



The Association of Investment Companies

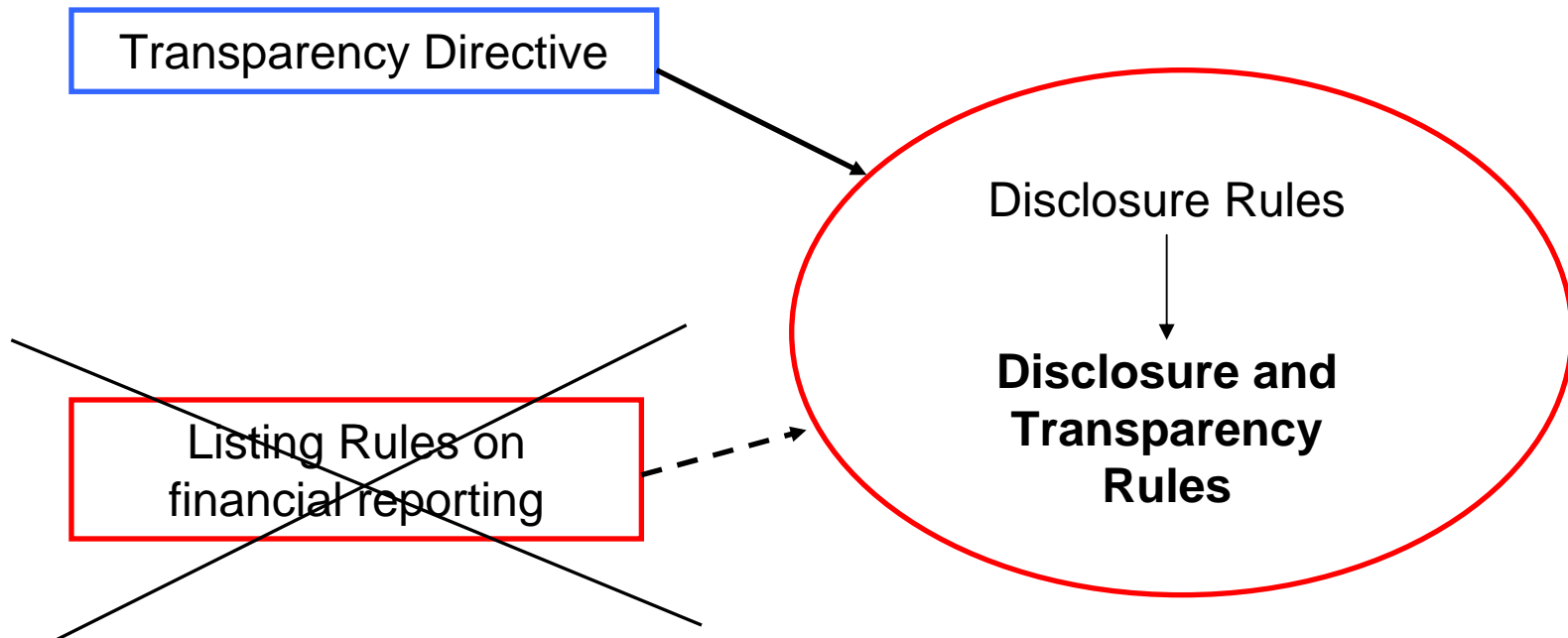
Disclosure and Transparency Rules on periodic financial reporting for offshore investment companies

