489,31				30489,31			30489,31
380653	MEDIA MARKT POLS	215000115	29.07.2008	31.10.2008	13312,64				13312,64			13312,64
380700	MEDIA MARKT POLS	215000090	03.07.2008	31.10.2008	5580,28				5580,28			5580,28
380700	MEDIA MARKT POLS	215000092	04.07.2008	31.10.2008	4062,6				4062,6			4062,6
380792	MEDIA MARKT POLS	215000065	10.06.2008	30.09.2008	2418,19				2418,19		2418,19	
380792	MEDIA MARKT POLS	215000093	07.07.2008	31.10.2008	2371,68				2371,68			2371,68
380794	MEDIA MARKT POLS	215000070	12.06.2008	30.09.2008	2235,04				2235,04		2235,04	
380798	MEDIA MARKT POLS	215000123	31.07.2008	31.10.2008	4601,84				4601,84			4601,84
387126	MEDIA MARKT POLS	215000116	29.07.2008	31.10.2008	2051,8				2051,8			2051,8
387128	MEDIA MARKT POLS	215000121	30.07.2008	31.10.2008	4260,24				4260,24			4260,24
404383	MEDIA MARKT POLS	215000023	09.05.2008	31.08.2008	1,22				1,22	1,22		
404383	MEDIA MARKT POLS	215000027	13.05.2008	31.08.2008	2527,84				2527,84	2527,84		
404383	MEDIA MARKT POLS	215000094	07.07.2008	31.10.2008	1777,54				1777,54			1777,54
419195	MEDIA MARKT POLS	215000124	31.07.2008	31.10.2008	6530,66				6530,66			6530,66
427116	MEDIA MARKT POLS	215000125	31.07.2008	31.10.2008	8901,12				8901,12			8901,12
432185	MICRO CENTER POL	215000096	08.07.2008	07.08.2008	130442,4				130442,4	130442,4		
432185	MICRO CENTER POL	215000107	23.07.2008	22.08.2008	3949,14				3949,14	3949,14		
421636	P.H.U. RISET	215000101	15.07.2008	14.08.2008	2269,2				2269,2	2269,2		
421636	P.H.U. RISET	215000111	25.07.2008	24.08.2008	3158,58				3158,58	3158,58		
124394	PPI-ETC POLAND S	215000050	02.06.2008	07.07.2008	9554,94	9554,94		9554,94				
124394	PPI-ETC POLAND S	215000053	03.06.2008	08.07.2008	8748,23	8748,23		8748,23				
427278	PRAXIS LODZ PILE	215000118	29.07.2008	28.08.2008	3558,62				3558,62	3558,62		
427278	PRAXIS LODZ PILE	215000122	30.07.2008	29.08.2008	2316,41				2316,41	2316,41		
405071	SATURN PLANET SP	215000061	06.06.2008	30.09.2008	4809,24				4809,24		4809,24	
415320	SATURN PLANET SP	215000003	30.04.2008	31.07.2008	2481,48	2481,48		2481,48				
415320	SATURN PLANET SP	215000060	05.06.2008	30.09.2008	2191,12				2191,12		2191,12	
415320	SATURN PLANET SP	215000099	10.07.2008	31.10.2008	5662,02				5662,02			5662,02
420436	SATURN PLANET SP	215000055	03.06.2008	30.09.2008	2130,12				2130,12		2130,12	
403471	TELEKOMUNIKACJA	215000059	05.06.2008	07.08.2008	67139,04				67139,04	67139,04		
403471	TELEKOMUNIKACJA	215000068	12.06.2008	14.08.2008	4393,85				4393,85	4393,85		
403471	TELEKOMUNIKACJA	215000086	27.06.2008	29.08.2008	150607,63				150607,63	150607,63		
403471	TELEKOMUNIKACJA	215000088	03.07.2008	04.09.2008	42079,61				42079,61		42079,61	
403471	TELEKOMUNIKACJA	215000097	09.07.2008	10.09.2008	6590,78				6590,78		6590,78	
403471	TELEKOMUNIKACJA	215000117	29.07.2008	30.09.2008	126272,44				126272,44		126272,44	
415078	VECTRA S.A.	215000051	03.06.2008	02.08.2008	1317,6				1317,6	1317,6		
415078	VECTRA S.A.	215000056	04.06.2008	03.08.2008	658,8				658,8	658,8		
415078	VECTRA S.A.	215000057	04.06.2008	03.08.2008	658,8				658,8	658,8		
415078	VECTRA S.A.	215000063	09.06.2008	08.08.2008	1317,6				1317,6	1317,6		
415078	VECTRA S.A.	215000064	09.06.2008	08.08.2008	3294				3294	3294		
415078	VECTRA S.A.	215000076	18.06.2008	17.08.2008	1317,6				1317,6	1317,6		
415078	VECTRA S.A.	215000082	26.06.2008	25.08.2008	658,8				658,8	658,8		
415078	VECTRA S.A.	215000084	27.06.2008	26.08.2008	658,8				658,8	658,8		
415078	VECTRA S.A.	215000085	27.06.2008	26.08.2008	3294				3294	3294		
415078	VECTRA S.A.	215000100	15.07.2008	13.09.2008	3294				3294		3294	
415078	VECTRA S.A.	215000108	23.07.2008	21.09.2008	1317,6				1317,6		1317,6	
415078	VECTRA S.A.	215000109	24.07.2008	22.09.2008	2635,2				2635,2		2635,2	
415078	VECTRA S.A.	215000112	28.07.2008	26.09.2008	1317,6				1317,6		1317,6	
415078	VECTRA S.A.	215000085	27.06.2008	26.08.2008	3294				3294		3294	

