

5.8 Other provisions

Accounting policy applied

Provisions are established if the Group is subject to an existing legal or usually expected obligation attributable to future events and when it may be reasonably expected that the fulfilment of this obligation will cause the outflow of cash and the amount of such obligation may be credibly estimated. The recognized amount of provisions reflects the most precise possible estimate of the amount that must be used to settle the ongoing liability as at the balance sheet date, taking into account the risk and uncertainty related to that liability. If provisions are measured using the method of estimated cash flows necessary to settle a current liability, its carrying amount corresponds to the value of those flows at the given moment (if the effect of cash in time is significant). If it is likely that a portion or all the economic benefits, required for settlement of provisions, may be recovered from a third party, such receivables shall be recognized as an asset component if the likelihood of recovering that amount is adequately high and may be credibly estimated.

If it is impossible to unequivocally determine whether the present liability exists, for example in the event of a court case, the Group shall establish reserves for such events if it concludes that after taking into account all the available evidence, such liability is more likely to exist as at the balance sheet date than it is not. If the present liability is more likely not to exist than it is to exist as at the balance sheet date, the Group shall disclose the information on the contingent liability unless it is unlikely that there will be the outflow of the means entailing economic benefits.

Structure of other provisions

2018	Provision for penalties imposed by anti-monopoly authorities	Provision for land reclamation	Provision for VAT liabilities	Provision for onerous contracts	Other provisions	Total
1/01/2018	14.2	5.0	22.3	16.7	24.0	82.2
Recognition	1.2	0.1	1.3	-	14.0	16.6
Reversal	-	-	-	(0.1)	(3.2)	(3.3)
Utilization	(0.6)	-	-	(12.9)	(4.9)	(18.4)
FX differences	-	0.2	-	-	0.1	0.3
31/12/2018	14.8	5.3	23.6	3.7	30.0	77.4
Long-term provisions	14.8	4.4	-	1.3	-	20.5
Short-term provisions	-	0.9	23.6	2.4	30.0	56.9
Total	14.8	5.3	23.6	3.7	30.0	77.4

2017	Provision for penalties imposed by anti-monopoly authorities	Provision for land reclamation	Provision for VAT liabilities	Provision for onerous contracts	Other provisions	Total
1/01/2017	16.4	4.9	-	8.2	21.9	51.4
Recognition	1.0	0.1	22.3	15.8	10.1	49.3
Reversal	-	-	-	-	(6.2)	(6.2)
Utilization	(3.2)	-	-	(7.3)	(1.8)	(12.3)
31/12/2017	14.2	5.0	22.3	16.7	24.0	82.2
Long-term provisions	14.2	4.2	-	3.8	0.3	22.5
Short-term provisions	-	0.8	22.3	12.9	23.7	59.7

2017	Provision for penalties imposed by anti-monopoly authorities	Provision for land reclamation	Provision for VAT liabilities	Provision for onerous contracts	Other provisions	Total
Total	14.2	5.0	22.3	16.7	24.0	82.2

Provision for penalties imposed by anti-monopoly authorities

As at 31 December 2018, this item included:

- provision of PLN 14.2 million for a penalty imposed by the Office for Competition and Consumer Protection (UOKiK);
- provision of PLN 0.6 million for a penalty, established in connection with a pending procedure initiated by the Czech Antimonopoly Office.

In 2018, the movement in provisions was due to the administrative procedure initiated in October 2016 by the Czech Antimonopoly Office against AWT Čechofracht a.s. in connection with the suspicion of involvement in a cartel arrangement in 2004–2010. As a result of the progress of the procedure and analysis of its current status, the Group decided to establish a provision of PLN 1.2 million for a potential penalty, which was subsequently changed to PLN 0.6 million.

As regards the provision for the penalty imposed by UOKiK, on 15 October 2018 the Court of Competition and Consumer Protection issued a judgment in which it dismissed the Parent Company's appeal and upheld in its entirety the contested decision. Accordingly, in the financial year ended 31 December 2018, no circumstances emerged that would make it necessary to update the established provision of PLN 14.2 million.

Provision for land reclamation

The provision has been established to cover future expenses associated with the duty to reclaim the land. The estimated amount of the provision corresponds to the current value of expected future expenses.

Provision for onerous contracts

As at 31 December 2017, this provision represented the amount of the anticipated loss for two procurement agreements for which the inevitable costs of fulfilling the resulting duties were higher than the predicted benefits achievable under those agreements. As a result of the performance of these agreements in the financial year ended 31 December 2018, the amount of PLN 12.9 million of the provision was utilized.

Provision for VAT liabilities

The provision concerns settlements with the Tax Inspection Authority in connection with the pending inspection procedure in PKP CARGO CONNECT Sp. z o.o. to verify the declared taxable base and calculations and payments of the value-added tax for the period from April 2013 to July 2013. The increase in this item is due to the accrual of interest on state budget payments.

Other provisions

This line item mostly includes the provisions established for disputed settlements, litigation and liquidated damages in the event of which it is more likely that there will be an outflow of cash in connection with the performance of those claims than it will not.

According to the Parent Company's Management Board, the amount of other provisions as at 31 December 2018, and as at 31 December 2017, constitutes the best estimate of the amount that will likely have to be paid. The estimate is based on the management's best knowledge, the experience to date and other factors which are considered to be the most reasonable in the given situation.