AIC Seminar

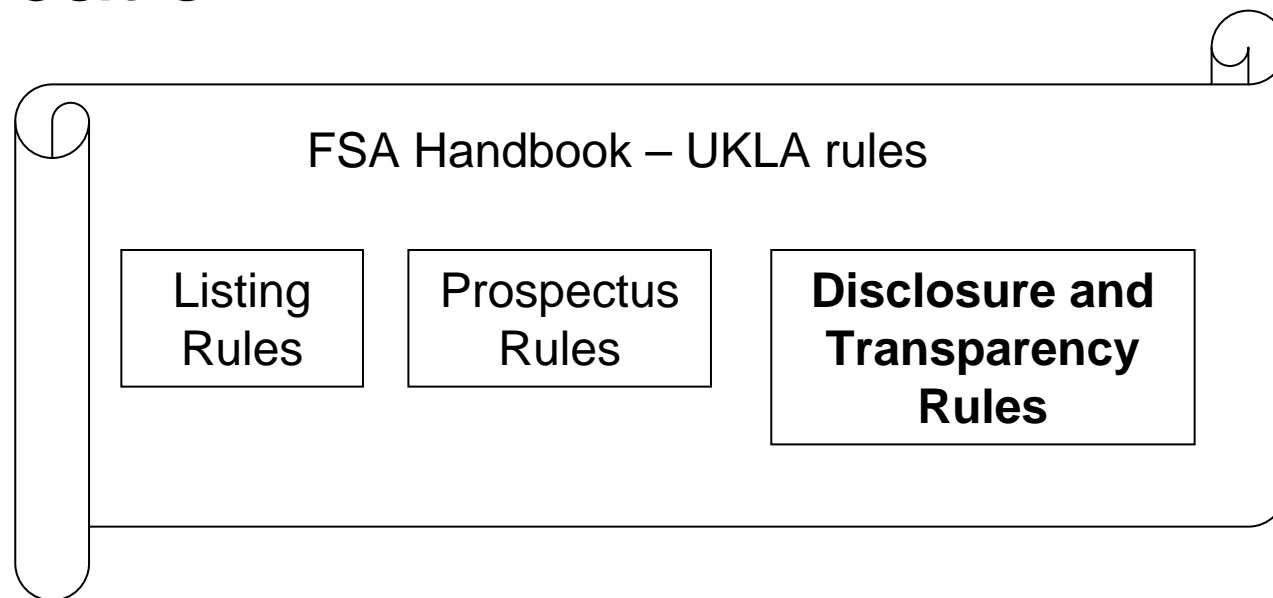
Scope of seminar

- Disclosure and Transparency Rules (DTR) - background
- Periodic financial reporting:
 - annual financial reports
 - half-yearly financial reports
 - interim management statements
 - regulatory announcements
- Offshore investment companies

Creation of DTR



Location



- DTR can be found online at www.fsahandbook.info/FSA/html/handbook/DTR

Timing

- Came into effect for accounting periods beginning on or after 20 January 2007
 - All companies now under new regime

Content of DTR

- DTR 1 **Introduction**
- DTR 1A **Introduction (Transparency rules)**
- DTR 1B **Introduction (Corporate governance)**
- DTR 2 **Disclosure and control of inside information by issuers**
- DTR 3 **Transactions by persons discharging managerial responsibilities and their connected persons**
- DTR 4 **Periodic Financial Reporting**
- DTR 5 **Vote Holder and Issuer Notification Rules**
- DTR 6 **Continuing obligations and access to information**
- DTR 7 **Corporate governance**

Application of DTR 4 and DTR 6.3

- Applies to issuers whose shares are admitted to trading and whose Home State is the UK
 - 'admitted to trading' means on a regulated market
 - 'home state' is defined

Periodic Financial Reporting

	Report (DTR 4)	Announcement (DTR 6)
Annual financial report	✓ (D4.1)	✓
Half-yearly financial report	✓ (DTR 4.2)	✓
Interim management statement (two per year)	✓ (DTR 4.3)	✓

Annual financial reports (AFR)

- Annual financial report must include:
 - audited financial statements
 - audit report
 - management report
 - responsibility statement

Management report (AFR)

- Must contain a *“fair review of the issuer’s business”*
 - a balanced and comprehensive analysis of:
 - the development and performance of the business during the year
 - the position of the business at the end of that year
 - include financial KPIs and (if appropriate) other KPIs
 - link to figures in financial statements where appropriate

Management report (AFR) (cont.)

- Management report must also contain:
 - a description of the principal risks and uncertainties
 - an indication of
 - any important events post year end
 - likely future development
 - acquisitions of own shares
 - information on financial instruments

Responsibility statement (AFR)

- Responsibility statement
 - made by *“persons responsible within the issuer”*
 - sets out, to the best of his/her knowledge
 - financial statements give a true and fair view
 - management report is compliant with DTR

Half-yearly financial reports

- Half-yearly report must:
 - cover the first six months of financial year
 - contain:
 - condensed set of financial statements
 - interim management report
 - responsibility statement
 - audit report or review report, or statement if none

Half-yearly financial reports (cont.)

- Condensed set of financial statements must contain:
 - condensed balance sheet
 - condensed income statement
 - comparatives
 - explanatory notes

Half-yearly financial reports (cont.)

- Interim management report
 - indication of important events in the period and their impact on the financial statements
 - description of the principal risks and uncertainties for the remaining six months
 - related party transactions

Periodic Financial Reporting

	Report (DTR 4)	Announcement (DTR 6)
Annual financial report	✓ (D4.1)	✓
Half-yearly financial report	✓ (DTR 4.2)	✓
Interim management statement (two per year)	✓ (DTR 4.3)	✓

Regulatory announcements

- “An issuer must make public its annual financial report at the latest four months after the end of each financial year”.
- “The half-yearly financial report must be made public as soon as possible, but no later than two months, after the end of the period to which the report relates”.
- “make public” means releasing a market announcement

Regulatory announcements (cont.)