Source: Monthly set of reports from Sagem Communications Warsaw, AR report.

Appendix 11: AR report, sheet Total

SAGEM Communications Warsaw

31.jul.08

Customer	Name	Total	Sum due	Due < to 1 m	Sum to due	to due < 1 m	to due 1-2 m	to due 2-3 m
422493	AB SA	7.191,90	0,00	0,00	7.191,90	7.191,90	0,00	0,00
336663	DIGITAL MEDIA SERVICE SP	5.184,36	2.424,77	2.424,77	2.759,59	2.759,59	0,00	0,00
340120	EURO-NET SP Z O. O.	26.381,28	0,00	0,00	26.381,28	26.381,28	0,00	0,00
323523	FAXIM. Jan Ziolkowski	246.496,08	0,00	0,00	246.496,08	214.472,06	32.024,02	0,00
324936	INTER CONSULT SA	0,00	0,00	0,00	0,00	0,00	0,00	0,00
410019	KOMSA POLSKA SP. Z O.O.	1.779,93	0,00	0,00	1.779,93	1.779,93	0,00	0,00
380794	MEDIA MARKT POLSKA SP. Z	2.235,04	0,00	0,00	2.235,04	0,00	2.235,04	0,00
404383	MEDIA MARKT POLSKA SP. Z	4.306,60	0,00	0,00	4.306,60	2.529,06	0,00	1.777,54
380792	MEDIA MARKT POLSKA SP. ZO	4.789,87	0,00	0,00	4.789,87	0,00	2.418,19	2.371,68
380517	MEDIA MARKT POLSKA SP.Z O	3.679,52	0,00	0,00	3.679,52	3.679,52	0,00	0,00
380520	MEDIA MARKT POLSKA SP.Z O	3.572,16	0,00	0,00	3.572,16	3.568,50	3,66	0,00
380615	MEDIA MARKT POLSKA SP.Z O	8.908,44	0,00	0,00	8.908,44	8.908,44	0,00	0,00
380626	MEDIA MARKT POLSKA SP.Z O	9.115,84	0,00	0,00	9.115,84	1.168,76	0,00	7.947,08
380700	MEDIA MARKT POLSKA SP.Z O	9.642,88	0,00	0,00	9.642,88	0,00	0,00	9.642,88
380631	MEDIA MARKT POLSKA SP.Z O	33.673,51	0,00	0,00	33.673,51	0,00	3.184,20	30.489,31
380653	MEDIA MARKT POLSKA SP.Z O	13.312,64	0,00	0,00	13.312,64	0,00	0,00	13.312,64
380798	MEDIA MARKT POLSKA SP.Z O	4.601,84	0,00	0,00	4.601,84	0,00	0,00	4.601,84
387126	MEDIA MARKT POLSKA SP.Z O	2.051,80	0,00	0,00	2.051,80	0,00	0,00	2.051,80
387128	MEDIA MARKT POLSKA SP.Z O	4.260,24	0,00	0,00	4.260,24	0,00	0,00	4.260,24
419195	MEDIA MARKT POLSKA SP.Z O	6.530,66	0,00	0,00	6.530,66	0,00	0,00	6.530,66
427116	MEDIA MARKT POLSKA SP.Z O	8.901,12	0,00	0,00	8.901,12	0,00	0,00	8.901,12
432185	MICRO CENTER POL	134.391,54	0,00	0,00	134.391,54	134.391,54	0,00	0,00
397134	MIX ELECTRONICS S.A.	0,00	0,00	0,00	0,00	0,00	0,00	0,00
371601	NETIA SA	0,00	0,00	0,00	0,00	0,00	0,00	0,00
421636	P.H.U. RISET	5.427,78	0,00	0,00	5.427,78	5.427,78	0,00	0,00
124394	PPI-ETC POLAND SP ZOO	18.303,17	18.303,17	18.303,17	0,00	0,00	0,00	0,00
427278	PRAXIS LODZ PILE	5.875,03	0,00	0,00	5.875,03	5.875,03	0,00	0,00
409286	RTT AS	0,00	0,00	0,00	0,00	0,00	0,00	0,00
415320	SATURN PLANET SP Z O.O KR	10.334,62	2.481,48	2.481,48	7.853,14	0,00	2.191,12	5.662,02
405071	SATURN PLANET SP. Z O.O K	4.809,24	0,00	0,00	4.809,24	0,00	4.809,24	0,00
420436	SATURN PLANET SP. Z O.O.	2.130,12	0,00	0,00	2.130,12	0,00	2.130,12	0,00
403471	TELEKOMUNIKACJA POLSKA SA	397.083,35	0,00	0,00	397.083,35	222.140,52	174.942,83	0,00
415078	VECTRA S.A.	21.740,40	0,00	0,00	21.740,40	13.176,00	8.564,40	0,00
	I/C transactions	0,00	0,00	0,00	0,00	0,00	0,00	0,00
		1.006.710,96	**23.209,42**	**23.209,42**	**983.501,54**	**653.449,91**	**232.502,82**	**97.548,81**

