



IAASA PRESS STATEMENT

IAASA publishes commentary on the results of its financial reporting review activities

The enactment of the Transparency Regulations last June is reflective of the fact that the efficient functioning of financial markets depends on, amongst other things, investors' ability to rely on the periodic financial information published by issuers whose securities have been admitted to trading on regulated capital markets.

Speaking about the results of IAASA's financial reporting review activities to date, Chief Executive, Ian Drennan said:

'Since the Regulations came into effect last June, in excess of 60 half-yearly financial reports have been published by issuers and IAASA has undertaken reviews of over half of those reports - across the three categories of equity, debt and closed ended funds. Based on those reviews, we have found the standard of compliance with issuers' statutory financial reporting obligations to be varied. While some issuers' reports have displayed a high standard of compliance, at the other end of the spectrum certain issuers' reports have indicated significantly less awareness and knowledge of the requirements and, as a consequence, have been found to be non-compliant to varying degrees.'

'To date we have corresponded with the directors of approximately 90% of those issuers whose reports have been selected for examination - again across all three categories. In this regard our experience thus far has been that, relative to the other two categories, equity issuers are displaying a better level of knowledge of, and compliance with, their obligations.'

'We are pleased to have found issuers' responses to our contacts to date to be both positive and constructive, with boards of directors being willing to actively engage in addressing issues arising with a view to reaching mutually satisfactory outcomes in investors' and the wider public's interest. As a result of our having initiated contact with issuers' boards of directors, there have been nine instances in which issuers have agreed to publish revised half-yearly financial reports. Similarly, in other instances, matters arising have been addressed to our satisfaction by way of agreement with issuers - for example, through the provision of undertakings to make necessary improvements or other amendments in future periodic financial reports.'

Explaining the purpose of the Commentary which has been published today by IAASA, Mr Drennan said:

'Due to the phased manner in which the Regulations have been introduced, the requirement to publish half-yearly financial reports will only apply for the first time for a significant number of issuers from the end of August. Having regard to the fact that the requirements introduced by the Regulations are still relatively new, and against the backdrop of the results of our reviews to date, we consider it appropriate at this time to take the initiative of publishing a summary of the more significant issues that have been identified. In so doing, our primary intention is to provide assistance to those preparing half-yearly financial reports for the first time under the Regulations and to assist issuers' audit committees and boards of directors in discharging their associated functions and obligations respectively, thereby furthering the overall objective of contributing to the enhancement of public confidence in the quality of statutory financial reporting in Ireland.'

ENDS/

EDITORS' NOTE

1. The EU Transparency Directive

EU Directive 2004/109/EC (the Transparency Directive) is one of the elements of the European Commission's Financial Services Action Plan (FSAP), the purpose of which is to create a single European capital market. The Directive works alongside other pieces of FSAP legislation, including the Market Abuse and Prospectus Directives.

The Directive is concerned with the harmonisation of information requirements applying to entities whose securities have been admitted to trading on a regulated market situated, or operating, within the EU (such entities are known as 'issuers'). Specifically, the Directive seeks to enhance transparency in EU capital markets through a common framework which requires:

- the production of periodic financial reports;
- shareholders to disclose major shareholdings;
- the dissemination of regulated information; and
- the provision of central mechanisms for sharing regulated information.

The Directive came into effect in Ireland from 13 June, 2007, having been transposed through a combination of primary legislation (the Investment Funds, Companies and Miscellaneous Provisions Act, 2006) and secondary legislation (the Transparency (Directive 2004/109/EC) Regulations, 2007 ('the Regulations')).

2. IAASA's role under the Transparency Directive

Under the Regulations, IAASA has been designated as the independent competent authority for examining whether issuers' annual and half-yearly financial reports ('*periodic financial reports*') have been prepared in accordance with the relevant reporting framework (i.e., applicable accounting pronouncements and legal requirements). Under the Regulations, IAASA has also been conferred with a range of statutory powers to enable it to take appropriate measures in cases of suspected infringements.

3. IAASA's review constituency

IAASA's review constituency under the Regulations is currently in excess of 300 issuers, comprising three distinct categories, i.e., (i) issuers of equity, (ii) issuers of debt; and (iii) closed ended funds, analysed as follows:

Equity issuers	37
Closed Ended Funds	64
Debt issuers	<u>207</u>
Total	<u>308</u>

4. Half-yearly financial reports

The Regulations require that affected issuers publish half-yearly financial reports within two months of the end of the first six months of their financial years. Half-yearly financial reports must include, at a minimum:

- a condensed set of financial statements;
- an Interim Management Report; and
- a Responsibility Statement.

4.1 Condensed financial statements

In contrast to the position regarding annual financial statements, condensed financial statements do not require to be audited.

4.2 Interim Management Reports

In summary, Interim Management Reports are required to include a fair review of:

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- in the case of issuers of shares (i.e. equity issuers and closed ended funds), details of material related party transactions.

4.3 Responsibility Statements

A Responsibility Statement is a statement required to be made by persons responsible within the issuer to the effect that, to the best of their knowledge:

- the condensed financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the profit/loss, assets, liabilities and financial position of the issuer, or the undertakings included in the consolidation as a whole; and
- the Interim Management Report includes a fair review of the information required to be included therein.

5. Summary of principal issues arising to date

Details of the principal issues that have been identified to date through IAASA's reviews of selected issuers' half-yearly financial reports are set out in Section 2 of the Commentary. In summary, matters arising have included:

- minimum content requirements, as provided for by the Regulations and applicable accounting pronouncements, not being met;
- deficiencies in disclosures concerning events or transactions that are significant to an understanding of the changes in financial position and performance of the issuer since the last annual reporting date
- omission of certain disclosures required by applicable accounting Standards, for example, in respect of business combinations and related party transactions;
- failure to provide required comparative information (i.e. in respect of previous periods);
- non-compliance with applicable requirements regarding the format and content of condensed financial statements;

- non-compliance with requirements relating to Interim Management Reports; and
- non-compliance with requirements relating to Responsibility Statements.

6. Board of Directors

IAASA's Board of Directors comprises:

Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services
Mr. Ian Drennan	Chief Executive
Mr. Paul Appleby	Director of Corporate Enforcement
Ms. Helene Coffey	Partner, Coffey & McMahon Solicitors
Ms. Marie Daly	Head of Legal & Regulatory Affairs, IBEC
Mr. Michael Deasy	Head of Financial Institutions and Funds Authorisations, Financial Regulator
Mr. Sean Hawkshaw	Managing Director, KBC Asset Management Limited
Mr. Pat A. Houlihan	Assistant Principal, Company Law/EU Section, Department of Enterprise, Trade & Employment
Mr. Jim Kelly	Secretary, Commission on Taxation
Mr. Tony Kelly	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors
Mr. Brendan Kennedy	Chief Executive, Pensions Board
Mr. David Martin	Company Director
Mr. Donal O'Connor	Partner, PricewaterhouseCoopers, Chartered Accountants & Registered Auditors
Senator Joe O'Toole	Member of Seanad Éireann
Mr Gerard Scully	Director of International Primary Markets, Irish Stock Exchange

7. Further information

General information on IAASA and its activities can be obtained at the following contact points:

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