- Timing:
 - announcement must contain an *“indication of which website the relevant documents are available”*
 - so full report must be ready before announcement deadline

Half-yearly announcements

- *“Regulated information must be communicated to the media in unedited full text”*
 - so ‘mandatory’ parts of half-yearly report should be reproduced in the announcement
 - exception for principal risks and uncertainties
 - extra info not subject to *“unedited full text”*

Annual announcements

- *“Unedited full text”* but only for the information which *“is of a type that would be required to be disseminated in a half-yearly financial report”*
 - therefore annual announcement ‘looks like’ half-yearly announcement
 - extra info not subject to “unedited full text”
- No requirement for annual announcement to be agreed with auditors

Preliminary announcements

- Annual announcement replaces preliminary announcement
 - May still release optional preliminary as well
 - must comply with Listing Rules 9.7A
 - FSA warning!
 - Two stage-approach

Dissemination

- Must be made available on a *“fast, non-discriminatory basis to the public in all EEA States”*
- Established system in UK – use approved RIS provider
- Company must ensure RIS provider applies minimum standards:
 - dissemination as widely and as simultaneously as possible
 - secure, minimise risk of data corruption and unauthorised access
 - state info is regulated + company name, subject matter, time & date

Dissemination (cont.)

- Use of PDF documents
 - Text must be in “unedited full text” in body of announcement
 - OK for *“indication of which website the relevant documents are available”*

Dissemination (cont.)

- Two general points:
 - *“not misleading, false or deceptive and does not omit anything likely to affect the import of the information”*
 - *“not combine, in a manner likely to be misleading, an RIS announcement with the marketing of its activities”*

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Interim management statements

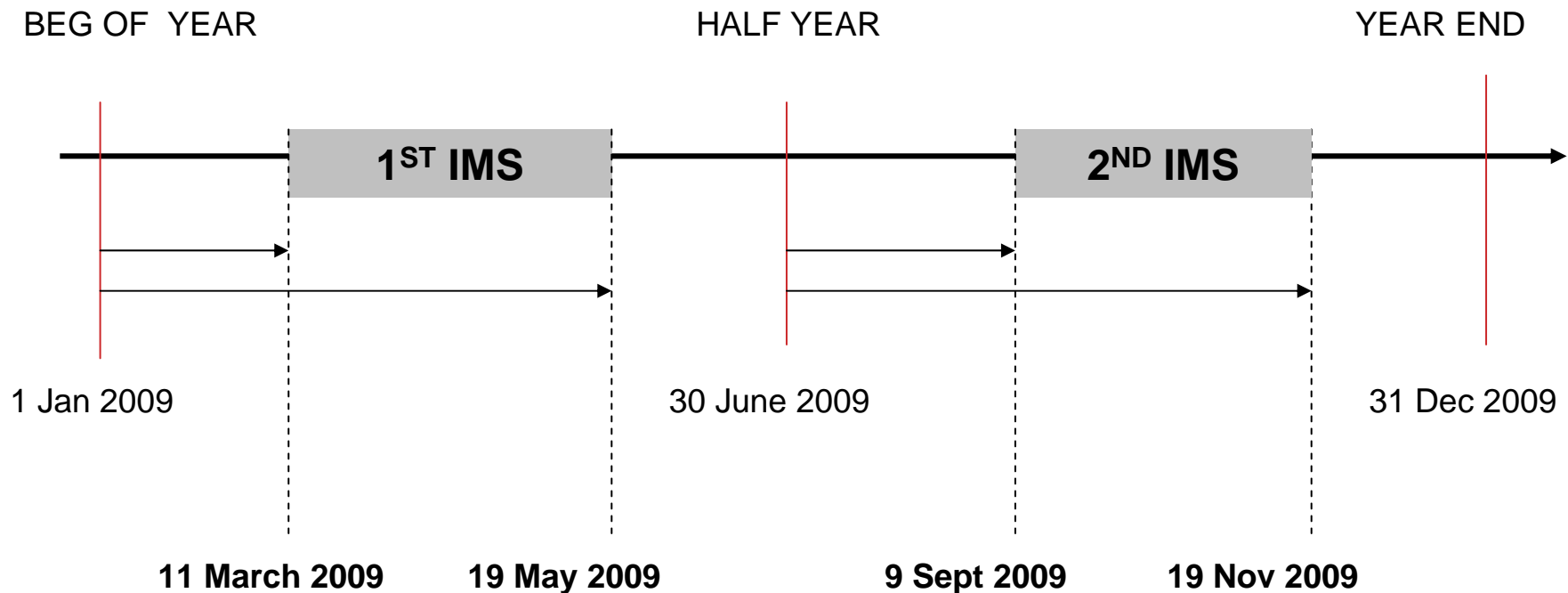
- Two IMSs per year
 - “An issuer must make public a statement by its management during the first six-month period of the financial year and another statement by its management during the second six month period of the financial year.”
- Plus regulatory announcement
 - “unedited full text”
 - include indication of which website the IMS is available

Interim management statements (cont.)