Over due vs Total A/R	2,31%

Reconciliation to BS

New Invoices

Balance on '41111000/40911000	1.006.710,96
Difference (not explained)	0,00

Source: Monthly set of reports from Sagem Communications Warsaw, AR report.

Appendix 12: AR report, sheet Weekly LC

Sagem Communications Warsaw
Accounts Receivable
in k PLN

Week	Date	Total Billing (incl. VAT)	DSO	Overdue Target	Overdue %	Total Receivables	Total To Fall Due (TFD)	TFD > 4 m	4 m > TFD > 3 m	3 m > TFD > 2 m	2 m > TFD > 1 m	1 m > TFD	Total Overdue	Overdue < 1 m
JAN Closing	31.01.07													
FEB Closing	28.02.07													
MAR Closing	31.03.07													
APR Closing	30.04.07													
MAY Closing	31.05.07													
JUN Closing	30.06.07													
JUL Closing	31.07.07													
AUG Closing	31.08.07													
SEP Closing	30.09.07													
OCT Closing	31.10.07													
NOV Closing	30.11.07													
DEC Closing	31.12.07													
JAN Closing	31.01.08													
FEB Closing	29.02.08													
MAR Closing	31.03.08													
APR Closing	30.04.08	115	30	17		115	115			77	33	5		
MAY Closing	31.05.08	479	59	89	0,9%	591	585			171	203	211	5	5
JUN Closing	30.06.08	424	58	130	3,0%	870	843			17	477	350	26	26
JUL Closing	31.07.08	510	59	151	2,3%	1.007	984			98	233	653	23	23
AUG Closing	31.08.08													
SEP Closing	30.09.08													
OCT Closing	31.10.08													
NOV Closing	30.11.08													
DEC Closing	31.12.08													

Source: Monthly set of reports from Sagem Communications Warsaw, AR report.

Appendix 13: AR report, sheet Monthly LC

Sagem Communications Warsaw
Accounts Receivable (excl. inter-company receivables)
in k PLN

31. July 2008	TOTAL	Current To Fall Due			Actual Overdue				Quantity of Accounts
		Total	> 1 month	< 1 month	Total	< 1 month	1 - 2 months	> 2 months	
Accounts with COFACE credit limit	1.007	984	653	330	23	23			23
Other accounts									
TOTAL	1.007	984	653	330	23	23			23
% / TOTAL		98%	66%	34%	2%	100%			

	TOTAL	Current To Fall Due			Actual Overdue			
Passed to COFACE								
TOTAL without write-off	1.007	984	653	330	23	23		
% / TOTAL		98%	66%	34%	2%	100%		

Account n°	Customer	Credit Limit		TOTAL	Current To Fall Due			Actual Overdue				Overdue Forecast		
					Total	> 1 month	< 1 month	Total	< 1 month	1 - 2 months	> 2 months	Current Month	Deviation	Next Month
	Selection of the 10 to 20 most important customers in terms of overdue													
124394	PPI-ETC POLAND SP ZOO			18				18	18			18		
336663	DIGITAL MEDIA SERVICE SP			5	3	3		2	2			2		
415320	SATURN PLANET SP Z O.O KR			10	8		8	2	2			4	-1	
	TOTAL SELECTION			34	11	3	8	23	23			24	-1	
	% / TOTAL			3%	31%	26%	74%	69%	100%					
	OTHER CUSTOMERS			973	973	651	322					82	-82	43
	% / TOTAL			97%	100%	67%	33%							
	TOTAL			1.007	984	653	330	23	23			106	-83	43
	% / TOTAL				98%	66%	34%	2%	100%					

