



Announcing Financial Results

The Financial Conduct Authority’s (FCA) Disclosure and Transparency Rules (DTR) set out the procedures for financial reporting to the market (DTR 4: Periodic financial reporting). This includes the requirement for companies to ‘make public’ their annual financial report.

The requirement for companies to produce a preliminary statement of results became optional from the introduction of the EU Transparency Directive in 2007.

Deadlines for Producing Periodic Financial Information		
Announcement / Report	Deadline	Example (for 31 December year end)
Annual Financial Report	4 months (DTR 4.1.4)	By 30 April
Preliminary Statement	Voluntary (no deadline)	
Half-yearly report	2 months (DTR 4.2.2 (2))*	By 31 August

A FCA consultation paper which closes in May 2015 contains proposals to extend for the deadline for publishing half-year reports from two months to three months after the end of the half year.

The requirement to produce an interim management statement twice a year has been abolished with effect from 7 November 2014.

Publishing the Annual Financial Report

There are certain requirements for companies to be aware of in order to ensure that they have ‘published’ their annual financial report.

When the DTR changes were originally announced back in 2007 it was assumed that the requirement to publish an annual financial report (DTR 4.1) would be satisfied by attaching a PDF to an announcement. However a publications update issued by the UKLA in March 2009 indicated that this was not correct as a pdf cannot be used as an alternative to "unedited full text" as required by DTR 6. Although DTR 6.5.3(2)(a) states that annual reports are exempt from this requirement, DTR 6.5.3(2)(b) says that this exemption does not apply to information "of a type" which is outlined in DTR 4 and includes financial items required under the half-yearly report.

Consequently and, at the very least, in order for the preliminary/final results announcement to satisfy the requirement to publish an annual financial report, it needs to include the following information:





- An indication of important events that have occurred and their impact on the condensed set of financial statements (this would probably be included in the Chairman’s statement);
- A description of the principal risks and uncertainties;
- Disclosure of related party transactions; and
- A responsibility statement.

What you must include in the preliminary results announcement

Although releasing a preliminary results announcement is now optional, most quoted companies will issue a preliminary results announcement followed by the usual round of analyst and investor briefings. This is in order to ensure that there is compliance with the need to release inside information as soon as possible under the Market Abuse Directive as set out in DTR 2.

The format of the preliminary announcement must be consistent with the presentation adopted in that year’s annual accounts and must be approved by the company’s auditors before publication. General practice is for the annual report to be signed off at the same time as any preliminary statement and auditors are very reluctant to accept any changes to the annual report after this time apart from very minor amendments.

The statement must be published as soon as possible after Board approval and agreed with the company’s auditors. The content of the preliminary statement is specified in Listing Rule 9.7A. It must:

- Show the figures in the form of a table, including the items required for a half-yearly report, consistent with the presentation to be adopted in the annual accounts;
- Give details of the nature of any likely modification or emphasis-of-matter paragraph that may be contained in the auditor’s report required to be included with the annual financial report; and
- Include any significant additional information necessary for the purpose of assessing the results being announced.

UKLA Technical Note UKLA/TN/502.1 clarifies that the preliminary statement does not have to be prepared in accordance with IAS 34. Companies will usually include in the preliminary/final results announcement the Chairman’s and CEO’s statements and the Financial Review (or equivalent) sections from the Annual Report.

Issuing the annual report and accounts

The timescales for despatching the annual report and accounts to shareholders once the preliminary results announcement has been made will vary from company to company depending on how advanced they are in their preparation of the hard copy annual report - there is no hard and fast rule. However, the UK Corporate Governance Code specifies that the AGM Notice, which is nearly always issued with the annual report,



should be sent to shareholders at least 20 working days before the meeting. This deadline will give the latest posting date for the annual report.

What you must include in half-yearly reports

Requirements for half-yearly reports are set out in DTR 4.2.

Half-yearly reports must contain:

- A condensed set of financial statements.
- An Interim Management Report (IMR) (contents set out in DTR 4.2.7).
- A responsibility statement.

The half-yearly report must be published via a Regulatory Information Service (RIS), and the full text of all the regulatory information, particularly that required in DTR 4, must be communicated in this way.

A company must ensure that information published via an RIS is replicated in full on its website. The website should not contain more information than is published on RIS.

Under DTR 4.2.7 (2), the IMR must report the company's principal risks and uncertainties for the remaining six months of the financial year. A UKLA Technical Note (UKLA/TN/501.1) clarifies this point, indicating that the principal risks and uncertainties disclosed at the time of the annual report may remain valid for the purpose of the IMR. In this case it is acceptable in the half-year report to:

- State that the principal risks and uncertainties have not changed;
- Provide a summary of those principal risks and uncertainties; and
- Include a cross-reference to where a detailed explanation of the principal risks and uncertainties can be found in the annual report.

If the risks have changed since the annual report the new risks should be described in the IMR.

Details of the responsibility statement

The responsibility statement must confirm that:

- The half year financial report has been prepared in accordance with IAS 34;
- The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8; and
- The condensed set of financial statements give a true and fair view of the assets, liabilities, financial position, and profit and loss of the company.



The DTR does not define who should make the responsibility statement, but companies must clearly state the name and the function of those making the statement (UKLA Technical Note UKLA/TN/501.1). The Technical Note suggests that they would expect those making the responsibility statement to be either the whole board of directors or one or more directors on behalf of the board.

Close Periods

Close periods for those companies reporting quarterly are 30 days before the announcement of the first, second and third quarter results and 60 days before the release of the fourth quarter/full-year figures.

For companies that do not report quarterly, the close period for full year results is two months before the announcement of the results or, if shorter, the period from the end of the accounting period until the results are released. For half-year reports, the close period is from the end of the relevant (six month) financial period up to and including the time of the report.

Prism perspective

For practical reasons most companies now make two announcements relating to their annual results. The first is the preliminary/final results announcement with content that complies with the annual financial report requirements. This is followed by a short announcement relating to the submission of the annual report to the National Storage Mechanism along with the Notice of AGM, the posting of the annual report to shareholders and availability of the annual report on the company's website. Where companies have omitted to include information in the preliminary/final results announcement, such as related party transactions and the responsibility statement, that are needed to ensure that the annual financial report has been 'published', these should be added to this second announcement. We would advise however that all relevant information is included in the preliminary/final results announcement to ensure these items are not over looked.

Useful links and sources

www.fsa.gov.uk

Listing Rules

Disclosure and Transparency Rules

UKLA Technical Note Half-yearly and annual reports (UKLA/TN/501.1)

UKLA Technical Note Preliminary statement of annual results (UKLA/TB/502.1)

UKLA Technical Note Periodic financial information and inside information (UKLA/TN/506.1)

Prism Cossec

April 2015