

Financial Reporting Bulletin

ASB Statement on 'Half-yearly financial reports'

Background

The Accounting Standards Board (ASB) issued a statement on 'Half-yearly financial reports' in 2007 which provides guidance for any UK and Irish entities that are required or choose to prepare half-yearly financial reports and are not required by the Disclosure and Transparency Rules (DTR) to apply IAS 34 'Interim financial reporting' (see FRB Issue 7 2007 *Transparency Directive – Disclosure and Transparency Rules*).

Although the statement is intended to be persuasive rather than mandatory, DTR 4.2.10 mandates its use by UK fully listed entities reporting under UK GAAP (ie those without subsidiaries and which have not chosen to use IFRS) by clarifying that such entities can satisfy the requirement for half-yearly reports to give a true and fair view by a statement that they have been prepared in accordance with pronouncements on interim reporting issued by the ASB.

Requirement

The statement updates and replaces the ASB's 1997 statement 'Interim reports'. The ASB has made the minimum number of changes necessary to make the statement consistent with the DTR as well as all major aspects of IAS 34, and to ensure it does not give rise to conflicting guidance. The main changes include:

- Renaming the statement 'Half-yearly financial reports'.
- Introducing a Summary and Objective paragraph to replace the previous Introduction.
- Updating the wording of the statement to use language appropriate to IAS 34 and the DTR.
- Adding an Appendix to reflect the current legal and regulatory framework.

The legal and regulatory framework explained

The Transparency Directive (TD) is designed to enhance transparency on EU capital markets by requiring regulated market issuers to produce periodic financial reports. The TD had to be implemented by all Member States by 20 January 2007.

The DTR are the rules which have been developed by the Financial Services Authority (FSA) for the UK implementation of the TD (see FRB Issue 7 2007). The FSA implemented the TD in full and made no amendments to the provisions on half-yearly reports.

In practise, the requirements of the DTR for those entities covered by its periodic reporting requirements are that:



Financial Reporting Bulletin Issue 10 2008

- Publicly quoted entities using International Financial Reporting Standards (IFRS) as endorsed by the European Commission for their annual accounts, eg fully-listed UK entities producing consolidated accounts, must produce half-yearly reports in accordance with IAS 34 'Interim financial reporting' for accounting periods beginning on or after 20 January 2007; and
- Those entities that continue to apply UK financial reporting standards eg UK fully-listed solo entities, should produce half-yearly reports in accordance with the July 2007 Statement on 'Half-yearly financial reports'.

As the Alternative Investment Market (AIM) is not a regulated market, AIM-listed companies are not subject to the DTR and are not currently required to apply IAS 34 'Interim Reporting'.

Effect

The ASB statement is effective:

- For companies preparing half-yearly reports in accordance with the DTR under UK GAAP eg UK fully-listed solo entities (ie other than those required to apply IAS 34) for periods commencing on or after 20 January 2007.
- Immediately as non-mandatory guidance for other companies who are voluntarily preparing half-yearly reports.

Action required

Preparers of accounts should ensure that UK entities within the scope of the DTR periodic reporting requirements comply with the ASB statement if they issue half-yearly reports that are not required to be prepared in accordance with IAS 34.

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