Control

	Current Month	Deviation	Next Month
TOTAL FORECASTED AR	1.252	-245	
TOTAL FORECASTED OVERDUE	106	-83	43
Overdue ratio in %	8,5%		
FORECASTED BILLING (incl. VAT)	729	305	
FORECASTED DSO	52	-6	

Source: Monthly set of reports from Sagem Communications Warsaw, AR report.

Appendix 14: Treasury report

NET FINANCIAL STATUS | **Company : Sagem Communiations Warsaw** | **AS OF :** 30.8.2008

Amounts in millions - Amounts in original transaction currencies only - Without accrued interests

I FINANCIAL LIABILITIES	CNY	USD	GBP	CAD	TND	PLN	HUF	SEK	EUR
I.1 Other Financial Liabilities									
Bank loans (long or middle term)									
Profit-sharing / employee saving schemes									
Received security deposits									
Capital / Finance leases									
Other loans and borrowings									
Affiliate loans (*)									
Total Other Financial Liabilities									
I.2 Financial current liabilities									
Cash at bank (**debit balance**)									
Other financial current liabilities : **GE finance**									
Affiliate financial current liabilities : (*)									
Cash Pool SAGEM Coms /Cash Advance									0,20
Other cash advance or loan if any									
Total current financial liabilities (I.2)									**0,20**
TOTAL FINANCIAL LIABILITIES (I = I.1 + I.2)									**0,20**

(*) : Please give the detail for each affiliate (affiliate = any intercompany relationship).

NB :Loans with special repayments conditions : Including no interest bearing loans, grants with flexible but compulsory full repayment. Excluding grants with conditional repay

Other loans and borrowings :

Other current financial liabilities :

II FINANCIAL ASSETS	CNY	USD	GBP	CAD	TND	PLN	HUF	SEK	EUR
II.1 Other Financial fixed assets									
Loans to employees									
Paid security deposits									
Other loans									
Loans to affiliates (*)									
Total other financial fixed assets (II.1)*									
* equal " **Other Financial Assets**" in the Balance sheet									
II.2 Financial current assets									
Cash at bank (**credit balance**)						0,26			0,06
Overnight and similar investments									
Advances and similar to affiliates : (*)									
Cash Pool SAGEM Coms /Cash Advance									
Other cash advance or loan if any									
Total financial current assets (II.2) **						**0,26**			**0,06**
** equal " **CASH**" in the balance sheet									
TOTAL FINANCIAL ASSETS (II = II.1 + II.2)						**0,26**			**0,06**

	CNY	USD	GBP	CAD	TND	PLN	HUF	SEK	EUR
III NET FINANCIAL STATUS (III = II - I)						**0,26**			**-0,14**

Source: Monthly set of reports from Sagem Communications Warsaw, Treasury report.