- The statement
 - *“.... must be made in a period between ten weeks after the beginning, and six weeks before, the end of the relevant six-month period.”*
 - *“.... must contain information that covers the period between the beginning of the relevant six-month period and the date of publication“.*

Interim management statements (cont.)

Example of Dec year end:



Interim management statements (cont.)

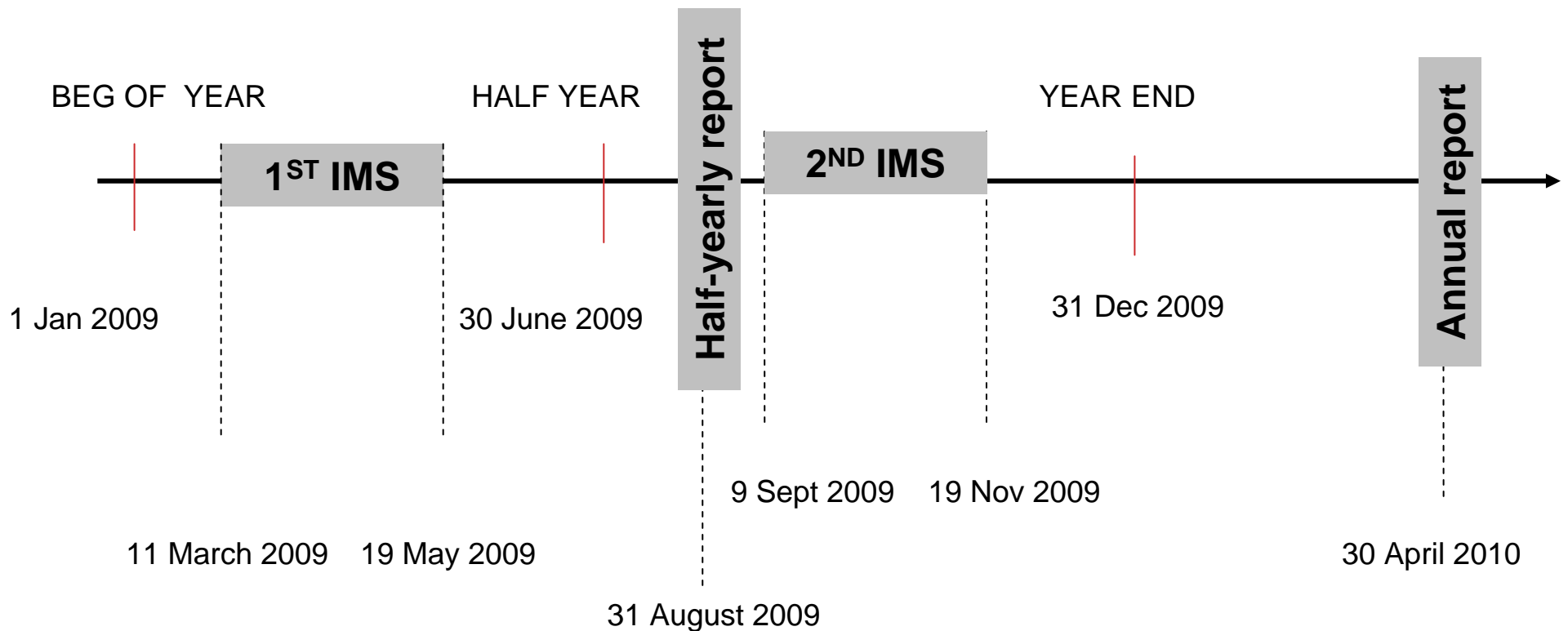
- Explanation of
 - material events and their impact on the financial position
 - material transactions and their impact on the financial position
- General description of
 - financial position
 - financial performance

Interim management statements (cont.)

- Exemption
 - No IMS required if already publish quarterly financial report
 - in accordance with “*national legislation*”, or
 - in accordance with the “*rules of the regulated market*”, or
 - “*of its own initiative*” (but in accordance with “*national legislation*” or “*rules of the regulated market*”)

Conclusion

Four key reporting events under DTR (example of Dec year end)



More information

- AIC guidance (www.theaic.co.uk/technical)
 - “Publication and Dissemination of Periodic Financial Information”
 - “Further Guidance on the Disclosure and Transparency Rules”
 - “Interim Management Statements”
- FSA (www.fsa.gov.uk)
 - List 14! Special edition on the Transparency Directive
 - FSA updates



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