Appendix 15: Sales report, sheet C1 in LC

QUANTITIES in units	ACT apr.08	ACT May-08	ACT jun.08	ACT jul.08
FAX SETS B2C		747	469	811
FAX CONSUMABLES B2C	540	834	1.125	1.395
FAX SETS B2B				
FAX CONSUMABLES B2B		31	44	35
VIDEO PROJECTORS (excl. Consumables)				
PHOTO PRINTERS (excl. Consumables)				
PHOTOFRAMES		57	70	33
DECT	510	3.078	263	2.002
SET TOP BOXES				
TV				
NEW PRODUCTS				
ADSL				
NETWORK				
MONETEL				
SALES in k PLN	ACT apr.08	ACT May-08	ACT jun.08	ACT jul.08
FAX SETS B2C		112	89	278
FAX CONSUMABLES B2C	32	44	64	81
TOTAL FAX B2C	32	156	153	359
FAX SETS B2B				
FAX CONSUMABLES B2B		7	17	9
TOTAL FAX B2B		7	17	9
VIDEO PROJECTORS (incl. Consumables)				
PHOTO PRINTERS (incl. Consumables)				1
PHOTOFRAMES		11	14	6
DECT	62	217	8	187
SET TOP BOXES				
TV				
NEW PRODUCTS				
ADSL				
NETWORK				
BROADBAND BG - Total Sales of Products Retail	**94**	**392**	**192**	**561**
MONETEL				
TOTAL SALES OF PRODUCTS	**94**	**392**	**192**	**561**
CUSTOMER SERVICE SALES - Third party			5	
CUSTOMER SERVICE SALES - Group			56	
TOTAL CUSTOMER SERVICE SALES			61	
Support service operators - FAX				
Support service operators - DECT				
Supprot Service operators - STB				
Support Service operator - ADSL				
Other service / Intercompany - FAX				
Other service / Intercompany - VIDEO PROJECTORS				
Other service / Intercompany - PHOTO PRINTERS				
Other service / Intercompany - DECT				
Other service / Intercompany - TV				
Other service / Intercompany - SET TOP BOXES				
Other service / Intercompany - ADSL				
Other service / Intercompany - NETWORK				
Other service / Intercompany - GSM				
Other service / Intercompany - DEFENCE & SECURITY				
TOTAL OTHER SERVICE SALES - Group				
TOTAL SERVICE SALES - Group			56	
TOTAL SALES OF SERVICES			**61**	
TOTAL SALES	**94**	**392**	**253**	**561**
of which with related parties (Group)			56	
AVERAGE UNIT SELLING PRICE in LC	ACT apr.08	ACT May-08	ACT jun.08	ACT jul.08
FAX SETS B2C		150	190	343
FAX CONSUMABLES B2C	65	58	62	64
FAX SETS B2B				
FAX CONSUMABLES B2B		239	392	265
VIDEO PROJECTORS				
PHOTO PRINTERS				
PHOTOFRAMES		201	199	179
DECT	121	71	32	93
SET TOP BOXES				
TV				
NEW PRODUCTS				
ADSL				
NETWORK				
MONETEL				

Source: Monthly set of reports from Sagem Communications Warsaw, Sales report.

Appendix 16: Stock report

STOCKS - DETAILS AT THE END OF JULY 2008			
Product	Quantity	Value	
D30T	1226	69861	
D30T_VECTRA	398	20298	
D30T	1	66	
D35C	2	148	
TOTAL DECT	**1627**	**90373**	
IPF325	6	1304,94	
PPF591R	2	804,89	
PPF650	5	1055,77	
MF5481	2	1571,08	
TOTAL FAX	**15**	**4736,68**	
PFA322	17	738,31	
PFA324	5	454,85	
PFA331	3	134,64	
PFA301	2	126,54	
PFA322	8	353,92	
PFA324	2	181,94	
PFA541	3	166,86	
PFA544	3	233,22	
PFA546	2	200,14	
TOTAL CONSUMABLES	**45**	**2590,42**	
AF5080M	1	360,19	
TOTAL PHOTOFRAMES	**1**	**360,19**	
TOTAL	1688	98060,29	

Source: Monthly set of reports from Sagem Communications Warsaw, Stock report.

Appendix 17: International Financial Reporting and Accounting Standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1 First-time Adoption of the International Financial Reporting Standards
IFRS 2 Share-based Payment
IFRS 3 Business Combinations
IFRS 4 Insurance Contacts
IFRS 5 Non-current Assets Held for Sale and Discounted Operations
IFRS 6 Exploration for and Evaluation of Mineral Resources
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1 Presentation of Financial Statements
IAS 2 Inventories
IAS 7 Cash Flow Statements
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 10 Events after the Balance Sheet Date
IAS 11 Construction Contracts
IAS 12 Income Taxes
IAS 14 Segment Reporting
IAS 16 Property, Plant and Equipment
IAS 17 Leases
IAS 18 Revenue
IAS 19 Employee Benefits
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
IAS 21 The Effects of Changes in Foreign Exchange Rates
IAS 23 Borrowing Costs
IAS 24 Related Party Disclosures
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 29 Financial Reporting in Hyperinflationary Economies
IAS 31 Interests in Join Ventures
IAS 32 Financial Instruments: Presentation
IAS 33 Earnings per Share
IAS 34 Interim Financial Reporting
IAS 36 Impairment of Assets
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property
IAS 41 Agriculture

Appendix 18: Abbreviations

ASSC – Accounting Standards Steering Committee
AR – Account Receivable
DSO – Days Sales Outstanding
EBIT – Earnings before Interest and Taxes
EBITDA – Earnings before interest, taxes, depreciation and amortisation
EU – European Union
F & A – Finance & Accounting
HR – Human Resources
IAS – International Accounting Standard
IASB – International Accounting Standards Board
IASC – International Accounting Standards Committee
IFC – International Financial Controller
IFRS – International Financial Reporting Standards

NSO – National Sales Organisation
P & L – Profit & Loss
SAGEM – Societe d'Applications Generales d'Electricite et de Mecanique